



Press Release  
February 24, 2026  
TSX – PHX  
Calgary, Alberta

## PHX Energy Announces a Special Dividend and Record Fourth Quarter and Annual Revenue Supported by Strong RSS Activity

- PHX Energy is pleased to announce that its Board of Directors has declared a special cash dividend of \$0.20 per common share, designated as an “eligible dividend” within the meaning of subsection 89(1) of the Income Tax Act (Canada), payable on April 1, 2026 to shareholders of record at the close of business on March 16, 2026. This special dividend reflects the Corporation’s track record of rewarding shareholders as intended under its Return of Capital Strategy (“ROCS”) while continuing to invest in operational growth. The Corporation believes it has effectively utilized both its quarterly dividend program and NCIB over the past 5 years to create shareholder rewards. With 2025 being the fourth consecutive year of record revenue while maintaining balance sheet strength and given that the Corporation ended the year below our ROCS target of returning up to 70 percent of excess cash flow<sup>(2)</sup>, our Board determined to further reward shareholders with this special dividend in addition to the regular quarterly dividend.

### Fourth Quarter Highlights

- For the three-month period ended December 31, 2025, PHX Energy generated consolidated revenue of \$183.9 million, the highest level of fourth quarter revenue on record and 3 percent higher than the \$178.7 million generated in the fourth quarter of 2024. The strong revenue achieved in the 2025-quarter is partly attributable to the increase in quarterly Rotary Steerable Systems (“RSS”) activity which represented 18 percent of the Corporation’s consolidated activity in the 2025-quarter (2024-quarter - 15 percent). Consolidated revenue in the 2025-quarter included \$11.8 million of motor rental revenue and \$0.4 million of revenue generated from the sale of motor equipment and parts (2024 - \$10 million and \$5.3 million, respectively).
- In the fourth quarter of 2025, adjusted EBITDA<sup>(1)</sup> was \$36.9 million, 20 percent of consolidated revenue<sup>(1)</sup> as compared to \$29.6 million, 17 percent of consolidated revenue, in the same 2024-quarter. Adjusted EBITDA in the 2025-quarter included \$0.1 million of cash-settled share-based compensation expense (2024 - \$2.2 million) and \$8.2 million of net gain on disposition of drilling equipment (2024 - \$6 million).
- Earnings in the 2025 three-month period were \$17.6 million, \$0.35 per share - diluted, as compared to \$14.1 million, \$0.30 per share - diluted, in the same 2024-period. Earnings in the 2025-period included a provision for income tax of \$0.2 million compared to \$1.7 million in the same 2024-period. Additionally, the 2025-quarter’s earnings included depreciation and amortization expenses on drilling and other equipment of \$16.8 million (pre-tax) which is a 42 percent increase when compared to the \$11.8 million (pre-tax) in the corresponding 2024-quarter. This increase is the result of ongoing fixed asset additions as well as \$3 million in additional depreciation relating to a change in the estimated useful life of certain primary components of motors.
- PHX Energy’s US division’s revenue in the fourth quarter of 2025 was \$131.8 million, mostly flat against the \$132.3 million generated in the fourth quarter of 2024. In comparison, the average number of active horizontal and

directional rigs per day in the US industry declined by 7 percent quarter-over-quarter. US division revenue in the 2025-quarter represented 72 percent of consolidated revenue (2024 – 74 percent).

- PHX Energy's Canadian division reported \$52.1 million of quarterly revenue, 12 percent higher compared to \$46.3 million in the 2024-quarter. The fourth quarter was the division's most active in terms of RSS and this contributed to the revenue growth as the division has continued to expand its RSS presence in this market since establishing its own fleet at the beginning of the year. In comparison, in the 2025 three-month period, Canadian industry drilling days declined by 10 percent compared to the same 2024-period.
- For the three-month period ended December 31, 2025, the Corporation generated excess cash flow<sup>(2)</sup> of \$29.8 million, after the impact of net capital expenditures<sup>(2)</sup> of \$1.9 million (2024 - \$17.3 million and \$5.7 million, respectively).
- On December 15, 2025, the Corporation declared a dividend of \$0.20 per share<sup>(3)</sup> or \$9.1 million, paid on January 15, 2026 to shareholders of record on December 31, 2025.

## Year End Highlights

- For the fourth consecutive year, the Corporation generated the highest level of annual consolidated revenue in its history. For the year ended December 31, 2025, PHX Energy generated consolidated revenue of \$709.6 million which is 8 percent higher than the \$659.7 million generated in 2024. Consolidated revenue in the 2025-year included \$48.3 million of motor rental revenue (2024 - \$38.4 million) and \$4.3 million of revenue generated from the sale of motor equipment and parts (2024 – \$11.2 million). RSS activity in the 2025-year was also a record, with strong US activity and the addition of the Canadian division's owned fleet, RSS operating days increased 23 percent year-over-year. RSS operating days represented 16 percent of the Corporation's consolidated activity in the 2025-year (2024 - 14 percent).
- In the 2025 twelve-month period, adjusted EBITDA<sup>(1)</sup> was \$132.8 million, 19 percent of consolidated revenue<sup>(1)</sup>, as compared to \$123.7 million, 19 percent of consolidated revenue in the same 2024-period. This annual adjusted EBITDA result is the second highest in the Corporation's history, with the record being achieved in 2023. Included in the 2025-year's adjusted EBITDA is a net gain on disposition of drilling equipment of \$30.4 million (2024 - \$24.6 million) and cash-settled share-based compensation expense of \$4.7 million (2024 - \$11.8 million).
- In the 2025-year, earnings were \$54.7 million, \$1.13 per share – diluted, as compared to \$54.6 million, \$1.16 per share – diluted, in 2024. For the year-ended December 31, 2025, PHX Energy recorded a tax provision of \$10.8 million, a decrease compared to \$15.7 million in 2024. Additionally, depreciation and amortization expenses in the 2025 twelve-month period increased by 30 percent to \$58.3 million (pre-tax) from \$44.8 million (pre-tax) in 2024. This increase is the result of ongoing fixed asset additions as well as \$6 million in additional depreciation for the 2025-year relating to a change in the estimated useful life of certain primary components of motors.
- The Corporation's US division generated record annual revenue, which was supported by the highest RSS activity for any given year and increased motor rental revenue. US revenue in 2025 increased by 8 percent to \$516.2 million from \$479.5 million in 2024 and represented 73 percent of consolidated revenue (2024 – 73 percent). In comparison, the US rig count declined by 6 percent year-over-year.

- PHX Energy's Canadian division generated record annual revenue of \$193.4 million, an increase of 7 percent compared to \$180.2 million generated by the division in 2024. In comparison, the Canadian industry horizontal and directional drilling activity (as measured by drilling days) decreased by 7 percent year-over-year.
- For the year ended December 31, 2025, PHX Energy generated excess cash flow<sup>(2)</sup> of \$69 million, after deducting net capital expenditures<sup>(2)</sup> of \$30 million. As at December 31, 2025, the Corporation had a remaining balance of \$8.7 million under the Return of Capital Strategy ("ROCS") target<sup>(2)</sup>.
- In the 2025 twelve-month period, through its Normal Course Issuer Bid ("NCIB"), the Corporation purchased and cancelled 379,000 common shares for \$3.3 million. Since the second quarter of 2017 to December 31, 2025, a total of 16.6 million common shares have been purchased and cancelled under PHX Energy's NCIB's. This represents 28 percent of common shares outstanding as of June 30, 2017.
- PHX Energy paid \$36.3 million in dividends in the 2025-year which is 3 percent lower than the dividend amount paid in 2024 due to NCIB repurchases and cancellation of shares throughout 2025 and is equivalent to 53 percent of excess cash flows<sup>(3)</sup> for the year (2024 – 79 percent). In both years, dividends of \$0.80 per share<sup>(3)</sup> were paid to shareholders. Since the reinstatement of the quarterly dividend program in December 2020, a total of \$134.6 million of dividends, approximately \$2.83 per share<sup>(3)</sup>, have been paid to shareholders to date.
- As at December 31, 2025, the Corporation had working capital<sup>(2)</sup> of \$110.9 million and net debt<sup>(2)</sup> of \$6.4 million.

# Financial Highlights

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

	Three-month periods ended December 31,			Years ended December 31,		
	2025	2024	% Change	2025	2024	% Change
<b>Operating Results</b>						
Revenue	183,892	178,676	3	709,598	659,663	8
Earnings	17,569	14,098	25	54,710	54,622	-
Earnings per share – diluted	0.35	0.30	17	1.13	1.16	(3)
Adjusted EBITDA <sup>(1)</sup>	36,869	29,638	24	132,812	123,734	7
Adjusted EBITDA per share – diluted <sup>(1)</sup>	0.80	0.63	27	2.88	2.63	10
Adjusted EBITDA as a percentage of revenue <sup>(1)</sup>	20%	17%		19%	19%	
<b>Cash Flow</b>						
Cash flows from operating activities	31,681	17,676	79	73,156	96,898	(25)
Funds from operations <sup>(2)</sup>	29,309	24,305	21	104,603	99,695	5
Funds from operations per share – diluted <sup>(3)</sup>	0.64	0.51	25	2.27	2.12	7
Dividends paid per share <sup>(3)</sup>	0.20	0.20	-	0.80	0.80	-
Dividends paid	9,036	9,183	(2)	36,342	37,570	(3)
Capital expenditures	9,481	15,714	(40)	72,293	83,277	(13)
Excess cash flow <sup>(2)</sup>	29,786	17,263	73	68,975	47,569	45
<b>Financial Position, December 31,</b>						
Working capital <sup>(2)</sup>				110,910	84,545	31
Net debt (Net cash) <sup>(2)</sup>				6,382	2,664	140
Shareholders' equity				229,043	222,205	3
Common shares outstanding				45,367,773	45,506,773	-

# Outlook

We are proud of our 2025 operational and financial performance despite a weaker industry backdrop and a volatile cost environment. The strength and composition of our premium technology fleet, combined with best-in-class technical support, allowed us to navigate lower rig counts effectively. The first quarter of 2026 has built on the momentum established in the fourth quarter of 2025, marked by increased RSS deployment in both Canada and the US and a sustained strong market share.

## Strategic Priorities for 2026

**Create Shareholder Value** - Continue our proven track record of leveraging our operational excellence to create meaningful shareholder returns through our ROCS.

- The Board has declared a special cash dividend of \$0.20 per common share, payable on April 1, 2026 to shareholders of record at the close of business on March 16, 2026. We believe now is an opportunistic time to reward shareholders and this special dividend reflects our strong operational results and solid balance sheet performance over the past 5 years, our commitment to rewarding shareholders while investing in growth, and our confidence in our 2026 outlook. Additionally, it reinforces how the mechanism of ROCS provides an attractive opportunity to enhance the value to our shareholders when the prevailing market price does not reflect the underlying value of our common shares.
- By establishing a capital allocation strategy that includes a target of returning up to 70 percent of excess cash flow<sup>(2)</sup> to shareholders we differentiate ourselves as an oilfield services investment. Since 2020 we have paid \$134.6 million of dividends to shareholders and repurchased 28 percent of common shares outstanding as of June 30, 2017. Going into 2026, we intend to sustain this unique position through the mechanisms of ROCS including our base dividend program, NCIB and other mechanisms, such as this special dividend, if opportunistic.

**Technology Leadership** - We will continue investing in advanced technologies to ensure our fleet evolves alongside increasingly complex drilling programs.

- RSS and Real-Time RSS Communications technologies remain key differentiators as operators intensify their focus on drilling efficiency. In 2026, one of our core engineering priorities will be advancing the maturity of our Real-Time Communications fleet while further expanding RSS capabilities.
- In late 2025, we added a 7½" RSS tool to our fleet in the US to meet evolving client demand. This investment positions us favorably, as currently we are among a limited number of providers offering this emerging tool size.
- A focus on downhole data capabilities is regaining prominence, with customers demanding broader data sets and faster transmission speeds. With our engineering group continually developing commercial technologies, enhancements to Velocity's unified telemetry have doubled the rate at which real-time downhole data is transmitted to the surface. It is this continued investment in evolving our technology that maintains our competitive advantage.

**Deliver Operational Efficiencies** - Operators continue to seek greater operational efficiency, which includes longer horizontal ("lateral") sections many of which reach up to 4 miles in length.

- Our integrated technology suite is critical to executing longer and more complex well profiles, including U-turn and J-wells. The capital and technical barriers to deploying a full RSS-enabled fleet limit top-tier competition. Our strategic

initiatives over the last decade have propelled us into this top tier and this has benefited us in establishing the strong relationships we have with major operators who represent a large portion of the rig count. As lower rig counts persist, we believe our continued focus on high performance technologies and services will continue to provide market share gains.

**Diversification of Regional and Client Exposure** - We will continue strengthening our regional footprint and broadening our customer base.

- Our targeted focus in core basins—particularly the Permian and Montney/Duvernay- has driven sustained, record-level performance in both Canada and the US. While these basins remain a priority given their high rig concentration, we also recognize growth opportunities in select basins, such as the Haynesville, Marcellus and Clearwater, and are allocating resources to thoughtfully expand our presence in these markets.
- Ongoing E&P consolidation has reduced the number of operators while increasing their scale. We are proud to support most of these leading producers and remain well positioned to grow alongside them while we look to expand our client base to reduce risks associated with one customer representing a significant portion of activity.

#### **Protecting Margins in a Volatile Environment**

- Uncertainty related to global trade dynamics and the broader geopolitical landscape continues to create cost and supply chain pressures. As we navigate tariffs, inflation, and ongoing market volatility, we are proactively preserving margins through strategic sourcing initiatives, disciplined supplier negotiations, and continued cost control.
- We expect elements of this higher-cost environment to persist into 2026 and remain focused on improving profitability. While commodity price volatility has introduced some pricing pressure, we are committed to protecting returns by emphasizing technology differentiation, service quality, and value-based customer partnerships.
- Allocating capital expenditures to high-margin business lines will help mitigate ongoing cost pressures. Our Atlas motor rentals in the US and Canada grew in 2025, and we are continuing to invest resources to sustain this momentum. Expanding RSS activity in Canada, leveraging the increased capacity in our fleet, will also remain a key focus in 2026 as more operators adopt this technology.

Our capital allocation strategy remains focused on funding strategic capital expenditures that will enable our technology and market share leadership, sustaining a balance sheet with relatively low debt levels, and rewarding shareholders through ROCS with the continued optionality of including the base dividend program, potential share buy backs, and potential special dividends.

Michael Buker, President & CEO

February 24, 2026

# Overall Performance

In the final quarter of 2025, weaker industry environment persisted with both the US and Canadian industries' activity softening compared to the same quarter in 2024. Despite this, both the US and Canadian divisions outperformed industry activity trends and as a result, PHX Energy generated consolidated revenue of \$183.9 million, its highest level of fourth quarter revenue on record and a 3 percent increase from the \$178.7 million reported in the 2024-quarter.

For the three-month period ended December 31, 2025, the Corporation's US division's revenue was mostly flat at \$131.8 million compared to \$132.3 million in the same 2024-period. PHX Energy's US operating days saw a modest increase of 2 percent to 4,525 days in the 2025 three-month period from 4,438 in the same 2024-period while the US industry's rig count declined by 7 percent quarter-over-quarter. For the three-month period ended December 31, 2025, RSS activity represented 22 percent of the division's operating days, the same level as in the 2024-period. The US division's average revenue per day<sup>(3)</sup> for directional drilling services, in both local and reporting currency, was flat against the same 2024 three-month period. The Corporation's US motor rental activity also showed resilience to the slower market environment and US motor rental revenue increased to \$11.4 million from \$9.2 million in the same period in 2024. In the 2025-quarter, the US division generated \$0.4 million of revenue from motor equipment and parts sold (2024-quarter - \$5.3 million). Revenue from the Corporation's US division in the fourth quarter of 2025 represented 72 percent of consolidated revenue (2024 – 74 percent).

Canadian division revenue in the 2025 three-month period grew to \$52.1 million, a 12 percent increase from \$46.3 million in the same 2024-period. The Canadian segment recorded 3,302 operating days in the 2025-quarter, a 2 percent decrease from the 3,369 operating days realized in the comparable 2024-quarter, but a smaller decrease compared to the 10 percent decline in Canadian industry horizontal and directional drilling days quarter-over-quarter. In the last quarter of 2025, RSS activity increased to 12 percent of the Canadian segment's operating days from 5 percent in the same 2024-quarter. As a result, average revenue per day<sup>(3)</sup> realized by the Canadian division increased by 16 percent to \$15,640 in the 2025-quarter, as compared to \$13,538 in the corresponding 2024-quarter. The Corporation's Canadian motor rental division generated \$0.5 million of revenue in the 2025-period (2024 - \$0.8 million).

In the 2025-quarter, earnings were \$17.6 million (2024 - \$14.1 million), adjusted EBITDA<sup>(1)</sup> was \$36.9 million (2024 - \$29.6 million), and adjusted EBITDA as a percentage of consolidated revenue<sup>(1)</sup> was 20 percent (2024 – 17 percent). For the three-month period ended December 31, 2025, the Corporation recorded a tax provision of \$0.2 million, a decrease compared to \$1.7 million in the 2024-period. In addition, earnings in the 2025-period included depreciation and amortization expenses on drilling and other equipment of \$16.8 million (pre-tax) which increased by 42 percent as compared to \$11.8 million (pre-tax) in the corresponding 2024-period. This increase is the result of fixed asset additions throughout 2025 as well as \$3 million in additional depreciation relating to a change in the estimated useful life of certain primary components of motors. Included in the 2025 three-month period adjusted EBITDA is cash-settled share-based compensation expense of \$0.1 million (2024 - \$2.2 million) and net gain on disposition of drilling equipment of \$8.2 million (2024 - \$6 million).

For the year ended December 31, 2025, for the fourth consecutive year the Corporation achieved the highest annual revenue in its history, \$709.6 million, an increase of 8 percent compared to \$659.7 million in 2024. Record RSS activity and strong motor rental activities were key contributing factors to this achievement. Particularly, in the twelve-month period of 2025, RSS

activity represented 16 percent of PHX Energy's consolidated operating days, an increase compared to 14 percent in 2024, and consolidated motor rental revenue increased to \$48.3 million from \$38.4 million in 2024.

Earnings for the 2025-year were \$54.7 million (2024 - \$54.6 million) and adjusted EBITDA<sup>(1)</sup> was \$132.8 million, 19 percent of consolidated revenue<sup>(1)</sup> (2024 - \$123.7 million, 19 percent of consolidated revenue). In the 2025-year, the Corporation recorded a tax provision of \$10.8 million, a decrease compared to \$15.7 million in 2024. Additionally, depreciation and amortization expenses increased by 30 percent to \$58.3 million (pre-tax) from \$44.8 million (pre-tax) in 2024. This increase is the result of ongoing fixed asset additions as well as \$6 million in additional depreciation for the 2025-year relating to a change in the estimated useful life of certain primary components of motors. Included in the 2025 twelve-month period's adjusted EBITDA is \$30.4 million of net gain on disposition of drilling equipment (2024 - \$24.6 million) and cash-settled share-based compensation expense of \$4.7 million (2024 - \$11.8 million).

As at December 31, 2025, the Corporation had working capital<sup>(2)</sup> of \$110.9 million and net debt<sup>(2)</sup> of \$6.4 million. The Corporation also has CAD \$74 million and USD \$25 million available to be drawn from its credit facilities at the end of the 2025-year.

## Dividends and ROCS

On December 15, 2025, the Corporation declared a dividend of \$0.20 per share<sup>(3)</sup> payable to shareholders of record on December 31, 2025. An aggregate of \$9.1 million was paid on January 15, 2026.

The Corporation remains committed to enhancing shareholder returns through its Return of Capital Strategy ("ROCS") which targets up to 70 percent of annual excess cash flow<sup>(2)</sup> to be used for shareholder returns and includes multiple options including the dividend program and the NCIB. For the year ended December 31, 2025, excess cash flow increased primarily due to lower capital expenditures and higher proceeds on disposition of drilling equipment. The Corporation continued to prioritize shareholder returns while protecting its financial position, and in the 2025-year, maintained its current level of dividends, paying \$36.3 million in dividends to shareholders, and repurchased and cancelled 379,000 common shares for \$3.3 million under the Corporation's NCIB. For the year-ended December 31, 2025, the remaining balance under ROCS target<sup>(2)</sup> was \$8.7 million.

*(Stated in thousands of dollars)*

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Excess cash flow	<b>29,786</b>	17,263	<b>68,975</b>	47,569
Targeted 70% of excess cash flow under ROCS	<b>20,850</b>	12,084	<b>48,283</b>	33,298
Deduct:				
Dividends paid to shareholders	<b>(9,036)</b>	(9,183)	<b>(36,342)</b>	(37,570)
Repurchase of shares under the NCIB	-	(4,859)	<b>(3,250)</b>	(20,614)
Remaining balance under ROCS target	<b>11,814</b>	(1,958)	<b>8,691</b>	(24,886)

As part of PHX Energy's commitment rewarding shareholders through ROCS, the Board has declared a special cash dividend of \$0.20 per common share, payable on April 1, 2026 to shareholders of record at the close of business on March 16, 2026. This special dividend reflects the Corporation's track record of rewarding shareholders as it had intended when the ROCS

program was established while continuing to invest in operational growth. Given that the Corporation ended the year below our ROCS target of returning up to 70 percent of excess cash flow<sup>(2)</sup> our Board determined to further reward shareholders with this special dividend in addition to the regular quarterly dividend.

## Normal Course Issuer Bid (“NCIB”)

During the third quarter of 2025, the TSX approved the renewal of PHX Energy’s NCIB to purchase for cancellation, from time-to-time, up to a maximum of 4,035,757 common shares, representing 10 percent of the Corporation’s public float of Common Shares as at August 5, 2025. The NCIB commenced on August 18, 2025 and will terminate on August 17, 2026. Purchases of common shares may be made on the open market through the facilities of the TSX and through alternative trading systems. The price which PHX Energy is to pay for any common shares purchased is to be at the prevailing market price on the TSX or alternate trading systems at the time of such purchase.

Pursuant to the previous NCIB, 379,000 common shares were purchased by the Corporation and cancelled for \$3.3 million in the year ended December 31, 2025 (2024 – 2,141,232 common shares were purchased and cancelled for \$20.6 million). No common shares have been purchased to date under the current NCIB.

It is the Corporation’s intention to continue the current strategy of leveraging the NCIB at opportunistic times as a tool to further reward shareholders under ROCS especially during times of market industry weaknesses.

## Capital Spending

For the year ended December 31, 2025, the Corporation spent \$72.3 million in capital expenditures, of which \$49 million was spent on growing the Corporation’s fleet of drilling equipment, \$16.6 million was spent to replace retired assets, and \$6.7 million was spent to replace equipment lost downhole during drilling operations. With proceeds on disposition of drilling and other equipment of \$42.3 million, the Corporation’s net capital expenditures<sup>(2)</sup> for the 2025-year were \$30 million. Capital expenditures in the 2025-year were primarily directed towards RSS, both PowerDrive Orbit and iCruise and the Corporation’s proprietary Real-Time RSS Communications technologies, Velocity Real-Time systems (“Velocity”), and Atlas High Performance motors (“Atlas”). PHX Energy funded capital spending primarily using proceeds on disposition of drilling equipment, cash flows from operating activities, and its credit facilities when required.

*(Stated in thousands of dollars)*

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Growth capital expenditures	<b>6,362</b>	13,580	<b>48,959</b>	73,378
Maintenance capital expenditures from asset retirements	<b>1,032</b>	-	<b>16,634</b>	5,289
Maintenance capital expenditures to replace downhole equipment losses	<b>2,087</b>	2,134	<b>6,700</b>	4,610
Total capital expenditures	<b>9,481</b>	15,714	<b>72,293</b>	83,277
Deduct:				
Proceeds on disposition of drilling equipment	<b>(11,354)</b>	(10,057)	<b>(42,286)</b>	(36,741)
Net capital expenditures <sup>(2)</sup>	<b>(1,873)</b>	5,657	<b>30,007</b>	46,536

As at December 31, 2025, the Corporation had capital commitments to purchase drilling and other equipment for \$41.4 million, \$18.1 million of which is growth capital allocated as follows: \$7.8 million for RSS systems, \$7.6 million for performance drilling motors, \$2.6 million for Velocity systems, and \$0.1 million for other equipment. Equipment on order as at December 31, 2025 is expected to be delivered within the first half of 2026.

The Board approved a preliminary 2026 capital expenditure program of \$60 million, of which approximately 40 percent is anticipated to be spent on growth. The growth portion is expected to be directed toward continuing to expand PHX Energy's high margin technologies, including RSS and supporting greater activity in the Atlas motor rental division. The remainder is anticipated to be spent on maintenance of the fleet of drilling and other equipment and replacement of equipment lost downhole during drilling operations.

The Corporation currently possesses approximately 915 Atlas motors, comprised of various configurations including its 5.25", 5.76", 6.63", 7.12", 7.25", 8.12", and 9.00" Atlas motors, and 127 Velocity systems. The Corporation also possesses the largest independent RSS fleet in North America with 113 RSS tools. The size and diversity of PHX Energy's RSS fleet creates unique competitive advantages in that it is comprised of both the PowerDrive Orbit and iCruise systems, includes its proprietary Real-Time RSS Communications technology for both systems and is one of the only fleets today to have a 7 7/8" RSS tool along with the traditional RSS tool sizes.

## Non-GAAP and Other Financial Measures

Throughout this Press Release, PHX Energy uses certain measures to analyze financial performance, financial position, and cash flow. These Non-GAAP and Other Specified Financial Measures do not have standardized meanings prescribed under Canadian generally accepted accounting principles ("GAAP") and include Non-GAAP Financial Measures, Non-GAAP Ratios, Capital Management Measures and Supplementary Financial Measures (collectively referred to as "Non-GAAP and Other Financial Measures"). These Non-GAAP and Other Specified Financial Measures used by PHX Energy include adjusted EBITDA, adjusted EBITDA per share - diluted, adjusted EBITDA as a percentage of revenue, gross profit as a percentage of revenue excluding depreciation and amortization, selling, general and administrative ("SG&A") costs excluding share-based compensation as a percentage of revenue, funds from operations, excess cash flow, working capital, net debt (net cash), net capital expenditures, remaining balance under ROCS target, average consolidated revenue per day, average revenue per day, dividends paid per share, dividends declared per share, dividends paid as a percentage of excess cash flows, effective tax rate, and funds from operations per share - diluted. Management believes that these measures provide supplemental financial information that is useful in the evaluation of the Corporation's operations and may be used by other oil and natural gas service companies. Investors should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with GAAP as an indicator of PHX Energy's performance. The Corporation's method of calculating these measures may differ from that of other organizations, and accordingly, such measures may not be comparable.

Readers are cautioned that this Press Release should be read in conjunction with the section entitled "Non-GAAP and Other Financial Measures" at the end of this Press Release or for applicable definitions, rationale for use, method of calculation and reconciliations where applicable as well as the section entitled "Cautionary Statement Regarding Forward-Looking Information and Statements".

Footnotes throughout this document reference:

(1) Non-GAAP financial measure or ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Non-GAAP and Other Financial Measures section of this Press Release.

(2) Capital management measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Non-GAAP and Other Financial Measures section of this Press Release.

(3) Supplementary financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Non-GAAP and Other Financial Measures section of this Press Release.

## Revenue

The Corporation generates revenue primarily through the provision of directional drilling services which includes providing equipment, personnel, and operational support for drilling a well. Additionally, the Corporation generates revenue through the rental and sale of drilling motors and associated parts, particularly Atlas.

*(Stated in thousands of dollars)*

	Three-month periods ended December 31,			Years ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Directional drilling services	171,644	163,392	5	657,014	609,994	8
Motor rental	11,838	9,966	19	48,271	38,436	26
Sale of motor equipment and parts	410	5,318	(92)	4,313	11,233	(62)
Total revenue	183,892	178,676	3	709,598	659,663	8

In 2025, PHX Energy achieved its highest level of fourth quarter and annual revenue in its history. Consolidated revenue in the last quarter of 2025 increased by 3 percent to \$183.9 million compared to \$178.7 million in the corresponding 2024-quarter and annual consolidated revenue increased by 8 percent to \$709.6 million compared to \$659.7 million in 2024.

In the final quarter of 2025, softer industry conditions persisted and both the US and Canadian industry rig counts were lower compared to the same quarter in 2024. The average number of horizontal and directional rigs operating per day in the US declined by 7 percent to 516 in the 2025 three-month period from 555 in the corresponding 2024-period. In Canada, industry horizontal and directional drilling activity (as measured by drilling days) was 14,881 days in the 2025-quarter, a 10 percent decrease from 16,498 days in the same 2024-quarter. In comparison, the Corporation's consolidated operating days increased marginally to 7,826 days in the 2025-quarter from 7,807 days in the 2024-quarter.

For the year-ended December 31, 2025, PHX Energy recorded 30,687 consolidated operating days which is 3 percent more than the 29,877 days in the 2024-year. The US rig count and the Canadian industry horizontal and directional drilling activity (as measured by drilling days) declined by 6 percent and 7 percent, respectively, year-over-year.

Average consolidated revenue per day<sup>(3)</sup> for directional drilling services improved by 5 percent in both 2025-periods to \$21,932 in the 2025-quarter (2024 – \$20,930) and to \$21,410 in the 2025-year (2024 – \$20,418). These improvements were largely driven by customers’ increased utilization of PHX Energy’s premium technologies particularly RSS and Real-Time RSS Communications technologies. RSS activity was strong and represented 18 percent of the Corporation’s consolidated activity in the 2025-quarter (2024 – 15 percent) and 16 percent in the 2025-year (2024 – 14 percent).

In the 2025 three and twelve-month periods, revenue generated by PHX Energy’s Atlas motor rental division increased by 19 percent to \$11.8 million (2024 - \$10 million) and 26 percent to \$48.3 million (2024 - \$38.4 million), respectively. Throughout the year, the Corporation’s US motor rental division successfully grew its client base through increased marketing efforts and additional resources dedicated to support the division.

For the three-month period and year ended December 31, 2025, revenue of \$0.4 million and \$4.3 million, respectively, were generated from the sale of motor equipment and parts (2024 – \$5.3 million and \$11.2 million). Due to the intermittent and cyclical nature of the customers’ ordering frequency, it is expected that revenue from this line of business will fluctuate between periods.

## Operating Costs and Expenses

*(Stated in thousands of dollars except percentages)*

	Three-month periods ended December 31,			Years ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Direct costs	155,137	148,003	5	598,634	535,169	12
Depreciation & amortization drilling and other equipment (included in direct costs)	16,793	11,846	42	58,321	44,822	30
Depreciation & amortization right-of-use asset (included in direct costs)	843	867	(3)	3,456	3,787	(9)
Gross profit as a percentage of revenue excluding depreciation & amortization <sup>(1)</sup>	25%	24%		24%	26%	

Direct costs are comprised of field and shop expenses, costs of motors and parts sold, and include depreciation and amortization of the Corporation’s equipment and right-of-use assets. For the three-month period ended December 31, 2025, direct costs increased by 5 percent to \$155.1 million from \$148 million in the same 2024-period. For the year-ended December 31, 2025, direct costs increased by 12 percent to \$598.6 million from \$535.2 million in 2024.

For the three and twelve-month periods of 2025, the Corporation’s depreciation and amortization on drilling and other equipment increased by 42 percent and 30 percent, respectively, mainly as a result of the additions to fixed assets throughout 2025 and a change in the estimated useful lives of certain major components of motors that was effective September 1, 2025 which resulted in \$3 million of additional depreciation recorded in the 2025-quarter and \$6 million in the year. Apart from higher depreciation and amortization expenses on drilling and other equipment, higher direct costs in both 2025-periods primarily resulted from greater costs of equipment parts and services which were impacted by several factors including inflation, tariffs implemented late in the first quarter of 2025, and servicing and rental costs related to higher RSS activity.

For the three-month period ended December 31, 2025, gross profit as a percentage of revenue excluding depreciation and amortization<sup>(1)</sup> increased to 25 percent from 24 percent in the same 2024-period. Included in direct costs in the 2024-period was a \$2.2 million write-down of inventory to its net realizable value. For the year ended December 31, 2025, gross profit as a percentage of revenue excluding depreciation and amortization<sup>(1)</sup> declined to 24 percent from 26 percent in 2024. The decrease in profitability was mainly due to rising equipment servicing costs and lower revenue from the sale of motor equipment and parts.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Selling, general and administrative ("SG&A") costs	<b>15,984</b>	17,567	(9)	<b>64,460</b>	68,294	(6)
Cash-settled share-based compensation (included in SG&A costs)	<b>111</b>	2,190	(95)	<b>4,732</b>	11,774	(60)
Equity-settled share-based compensation (included in SG&A costs)	<b>48</b>	59	(19)	<b>405</b>	480	(16)
SG&A costs excluding share-based compensation as a percentage of revenue <sup>(1)</sup>	<b>9%</b>	9%		<b>8%</b>	8%	

For the three-month period and year ended December 31, 2025, SG&A costs decreased to \$16 million and \$64.5 million, respectively, from \$17.6 million and \$68.3 million in the corresponding 2024-periods. In both 2025-periods, the decrease in SG&A costs was mainly due to lower cash-settled share-based compensation expense.

Cash-settled share-based compensation relates to the Corporation's retention awards and is measured at fair value. For the three-month period and year ended December 31, 2025, the related compensation expense recognized by PHX Energy was \$0.1 million (2024 - \$2.2 million) and \$4.7 million (2024 - \$11.8 million), respectively. Changes in cash-settled share-based compensation expense in the 2025-periods were mainly driven by fluctuations in the Corporation's share price, estimated payout multipliers, and the number of awards granted in the period. There were 1,546,632 retention awards outstanding as at December 31, 2025 (2024 - 1,599,094). SG&A costs excluding share-based compensation as a percentage of revenue<sup>(1)</sup> were flat period-over-period at 9 percent and 8 percent in the three and twelve-month periods ended December 31, 2025, respectively (2024 - 9 percent and 8 percent, respectively).

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Research and development expense	<b>1,685</b>	1,333	26	<b>6,816</b>	5,337	28

For the three-month period and year ended December 31, 2025, PHX Energy spent \$1.7 million and \$6.8 million on research and development ("R&D") expenditures, an increase of 26 and 28 percent as compared to \$1.3 million and \$5.3 million spent in the corresponding 2024-periods. Greater R&D expenditures in the 2025-periods were largely driven by rising personnel related costs and increased prototype and equipment repair parts incurred to support key R&D initiatives.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Finance expense	747	527	42	2,921	1,948	50
Finance expense lease liabilities	460	512	(10)	1,921	2,213	(13)

Finance expenses mainly relate to interest charges on the Corporation's credit facilities. For the three-month period and year ended December 31, 2025, finance expense increased to \$0.7 million and \$2.9 million, respectively (2024 - \$0.5 million and \$1.9 million). The increase in finance expenses in both 2025-periods was primarily due to higher drawings on the credit facilities in the periods.

Finance expense lease liabilities relate to interest expense incurred on lease liabilities. For the three and twelve-month periods ended December 31, 2025, finance expense lease liabilities decreased to \$0.5 million and \$1.9 million, respectively (2024 - \$0.5 million and \$2.2 million), due to leases that expired in 2025.

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Net gain on disposition of drilling equipment	8,203	6,021	30,383	24,648
Foreign exchange losses	(247)	(946)	(205)	(1,070)
Provision for bad debts	(198)	-	(198)	-
Miscellaneous other income	89	-	707	-
Other income	7,847	5,075	30,687	23,578

For the three-month period and year ended December 31, 2025, the Corporation recognized other income of \$7.8 million and \$30.7 million, respectively (2024 - \$5.1 million and \$23.6 million, respectively). In both periods, other income was mainly comprised of net gain on disposition of drilling equipment. The recognized gain is net of losses, which typically result from asset retirements that were made before the end of the equipment's useful life. In the 2025-quarter and year, more instances of high dollar valued downhole equipment losses occurred as compared to the corresponding 2024-periods resulting in higher levels of net gain on disposition of drilling equipment recognized.

Foreign exchange losses of \$0.3 million and \$0.2 million in the three and twelve-month periods of 2025 (2024 - \$0.9 million and \$1.1 million), were primarily due to the revaluation and settlement of CAD-denominated intercompany payables in the US.

In the final quarter of 2025, PHX Energy provisioned \$0.2 million for bad debts which relates to one client in the US and one client in Canada.

In the 2025 three and twelve-month periods, the miscellaneous other income of \$0.1 million and \$0.7 million, respectively, pertain to sundry and occasional transactions such as proceeds from the sale of scrapped metal and machining services for a third party.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Provision for (Recovery of) income taxes	157	1,711	10,823	15,658
Effective tax rates <sup>(3)</sup>	1%	11%	17%	22%

For the three-month period and year ended December 31, 2025, the Corporation reported a provision for income tax of \$0.2 million (2024 – \$1.7 million), and \$10.8 million (2024 - \$15.7 million), respectively. PHX Energy's effective tax rate<sup>(3)</sup> of 1 percent in the 2025-quarter and 17 percent in the 2025-year are lower than the combined US federal and state corporate income tax rate of 22.5 percent and the combined Canadian federal and provincial corporate income tax rate of 23 percent. In the 2025-periods, lower provision for income taxes are primarily attributable to the recognition and utilization of previously unrecognized deferred tax assets in the Luxembourg jurisdiction and recovery of income taxes relating to prior periods.

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

	Three-month periods ended December 31,			Years ended December 31,		
	2025	2024	% Change	2025	2024	% Change
<b>Operating Results</b>						
Earnings	17,569	14,098	25	54,710	54,622	-
Earnings per share – diluted	0.35	0.30	17	1.13	1.16	(3)
Adjusted EBITDA <sup>(1)</sup>	36,869	29,638	24	132,812	123,734	7
Adjusted EBITDA per share – diluted <sup>(1)</sup>	0.80	0.63	27	2.88	2.63	10
Adjusted EBITDA as a percentage of revenue <sup>(1)</sup>	20%	17%		19%	19%	

For the three-month period ended December 31, 2025, the Corporation's earnings increased by 25 percent to \$17.6 million from \$14.1 million in the 2024-period and adjusted EBITDA increased by 24 percent to \$36.9 million, 20 percent of revenue, from \$29.6 million, 17 percent of revenue, in the corresponding 2024-quarter. Contributing to the 2025-quarter's improved earnings and adjusted EBITDA are lower cash-settled share-based compensation expenses and higher net gain on disposition of drilling equipment.

Earnings for the year ended December 31, 2025 of \$54.7 million were flat against earnings of \$54.6 million in 2024. Flat earnings despite higher revenues in the 2025 twelve-month period were largely due to higher depreciation and amortization expenses on drilling and other equipment. In the 2025-year, \$6 million in additional depreciation was recognized relating to a change in the estimated useful life of certain primary components of motors. For the year-ended December 31, 2025, adjusted EBITDA<sup>(1)</sup> increased by 7 percent to \$132.8 million, 19 percent of revenue, from \$123.7 million, 19 percent of revenue, in 2024. The adjusted EBITDA achieved in the 2025-year was the second highest in the Corporation's history, with the record being achieved in 2023. Included in the 2025 twelve-month period's adjusted EBITDA is \$30.4 million of net gain on disposition of drilling equipment (2024 - \$24.6 million) and cash-settled share-based compensation expense of \$4.7 million (2024 - \$11.8 million).

# Segmented Information

The Corporation reports two operating segments on a geographical basis throughout the Gulf Coast, Northeast and Rocky Mountain regions of the US and throughout the Western Canadian Sedimentary Basin. Revenue generated through the Corporation's technology partnership and sales and lease agreement for the Middle East and North Africa ("MENA") regions are included in the US division's results.

## United States

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Directional drilling services	120,008	117,811	2	466,187	431,675	8
Motor rental	11,356	9,213	23	45,724	36,557	25
Sale of motor equipment and parts	410	5,318	(92)	4,313	11,233	(62)
Total revenue	131,774	132,342	-	516,224	479,465	8
Direct costs	110,107	108,155	2	435,072	384,878	13
Gross profit	21,667	24,187	(10)	81,152	94,587	(14)
Expenses:						
Selling, general and administrative expenses	8,009	8,283	(3)	30,709	30,746	-
Research and development expenses	-	-	-	-	-	-
Finance expense	-	-	-	-	-	-
Finance expense lease liability	162	200	(19)	706	943	(25)
Other income	(5,865)	(2,548)	130	(24,019)	(16,286)	47
Reportable segment profit before income taxes	19,361	18,252	6	73,756	79,184	(7)

For the three-month period ended December 31, 2025, PHX Energy's US division generated revenue of \$131.8 million, flat against the \$132.3 million generated in the fourth quarter of 2024. For the year ended December 31, 2025, the Corporation's US division achieved its highest annual revenue, \$516.2 million, which is 8 percent higher than \$479.5 million in 2024.

In 2025, PHX Energy's US operations thrived by leveraging the strong reputation of its premium technologies and operational expertise, and through increasing fleet capacity to gain market share despite continued weak industry activity. In the fourth quarter of 2025, the average number of active horizontal and directional rigs per day in the US industry declined by 7 percent to 516 compared to an average of 555 rigs per day in the 2024-quarter. In comparison, the Corporation's US operating days increased by 2 percent to 4,525 days from 4,438 days in the 2024-quarter. The US division's RSS activity represented 22 percent of its operating days in both 2025 and 2024-quarters. For the year ended December 31, 2025, the average number of horizontal and directional rigs running on a daily basis in the US industry decreased by 6 percent to 533 rigs from 566 rigs in 2024. In comparison, the US segment's operating days were 17,845 in the 2025-year compared to 16,667 in 2024; an increase of 7 percent. The US division's annual RSS activity was the highest it has ever achieved and represented 22 percent of its annual operating days (2024 - 21 percent).

With directional and horizontal drilling being the norm for over a decade, operators are now focused on increased efficiency of their drilling program, which includes drilling longer lateral sections and in some basins more complex horizontal well designs known as U-turn and J wells. The Corporation's fleet and expertise are well suited for these longer and more complex well designs and the US division has been actively drilling these well types in 2025. During the 2025-year, the US division was active in the Permian, Eagleford, Scoop/Stack, Uinta, Haynesville, DJ, Fayetteville, and Marcellus basins. Additionally, the Corporation was involved with carbon capture and gas storage projects in Indiana, Michigan, New York, Louisiana and Texas.

For the three-month period ended December 31, 2025, the US division's average revenue per day<sup>(3)</sup> for directional drilling services was flat at \$26,524 compared to \$26,546 in the 2024-quarter. For the year ended December 31, 2025, average revenue per day for directional drilling services of \$26,125 was virtually the same level as the \$25,901 reported in 2024. Omitting the impact of foreign exchange, the average revenue per day for directional drilling services was also mostly flat in both 2025-periods.

Despite the slow industry environment, the Corporation's US division grew its motor rental activities and revenue in both 2025-periods. With added resources dedicated to this line of business, the Corporation's US motor rental division successfully grew its client base. For the three-month period and year ended December 31, 2025, US motor rental revenue increased by 23 percent and 25 percent, respectively, to \$11.4 million in the 2025-quarter and \$45.7 million in the 2025-year (2024 - \$9.2 million and \$36.6 million, respectively).

In the three and twelve-month periods of 2025, PHX Energy's US operations generated \$0.4 million and \$4.3 million of revenue from the sale of motors and parts compared to \$5.3 million and \$11.2 million in the corresponding 2024-periods. Due to the intermittent and cyclical nature of the customers' ordering frequency, it is expected that revenue from this line of business will fluctuate between periods.

For the three-month period ended December 31, 2025, the US segment's reportable segment income before tax increased by 6 percent to \$19.4 million from \$18.3 million in the same 2024-period. In the 2025-quarter, the increase in direct cost that largely resulted from higher depreciation and amortization on drilling equipment, was offset by the increase in other income which was mainly from net gains on disposition of drilling and other equipment. In the 2025-year, the US segment's reportable segment income before tax declined by 7 percent to \$73.8 million from \$79.2 million in 2024. Lower profitability in the twelve-month period of 2025 primarily resulted from higher depreciation expenses, lower revenue from the sale of motor equipment and parts, and generally higher equipment repair expenses which primarily resulted from inflation, tariffs implemented late in the first quarter of 2025, and increased servicing costs from PHX Energy owning a more diverse RSS fleet.

## Canada

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2025	2024	% Change	2025	2024	% Change
Directional drilling services	51,636	45,581	13	190,827	178,319	7
Motor rental	482	753	(36)	2,547	1,879	36
Total revenue	52,118	46,334	12	193,374	180,198	7
Direct costs	45,030	39,848	13	163,562	150,291	9
Gross profit	7,088	6,486	9	29,812	29,907	-
Expenses:						
Selling, general and administrative expenses	2,542	4,248	(40)	13,593	15,548	(13)
Research and development expenses	-	-	-	-	-	-
Finance expense	-	-	-	-	-	-
Finance expense lease liability	280	293	(4)	1,139	1,193	(5)
Other income	(1,982)	(2,527)	(22)	(6,668)	(7,292)	(9)
Reportable segment profit before income taxes	6,248	4,472	40	21,748	20,458	6

For the three-month period ended December 31, 2025, PHX Energy's Canadian operations generated revenue of \$52.1 million, a 12 percent increase compared to \$46.3 million in the 2024-period. In the 2025-year, the Canadian segment's revenue of \$193.4 million is its highest annual revenue on record and a 7 percent increase compared to the \$180.2 million generated in 2024. In both 2025-periods, revenue growth was largely driven by increased RSS activity.

In the 2025 three-month period, PHX Energy's Canadian segment's operating days declined by 2 percent to 3,302 days from 3,369 days in the same 2024-quarter and its RSS operating days accounted for 12 percent of its activity in the 2025-period, an increase compared to 5 percent in the corresponding 2024-period. In comparison, industry horizontal and directional drilling activity, as measured by drilling days, decreased by 10 percent to 14,881 in the fourth quarter of 2025 from 16,498 in the 2024-quarter. For the year ended December 31, 2025, there were 58,297 horizontal and directional drilling days realized in the Canadian industry, compared to the 62,759 days realized in 2024, a 7 percent decrease. In comparison, the Canadian segment's activity decreased by only 3 percent from 13,210 operating days in 2024 to 12,842 days in 2025. Additionally, the Canadian division's RSS operating days in the 2025-year increased to 8 percent of the segment's activity from 4 percent in 2024. During the 2025-year, the Canadian division was active in the Duvernay, Montney, Glauconite, Frobisher, Cardium, Viking, Bakken, Torquay, Colony, Ellerslie, Charlie Lake, Cummings, Sparky, and Scallion basins.

The Canadian division's average revenue per day<sup>(3)</sup> for directional drilling services increased by 16 percent to \$15,640 in the 2025-quarter, as compared to \$13,538 in the corresponding 2024-quarter and increased by 10 percent to \$14,860 in the 2025-year from \$13,500 in 2024. The increases were primarily driven by the expanded use of RSS technologies.

PHX Energy's Canadian reportable segment profits increased by 40 percent to \$6.2 million in the 2025-quarter (2024 - \$4.5 million) and 6 percent to \$21.7 million in the 2025-year (2024 - \$20.5 million). The improved profitability in both 2025-periods was mainly due to higher RSS activity and lower personnel-related costs.

## Investing Activities

Net cash used in investing activities for the year ended December 31, 2025 was \$34.2 million as compared to \$49.2 million in 2024. During 2025, the Corporation spent \$49 million (2024 - \$73.4 million) to grow the Corporation's fleet of drilling equipment, \$16.6 million (2024 - \$5.3 million) was used to maintain capacity in the Corporation's fleet of drilling and other equipment, and \$6.7 million (2024 - \$4.6 million) was spent to replace equipment lost downhole during drilling operations. With proceeds on disposition of drilling and other equipment of \$42.3 million (2024 - \$36.7 million), the Corporation's net capital expenditures<sup>(2)</sup> for 2025 were \$30 million (2024 - \$46.5 million).

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Growth capital expenditures	6,362	13,580	48,959	73,378
Maintenance capital expenditures from asset retirements	1,032	-	16,634	5,289
Maintenance capital expenditures to replace downhole equipment losses	2,087	2,134	6,700	4,610
Total capital expenditures	9,481	15,714	72,293	83,277
Deduct:				
Proceeds on disposition of drilling equipment	(11,354)	(10,057)	(42,286)	(36,741)
Net capital expenditures <sup>(2)</sup>	(1,873)	5,657	30,007	46,536

The 2025-year capital expenditures comprised of:

- \$27.4 million in RSS;
- \$23 million in MWD systems and spare components;
- \$17.6 million in downhole performance drilling motors; and
- \$4.3 million in machinery and equipment and other assets.

The capital expenditure program undertaken in the year was primarily financed from proceeds on disposition of drilling equipment, cash flows from operating activities, and the Corporation's credit facilities when required.

The change in non-cash working capital balances of \$0.5 million (source of cash) relates to the net change in the Corporation's trade payables that are associated with the acquisition of capital assets. This compares to \$0.4 million use of cash in 2024.

## Financing Activities

For the year ended December 31, 2025, net cash used in financing activities was \$23.4 million as compared to \$51.1 million in 2024. In the 2025-year:

- dividends of \$36.3 million were paid to shareholders;
- 379,000 common shares were repurchased and cancelled under the NCIB for \$3.3 million;

- payments of \$3.7 million were made towards lease liabilities;
- \$19 million net drawings were made from the Corporation's syndicated credit facility; and
- 240,000 common shares were issued from treasury for proceeds of \$0.9 million upon the exercise of share options.

## Capital Resources

As of December 31, 2025, the Corporation had CAD \$35.5 million drawn on its Canadian credit facilities, nothing drawn on its US operating facility, and a cash balance of \$29.1 million. As at December 31, 2025, the Corporation had approximately CAD \$74 million and USD \$25 million available to be drawn from its credit facilities. The credit facilities are secured by substantially all of the Corporation's assets and mature in December 2028.

As at December 31, 2025, the Corporation was in compliance with all its financial covenants under its credit facilities as follows:

Ratio	Covenant	As at December 31, 2025
Debt to covenant EBITDA <sup>(i)</sup>	<3.0x	<b>0.28</b>
Interest coverage ratio <sup>(i)</sup>	>3.0x	<b>43.54</b>

<sup>(i)</sup> Definitions for these terms are included in the credit agreement filed on SEDAR+ under the heading "Material Contracts – Credit Agreements".

Under the syndicated credit agreement, in any given period, the Corporation's distributions (as defined therein) cannot exceed its maximum aggregate amount of distributions limit as defined in the Corporation's syndicated credit agreement. Distributions include, without limitation, dividends declared and paid, cash used for common shares purchased by the independent trustee in the open market and held in trust for potential settlement of outstanding retention awards, as well as cash used for common shares repurchased and cancelled under the NCIB.

## Cash Requirements for Capital Expenditures

Historically, the Corporation has financed its capital expenditures and acquisitions through cash flows from operating activities, proceeds on disposition of drilling equipment, debt and equity. The Corporation currently anticipates spending approximately \$60 million in capital expenditures during 2026, which was recently approved by the Board. Of the total expenditures, approximately 40 percent is targeted to be spent on growth and the rest is expected to be allocated to maintain capacity in the existing fleet of drilling and other equipment and replace equipment lost downhole during drilling operations. The amount expected to be allocated towards replacing equipment lost downhole could increase, should more downhole equipment losses occur throughout the year.

These planned expenditures are expected to be financed from cash flow from operating activities, proceeds on disposition of drilling equipment, cash and cash equivalents, and the Corporation's credit facilities, if necessary. However, if a sustained period of market uncertainty, threat of trade wars, and financial market volatility persists in 2026, the Corporation's activity levels, cash flows and access to credit may be negatively impacted, and the expenditure level would be reduced accordingly.

where possible. Conversely, if future growth opportunities present themselves, the Corporation would look at potentially expanding this planned capital expenditure amount.

As at December 31, 2025, the Corporation has commitments to purchase drilling and other equipment for \$41.4 million. Delivery is expected to occur within the first half of 2026.

## About PHX Energy Services Corp.

PHX Energy is a growth-oriented, public oil and natural gas services company. The Corporation, through its directional drilling subsidiary entities provides horizontal and directional drilling services and technologies to oil and natural gas exploration and development companies principally in Canada and the US. In connection with the services it provides, PHX Energy engineers and manufactures leading-edge technologies. In recent years, PHX Energy has developed various new technologies that have positioned the Corporation as a technology leader in the horizontal and directional drilling services sector.

PHX Energy's Canadian directional drilling operations are conducted through Phoenix Technology Services LP. The Corporation maintains its corporate head office, research and development, Canadian sales, service and operational centers in Calgary, Alberta. In addition, PHX Energy has a facility in Estevan, Saskatchewan. PHX Energy's US operations, conducted through the Corporation's wholly-owned subsidiary, Phoenix Technology Services USA Inc., is headquartered in Houston, Texas. The Corporation has sales and service facilities in Houston, Texas; Midland, Texas; Casper, Wyoming; and Oklahoma City, Oklahoma. Internationally, PHX Energy has administrative offices in Luxembourg, Switzerland, and the Cayman Islands and also supplies technology to the Middle East regions.

As at December 31, 2025, PHX Energy had 971 full-time employees (2024 – 924) and the Corporation utilized over 148 additional field consultants in 2025 (2024 – over 139).

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

For further information please contact:

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PHX Energy Services Corp.

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# Consolidated Statements of Financial Position

(Stated in thousands of dollars)

	December 31, 2025	December 31, 2024
<b>ASSETS</b>		
Current assets:		
Cash	\$ 29,107	\$ 14,163
Trade and other receivables	138,640	133,589
Inventories	56,261	63,135
Prepaid expenses	2,970	2,628
Current tax assets	9,290	502
Total current assets	236,268	214,017
Non-current assets:		
Drilling and other long-term assets	165,001	166,081
Right-of-use assets	21,411	24,943
Intangible assets	16,304	14,611
Investments	2,171	2,171
Other long-term assets	1,253	1,463
Deferred tax assets	756	-
Total non-current assets	206,896	209,269
Total assets	\$ 443,164	\$ 423,286
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Trade and other payables	\$ 110,896	\$ 116,668
Dividends payable	9,074	9,102
Current lease liabilities	4,050	3,702
Current tax liabilities	1,338	-
Total current liabilities	125,358	129,472
Non-current liabilities:		
Lease liabilities	27,393	31,650
Loans and borrowings	35,489	16,827
Deferred tax liabilities	24,317	19,792
Other	1,564	3,340
Total non-current liabilities	88,763	71,609
Equity:		
Share capital	201,722	203,841
Contributed surplus	7,326	7,189
Deficit	(9,894)	(28,291)
Accumulated other comprehensive income (AOCI)	29,889	39,466
Total equity	229,043	222,205
Total liabilities and equity	\$ 443,164	\$ 423,286

## Consolidated Statements of Comprehensive Earnings

(Stated in thousands of dollars except earnings per share)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2025	2024	2025	2024
Revenue	\$ 183,892	\$ 178,676	\$ 709,598	\$ 659,663
Direct costs	155,137	148,003	598,634	535,169
Gross profit	28,755	30,673	110,964	124,494
Expenses:				
Selling, general and administrative expenses	15,984	17,567	64,460	68,294
Research and development expenses	1,685	1,333	6,816	5,337
Finance expense	747	527	2,921	1,948
Finance expense lease liabilities	460	512	1,921	2,213
Other income	(7,847)	(5,075)	(30,687)	(23,578)
	11,029	14,864	45,431	54,214
Earnings before income taxes	17,726	15,809	65,533	70,280
Provision for (recovery of) income taxes				
Current	2,362	(3,452)	6,302	9,273
Deferred	(2,205)	5,163	4,521	6,385
	157	1,711	10,823	15,658
Net earnings	17,569	14,098	54,710	54,622
Other comprehensive income (loss)				
Foreign currency translation, net of tax	(3,353)	11,328	(9,577)	14,453
Equity investment loss through AOCI	-	-	-	(830)
Total comprehensive earnings	\$ 14,216	\$ 25,426	\$ 45,133	\$ 68,245
Earnings per share – basic	\$ 0.39	\$ 0.31	\$ 1.21	\$ 1.17
Earnings per share – diluted	\$ 0.35	\$ 0.30	\$ 1.13	\$ 1.16

# Consolidated Statements of Cash Flows

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Twelve-month periods ended December 31,	
	2025	2024	2025	2024
Cash flows from operating activities:				
Earnings	\$ 17,569	\$ 14,098	\$ 54,710	\$ 54,622
Adjustments for:				
Depreciation and amortization	16,793	11,846	58,321	44,822
Depreciation and amortization right-of-use asset	843	867	3,456	3,787
Provision for income taxes	157	1,711	10,823	15,658
Unrealized foreign exchange loss	252	18	255	204
Net gain on disposition of drilling equipment	(8,203)	(6,021)	(30,383)	(24,648)
Equity-settled share-based payments	48	59	405	480
Finance expense	747	527	2,921	1,948
Finance expense lease liabilities	460	512	1,921	2,213
Provision for bad debts	198	-	198	-
Provision for inventory obsolescence	905	1,200	3,897	2,822
Interest paid on lease liabilities	(460)	(512)	(1,921)	(2,213)
Interest paid	(549)	(355)	(2,465)	(1,241)
Income taxes paid	(1,805)	(3,400)	(14,107)	(5,972)
Change in non-cash working capital	4,726	(2,874)	(14,875)	4,416
Net cash from operating activities	31,681	17,676	73,156	96,898
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	11,354	10,057	42,286	36,741
Acquisition of drilling and other equipment	(9,481)	(15,714)	(72,293)	(83,277)
Acquisition of intangible assets	-	(863)	(4,699)	(2,228)
Change in non-cash working capital	4,441	4,778	542	(400)
Net cash from (used in) investing activities	6,314	(1,742)	(34,164)	(49,164)
Cash flows from financing activities:				
Dividends paid to shareholders	(9,036)	(9,183)	(36,342)	(37,570)
Repurchase of shares under the NCIB	-	(4,859)	(3,250)	(20,614)
Payments of lease liability	(936)	(873)	(3,700)	(3,377)
Net proceeds from (repayment of) loans and borrowings	(7,000)	(2,393)	19,021	9,107
Proceeds from exercise of options	684	469	863	1,343
Net cash used in financing activities	(16,288)	(16,839)	(23,408)	(51,111)
Net increase (decrease) in cash	21,707	(905)	15,584	(3,377)
Cash, beginning of period	7,871	14,203	14,163	16,433
Effect of movements in exchange rates on cash held	(471)	865	(640)	1,107
Cash, end of period	\$ 29,107	\$ 14,163	\$ 29,107	\$ 14,163

# Cautionary Statement Regarding Forward-Looking Information and Statements

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

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

In particular, forward-looking information and statements contained in this document include without limitation, the Corporation's intent to preserve balance sheet strength and continue to reward shareholders, including through its ROCS program under which the Corporation targets up to 70 percent of annual excess cash flow to be used for shareholder returns and includes multiple options including the dividend program and the NCIB, PHX Energy's intentions with respect to the current NCIB, the anticipated industry activity and demand for the Corporation's services and technologies in North America, the projected capital expenditures budget for 2026, and how the budgets will be allocated and funded, the timeline for delivery of equipment on order, and the anticipated continuation of PHX Energy's quarterly dividend program and the amounts of dividends.

The above are stated under the headings: "Financial Results", "Overall Performance", "Dividends and ROCS", "Capital Spending", and "Capital Resources". In addition, all information contained under the heading "Outlook" of this document may contain forward-looking statements.

In addition to other material factors, expectations and assumptions which may be identified in this document and other continuous disclosure documents of the Corporation referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, without limitation, that: the Corporation will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions and the accuracy of the Corporation's market outlook expectations for 2026 and beyond; that future business, regulatory and industry conditions will be within the parameters expected by the Corporation; the duration and impact of tariffs that are currently in effect on goods exported from or imported into Canada, and that other than the tariffs that are currently in effect, neither the US nor Canada (i) increases the rate or scope of such tariffs, reenacts tariffs that are currently suspended, or imposes new tariffs, on the import of goods from one country to the other, or (ii) imposes any other form of tax, restriction, or prohibition on the import or export of products from one country to the other; anticipated financial performance, business prospects, impact of competition, strategies, the general stability of the economic and political environment in which the Corporation operates; the potential impact of trade wars, pandemics, the Russian-Ukrainian war, Middle-East conflict, US-Venezuela and other world events on

the global economy, specifically trade, manufacturing, supply chain, inflation and energy consumption, among other things and the resulting impact on the Corporation's operations and future results which remain uncertain; exchange and interest rates, and inflationary pressures including the potential for further interest rate hikes by global central banks and the impact on financing charges and foreign exchange and the anticipated global economic response to concerted interest rate hikes; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the adequacy of cash flow; debt and ability to obtain financing on acceptable terms to fund its planned expenditures, dividends, and ROCS, which are subject to change; and market conditions and future oil and natural gas prices and resulting demand for related services. Although management considers these material factors, expectations, and assumptions to be reasonable based on information currently available to it, no assurance can be given that they will prove to be correct.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements 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 information or statements including, without limitation: volatility of commodity prices; adverse economic conditions; political uncertainty; the risk that (i) the tariffs that are currently in effect on goods exported from or imported into Canada continue in effect for an extended period of time, the tariffs that have been threatened are implemented, that tariffs that are currently suspended are reactivated, the rate or scope of tariffs are increased, or new tariffs are imposed, (ii) the US and/or Canada imposes any other form of tax, restriction, or prohibition on the import or export of products from one country to the other, and (iii) the tariffs imposed or threatened to be imposed by the US on other countries and retaliatory tariffs imposed or threatened to be imposed by other countries on the US, will trigger a broader global trade war which could have a material adverse effect on the Canadian, US, and global economies, and by extension the Canadian crude oil and natural gas industry and the Corporation, including by decreasing demand for (and the price of) crude oil and natural gas, disrupting supply chains, increasing costs, causing volatility in global financial markets, and limiting access to financing; the impacts of the ongoing Middle-East conflicts, Russia-Ukraine war and geopolitical developments in Venezuela (and any associated sanctions) on the global economy and commodity prices; compliance with environmental regulations; risks relating to climate change, including transition and physical risks; PHX Energy's ability to recruit and retain a skilled workforce and key personnel; risks relating to a changing investor sentiment; asset and customer concentration; risks relating to information technology systems and cyber security; liquidity; inflation, cost management, and interest rates; third-party credit risks; variations in foreign exchange rates; the impact of competitors; risks related to potential or ongoing litigation; lack of adequate insurance coverage; limited, unfavorable or a lack of access to capital markets; unanticipated operating results; increased debt levels or debt service requirements; increased costs; and certain other risks detailed in PHX Energy's public disclosure documents. Readers should also carefully consider the risks discussed in the section entitled "Business Risk Factors" contained within the Corporation's MD&A for the period ended December 31, 2025 filed on the SEDAR+ website ([www.sedarplus.ca](http://www.sedarplus.ca)).

PHX Energy's future shareholder distributions, including but not limited to the payment of dividends and NCIB purchases, if any, and the level thereof is uncertain. Any decision to pay dividends on PHX Energy's shares (including the actual amount, the declaration date, the record date, and the payment date in connection therewith) will be subject to the discretion of the Board and may depend on a variety of factors, including, without limitation, PHX Energy's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time

including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on PHX Energy under applicable corporate law. Further, the actual amount, the declaration date, the record date, and the payment date of any dividend are subject to the discretion of the Board. There can be no assurance that PHX Energy will pay dividends or make additional purchases under its NCIB in the future.

The forward-looking information in this document also includes financial outlooks and other related forward-looking information relating to PHX Energy, including, but not limited to the expectations of PHX Energy regarding capital expenditures. The internal projections, expectations, or beliefs are based on the 2026 capital budget, which is subject to change in light of ongoing results, prevailing economic conditions and industry conditions and regulations. These financial outlook and other related forward-looking statements are also subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted, and as such, undue reliance should not be placed on financial outlook and/or forward-looking statements.

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.sedarplus.ca](http://www.sedarplus.ca)) or at the Corporation's website. The forward-looking statements and information contained in this MD&A are expressly qualified by this cautionary statement. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

## Non-GAAP and Other Financial Measures

### Non-GAAP Financial Measures and Non-GAAP Ratios

#### a) **Adjusted EBITDA**

Adjusted EBITDA, defined as earnings before finance expense, finance expense lease liability, income taxes, depreciation and amortization, impairment losses on drilling and other equipment and goodwill and other write-offs, equity-settled share-based payments, severance payouts relating to the Corporation's restructuring cost, and unrealized foreign exchange gains or losses, does not have a standardized meaning and is not a financial measure that is recognized under GAAP. However, Management believes that adjusted EBITDA provides supplemental information to earnings that is useful in evaluating the results of the Corporation's principal business activities before considering certain charges, how it was financed and how it was taxed in various countries. Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative measure to earnings determined in accordance with GAAP. PHX Energy's method of calculating adjusted EBITDA may differ from that of other organizations and, accordingly, its adjusted EBITDA may not be comparable to that of other companies.

The following is a reconciliation of earnings to adjusted EBITDA:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Earnings:	17,569	14,098	54,710	54,622
Add:				
Depreciation and amortization drilling and other equipment	16,793	11,846	58,321	44,822
Depreciation and amortization right-of-use asset	843	867	3,456	3,787
Provision for income taxes	157	1,711	10,823	15,658
Finance expense	747	527	2,921	1,948
Finance expense lease liability	460	512	1,921	2,213
Equity-settled share-based payments	48	59	405	480
Unrealized foreign exchange loss	252	18	255	204
Adjusted EBITDA	36,869	29,638	132,812	123,734

**b) Adjusted EBITDA Per Share - Diluted**

Adjusted EBITDA per share - diluted is calculated using the treasury stock method whereby deemed proceeds on the exercise of the share options are used to reacquire common shares at an average share price. The calculation of adjusted EBITDA per share - dilutive is based on the adjusted EBITDA as reported in the table above divided by the diluted number of shares outstanding as quantified in Note 10(b) in the Notes to the Consolidated Financial Statements.

**c) Adjusted EBITDA as a Percentage of Revenue**

Adjusted EBITDA as a percentage of revenue is calculated by dividing the adjusted EBITDA as reported in the table above by revenue as stated on the Consolidated Statements of Comprehensive Earnings.

**d) Gross Profit as a Percentage of Revenue Excluding Depreciation & Amortization**

Gross profit as a percentage of revenue excluding depreciation & amortization is defined as the Corporation's gross profit excluding depreciation and amortization divided by revenue and is used to assess operational profitability. This Non-GAAP ratio does not have a standardized meaning and is not a financial measure recognized under GAAP. PHX Energy's method of calculating gross profit as a percentage of revenue 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 revenue, direct costs, depreciation and amortization and gross profit to gross profit as a percentage of revenue excluding depreciation and amortization:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Revenue	183,892	178,676	709,598	659,663
Direct costs	155,137	148,003	598,634	535,169
Gross profit	28,755	30,673	110,964	124,494
Depreciation & amortization drilling and other equipment (included in direct costs)	16,793	11,846	58,321	44,822
Depreciation & amortization right-of-use asset (included in direct costs)	843	867	3,456	3,787
	46,391	43,386	172,741	173,103
Gross profit as a percentage of revenue excluding depreciation & amortization	25%	24%	24%	26%

**e) SG&A Costs Excluding Share-Based Compensation as a Percentage of Revenue**

SG&A costs excluding share-based compensation as a percentage of revenue is defined as the Corporation's SG&A costs excluding share-based compensation divided by revenue and is used to assess the impact of administrative costs excluding the effect of share price volatility. This Non-GAAP ratio does not have a standardized meaning and is not a financial measure recognized under GAAP. PHX Energy's method of calculating SG&A costs excluding share-based compensation as a percentage of revenue 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 SG&A costs, share-based compensation, and revenue to SG&A costs excluding share-based compensation as a percentage of revenue:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
SG&A Costs	15,984	17,567	64,460	68,294
Deduct:				
Share-based compensation (included in SG&A)	159	2,249	5,137	12,254
	15,825	15,318	59,323	56,040
Revenue	183,892	178,676	709,598	659,663
SG&A costs excluding share-based compensation as a percentage of revenue	9%	9%	8%	8%

## Capital Management Measures

**a) Funds from Operations**

Funds from operations is defined as cash flows generated from operating activities before changes in non-cash working capital, interest paid, and income taxes paid. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses funds from operations as an indication of the Corporation's ability to generate funds from its operations before considering changes in working capital balances and interest and taxes paid. Investors should be cautioned, however, that this financial measure should not be construed as an alternative measure to cash

flows from operating activities determined in accordance with GAAP. PHX Energy's method of calculating funds from operations may differ from that of other organizations and, accordingly, it may not be comparable to that of other companies.

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

*(Stated in thousands of dollars)*

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Cash flows from operating activities	31,681	17,676	73,156	96,898
Add (deduct):				
Changes in non-cash working capital	(4,726)	2,874	14,875	(4,416)
Interest paid	549	355	2,465	1,241
Income taxes paid	1,805	3,400	14,107	5,972
Funds from operations	29,309	24,305	104,603	99,695

**b) Excess Cash Flow**

Excess cash flow is defined as funds from operations (as defined above) less cash payment on leases, growth capital expenditures, and maintenance capital expenditures from downhole equipment losses and asset retirements, and increased by proceeds on disposition of drilling equipment. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses excess cash flow as an indication of the Corporation's ability to generate funds from its operations to support operations and grow and maintain the Corporation's drilling and other equipment. This performance measure is useful to investors for assessing the Corporation's operating and financial performance, leverage and liquidity. 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 excess cash flow 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 excess cash flow:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Cash flows from operating activities	31,681	17,676	73,156	96,898
Add (deduct):				
Changes in non-cash working capital	(4,726)	2,874	14,875	(4,416)
Interest paid	549	355	2,465	1,241
Income taxes paid	1,805	3,400	14,107	5,972
Cash payment on leases	(1,396)	(1,385)	(5,621)	(5,590)
	27,913	22,920	98,982	94,105
Proceeds on disposition of drilling equipment	11,354	10,057	42,286	36,741
Maintenance capital expenditures to replace downhole equipment losses and asset retirements	(3,119)	(2,134)	(23,334)	(9,899)
Net proceeds	8,235	7,923	18,952	26,842
Growth capital expenditures	(6,362)	(13,580)	(48,959)	(73,378)
Excess cash flow	29,786	17,263	68,975	47,569

**c) Working Capital**

Working capital is defined as the Corporation's current assets less its current liabilities and is used to assess the Corporation's short-term liquidity. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses working capital to provide insight as to the Corporation's ability to meet obligations as at the reporting date. PHX Energy's method of calculating working capital 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 current assets and current liabilities to working capital:

(Stated in thousands of dollars)

	December 31,	
	2025	2024
Current assets	236,268	214,017
Deduct:		
Current liabilities	(125,358)	(129,472)
Working capital	110,910	84,545

**d) Net Debt (Net Cash)**

Net debt is defined as the Corporation's loans and borrowings less cash. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses net debt to provide insight as to the Corporation's ability to meet obligations as at the reporting date. PHX Energy's method of calculating net debt 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 loans and borrowings and cash to net debt:

(Stated in thousands of dollars)

	2025	December 31, 2024
Loans and borrowings	35,489	16,827
Deduct:		
Cash	(29,107)	(14,163)
Net debt (Net cash)	6,382	2,664

**e) Net Capital Expenditures**

Net capital expenditures is comprised of total additions to drilling and other long-term assets, as determined in accordance with IFRS, less total proceeds from disposition of drilling equipment, as determined in accordance with IFRS. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses net capital expenditures to provide insight as to the Corporation's ability to meet obligations as at the reporting date. PHX Energy's method of calculating net capital expenditures 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 additions to drilling and other equipment and proceeds from disposition of drilling equipment to net capital expenditures:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Growth capital expenditures	6,362	13,580	48,959	73,378
Maintenance capital expenditures from asset retirements	1,032	-	16,634	5,289
Maintenance capital expenditures to replace downhole equipment losses	2,087	2,134	6,700	4,610
Total capital expenditures	9,481	15,714	72,293	83,277
Deduct:				
Proceeds on disposition of drilling equipment	(11,354)	(10,057)	(42,286)	(36,741)
Net capital expenditures	(1,873)	5,657	30,007	46,536

**f) Remaining Balance under ROCS Target**

Remaining balance under ROCS target is comprised of 70% of excess cash flow as defined above less repurchases of shares under the Normal Course Issuer Bids in effect during the period and less the dividends paid to shareholders during the period. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses the remaining balance under ROCS target to provide insight as to the Corporation's ROCS strategy as at the reporting date. PHX Energy's method of calculating remaining balance under ROCS target 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 excess cash flow as defined above to remaining balance under ROCS target:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2025	2024	2025	2024
Excess cash flow	29,786	17,263	68,975	47,569
Targeted 70% of excess cash flow under ROCS	20,850	12,084	48,283	33,298
Deduct:				
Dividends paid to shareholders	(9,036)	(9,183)	(36,342)	(37,570)
Repurchase of shares under the NCIB	-	(4,859)	(3,250)	(20,614)
Remaining balance under ROCS target	11,814	(1,958)	8,691	(24,886)

## Supplementary Financial Measures

**“Average consolidated revenue per day”** is comprised of consolidated revenue, as determined in accordance with IFRS, divided by the Corporation’s consolidated number of operating days. Operating days is defined under the “Definitions” section below.

**“Average revenue per day”** is comprised of revenue, as determined in accordance with IFRS, divided by the number of operating days.

**“Dividends paid per share”** is comprised of dividends paid, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

**“Dividends declared per share”** is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

**“Dividends paid as a percentage of excess cash flows”** is comprised of dividends paid, as determined in accordance with IFRS, divided by the excess cash flow as reported in the table above.

**“Effective tax rate”** is comprised of provision for or recovery of income tax, as determined in accordance with IFRS, divided by earnings before income taxes, as determined in accordance with IFRS.

**“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 - diluted is based on the funds from operations as reported in the table above divided by the diluted number of shares outstanding as quantified in Note 10(b) in the Notes to the Consolidated Financial Statements.

## Definitions

**“Operating days”** throughout this document, it is referring to the billable days on which PHX Energy is providing services to the client at the rig site.

**“Capital expenditures”** equate to the Corporation’s total acquisition of drilling and other equipment as stated on the Consolidated Statements of Cash Flows and Note 5(b) in the Notes to the Financial Statements.

**“Growth capital expenditures”** are capital expenditures that were used to expand capacity in the Corporation’s fleet of drilling equipment.

**“Maintenance capital expenditures”** are capital expenditures that were used to maintain capacity in the Corporation’s fleet of drilling equipment and replace equipment that were lost downhole during drilling operations.

