PRESS RELEASE
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TSX - PHX

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

With strong demand for the Corporation's services in the third quarter of 2011, PHX Energy Services Corp. ("PHX Energy") generated a record level of activity, revenue, EBITDA and funds from operations for any quarter in its history. For the three-month period ended September 30, 2011, the Corporation reported consolidated revenue of $78 million as compared to $60 million in the 2010-quarter; a 30 percent increase. EBITDA, increased by 45 percent to $17 million in the 2011 three-month period as compared to $11.7 million in 2010. As a percentage of revenue, EBITDA was 22 percent in the 2011-quarter as compared to 19 percent in the corresponding 2010-quarter.

International operations, led by growth in Albania and Peru, represented 7 percent of consolidated revenue in the third quarter of 2011 (2010 – 6 percent). This is expected to increase in future quarters with expanding operations in both Albania and Russia.

It is anticipated that activity levels will remain strong; however, in light of some economic uncertainty the Corporation has revised its capital budget for 2011 to $59 million, down slightly from $66.3 million that was previously reported. The remaining 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. It is expected that PHX Energy will have a concurrent job capacity of 200 at December 31, 2011.

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 third quarter with long-term debt of $52.5 million and working capital of $28.9 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 September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Operating Results	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue	**77,973**	59,959	30	**186,457**	139,758	33
Net earnings	**8,737**	6,392	37	**13,044**	11,504	13
Earnings per share – diluted	**0.31**	0.24	29	**0.46**	0.43	7
EBITDA [1]	**16,989**	11,689	45	**31,441**	21,516	46
EBITDA per share – diluted [1]	**0.61**	0.43	42	**1.12**	0.80	40
Cash Flow						
Cash flows from operating activities	**(3,805)**	(3,696)	(3)	**3,848**	5,362	(28)
Funds from operations [1]	**16,257**	11,276	44	**30,054**	20,613	46
Funds from operation per share – diluted [1]	**0.58**	0.42	38	**1.07**	0.77	39
Dividends paid	**3,098**	3,049	2	**9,308**	9,073	3
Dividends per share [2]	**0.12**	0.12	-	**0.36**	0.36	-
Capital Expenditures	**12,860**	14,863	(13)	**34,267**	32,745	5
Financial Position *(unaudited)*				**Sept. 30, '11**	Dec. 31, '10	
Working capital				**28,866**	34,240	(16)
Long-term debt				**36,750**	36,000	2
Shareholders' equity				**111,579**	101,814	10
Common shares outstanding				**27,922,167**	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:

- International operations are expected to increase as a percentage of revenue in future quarters with expanding operations in both Albania and Russia.
- It is anticipated that PHX Energy's activity levels will remain strong.
- The remaining capital expenditures for 2011 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.
- It is expected that PHX Energy will have a concurrent job capacity of 200 at December 31, 2011.
- The Corporation is continually reviewing its cost structure, which is expected to help improve its margins and profitability in upcoming quarters.
- The expected combined federal and provincial tax rate for 2011 is 26.5 percent.
- Efforts to establish the Corporation overseas as a formidable supplier of horizontal and directional drilling, logging while drilling and measurement while drilling services are showing positive indications.

- A fifth rig is expected to be added in Albania in November 2011. The Corporation's on-location presence in Albania will continue to expand with the expected increase in activity. It is anticipated that more personnel will be added to the current staff of 40 employees and the operation of its full service motor and MWD repair facility in Fier will continue to create operational efficiencies that contribute to the profitability of this division.

- In Peru, activity should increase in upcoming periods as tenders for offshore and land horizontal and directional drilling services are expected to be released in the fourth quarter. It is anticipated that local staff will account for more than half of the division's field employees in 2011, which will create greater efficiencies and contribute to improved profitability.

- PHX Energy believes the RWD equipment issues are now resolved. With these RWD fleet improvements and the results of the recently completed tendering season expected to be awarded in the fourth quarter, the Corporation anticipates Phoenix TSR's activity level to return to forecasted levels in upcoming quarters.

- Colombia operations are now projected to begin in Q1 2012 and Colombia will have a concurrent job capacity of four.

- At September 30, 2011, the Corporation had on order a remaining 21 positive pulse MWD systems, all of which are expected to be delivered during the fourth quarter. PHX Energy expects to add further MWD systems in the first quarter of 2012, but this will not be finalized until the Corporation's 2012 budget is approved.

- 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.

- The Corporation plans to continue to expand its fleet prior to year end in an effort to further reduce these unwanted rental costs.

- PHX Energy believes the appropriate steps are being taken to create a strong foundation for future growth in the US market.

- With the addition of a new VP International Operations, the Corporation believes that there will be positive results to report in upcoming periods for its international segments.

- PHX Energy believes that drilling activity will remain robust and the Corporation is in an advantageous position being centered on the horizontal and directional drilling sector. In addition, the Corporation feels it is well placed to adapt to and endure a downturn if it does occur.

- New technologies and drilling techniques have created an ongoing favorable industry trend that has expanded the use of horizontal drilling and this combined with PHX Energy's superior performance will boost well for further growth.

The above are stated under the headings: "Operating Costs and Expenses" "Segmented Information", "Investing Activities", "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

(Stated in thousands of dollars)	Three-month periods ended September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Revenue	77,973	59,959	30	186,457	139,758	33

Strong demand for horizontal and directional services resulted in record quarterly revenue for the Corporation in all of its geographical segments. For the three-month period ended September 30, 2011, PHX Energy generated revenue of $78 million as compared to $60 million in the corresponding 2010-period; an increase of 30 percent. US and international revenue as a percentage of total consolidated revenue was 35 and 7 percent, respectively, for the 2011-quarter as compared to 45 and 6 percent in 2010. Consolidated operating days increased by 17 percent to a quarterly record of 7,078 days in 2011 as compared to 6,051 in the 2010-quarter. Consolidated day rates on average for the three-month period ended September 30, 2011 remained close to second quarter levels at $11,016, which is approximately 11 percent higher than the day rates of $9,909 in the third quarter of 2010. The 2011 rates are a result of stronger customer demand and a larger amount of high rate international work.

US and Canadian industry horizontal and directional drilling activity as a percentage of overall drilling activity has continued to be robust. 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 89 percent of the total drilling activity in Canada (2010 – 85 percent) and 70 percent in the US (2010 – 68 percent). This level of activity was consistent with the second quarter of 2011. (Sources: Daily Oil Bulletin and Baker Hughes)

For the nine-month period ended September 30, 2011, consolidated revenue increased by 33 percent to $186.5 million from $139.8 million for the comparable 2010-period. Consolidated operating days for the nine-month period ended September 30, 2011 increased by 20 percent to 17,248 days as compared to 14,368 days in 2010. Average consolidated day rates for the nine-month period ended September 30, 2011 increased by 11 percent to $10,810 from $9,727 in the corresponding 2010-period.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)	Three-month periods ended September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Direct costs	57,187	44,668	28	144,998	109,605	32
Depreciation & amortization (included in direct costs)	4,149	2,991	39	11,724	8,163	44
Gross profit as percentage of revenue excluding depreciation & amortization	32	30		29	27	

Direct costs are comprised of field and shop expenses, and under the new IFRS standards, include depreciation and amortization on the Corporation's equipment. Excluding depreciation and amortization, gross profit as a percentage of revenue was 32 percent for the three-month period ended September 30, 2011 as compared to 30 percent in the comparable 2010-period. For the nine-month period ended September 30, 2011, gross profit as a percentage of revenue (excluding depreciation and amortization) was 29 percent as compared to 27 percent in 2010.

The overall improvement in margins in both three and nine-month periods in 2011 is due to higher average day rates achieved from PHX Energy's strong North American activity, its growing international operations, and benefits realized from the Corporation's cost reduction strategies. In addition, one of the key directives of the Corporation has been to enhance its profitability through the reduction of third party equipment rentals, wherever possible. The Corporation's third party equipment rentals for the three-month period ended September 30, 2011 were 5 percent of consolidated revenue as compared to 9 percent in the corresponding 2010-period.

The Corporation is continually reviewing its cost structure, which is expected to help improve its margins and profitability in upcoming quarters.

Depreciation and amortization for the three-month period ended September 30, 2011 increased by 39 percent to $4.1 million as compared to $3.0 million in the 2010-quarter. For the nine-month period ended September 30, 2011, depreciation and amortization increased by 44 percent to $11.7 million from $8.2 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 September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Selling, general and administrative ("SG&A") costs	8,603	7,074	22	23,106	16,519	40
Stock-based compensation (included in SG&A costs)	1,003	1,220	(18)	2,488	1,547	61
SG&A costs excluding stock-based compensation as a percentage of revenue	10	10		11	11	

SG&A costs for the three-month period ended September 30, 2011 increased by 22 percent to $8.6 million as compared to $7.1 million in 2010. Included in SG&A costs under IFRS are stock-based compensation costs of $1.0 million in the 2011-quarter as compared to a $1.2 million in the 2010 comparable period. Excluding these costs, SG&A costs as a percent of consolidated revenue for the three-month period ended September 30, 2011 and 2010 were 10 percent.

For the nine-month period ended September 30, 2011, SG&A costs increased by 40 percent to $23.1 million as compared to $16.5 million in 2010. Excluding stock-based compensation costs of $2.5 million in the 2011 nine-month period and $1.5 million in the corresponding 2010-period, SG&A costs as a percentage of consolidated revenue were 11 percent in both periods.

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 relate to the amortization of the fair values of issued options of the Corporation in previous periods using the Black-Sholes model. The increase in the nine-month period ended September 30, 2011 was due in part to an option issue in May 2011.

(Stated in thousands of dollars)	Three-month periods ended September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Research and development expense	531	478	11	1,621	1,449	12

Research and development ("R&D") expenditures charged to net earnings during each of the three-month periods ended September 30, 2011 and 2010 were $0.5 million. In addition, during the same 2011-period, $0.2 million (2010 - $0.1 million) were capitalized as development costs on certain projects.

For the nine-month period ended September 30, 2011, R&D expenditures of $2.6 million were incurred of which $1.0 million were capitalized as deferred development costs. R&D expenditures for the nine-month period ended September 30, 2010 were $2.0 million, of which $0.5 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 September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Finance expense	510	231	121	1,451	392	270

Finance expenses relate to interest charges on the Corporation's long-term and short-term bank facilities. For the three-month period ended September 30, 2011, finance charges increased to $0.5 million from $0.2 million in the 2010-period. Finance charges increased to $1.5 million in the nine-month period ended September 30, 2011 from $0.4 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 September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Other income	2,183	1,586	38	3,729	2,133	75

For both the three and nine-month periods ended September 30, 2011, other income is represented by gains on disposition of drilling equipment of $2.2 million (2010 - $1.6 million) and $3.7 million (2010 - $2.1 million), respectively. The dispositions of drilling equipment relate primarily to equipment lost in well bores that are uncontrollable in nature. The gain reported is net of any asset retirements that are made before the end of the equipment's useful life and self-insured down hole equipment losses, if any. Gains typically result from insurance programs undertaken whereby proceeds for the lost equipment are at current replacement values, which are higher than the respective equipment's book value. There was a higher occurrence of losses in both the 2011-periods as compared to 2010.

(Stated in thousands of dollars)	Three-month periods ended September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Other expense	996	627	59	744	964	(23)

Other expense for the three-month period ended September 30, 2011 is represented by foreign exchange losses of $0.7 million (2010 - $0.3 million) and a bad debt provision of $0.3 million (2010 - $0.3 million). For the nine-month period ended September 30, 2011, other expense is represented by a foreign exchange loss of $0.4 million (2010 - $0.7 million) and a bad debt provision of $0.3 million (2010 - $0.3 million). The bad debt provision in 2011 relates primarily to a Russian receivable. The foreign exchange loss in the three-month 2011 period is due primarily to the re-valuation of Canadian denominated inter-company loans held in foreign subsidiaries with a weakening Russian ruble against the Canadian dollar.

(Stated in thousands of dollars)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2011	2010	2011	2010
Provision for income taxes	3,593	2,075	5,222	1,457

The provision for income taxes for the three-month period ended September 30, 2011 was $3.6 million as compared to $2.1 million in the 2010-period. For the nine-month period ended September 30, 2011, the provision for income taxes was $5.2 million as compared to $1.5 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 September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Net earnings	8,737	6,392	37	13,044	11,504	13
Earnings per share – diluted	0.31	0.24	29	0.46	0.43	7
EBITDA	16,989	11,689	45	31,441	21,516	46
EBITDA per share – diluted	0.61	0.43	42	1.12	0.80	40
EBITDA as a percentage of revenue	22	19		17	15	

EBITDA as a percentage of revenue increased to 22 percent in the three-month period ended September 30, 2011 from 19 percent in the corresponding 2010-period, due to higher activity and overall profitability in the 2011 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, Russia and Colombia.

Canada

(Stated in thousands of dollars)	Three-month periods ended September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Revenue	45,560	29,330	55	100,574	67,144	50
Reportable segment profit before tax	11,433	5,438	110	18,453	8,178	126

As a result of robust industry drilling activity in oil and liquids rich natural gas, the Corporation's Canadian revenue and activity reached record levels for any quarter. For the three-month period ended September 30, 2011, revenue in Canada increased by 55 percent to $45.6 million as compared to $29.3 million in the corresponding 2010-period. PHX Energy's drilling days in the third quarter increased by 39 percent to 4,082 as compared to 2,945 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.

Horizontal and directional drilling activity in the Canadian industry increased by 40 percent, as measured by drilling days, for the three-month period ended September 30, 2011 to 39,216 days as compared to 28,065 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 September 30, 2011 represented approximately 77 percent of its overall Canadian activity, compared to 79 percent in 2010. The most active areas for the Corporation in the 2011-quarter were the Montney, Cardium, Pekisko, Bakken, Slave Point and Swan Hills.

For the nine-month period ended September 30, 2011, PHX Energy's Canadian revenue increased by 50 percent to $100.6 million from $67.1 million in the comparable 2010-period. The number of horizontal and directional operating days realized in the Canadian industry during the nine-month period ended September 30, 2011 increased by 35 percent to 97,104 days as compared to 71,810 days in 2010. (Source: Daily Oil Bulletin) In comparison, the Corporation's Canadian drilling days increased by 32 percent to 9,021 days in the nine-month period ended September 30, 2011 from 6,860 days in 2010. Oil well drilling activity represented approximately 76 percent of PHX Energy's Canadian activity for the nine-month period ended September 30, 2011 as compared to 73 percent in 2010.

Reportable segment profit before tax for the three-month period ended September 30, 2011 increased by 110 percent to $11.4 million from $5.4 million in the 2010-quarter. For the nine-month period ended September 30, 2011, reportable segment profit before tax increased by 126 percent to $18.5 million from $8.2 million in 2010. The increases in both 2011 periods were primarily due to higher activity and margins achieved.

United States

(Stated in thousands of dollars)	Three-month periods ended September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Revenue	27,003	26,882	-	70,006	64,316	9
Reportable segment profit before tax	3,126	4,128	(24)	4,068	6,612	(38)

Despite weaknesses in activity in the Gulf Coast and Northeast regions and less favourable US-Canadian dollar exchange rates in the 2011-quarter as compared to the same quarter in 2010, Phoenix Technology Services USA Inc. ("Phoenix USA") achieved a record level of revenue in the three-month 2011 period. This was the result of higher activity in the Bakken and Nibrara areas in PHX Energy's Rocky Mountain division and the realization of higher day rates. The US segment reported revenue of $27 million for both three-month periods ended September 30, 2011 and 2010.

For the three-month period ended September 30, 2011, the Corporation's US operating days decreased by 10 percent to 2,544 days as compared to 2,837 days in the corresponding 2010-period. In comparison, US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, increased by 23 percent to 1,354 rigs in the third quarter of 2011 from 1,105 rigs in 2010. (Source: Baker Hughes)

The US segment continues to target the oil and liquids rich gas markets in areas such as the Marcellus, Lower Huron, Utica, Barnett, Eagleford and Bakken. PHX Energy has recently expanded its activity and presence in the Midland and Odessa regions in west Texas.

The Corporation's oil well drilling activity represented approximately 28 percent of Phoenix USA's overall activity, as measured by drilling days, in the three-month period ended September 30, 2011 as compared to 25 percent in the 2010-period.

US revenue for the nine-month period ended September 30, 2011 increased by 9 percent to $70 million from $64.3 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 27 percent for the nine-month period ended September 30, 2011 to 1,278 rigs as compared to 1,004 rigs in the comparable 2010-period. For the nine-month period ended September 30, 2011, horizontal and directional drilling activity in the US represented approximately 70 percent of total activity as compared to 67 percent in the 2010-period. (Source: Baker Hughes) The Corporation's US operating days increased slightly to 6,946 days in the nine-month period ended September 30, 2011 from 6,915 days in 2010.

Reportable segment profit before tax for the three-month period ended September 30, 2011 decreased by 24 percent to $3.1 million from $4.1 million in the 2010-period. For the nine-month period ended September 30, 2011, reportable segment profit before tax decreased by 38 percent to $4.1 million from $6.6 million in 2010. The declines in both the 2011 periods were caused by lower than expected activity levels, higher labour costs and third party equipment rental charges.

International

(Stated in thousands of dollars)	Three-month periods ended September 30,			Nine-month periods ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Revenue	5,410	3,747	44	15,877	8,298	91
Reportable segment profit before tax	514	873	(41)	2,749	2,900	(5)

Overall, PHX Energy's international business is maturing and efforts to establish the Corporation overseas as a formidable supplier of horizontal and directional drilling, logging while drilling and measurement while drilling services are showing positive indications.

Revenue generated from PHX Energy's international operations for the three-month period ended September 30, 2011 increased by 44 percent to a quarterly record of $5.4 million from $3.7 million in the 2010-quarter. International operating days, also a quarterly record, increased from 270 in 2010 to 452 in 2011; an increase 67 percent. The Corporation generated 7 percent of its consolidated revenue from international operations in the 2011 three-month period (2010 – 6 percent). For the nine-month period ended September 30, 2011, revenue increased by 91 percent to $15.9 million as compared to $8.3 million in 2010. Operating days for the same period increased from 594 in 2010 to 1,281 in 2011; a 116 percent increase.

In Albania, the Corporation has been operating on four rigs continuously since late in the second quarter, with a fifth rig expected to be added in November 2011. Since the commencement of operations in Albania in 2008, PHX Energy has successfully drilled in excess of 135 wells. The Corporation's on-location presence in Albania will continue to expand with the expected increase in activity. It is anticipated that more personnel will be added to the current staff of 40 employees and the operation of its full service motor and measurement while drilling ("MWD") repair facility in Fier will continue to create operational efficiencies that contribute to the profitability of this division.

Peruvian operating days increased slightly in the three-month period ended September 30, 2011 as compared to the 2010-period. There were delays in drilling caused by several contract renewals and as a result activity should increase in upcoming periods as tenders for offshore and land horizontal and directional drilling services are expected to be released in the fourth quarter. Currently, the Corporation has a job capacity of four full service jobs in this region and has an excellent performance record with existing clients that will aide in securing future contracts. In addition, efforts to hire, train and develop a Peruvian local staff are continuing and it is anticipated that local staff will account for more than half of the division's field employees in 2011, which will create greater efficiencies and contribute to improved profitability.

Phoenix TSR currently has a concurrent job capacity of five in Russia. The operational equipment issues with the Resistivity While Drilling ("RWD") tool that occurred in the first part of the 2011 year had a negative impact on third quarter activity levels in this region, however, PHX Energy believes these equipment issues are now resolved. With these RWD fleet improvements and the results of the recently completed tendering season expected to be awarded in the fourth quarter, the Corporation anticipates

Phoenix TSR's activity level to return to forecasted levels in upcoming quarters. As in Peru, Phoenix TSR continues to hire, train and develop local talent.

PHX Energy's operating facility in Colombia is established and the Corporation continues to prepare to start providing services, however, the delays in shipping equipment have continued and operations are now projected to begin in Q1 2012. Local engineers and specialists are being recruited and Colombia will have a concurrent job capacity of four.

For the three-month period ended September 30, 2011, reportable segment profit before tax decreased by 41 percent to $0.5 million from $0.9 million in the corresponding 2010-period. Reportable segment profit for the nine-month period ended September 30, 2011 was $2.7 million as compared to $2.9 million in 2010; a 5 percent decrease. 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 Peru and Russia.

Investing Activities

Net cash used in investing activities for the three-month period ended September 30, 2011 was $5.2 million as compared to $10.3 million in 2010. The Corporation added $12.9 million in capital equipment as compared to $14.9 million in the 2010-quarter. These 2011 quarter-three expenditures included:

- $7.4 million in down hole performance drilling motors;
- $2.3 million in MWD systems and spare components;
- $2.5 million in non-magnetic drill collars;
- $0.3 million in machinery and equipment for global service centres; and
- $0.4 million in other assets, including deferred development costs of $0.2 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 $3.1 million in the three-month period ended September 30, 2011, as compared to $3.5 million in 2010.

During the third quarter of 2011, PHX Energy's job capacity increased by five concurrent jobs to 179, through the addition of positive pulse MWD systems. As at September 30, 2011, the Corporation's MWD fleet consisted of 113 positive pulse MWD systems, 59 current loop telemetry ("CLT") electromagnetic ("EM") MWD systems, and seven RWD systems. Of these, 95 MWD systems were deployed in Canada, 68 in the US, eight in Russia and four in both Peru and Albania.

At September 30, 2011, the Corporation had on order a remaining 21 positive pulse MWD systems, all of which are expected to be delivered during the fourth quarter. PHX Energy expects to add further MWD systems in the first quarter of 2012, but this will not be finalized until the Corporation's 2012 budget is approved. At the end of 2011, the Corporation expects to have a fleet of 200 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 $8.5 million for the three-month period ended September 30, 2011 as compared to $14.8 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 $0.3 million from exercised options to acquire 10,163 common shares of the Corporation; and
- the Corporation received net proceeds from its bank overdraft revolving facility and extendible revolving facility of an aggregate of $11.2 million.

Capital Resources

As at September 30, 2011, the Corporation had access to a bank overdraft revolving facility of up to $10 million and PHX Energy also had access to a $60 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 $59 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

The third quarter of 2011 had many positive achievements with financial and operating results setting record marks in PHX Energy's 15 year history. The dedication of the Corporation's team of 560 employees, who are spread over 15 locations and drilling fields throughout the world, made this possible.

This performance also has resulted from the optimization and growth initiatives that PHX Energy has been, and continues to be, focused on. The Corporation continues to dedicate resources and energy towards areas it believes create the most positive financial and operational impact. Many of these initiatives are centered on improving operating margins, and thereby creating long-term profitability, which require time and diligence to produce the desired result.

One such initiative is to increase operating margins through the reduction of third party equipment rentals. PHX Energy has continued with its capital build program which has helped to reduce rental costs in the quarter. The Corporation plans to continue to expand its fleet prior to year end in an effort to further reduce these unwanted costs.

Another area of emphasis for the Corporation has been the expansion of its core US markets. Management has spent past quarters building an experienced team to focus on this activity, as the US continues to be the largest market in the world. Although Phoenix USA has not yet achieved the internal targets for operating days and market share, PHX Energy believes the appropriate steps are being taken to create a strong foundation for future growth.

PHX Energy is also committed to growing its international operations, and made the strategic decision to add a Vice President International Operations to its team, who possess extensive experience managing operations in countries where PHX Energy operates. With this new structure and concentration, the Corporation believes that there will be positive results to report in upcoming periods.

As of late there has been a degree of economic uncertainty in the global market, which has had some impact on commodity prices. However, PHX Energy believes that drilling activity will remain robust and the Corporation is in an advantageous position being centered on the horizontal and directional drilling sector. In addition, the Corporation feels it is well placed to adapt to and endure a downturn if it does occur.

New technologies and drilling techniques have created an ongoing favorable industry trend that has expanded the use of horizontal drilling and this combined with PHX Energy's superior performance will boost well for further growth.

John Hooks
Chairman of the Board,
President and Chief Executive Officer
November 2, 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:

(Stated in thousands of dollars)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2011	2010	2011	2010
Net earnings	8,737	6,392	13,044	11,504
Add (deduct):				
Depreciation and amortization	4,149	2,991	11,724	8,163
Provision for income taxes	3,593	2,075	5,222	1,457
Finance expense	510	231	1,451	392
EBITDA as reported	16,989	11,689	31,441	21,516

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

2) Funds from Operations

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

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

(Stated in thousands of dollars)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2011	2010	2011	2010
Cash flows from operating activities	(3,805)	(3,695)	3,848	5,362
Add (deduct):				
Changes in non-cash working capital	19,899	14,746	24,374	14,578
Interest paid	97	150	1,197	247
Income taxes paid	66	75	635	426
Funds from operations	16,257	11,276	30,054	20,613

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)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,482,578	$ 8,625,532
Trade and other receivables	71,704,391	50,314,306
Inventories	15,467,286	9,895,473
Prepaid expenses	4,795,263	4,046,408
Current tax assets	-	298,064
Total current assets	97,449,518	73,179,783
Non-current assets:		
Property, plant and equipment	111,463,949	91,864,042
Goodwill	8,876,351	8,876,351
Deferred tax assets	-	2,368,706
Intangible assets	160,277	280,486
Total non-current assets	120,500,577	103,389,585
Total assets	$ 217,950,095	$ 176,569,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft	$ 5,877,124	$ -
Trade and other payables	45,823,748	37,886,506
Dividends payable	1,069,406	1,053,645
Current tax liabilities	62,884	-
Loans and borrowings	15,750,000	-
Total current liabilities	65,583,162	38,940,151
Non-current liabilities:		
Loans and borrowings	36,750,000	36,000,000
Deferred tax liabilities	1,584,964	-
Total non-current liabilities	38,334,964	36,000,000
Equity:		
Share capital	95,676,364	90,876,458
Contributed surplus	6,113,778	5,156,078
Retained earnings	9,831,315	6,515,269
Accumulated other comprehensive income	(42,235)	(733,736)
Total equity attributable to equity holders of the Company	111,579,222	101,814,069
Non-controlling interests	(547,253)	(184,852)
Total equity	111,031,969	101,629,217
Total liabilities and equity	$ 217,950,095	$ 176,569,368

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2011	2010	2011	2010
Revenue	$ 77,973,198	$ 59,958,518	$ 186,456,939	$ 139,757,529
Direct costs	57,186,933	44,667,640	144,998,278	109,605,346
Gross profit	20,786,265	15,290,878	41,458,661	30,152,183
Expenses:				
Selling, general and administrative	8,602,794	7,073,650	23,105,694	16,519,243
Research and development expenses	530,914	477,990	1,620,845	1,449,464
Finance expense	509,519	231,020	1,451,008	392,456
Other income	(2,183,445)	(1,586,370)	(3,729,249)	(2,133,397)
Other expense	996,058	627,421	744,352	963,639
	8,455,840	6,823,711	23,192,650	17,191,405
Earnings before income taxes	12,330,425	8,467,167	18,266,011	12,960,778
Provision for income taxes				
Current	529,198	691,537	996,955	1,097,450
Deferred	3,064,210	1,383,623	4,225,081	359,192
	3,593,408	2,075,160	5,222,036	1,456,642
Net earnings	8,737,017	6,392,007	13,043,975	11,504,136
Other comprehensive income				
Foreign currency translation	2,766,918	(740,334)	628,094	(328,869)
Total comprehensive income for the period	$ 11,503,935	$ 5,651,673	$ 13,672,069	$ 11,175,267
Earnings attributable to:				
Equity holders of the company	$ 8,915,690	$ 6,485,416	$ 13,342,969	$ 11,693,819
Non-controlling interests	(178,673)	(93,409)	(298,994)	(189,683)
Net earnings	$ 8,737,017	$ 6,392,007	$ 13,043,975	$ 11,504,136
Comprehensive income attributable to:				
Equity holders of the company	$ 11,700,280	$ 5,732,013	$ 14,034,470	$ 11,346,772
Non-controlling interests	(196,345)	(80,340)	(362,401)	(171,505)
Total comprehensive income for the period	$ 11,503,935	$ 5,651,673	$ 13,672,069	$ 11,175,267
Earnings per share – basic	$ 0.31	$ 0.24	$ 0.47	$ 0.43
Earnings per share- diluted	$ 0.31	$ 0.24	$ 0.46	$ 0.43

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2011	2010	2011	2010
Cash flows from operating activities:				
Net earnings	$ 8,737,017	$ 6,392,007	$ 13,043,975	$ 11,504,136
Adjustments for:				
Depreciation and amortization	4,148,908	2,990,802	11,724,201	8,162,525
Deferred income tax expense	3,064,210	1,383,623	4,225,081	359,192
Unrealized foreign exchange loss	718,932	337,997	577,656	484,821
Gain on disposition of drilling equipment	(2,183,445)	(1,586,370)	(3,729,249)	(2,133,397)
Stock-based compensation	1,003,030	1,220,143	2,487,525	1,546,738
Finance expense	509,519	231,020	1,451,008	392,456
Provision for bad debts	258,405	306,380	273,765	296,191
Change in non-cash working capital	(19,899,324)	(14,746,368)	(24,373,672)	(14,578,336)
Cash generated from operating activities	(3,642,748)	(3,470,766)	5,680,290	6,034,326
Interest paid	(96,673)	(149,651)	(1,196,708)	(246,377)
Income taxes paid	(65,542)	(75,145)	(635,623)	(425,557)
Net cash (used in) from operating activities	(3,804,963)	(3,695,562)	3,847,959	5,362,392
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	3,130,384	3,538,089	6,387,849	5,821,489
Acquisition of drilling and other equipment	(12,859,646)	(14,862,934)	(34,267,300)	(32,744,951)
Change in non-cash working capital	4,509,703	1,023,547	4,549,754	4,572,372
Net cash used in investing activities	(5,219,559)	(10,301,298)	(23,329,697)	(22,351,090)
Cash flows from financing activities:				
Proceeds from issuance of share capital	330,826	1,402,187	3,270,081	3,199,596
Dividends paid to Shareholders	(3,097,667)	(3,048,812)	(9,308,421)	(9,072,998)
Proceeds on loans and borrowings	14,000,000	17,000,000	16,500,000	22,000,000
Proceeds on (Repayment of) bank overdraft facility	(2,750,030)	(572,620)	5,877,124	2,993,781
Net cash from financing activities	8,483,129	14,780,755	16,338,784	19,120,379
Net increase (decrease) in cash and cash equivalents	(541,393)	783,895	(3,142,954)	2,131,681
Cash and cash equivalents, beginning of period	6,023,971	3,836,756	8,625,532	2,488,970
Cash and cash equivalents, end of period	$ 5,482,578	$ 4,620,651	$ 5,482,578	$ 4,620,651