



PRESS RELEASE
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PHOENIX REPORTS RECORD FINANCIAL AND OPERATIONAL RESULTS FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010

Phoenix Technology Income Fund ("Phoenix" or the "Fund") is pleased to report on its financial and operating results for the three and nine-month periods ended September 30, 2010. For the three-month period ended September 30, 2010, the Fund generated the highest level of quarterly consolidated revenue during its 15-year history; \$60.0 million in the 2010-quarter as compared to \$27.1 million in the 2009-quarter, which is an increase of 121 percent. Record activity levels were realized in all three of the Fund's geographical regions, with new benchmarks set in both Canada and the US. Consolidated operating days for the 2010-quarter increased by 113 percent to 6,052 days from 2,846 days generated in the comparable 2009-quarter.

Distributable cash for the three-month period ended September 30, 2010 was \$11.0 million, and with quarterly distributions of \$3.0 million, the cash payout ratio for the third quarter was 28 percent.

On August 12, 2010, Phoenix announced that it would seek Unitholder approval to convert its structure from an income trust to a growth oriented, dividend paying, publicly listed corporation ("New Phoenix"). The conversion will be completed pursuant to a Plan of Arrangement (the "Arrangement") under the Business Corporations Act (Alberta) and it is expected to be effective on December 31, 2010. It is the current intention of Phoenix that, following the completion of the Arrangement, New Phoenix will establish a dividend policy of paying monthly dividends to the Shareholders with the initial monthly dividend presently anticipated to be \$0.04 per Share payable of record on January 31, 2011.

Due to the strong level of current and anticipated future demand, the Fund has raised its capital expenditure budget to a record \$47.2 million. Phoenix anticipates that its 2010 concurrent job capacity will grow by 36 percent from the 113 measurement while drilling ("MWD") systems that were present at the start of 2010 to 154 systems by year end.

In addition, Phoenix is pleased to announce that Russian operations commenced in September and the Fund expects further international growth with its entry into the Colombian drilling market in early 2011. Colombia's drilling market has a high percentage of wells that utilize horizontal and directional drilling services and is focused on oil production, both of which are advantageous for the establishment of Phoenix's operations.

FINANCIAL HIGHLIGHTS

(Stated in thousands of dollars except per unit amounts, percentages and units outstanding)

	Three-month period ended September 30,			Nine-month period ended September 30,		
	2010	2009	% Change	2010	2009	% Change
Operating Results	<i>(unaudited)</i>	<i>(unaudited)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	59,959	27,138	121	139,758	79,758	75
Net earnings	7,264	3,145	131	12,000	7,733	55
Earnings per unit – diluted	0.27	0.13	108	0.45	0.32	41
EBITDA ⁽¹⁾	12,658	4,615	174	22,313	12,548	78
EBITDA per unit – diluted ⁽¹⁾	0.47	0.19	147	0.83	0.51	63
Cash Flow						
Cash flows from operating activities	(3,696)	(1,635)	126	5,362	7,724	(31)
Distributable cash ⁽¹⁾	11,045	2,921	278	20,220	12,110	67
Distributable cash per unit – diluted ⁽¹⁾	0.41	0.12	242	0.76	0.50	52
Cash distributions made	3,049	6,144	(50)	9,073	18,575	(51)
Cash distributions per unit ⁽²⁾	0.12	0.255	(53)	0.36	0.765	(53)
Cash payout ratio ⁽¹⁾	28%	210%		45%	153%	
Capital expenditures	14,863	1,069	n.m.	32,745	8,709	276
Financial Position - (unaudited)				Sept 30, '10	Dec 31, '09	
Working capital				22,049	21,013	5
Long-term debt ⁽³⁾				22,000	-	n.m.
Unitholders' equity				97,450	91,452	7
Fund units outstanding				27,006,495	26,505,110	2

⁽¹⁾ Refer to non-GAAP measures section.

⁽²⁾ Cash distributions on a per unit basis paid in the period.

⁽³⁾ Includes current portion of long-term debt.

n.m. – not meaningful

NON-GAAP MEASURES

The Fund uses certain performance measures throughout this document that are not recognizable under Canadian generally accepted accounting principles (“GAAP”). These performance measures include earnings before interest, taxes, depreciation, and amortization (“EBITDA”), EBITDA per unit, distributable cash, distributable cash per unit, and cash payout ratio. Management believes that these measures provide supplemental financial information that is useful in the evaluation of the Fund’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 Phoenix’s performance. Phoenix’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 Fund referenced herein, including statements related to the Fund's capital expenditures, projected growth, view and outlook toward future oil and natural gas commodity prices and activity levels, cash distributions, 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 Fund 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 contain in this document include:

- The conversion to a growth oriented, dividend paying, publicly listed corporation ("New Phoenix") will be completed pursuant to a Plan of Arrangement (the "Arrangement") under the Business Corporations Act (Alberta) and it is expected to be effective on December 31, 2010. It is the current intention of Phoenix that, following the completion of the Arrangement, New Phoenix will establish a dividend policy of paying monthly dividends to the Shareholders with the initial monthly dividend presently anticipated to be \$0.04 per Share payable of record on January 31, 2011;
- Due to the strong level of current and anticipated future demand, the Fund has raised its capital expenditure budget to a record \$47.2 million. Phoenix anticipates that its 2010 concurrent job capacity will grow by 36 percent from the 113 MWD systems that were present at the start of 2010 to 154 systems by year end;
- The Fund expects further international growth with its entry into the Colombian drilling market in early 2011. Colombia's drilling market has a high percentage of wells that utilize horizontal and directional drilling services and is focused on oil production, both of which are advantageous for the establishment of Phoenix's operations;
- Due to the current high level of customer demand, the Fund has ordered another 10 positive pulse MWD systems. These systems are expected to be delivered during the fourth quarter of 2010 for deployment in the North American market, or internationally, if required. At the end of 2010, the Fund expects to have a fleet of 154 MWD systems, which would include five RWD systems;
- It is expected that day rates in Canada may modestly increase in upcoming quarters due to the strong level of anticipated demand for Phoenix's services;
- It is anticipated that day rates in the US will continue to increase modestly in certain areas in future quarters;
- It is expected that operations will commence in Colombia in the first quarter of 2011; initially with a two to three job capacity;

- It is anticipated that the Fund has the potential for continued growth in Albania in upcoming periods. Phoenix's full service shop and motor repair facility in Fier, Albania is now operational and it is anticipated that this will enhance the profitability of the Fund's Albanian operations in future quarters;
- Phoenix expects that its activity in Peru will grow as a result of positioning additional marketing personnel in this region;
- The establishment of a full service motor repair facility at the operational facility in Nizhnevartovsk, Siberia is expected to be completed in the first quarter of 2011. Phoenix TSR has a concurrent job capacity of three, but this is expected to increase in future periods;
- With the continued expansion of Albania, Peru, and Russia, and from the addition of operations in Colombia, Phoenix expects that its international presence will continue to grow in upcoming quarters;
- Rentals negatively impacted margins in the quarter, however, additional capital equipment is on order and will be placed in service during the next quarter to help alleviate future rental requirements;
- The balance of the unspent capital expenditure budget is expected to be financed from cash flow from operations, working capital and by the Fund's unused credit facilities, where required;
- With oil commodity prices forecasted to be stronger than natural gas prices in the near future, producer companies are anticipated to focus on lucrative oil formations. This is expected to benefit the Fund's operations in upcoming quarters as these wells typically require horizontal drilling;
- Although, a reduction may be felt in certain gas formations, the Fund believes this will be offset, if not exceeded by, client demands in these strategic natural gas shales;
- The Fund believes that the momentum of its international operations will require additional equipment to be deployed, and will likely continue to diversify its revenue sources while counter balancing some of the cycles in the North American market;
- Phoenix expects this, the largest capital build in the Fund's history, to alleviate these added rental costs.

In addition to other factors and assumptions which may be identified in this document and other continuous disclosure documents of the Fund 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 Fund 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 Fund'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 Fund's website. The forward-looking statements and information contained in this document are expressly qualified by this cautionary statement. The Fund 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.

RESULTS OF OPERATIONS

For the three-month period ended September 30, 2010, the Fund generated a record level of quarterly consolidated revenue of \$60.0 million as compared to \$27.1 million in the comparable 2009 period; an increase of 121 percent. Record activity levels were realized in all three of the Fund's geographical regions. Consolidated operating days for the 2010-quarter increased by 113 percent to 6,052 days from 2,846 days generated in the comparable 2009-quarter.

US and International revenue as a percentage of consolidated revenue were 45 percent and 6 percent, respectively, for the 2010 period as compared to 47 percent and 5 percent in 2009.

In the third quarter of 2010, approximately 70 percent of all wells drilled in Canada and 68 percent of wells drilled in the US utilized either horizontal or directional drilling technology. This compared to 65 percent and 62 percent, respectively, in the comparable 2009-quarter. (Source: Daily Oil Bulletin & Baker Hughes) New well fracturing techniques for oil and natural gas wells continue to have a large impact on horizontal and directional well drilling activity.

Phoenix's consolidated revenue increased by 75 percent to \$139.8 million for the nine-month period ended September 30, 2010, compared to \$79.8 million in the 2009 period. US and International revenue for the nine-month period ended September 30, 2010 accounted for 46 and 6 percent of the Fund's consolidated revenue, respectively, as compared to 54 and 3 percent in 2009. Consolidated operating days increased by 82 percent to 14,368 days in the 2010 period as compared to 7,877 days in 2009.

For the nine-month period ended September 30, 2010, horizontal and directional drilling activity represented approximately 68 percent and 67 percent of the total industry activity in Canada and the US, respectively. (Sources: Daily Oil Bulletin and Baker Hughes.)

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

	Three-month period ended Sept. 30,			Nine-month period ended Sept. 30,		
	2010	2009	% Change	2010	2009	% Change
Net earnings	7,264	3,145	131	12,000	7,733	55
Earnings per unit – diluted	0.27	0.13	108	0.45	0.32	41
EBITDA	12,658	4,615	174	22,313	12,548	78
EBITDA per unit – diluted	0.47	0.19	147	0.83	0.51	63
EBITDA as a percentage of revenue	21	17		16	16	

Due to higher levels of activity and profitability, EBITDA increased by 174 percent for the three-month period ended September 30, 2010 to \$12.7 million, \$0.47 per unit diluted, from \$4.6 million, \$0.19 per unit diluted, in 2009. The Fund generated net earnings for the three-month period ended September 30, 2010 of \$7.3 million, \$0.27 per unit diluted, as compared to \$3.1 million, \$0.13 per unit diluted, in 2009; an increase of 131 percent.

For the nine-month period ended September 30, 2010, EBITDA increased by 78 percent to \$22.3 million, \$0.83 per unit diluted, from \$12.5 million, \$0.51 per unit diluted, in 2009. The Fund generated net earnings for the nine-month period ended September 30, 2010 of \$12.0 million, \$0.45 per unit diluted, as compared to net earnings of \$7.7 million, \$0.32 per unit diluted, in 2009. Included in direct costs in the 2009 period was a favorable adjustment of \$3.6 million that related to revised cost accrual estimates pertaining to the 2008-year. If the impact of this was excluded from the 2009 results, EBITDA for the first three quarters of 2009 would have been \$8.9 million, \$0.36 per unit diluted or 11 percent of revenue.

Capital expenditures were \$14.9 million for the three-month period ended September 30, 2010 as compared to \$1.1 million in 2009. The majority of the capital additions in the 2010-quarter were represented by \$8.2 million in MWD guidance equipment, \$2.7 million in down hole performance drilling motors, \$1.4 million in shop equipment, \$1.2 million for the acquisition of the Fund's new Casper facility and \$1.2 million in collars and other tubulars.

Distributions to unitholders for the three-month period ended September 30, 2010 were \$3.0 million, or \$0.120 per unit, as compared to \$6.1 million, or \$0.255 per unit, in the 2009-quarter. As a result of lower 2009 net earnings levels, the Fund, commencing in October 2009, reduced its monthly cash distribution rate from \$0.085 per unit to \$0.04 per unit to create additional balance sheet strength and flexibility for future growth strategies. The resulting cash payout ratio in the three-month period ended September 30, 2010 was 28 percent. Distributable cash for the three-month period ended September 30, 2010 increased to \$11.0 million from \$2.9 million in 2009.

As at September 30, 2010, the Fund had working capital of \$22.0 million, which was \$1.0 million higher than that reported at December 31, 2009.

During the third quarter, Phoenix added 15 positive pulse MWD systems and two resistivity while drilling ("RWD") systems to its guidance fleet. In addition, the Fund's last two negative pulse MWD systems were sold to a third party. As at September 30, 2010, the Fund had a concurrent job capacity of 144, represented by 59 Current Loop Telemetry ("CLT") electromagnetic ("EM") MWD systems, 80 positive pulse MWD systems, and five RWD systems. Currently, 77 MWD systems are deployed in Canada, 56 in the US, five in Peru, three in Albania and three in Russia. Due to the current high level of customer demand, the Fund has ordered another 10 positive pulse MWD systems. These systems are expected to be delivered during the fourth quarter of 2010 for deployment in the North American market, or internationally, if required. At the end of 2010, the Fund expects to have a fleet of 154 MWD systems, which would include five RWD systems. The RWD tools have the ability to give our clients comprehensive formation evaluation information that is more in-depth than that provided by standard gamma logging while drilling tools.

REVENUE

The Fund reports one operating segment 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.

(Stated in thousands of dollars except percentage amounts)

	Three-month period ended Sept. 30,			Nine-month period ended Sept. 30,		
	2010	2009	% Change	2010	2009	% Change
Canada	29,330	12,996	126	67,144	34,813	93
United States	26,882	12,694	112	64,316	42,852	50
International	3,747	1,448	159	8,298	2,093	296
	59,959	27,138	121	139,758	79,758	75
United States revenue as a % of consolidated revenue	45	47		46	54	
International revenue as a % of consolidated revenue	6	5		6	3	

CANADIAN REVENUE

Due in part to strong oil prices, Phoenix generated record quarterly revenue in Canada for the three-month period ended September 30, 2010. The Fund continued to be an active player in oil regions, including the Bakken in southeastern Saskatchewan, the Cardium and Viking in central Alberta, the Pekisko in southern Alberta, and the Shaunavon in southwest Saskatchewan. In addition, Phoenix's core natural gas clients continued to actively drill in regions such as the Montney and Kaybob regions in northeastern British Columbia, despite relatively low natural gas commodity prices. This activity was due to these clients' financial strength and the production of liquid rich fluids.

Horizontal oil well drilling, as measured by the number of operating days, represented approximately 79 percent of Phoenix's overall Canadian drilling activity in the third quarter, a record high for the Fund, compared to 51 percent obtained in the 2009-quarter.

For the three-month period ended September 30, 2010, the Fund's activity increased by 111 percent to a record 2,945 operating days as compared to 1,399 days in the comparable 2009 period. Phoenix reported Canadian revenue of \$29.3 million for the three-month period ended September 30, 2010 as compared to \$13.0 million in 2009; an increase of 126 percent. The Fund was able to raise day rates slightly in the quarter to help offset the increases in field day rates that occurred. It is expected that day rates may modestly increase in upcoming quarters due to the strong level of anticipated demand for Phoenix's services.

In the Canadian industry, the number of horizontal and directional wells drilled in the three-month period ended September 30, 2010 increased by 77 percent to 2,249 wells from 1,272 wells in 2009. (Source: Daily Oil Bulletin)

The Fund's Canadian revenue increased by 93 percent to \$67.1 million for the nine-month period ended September 30, 2010 from \$34.8 million in the comparable 2009 period. The number of horizontal and directional wells drilled in the Canadian industry during the nine-month period ended September 30, 2010 increased by 67 percent to 5,435 wells as compared to 3,245 wells in the 2009 period. (Source: Daily Oil Bulletin) In comparison, Phoenix's Canadian drilling days increased by 91 percent to 6,860 days in the nine-month period ended September 30, 2010 from 3,593 days in 2009. Oil well drilling activity, as measured by operating days, represented approximately 72 percent of the Fund's Canadian activity for the nine-month period ended September 30, 2010 as compared to 44 percent in 2009.

UNITED STATES REVENUE

All of the Fund's US operating regions showed significant increases in activity levels in the third quarter of 2010. For the three-month period ended September 30, 2010, US operating days increased by 113 percent to a record 2,837 days from 1,334 days in the 2009-quarter. Active areas for Phoenix USA included the Marcellus shale in Pennsylvania where gas wells are close to the consumer markets and, as a result, transportation and well drilling costs are lower; the US Bakken in North Dakota, which remains robust due to current oil commodity prices; and the Eagle Ford shale in south Texas which is producing economical liquid rich gas.

Revenue for the three-month period ended September 30, 2010 increased by 112 percent to \$26.9 million as compared to \$12.7 million for the comparable 2009 period. This level of US revenue is a quarterly record for the Fund. The increase in revenue in the 2010 period was adversely affected by unfavourable changes in the US-Canadian exchange rates; an average of \$1.04 was realized in the third quarter of 2010 as compared to \$1.18 in the corresponding 2009-quarter. Average customer day rates have increased slightly in the third quarter due to the strong level of customer demand, and it is anticipated that rates will continue to increase modestly in certain areas in future quarters.

Due to the large number of wells drilled by the Fund in the US Bakken region during the three-month period ended September 30, 2010, oil well drilling represented 25 percent of the Fund's overall US activity, as measured by operating days. Overall, horizontal and directional drilling activity in the US industry, as measured by the average number of horizontal and directional rigs running on a daily basis, increased by 85 percent to 1,105 rigs from 597 rigs in the corresponding 2009 period. (Source: Baker Hughes) The majority of this increase was from horizontal drilling.

US revenue for the nine-month period ended September 30, 2010 increased by 50 percent to \$64.3 million from \$42.9 million in the comparable 2009 period. US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, increased by 57 percent for the nine-month period ended September 30, 2010 to 1,003 rigs, compared to 639 rigs in the 2009 period. (Source: Baker Hughes) The Fund's US operating days increased by approximately 67 percent to 6,915 days in the nine-month period ended September 30, 2010 from 4,138 days in 2009.

INTERNATIONAL REVENUE

Phoenix is currently operating in three countries internationally, Albania, Peru and Russia. It is expected that operations will commence in Colombia in the first quarter of 2011; initially with a two to three job capacity. During the three-month period ended September 30, 2010, Phoenix's International operations generated record quarterly revenue of \$3.7 million (2009 - \$1.4 million).

The Fund has been providing horizontal drilling services for heavy oil wells on a continuous basis for a client in Albania since July 1, 2009. During the third quarter, Phoenix provided horizontal services for an additional rig, and now, operates on three "follow-me" rigs in that country. It is anticipated that the Fund has the potential for continued growth in this region in upcoming periods. Phoenix's full service shop and motor repair facility in Fier, Albania is now operational and it is anticipated that this will enhance the profitability of the Fund's Albanian operations in future quarters.

Peruvian operations began in late April 2009 and are conducted through Phoenix TSP S.A.C. Currently, the Fund has a job capacity of five full service jobs, including the ability to run one RWD job. In the quarter, the Fund provided horizontal oil well drilling services for two "follow-me" rigs. Phoenix expects that its activity in this country will grow as a result of positioning additional marketing personnel in this region.

In Russia, the Fund completed its first full service job in late September 2010 through its subsidiary Phoenix TSR LLC. This first well was drilled utilizing RWD technology. The establishment of a full service motor repair facility at the operational facility in Nizhnevartovsk, Siberia is expected to be completed in the first quarter of 2011. Phoenix TSR has a concurrent job capacity of three, but this is expected to increase in future periods.

With the continued expansion of Albania, Peru, and Russia, and from the addition of operations in Colombia, Phoenix expects that its international presence will continue to grow in upcoming quarters.

OPERATING COSTS AND EXPENSES

Direct costs are comprised of field and shop expenses and include current period research and development ("R&D") expenditures. Gross profit as a percentage of revenue was 30 percent for the three-month period ended September 30, 2010 as compared to 28 percent in the comparable 2009 period. For the nine-month period ended September 30, 2010, gross profit as a percentage of revenue was 26 percent compared to 28 percent in the 2009 period. Included in direct costs in the 2009 nine-month period was a favorable adjustment of \$3.6 million that related to revised cost accrual estimates pertaining to the 2008-year. If the impact of this was excluded from the 2009 results, gross profit as a percentage of revenue for the nine-month period ended September 30, 2009 would have been 24 percent.

Despite the large amount of quarterly capital expenditures made by the Fund, Phoenix's strong activity levels forced a substantial amount of third party down hole equipment rentals to be incurred. For the three-month period ended September 30, 2010, Phoenix incurred rentals totaling \$5.3 million as compared to only \$0.4 million in 2009. These rentals for the nine-month period ended September 30, 2010 were \$11.5 million (2009 - \$1.6 million). Rentals negatively impacted margins in the quarter, however, additional capital equipment is on order and will be placed in service during the next quarter to help alleviate future rental requirements. Higher customer day rates in the third quarter of 2010-quarter and lower down hole performance drilling motor service costs have had positive impacts on margins. Phoenix has been expanding its motor fleet with a new type of down hole performance drilling motor that is more robust, and to date, has yielded lower repair costs.

R&D expenditures for the three-month period ended September 30, 2010 were \$0.6 million, of which \$0.1 million were capitalized as development costs. In the 2009-quarter, research and development costs of \$0.7 million were incurred, of which \$0.2 million were capitalized. For the nine-month period ended September 30, 2010, R&D expenditures were \$2.0 million, of which \$0.5 million were capitalized as development costs. In the corresponding 2009 nine-month period, R&D expenditures were \$2.3 million, of which \$1.0 million in development costs were capitalized.

Despite revenue activity increasing 121 percent, SG&A costs for the three-month period ended September 30, 2010 increased by only 63 percent to \$5.8 million, 10 percent of revenue, as compared to \$3.6 million, 13 percent of revenue, in the 2009 period. Additional SG&A costs have been incurred relating to the start up of the Russian and Colombian operations during the 2010-quarter. For the nine-month period ended September 30, 2010, SG&A costs increased by only 27 percent to \$15.0 million, 11 percent of revenue, as compared to \$11.8 million, 15 percent of revenue, in the 2009 period. Cost control initiatives that were implemented in 2009 have contributed to this positive result.

Depreciation and amortization for the three-month period ended September 30, 2010 increased by 14 percent to \$3.1 million from \$2.7 million in the 2009 period, due to the Fund's capital expenditure program in 2010. For the nine-month period ended September 30, 2010, depreciation and amortization increased to \$8.6 million from \$8.4 million in the 2009 period.

Stock-based compensation costs for the three-month period ended September 30, 2010 decreased by 21 percent to \$382,000 from \$481,000 in 2009 primarily due to the impact of changes made with assumptions in the valuation model. For the nine-month period ended September 30, 2010, stock-based compensation costs increased by 17 percent to \$931,000 from \$799,000 in 2009, due primarily to the issuance of options in the third quarter of 2010.

For the three-month period ended September 30, 2010, the provision for bad debts was \$306,000 that resulted from two slow paying US customers, that may be uncollectible.

For the three-month period ended September 30, 2010, Phoenix realized a loss on foreign exchange of \$201,000 as compared to a foreign exchange gain of \$200,000 for the comparable 2009 period. Foreign exchange gains and losses result primarily from the movements in US and Canadian dollar exchange rates and from the translation of US and Canadian denominated trade receivables and payable balances, and the translation of the Peruvian subsidiary accounts.

Interest on long-term debt for the three-month period ended September 30, 2010 increased to \$150,000 from \$42,000 in 2009, due to higher long-term debt.

Gain on disposition of drilling equipment for the three-month period ended September 30, 2010 increased by 55 percent to \$1.6 million from \$1.0 million in the 2009 period. These gains relate primarily to equipment lost in well bores and are uncontrollable in nature. The balances reported are net of any asset retirements that are made before the end of their useful lives and self-insured down hole equipment losses. The 2010-quarter had a higher incidence of loss in hole occurrences than the 2009-quarter.

The Fund reported income taxes of \$2.0 million for the three-month period ended September 30, 2010 as compared to an income tax recovery of \$1.3 million in 2009. The income tax provision results from the increased profitability of the Fund, and adjustments to the Fund's estimated tax rate for the year. Cash distributions are deductible in calculating the taxable income of the Fund. Under the Income Tax Act (Canada), as an investment trust, the Fund is subject to income taxes only on income not distributed to its unitholders.

INVESTMENT

Net cash used for investing activities for the three-month period ended September 30, 2010 was \$10.3 million as compared to net cash generated of \$0.9 million in the 2009 period. Capital expenditures were \$14.9 million for the three-month period ended September 30, 2010 as compared to \$1.1 million in 2009. The majority of the capital additions in the 2010-quarter were represented by \$8.2 million in MWD guidance equipment, \$2.7 million in down hole performance drilling motors, \$1.4 million in shop equipment, \$1.2 million for the acquisition of the Fund's new Casper facility and \$1.2 million in collars and other tubulars.

For the three-month period ended September 30, 2010, the Fund realized proceeds from the involuntary disposal of drilling equipment in well bores of \$3.5 million compared to \$1.9 million in the 2009 period. These losses are uncontrollable in nature and were more frequent in the 2010-quarter.

The change in non-cash working capital balances of \$1.0 million for the three-month period ended September 30, 2010 and \$19,000 for the 2009 period relates to the net change in the Fund's trade payables that are associated with the acquisition of capital assets. Both amounts represent a net source of cash for the Fund.

FINANCING

The Fund generated cash flows from financing activities of \$14.8 million in the three-month period ended September 30, 2010 as compared to \$161,000 in the 2009 period. In the 2010 three-month period:

- the Fund made distributions of \$3.0 million to its unitholders;
- through its unit option program, the Fund received cash proceeds of \$1.4 million from exercised options and the Fund's DRIP program to acquire an aggregate of 501,385 Fund units;
- the Fund received proceeds on long-term debt of \$17.0 million; and,
- the Fund repaid \$0.6 million on its bank overdraft facility.

Phoenix currently has access to a demand revolving loan facility of up to \$10.0 million. This facility bears interest at the Fund's option at the bank's prime rate plus 0.625 percent or the bank's bankers' acceptance rate plus a stamping fee of 1.875 percent. As at September 30, 2010, the Fund had \$7.2 million drawn on this facility.

The Fund also currently has access to a \$25 million, 364-day extendible revolving facility with its bank. This bears interest at the Fund's option at the bank's prime rate plus 0.75 percent or the bank's bankers' acceptance rate plus a stamping fee of 2.25 percent. The facility is renewable at the option of the lender by December 2010. Should this facility not be extended, outstanding amounts will be transferred to a 2-year term facility repayable at 1/10 of the amount outstanding for seven quarters with the remaining balance paid on the eighth quarter. As at September 30, 2010, \$22.0 million was drawn on this facility and the Fund is in compliance with all of its bank debt covenants.

CASH REQUIREMENTS FOR CAPITAL EXPENDITURES

Historically, the Fund has financed its capital expenditures and acquisitions through cash flows from operating activities, debt and equity. The 2010 capital budget has been increased to \$47.2 million. The balance of the unspent capital expenditure budget is expected to be financed from cash flow from operations, working capital and by the Fund's unused credit facilities, where required.

OUTLOOK

In the third quarter, Phoenix achieved new records in its 15-year history; posting the highest revenue and operating days for any quarter. This performance was in spite of industry challenges that included declining natural gas commodity prices, and a greater occurrence of wet weather conditions that slowed drilling programs by producer companies.

Phoenix's ability to deliver a superior quality of service created this robust quarterly activity, as did its position in key drilling regions. With oil commodity prices forecasted to be stronger than natural gas prices in the near future, producer companies are anticipated to focus on lucrative oil formations. This is expected to benefit the Fund's operations in upcoming quarters as these wells typically require horizontal drilling.

In North America, the number of wells Phoenix provided horizontal services for increased by 116 percent when comparing the first nine-months of 2010 to the same period in 2009. This is a result of the demand for the Fund's services on oil well applications and the strong relationships Phoenix has in the areas where drilling for natural gas is economical, despite lower commodity prices. Although, a reduction may be felt in certain gas formations, the Fund believes this will be offset, if not exceeded by, client demands in these strategic natural gas shales.

The International locations where Phoenix has commenced operations are entirely focused on oil, and Albania, Peru and Russia each showed growth in the third quarter. The Fund believes that the momentum of its international operations will require additional equipment to be deployed, and will likely continue to diversify its revenue sources while counter balancing some of the cycles in the North American market.

The demand for Phoenix's services in the third quarter exceeded its fleet capacity, despite additional equipment being added. In order to meet clients' needs, third party rentals were once again required. These provide little or no margins for the Fund and, therefore, Phoenix has announced an increase to its capital expenditure program, which was already at a record level. Phoenix expects this, the largest capital build in the Fund's history, to alleviate these added rental costs.

Phoenix is proud of its accomplishments in the year thus far, setting new quarterly records and outperforming the industry growth in Canada and the US. Looking forward, the Fund will continue to focus on reliable performance in the key North American resource plays, and on gaining a larger market share in its international operations.



John Hooks
Chairman of the Board,
President and Chief Executive Officer
November 3, 2010

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 Fund'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. Phoenix's method of calculating EBITDA may differ from that of other organizations and, accordingly, its EBITDA may not be comparable to that of other companies.

The following is a reconciliation of net earnings to EBITDA:

(Stated in thousands of dollars)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
Net earnings	7,264	3,145	12,000	7,733
Add (deduct):				
Depreciation and amortization	3,130	2,743	8,598	8,381
Recovery of income taxes	2,032	(1,325)	1,323	(3,701)
Interest on long-term debt	150	42	246	122
Other interest	82	10	146	13
EBITDA as reported	12,658	4,615	22,313	12,548

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

2) DISTRIBUTABLE CASH

Distributable cash is defined as cash flows generated from operating activities before net changes in non-cash working capital, and is not a measure recognized under GAAP. However, management believes that distributable cash provides supplemental information to cash flows from operating activities that is useful in evaluating the Fund's operating cash flow before considering changes in working capital balances. Management uses this measure to calculate its cash payout ratio to show what percentage of its distributable cash is paid out to its unitholders. Investors should be cautioned, however, that distributable cash should not be construed as an alternative measure to cash flows from operating activities determined in accordance with GAAP. Phoenix's method of calculating distributable cash may differ from that of other organizations and, accordingly, its distributable cash may not be comparable to that of other companies.

The Fund considers its maintenance capital expenditures to be minimal. Maintenance capital would only be relevant to the Fund's retirement of tubular equipment that is subsequently replaced. Typically, lost-in-hole equipment is replaced, but these losses are funded by the proceeds from insurance or customers. In addition, due to the nature of the industry, the Fund's drilling equipment is frequently re-conditioned to an "as new" state with the associated costs expensed and included in the Fund's direct costs. Consequently, the Fund will not make an adjustment to distributable cash for capital maintenance expenditures. The Fund's assumptions used with respect to maintenance capital are believed to be reasonable at the time of preparation; however, no assurance can be given that these assumptions will prove to be correct and, consequently, the

Fund's distributable cash could differ materially in the future.

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

(Stated in thousands of dollars)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
Cash flows from operating activities	(3,696)	(1,635)	5,362	7,724
Add (deduct):				
Changes in non-cash working capital	14,741	4,556	14,858	4,386
Distributable cash	11,045	2,921	20,220	12,110

Diluted distributable cash per unit is calculated using the treasury stock method whereby deemed proceeds on the exercise of the unit options are used to reacquire fund units at an average unit price. The calculation of distributable cash per unit on a dilutive basis does not include anti-dilutive options.

3) CASH PAYOUT RATIO

The cash payout ratio is defined as cash distributions made by the Fund in the period divided by its distributable cash for the same period. The cash payout ratio is not a measure recognized under GAAP. However, management believes the cash payout ratio provides supplemental information that is useful in evaluating the level of cash distributions in relation to the Fund's distributable cash. Investors should be cautioned, however, that the cash payout ratio should not be construed as an alternative measure to other GAAP measures. Phoenix's method of calculating its cash payout ratio may differ from other organizations, and accordingly, the cash payout ratio may not be comparable to other companies.

OVERVIEW OF BUSINESS

Phoenix is in the business of providing horizontal and directional technology and drilling services in Canada, the United States, Peru, Albania and Russia. Phoenix manufactures and develops drilling technologies, such as its CLT-EM MWD tool, for use in the Fund's internal operations. The Fund maintains its corporate head office, research and development, Canadian sales, service and operational centers in Calgary, Alberta. The Fund's US operations, conducted through the Fund's wholly-owned subsidiary, Phoenix Technology Services USA Inc. ("Phoenix USA"), formerly Nevis Energy Services Inc., 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; Corpus Christi, Texas and Buckhannon, West Virginia. Phoenix has a sales office and service facility in Peru, a service facility in Albania and a sales and operations facility in Russia.

For further information please contact:

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CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,620,651	\$ 2,488,970
Accounts receivable	50,197,122	28,660,353
Inventory	8,410,366	7,022,053
Prepaid expenses	3,582,492	2,085,643
Income tax receivable	-	2,845,643
	66,810,631	43,102,662
Drilling and other equipment	82,880,323	62,805,570
Goodwill	8,876,351	8,876,351
	\$ 158,567,305	\$ 114,784,583
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities:		
Bank indebtedness	\$ 7,234,839	\$ 4,241,058
Accounts payable and accrued liabilities	29,784,487	16,846,978
Distributions payable	1,023,717	1,001,384
Income tax payable	118,508	-
Current portion of long-term debt	6,600,000	-
	44,761,551	22,089,420
Long-term debt	15,400,000	-
Future income taxes	955,262	1,243,105
	61,116,813	23,332,525
Unitholders' equity:		
Unitholders' capital	86,825,356	82,433,639
Contributed surplus	3,611,945	3,872,850
Retained earnings	10,983,832	8,605,559
Accumulated other comprehensive income	(3,970,641)	(3,459,990)
	7,013,191	5,145,569
	97,450,492	91,452,058
	\$ 158,567,305	\$ 114,784,583

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30	
	2010	2009	2010	2009
Revenue	\$ 59,958,518	\$ 27,138,498	\$ 139,757,529	\$ 79,757,921
Direct costs	42,154,828	19,600,219	102,892,285	57,334,307
Gross profit	17,803,690	7,538,279	36,865,244	22,423,614
Expenses:				
Selling, general and administrative	5,843,318	3,579,663	14,972,505	11,833,894
Depreciation and amortization	3,130,290	2,743,306	8,598,304	8,381,387
Stock-based compensation	382,259	481,018	931,216	798,600
Provisions for bad debts	306,380	88,392	296,191	61,349
Foreign exchange loss (gain)	200,539	(200,455)	485,666	(317,992)
Interest on long-term debt	149,651	41,963	246,377	122,320
Other interest	81,369	10,310	146,079	13,300
Gain on disposition of drilling equipment	(1,586,370)	(1,025,835)	(2,133,397)	(2,499,890)
	8,507,436	5,718,362	23,542,941	18,392,968
Earnings before income taxes	9,296,254	1,819,917	13,322,303	4,030,646
Provision for (Recovery of) income taxes				
Current	691,537	1,026,967	1,097,450	(1,635,136)
Future	1,340,817	(2,351,852)	224,904	(2,066,810)
	2,032,354	(1,324,885)	1,322,354	(3,701,946)
Net earnings	\$ 7,263,900	\$ 3,144,802	\$ 11,999,949	\$ 7,732,592
Earnings per unit - basic	\$ 0.27	\$ 0.13	\$ 0.45	\$ 0.32
Earnings per unit - diluted	\$ 0.27	\$ 0.13	\$ 0.45	\$ 0.32

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30	
	2010	2009	2010	2009
Net earnings	\$ 7,263,900	\$ 3,144,802	\$ 11,999,949	\$ 7,732,592
Foreign currency adjustment	(871,025)	(2,317,341)	(510,651)	(4,106,817)
Comprehensive income	\$ 6,392,875	\$ 827,461	\$ 11,489,298	\$ 3,625,775

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30	
	2010	2009	2010	2009
Cash flows from operating activities:				
Net earnings	\$ 7,263,900	\$ 3,144,802	\$ 11,999,949	\$ 7,732,592
Add (deduct) items not affecting cash				
Depreciation and amortization	3,130,290	2,743,306	8,598,304	8,381,387
Future income taxes (recovery)	1,340,817	(2,351,852)	224,904	(2,066,810)
Unrealized foreign exchange loss (gain)	207,306	(158,550)	303,039	(296,916)
Gain on disposition of drilling equipment	(1,586,370)	(1,025,835)	(2,133,397)	(2,499,890)
Stock-based compensation	382,259	481,018	931,216	798,600
Provision for bad debts	306,380	88,392	296,191	61,349
Change in non-cash working capital	(14,740,144)	(4,556,712)	(14,857,814)	(4,386,412)
	(3,695,562)	(1,635,431)	5,362,392	7,723,900
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	3,538,089	1,920,677	5,821,489	6,528,556
Acquisition of drilling and other equipment	(14,862,934)	(1,069,030)	(37,744,951)	(8,709,092)
Change in non-cash working capital	1,023,547	19,358	4,572,372	(6,775,623)
	(10,301,298)	871,005	(22,351,090)	(8,956,159)
Cash flows from financing activities:				
Issuance of unit capital	1,402,187	110,105	3,199,596	569,372
Distributions to unitholders	(3,048,812)	(6,144,120)	(9,072,998)	(18,575,472)
Proceeds on long-term debt	17,000,000	5,000,000	22,000,000	5,000,000
Proceeds on (Repayment of) bank overdraft facility	(572,620)	1,194,688	2,993,781	2,717,775
	14,780,755	160,673	19,120,379	(10,288,325)
Increase (Decrease) in cash and cash equivalents	783,895	(603,753)	2,131,681	(11,520,584)
Cash and cash equivalents, beginning of period	3,836,756	1,704,980	2,488,970	12,621,811
Cash and cash equivalents, end of period	\$ 4,620,651	\$ 1,101,227	\$ 4,620,651	\$ 1,101,227
Supplemental information				
Income taxes paid	\$ 75,145	\$ 53,801	\$ 425,557	\$ 393,153
Interest paid	\$ 149,651	\$ 36,270	\$ 246,377	\$ 94,134