PHX ENERGY SERVICES CORP.

PRESS RELEASE
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TSX – PHX
Calgary, Alberta

PHX Energy Announces Its Operating and Financial Results for the Fourth Quarter of 2019

Overall Performance

In the 2019-year, the Corporation achieved its highest adjusted EBITDA since 2014, despite declines in North American industry activity. This is the third consecutive year that the Corporation has produced this result as PHX Energy has progressively strengthened its profitability year-over-year since 2017. Adjusted EBITDA for the year ended December 31, 2019 increased 11 percent to $50.4 million compared to $45.4 million reported in 2018. The Corporation's improved profitability was generally driven by greater capacity of PHX Energy's high performance technologies, which generate higher margins. For the three-month period ended December 31, 2019, adjusted EBITDA was $12.4 million, a 16 percent decrease as compared to the $14.7 million generated in the corresponding 2018-quarter due to slower activity in Canada.

PHX Energy also achieved its highest consolidated revenue since 2014 in the 2019-year. The Corporation's consolidated revenue increased 14 percent to $362.1 million, compared to $317.1 million in 2018. The higher revenue achieved is mainly attributable to increased revenue per day in the US and Canadian divisions and higher activity levels generated by Phoenix USA. The annual average consolidated revenue per day, excluding the motor rental division in the US and the EDR division, for 2019 was $13,495, a 14 percent improvement compared to an annual average of $11,816 in 2018. The higher revenue per day was primarily due to the increased capacity of the Corporation's high performance technology fleets in the US, specifically Velocity Real Time Systems ("Velocity"), PowerDrive Orbit Rotary Steerable Systems ("RSS"), and Atlas High Performance ("Atlas") Motors. For the quarter ended December 31, 2019, the Corporation's consolidated revenue increased slightly (2 percent) to $93.9 million from the $92.3 million realized in the corresponding 2018-quarter.

The Corporation reported a net loss of $2.2 million for the 2019-year, an 88 percent improvement as compared to the $18.9 million reported in the 2018-year. The 2019 net loss includes impairment losses of $0.5 million (2018 - $4.5 million). In 2018, the net loss includes $17.7 million of unrecognized deferred tax assets relating to Canadian jurisdictions.

As at December 31, 2019, PHX Energy had loans and borrowings of $13.9 million as well as operating facility borrowings of $11.4 million. These debt items less cash and cash equivalents of $10.6 million resulted in net debt of $14.7 million (December 31, 2018 - $21.5 million)

Capital Spending

For the year ended December 31, 2019, the Corporation spent $34.5 million in capital expenditures, primarily directed towards its high performance fleets. Of the total capital expenditures, $22.7 million was spent on growing the Corporation's fleet of drilling equipment and the remaining $11.8 million was spent on maintenance of the current fleet of drilling and other equipment. Capital expenditures in the 2019-year were mainly directed towards Atlas Motors and Velocity systems. As at December 31, 2019, $19.5 million of equipment, primarily dedicated to Atlas Motors and Velocity systems, was on order and is expected to be delivered within the first half of 2020.

PHX Energy currently anticipates that $30 million in capital expenditures will be spent in the 2020-year. The 2020 capital expenditure program is anticipated to principally be allocated toward expanding the Corporation's high performance fleets.

Normal Course Issuer Bid

During the third quarter of 2019, the Toronto Stock Exchange ("TSX") approved the renewal of PHX Energy's Normal Course Issuer Bid ("NCIB") to purchase for cancellation, from time-to-time, up to a maximum of 3,280,889 common shares, representing 10 percent of the Corporation's public float of Common Shares as at July 31, 2019. The NCIB commenced on August 9, 2019 and will terminate on August 8, 2020. Purchases of common shares are to 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 current NCIB, subsequent to August 9, 2019, 2,524,500 common shares were purchased by the Corporation and cancelled as at December 31, 2019.

The Corporation's previous NCIB commenced on August 8, 2018 and terminated on August 7, 2019. Pursuant to the previous NCIB, 357,500 common shares were purchased by the Corporation in the second half of 2018 and cancelled, and in 2019, the Corporation purchased and cancelled 2,237,800 common shares. In total, pursuant to the previous NCIB, 2,595,300 common shares were purchased and cancelled by the Corporation.

PHX Energy continues to use the NCIB as an additional tool to enhance total long-term shareholder returns in conjunction with management's disciplined capital allocation strategy. In 2019, the Corporation purchased and cancelled 8 percent of its total common shares outstanding as at December 31, 2018, representing 31 percent of funds from operations.

Change in Accounting Policy

During the fourth quarter of 2019 to appropriately align with IFRS, the Corporation changed its policy for how accruals relating to repairs and maintenance of drilling equipment are recorded, specifically the timing of when accruals are recorded. Accruals for repairs and maintenance were historically recorded when the drilling equipment arrived at the facility and was identified by the Corporation as requiring repair, but prior to any work having been performed. Accruals for repairs and maintenance are now recorded when repairs are performed by the third party vendor, and expensed as they are incurred. As a result, previously reported trade and other payables were overstated. The effect to net income (loss) for the years ended December 31, 2019 and 2018 is immaterial. The effect of the recast on the January 1 and December 31, 2018 Consolidated Statements of Financial Position is summarized below.

January 1, 2018	As previously reported	Accrual Adjustment	As Recast
Current tax assets	1,353,622	(552,660)	800,962
Trade and other payables	41,629,783	(6,551,428)	35,078,355
Deferred tax liability	378,170	673,793	1,051,963
Retained Earnings	(106,438,399)	5,324,975	(101,113,424)

December 31, 2018	As previously reported	Accrual Adjustment	As Recast
Current tax assets	625,964	(552,660)	73,304
Trade and other payables	64,578,428	(6,551,428)	58,027,000
Deferred tax liability	2,886,606	673,793	3,560,399
Retained Earnings	(125,385,208)	5,324,975	(120,060,233)

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,		
	2019	2018	% Change	**2019**	2018	% Change
Operating Results	***(unaudited)***	*(unaudited)*				
Revenue	**93,853**	92,335	2	**362,057**	317,135	14
Net loss	**(1,720)**	(18,355)	(91)	**(2,213)**	(18,947)	(88)
Loss per share – diluted	**(0.03)**	(0.32)	(91)	**(0.04)**	(0.33)	(88)
Adjusted EBITDA (1)	**12,399**	14,736	(16)	**50,360**	45,449	11
Adjusted EBITDA (1) per share – diluted	**0.22**	0.25	(12)	**0.88**	0.77	14
Adjusted EBITDA (1) as a percentage of revenue	**13%**	16%		**14%**	14%	
Cash Flow						
Cash flows from operating activities	**9,508**	(2,541)	n.m.	**50,173**	13,330	n.m.
Funds from operations (1)	**11,344**	12,803	(11)	**45,896**	37,178	23
Funds from operations per share – diluted (1)	**0.21**	0.22	(5)	**0.80**	0.63	27
Capital expenditures	**5,686**	19,196	(70)	**34,526**	35,027	(1)
Financial Position, December 31,						
Working capital (1)				**68,393**	66,315	3
Net Debt (1)				**14,710**	21,526	(32)
Shareholders' equity				**148,944**	173,739	(14)
Common shares outstanding				**53,246,420**	57,963,720	(8)

n.m. – not meaningful

(1) Non-GAAP 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 measures section that follows the Outlook section of this document.

Non-GAAP Measures

Throughout this document, PHX Energy uses certain measures to analyze operational and financial performance that do not have standardized meanings prescribed under Canadian generally accepted accounting principles ("GAAP"). These non-GAAP measures include adjusted EBITDA, adjusted EBITDA per share, debt to covenant EBITDA, funds from operations, funds from operations per share, working capital and net debt. Management believes that these measures provide supplemental financial information that is useful in the evaluation of the Corporation's operations and are commonly used by other oil and natural gas service companies. Investors should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with GAAP as an indicator of PHX Energy's performance. The Corporation's method of calculating these measures may differ from that of other organizations, and accordingly, such measures may not be comparable. Please refer to the "Non-GAAP Measures" section following the Outlook section of this document for applicable definitions and reconciliations.

Cautionary Statement Regarding Forward-Looking Information and Statements

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

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

In particular, forward-looking information and statements contained in this document include, without limitation, the timeline for delivery of equipment on order, and the projected capital expenditures budgets for the 2020-year and how this budget will be allocated and funded.

The above are stated under the headings: "Capital Spending", and "Cash Requirements for Capital Expenditures". Furthermore all statements in the Outlook section of this document contains forward-looking statements.

In addition to other material factors, expectations and assumptions which may be identified in this document and other continuous disclosure documents of the Corporation referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, among other things: the Corporation will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; anticipated financial performance, business prospects, impact of competition, strategies, the general stability of the economic and political environment in which the Corporation operates; exchange and interest rates; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the adequacy of cash flow; debt and ability to obtain financing on acceptable terms to fund its planned expenditures, which are subject to change based on commodity prices; market conditions and future oil and natural gas prices; and potential timing delays. Although management considers these material factors, expectations, and assumptions to be reasonable based on information currently available to it, no assurance can be given that they will prove to be correct.

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

Revenue

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2019	2018	% Change	**2019**	2018	% Change
Revenue	**93,853**	92,335	2	**362,057**	317,135	14

PHX Energy achieved the highest quarterly revenue since the first quarter of 2015, despite weaker drilling activity seen in both the Canadian and US industry. For the three-month period ended December 31, 2019, consolidated revenue increased 2 percent to $93.9 million compared to $92.3 million in the corresponding 2018-quarter. Higher revenue in the quarter was primarily driven by increased revenue associated with PHX Energy’s high performance technologies as the Corporation continued to expand capacity during the quarter to address growing demand. Average consolidated revenue per day, excluding the motor rental division in the US and the EDR division, for the three-month period ended December 31, 2019 was $14,117 an increase of 9 percent as compared to $12,929 in the 2018-quarter. The impact of the higher average revenue per day on consolidated revenue was partially offset by lower drilling activity in Canada. In the 2019-quarter consolidated operating days decreased by 8 percent to 6,349 days compared to 6,920 days in the corresponding 2018-quarter. US and international revenue were 76 percent and 5 percent of total consolidated revenue, respectively, for the 2019-quarter relative to 70 percent and 4 percent, respectively, for the 2018-quarter.

In the fourth quarter of 2019, the US and Canadian rig counts dropped by 24 percent when compared to the number of rigs operating in the comparable quarter of 2018. In Canada the quarter-over-quarter decrease was similar to the decline experienced in prior 2019 quarters, whereas in the US the quarter-over-quarter decline was much sharper in the fourth quarter compared to earlier quarters of the year. In Canada there was an average of 136 active rigs per day in the fourth quarter of 2019 (2018 - 179 rigs) and in the US there was an average of 820 active rigs per day in the fourth quarter of 2019 (2018 - 1,073 rigs). The Permian basin remained the most active play in North America representing 43 percent of the North American rig count. There was an average of 410 active Permian rigs in the fourth quarter of 2019, which is 16 percent lower than in the fourth quarter of 2018. Horizontal and directional drilling continues to dominate the market representing approximately 95 percent of the drilling activity in North America (Source: Daily Oil Bulletin and Baker Hughes).

For the year ended December 31, 2019, consolidated revenue was $362.1, an increase of 14 percent, compared to $317.1 million in 2018. Higher revenue in 2019 was mainly driven by the US division. US and international revenue, as a percentage of total consolidated revenue, were 75 percent (2018 – 66 percent) and 6 percent (2018 – 6 percent), respectively. The annual average consolidated revenue per day, excluding the motor rental division in the US and the EDR division, in 2019 was $13,495 relative to $11,816 in 2018. In the 2019-year, consolidated operating days were down 2 percent to 25,570 days versus 26,140 days in the same 2018-period, due to lower drilling activity in Canada.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2019	2018	% Change	**2019**	2018	% Change
Direct costs	**81,468**	78,454	4	**309,608**	276,250	12
Gross profit as a percentage of revenue	**13%**	15%		**14%**	13%	
Depreciation & amortization (included in direct costs)	**9,668**	10,126	(5)	**39,846**	39,738	-
Depreciation & amortization right-of-use asset (included in direct costs)	**898**	-	n.m.	**3,539**	-	n.m.
Gross profit as percentage of revenue excluding depreciation & amortization	**24%**	26%		**26%**	25%	

n.m. – not meaningful

Direct costs are comprised of field and shop expenses, and include depreciation and amortization of the Corporation's equipment and right-of-use assets. Depreciation on right-of-use assets relates to the impact of adopting IFRS 16 Leases as at January 1, 2019, which required capitalizing the Corporation's office, shop and vehicle leases.

For the three-month period ended December 31, 2019, direct costs increased 4 percent to $81.5 million compared to $78.5 million in the 2018-quarter, primarily due to greater volume of equipment repair expenses and equipment rentals. For the year ended December 31, 2019, direct costs increased 12 percent to $309.6 million from $276.3 million in the 2018-year, as a result of Phoenix USA's increased activity. In the 2019-year, the Corporation incurred higher overall labour costs, a greater number of equipment repair expenses, and more equipment rentals.

For the fourth quarter of 2019, gross profit as a percent of revenue, excluding depreciation and amortization, was 24 percent as compared to 26 percent in the 2018-quarter. The lower percentage in the 2019-quarter was primarily due to weaker drilling activity in Canada that resulted in a decline in the division's profitability. For the 2019-year, gross profit as a percent of revenue, excluding depreciation and amortization, was 26 percent in comparison to 25 percent in 2018. Improved profitability for the 2019-year is primarily due to increased activity and revenue per day in PHX Energy's US division.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2019	2018	% Change	**2019**	2018	% Change
Selling, general and administrative ("SG&A") costs	**10,544**	10,707	(2)	**45,756**	41,472	10
Equity-settled share-based payments (included in SG&A costs)	**52**	168	(69)	**612**	1,369	(55)
Cash-settled share-based payments (included in SG&A costs)	**1,751**	44	n.m.	**6,859**	4,120	66
Onerous contract rent expense (included in SG&A costs)	**-**	(44)	n.m.	**-**	(314)	n.m.
SG&A costs excluding share- based payments and onerous expenses as a percentage of revenue	**9%**	11%		**11%**	11%	

n.m. – not meaningful

For the three-month period ended December 31, 2019, SG&A costs decreased slightly by 2 percent to $10.5 million from $10.7 million in the 2018-quarter. This decrease was mainly due to lower personnel costs and lower facilities expenses as a result of adopting IFRS 16 Leases in 2019, which were partially offset by higher cash-settled share-based payments in the 2019-quarter. Annual SG&A costs in 2019 increased 10 percent to $45.8 million from $41.5 million in 2018 primarily due to higher cash-settled share-based payments and higher overall personnel costs associated with Phoenix USA's increased activity.

Cash-settled share-based payments relate to the Corporation's Retention Award Plan and are measured at fair value. For the three-month period and year ended December 31, 2019 the Corporation's cash-settled share-based payments increased to $1.8 million and $6.9 million, respectively, as compared to $44 thousand and $4.1 million in the corresponding 2018-periods. Changes in cash-settled share-based payments in the 2019-periods are mainly attributable to fluctuations in the Corporation's share price period-over-period.

Equity-settled share-based payments relate to the amortization of the fair values of issued options of the Corporation using the Black-Scholes model. For the three-month period and year ended December 31, 2019, equity-settled share-based payments decreased to $0.1 million and $0.6 million, respectively, compared to $0.2 million and $1.4 million in the same 2018-periods. The lower equity-settled share-based payments are due to previously granted options that fully vested in the 2018 and 2019-years.

Due to adoption of IFRS 16 Leases as of January 1, 2019, onerous contract lease payments are no longer recorded.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2019	2018	% Change	**2019**	2018	% Change
Research and development expense	**896**	847	6	**3,869**	3,354	15

Research and development ("R&D") expenditures during the quarter and year ended December 31, 2019 were $0.9 million and $3.9 million, respectively, compared to $0.8 million and $3.4 million in the corresponding 2018-periods. PHX Energy's R&D focus continues to be on developing new technologies, improving reliability of equipment, and reducing costs to operations. Higher R&D costs in both 2019-periods are attributable to prototype expenses to further enhance Velocity's operational performance.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2019	2018	% Change	**2019**	2018	% Change
Finance expense	**337**	279	21	**1,426**	1,208	18
Finance expense lease liability	**612**	-	n.m.	**2,509**	-	n.m.

n.m. – not meaningful

Finance expenses relate to interest charges on the Corporation's long-term and short-term bank facilities. For the quarter and year ended December 31, 2019, the Corporation's finance expense grew by 21 percent and 18 percent, respectively, relative to the same 2018-periods. Higher finance expenses in the respective periods are primarily due to higher average long-term borrowings as a result of increased capital expenditures and common share repurchases relative to the same 2018-periods.

Finance expense lease liability relates to interest expenses incurred on lease liabilities, as a result of the adoption of IFRS 16 Leases in 2019.

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2019	2018	**2019**	2018
Net gain on disposition of drilling equipment	**(1,039)**	(2,168)	**(4,429)**	(8,377)
Foreign exchange loss	**322**	503	**879**	199
Provision for bad debts	**-**	24	**388**	9
Other income	**(717)**	(1,641)	**(3,162)**	(8,169)

Net gain on disposition of drilling equipment typically result from insurance programs undertaken whereby proceeds for the lost equipment are at current replacement values, which are higher than the respective equipment's book value. 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 and self-insured downhole equipment losses. During the quarter and year ended December 31, 2019, the Corporation recognized $1 million and $4.4 million gain on dispositions, respectively, compared to $2.2 million and $8.4 million gain on dispositions in the corresponding 2018-periods. In both 2019-periods, the Corporation noted fewer instances of high value downhole equipment losses and more occurrences of asset retirements relative to the same 2018-periods.

Foreign exchange losses relate to unrealized and realized exchange losses in the period. For the three-month period and year ended December 31, 2019, the Corporation recognized $0.3 million and $0.9 million in losses, respectively, as compared to $0.5 million and $0.2 million losses in the relative 2018-periods. Losses in the 2019-periods were primarily due to settlement of US-denominated intercompany payables in the international segment.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,		Years ended December 31,	
	2019	2018	**2019**	2018
Provision for income taxes	**1,934**	17,546	**3,764**	17,469
Effective tax rates	**n.m.**	n.m.	**n.m.**	n.m.

n.m. – not meaningful

The provision for income taxes for the three-month period and year ended December 31, 2019 was $1.9 million (2018 - $17.5 million) and $3.8 million (2018 - $17.5 million), respectively. The effective tax rates for the three-month period and year ended December 31, 2019 were higher than expected as a result of unrecognized deferred tax assets of $3.3 million with respect to deductible temporary differences in the Canadian jurisdiction.

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

	Three-month periods ended December 31,			Years ended December 31,		
	2019	2018	% Change	**2019**	2018	% Change
Net loss	**(1,720)**	(18,355)	(91)	**(2,213)**	(18,947)	(88)
Loss per share – diluted	**(0.03)**	(0.32)	(91)	**(0.04)**	(0.33)	(88)
Adjusted EBITDA[(1)]	**12,399**	14,736	(16)	**50,360**	45,449	11
Adjusted EBITDA[(1)] per share – diluted	**0.22**	0.25	(12)	**0.88**	0.77	14
Adjusted EBITDA[(1)] as a percentage of revenue	**13%**	16%		**14%**	14%	

[(1)] Non-GAAP 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 measures section that follows the Outlook section of this document.

In the 2019-quarter, mainly due to lower margins in the Canadian division and lower net gain on disposition of drilling equipment, the Corporation's adjusted EBITDA as a percentage of revenue decreased to 13 percent compared to 16 percent in the corresponding 2018-quarter. Net loss in the 2019-quarter decreased to $1.7 million as compared to $18.4 million in the 2018-quarter. Net loss for the 2019-quarter includes impairment losses of $0.5 million (2018 - $4.5 million). The 2018-quarter net loss included $17.7 million of derecognized deferred tax assets due to a recent history of tax losses in the Corporation's entities under Canadian jurisdiction. Adjusted EBITDA as a percent of revenue for the year ended December 31, 2019 was 14 percent (2018 – 14 percent).

Segmented Information

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

Canada

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2019	2018	% Change	**2019**	2018	% Change
Revenue	**17,273**	24,302	(29)	**71,923**	90,610	(21)
Reportable segment profit (loss) before tax [(1)]	**(1,587)**	1,061	n.m.	**(5,917)**	(4,078)	45

[(1)] Includes adjustments to intercompany transactions.
n.m. - not meaningful

Throughout 2019 the Canadian oil and gas industry experienced challenges resulting in one of the lowest volumes of drilling activity in the last 30 years. Despite these challenges, PHX Energy continued to focus on maintaining profit margins and controlling costs, while delivering superior operational performance.

For the three-month period ended December 31, 2019, PHX Energy's Canadian revenue was $17.3 million in comparison to $24.3 million in the corresponding 2018-quarter, a decrease of 29 percent. Lower revenue in the 2019-quarter was primarily due to declining drilling activity. For the fourth quarter of 2019, PHX Energy's Canadian segment operating days declined 35 percent to 1,810 days compared to 2,768 days in the 2018-quarter. In comparison, the number of horizontal and directional drilling days in the industry decreased by 29 percent quarter-over-quarter from 16,253 days in the 2018-quarter to 11,459 days in the 2019-quarter (Source: Daily Oil Bulletin) and the overall rig count in the Canadian industry declined by 24 percent quarter-over-quarter (Source: Baker Hughes). The decrease in PHX Energy's Canadian segment revenue was partially offset by slightly higher average revenue per day. For the three-month period ended December 31, 2019, average revenue per day was $8,968, a 6 percent increase in comparison to an average of $8,452 in the 2018-quarter. Due to lower operating days, PHX Energy's Canadian reportable segment loss before tax was $1.6 million in the 2019-quarter.

During the fourth quarter of 2019, oil drilling, as measured by drilling days, represented approximately 43 percent of PHX Energy's Canadian activity. The Corporation remained active in the Montney, Wilrich, Bakken, Shaunavon, Duvernay, Cardium and Viking areas.

For the year ended December 31, 2019, lower drilling activity resulted in PHX Energy's Canadian revenue declining 21 percent to $71.9 million as compared to $90.6 million in 2018. PHX Energy's Canadian division recorded 7,700 operating days in 2019, a 26 percent decrease compared to the 10,462 days in 2018, which is in line with industry decline. In 2019, there were 45,414 horizontal and directional drilling days in the Canadian industry, which is a 32 percent decline as compared to the 66,398 days in 2018 (Sources: Daily Oil Bulletin). The overall rig count in the Canadian industry also fell 31 percent year-over-year. For the year ended December 31, 2019, average revenue per day increased 5 percent to $8,720 in comparison to an average of $8,287 in the 2018-year.

United States

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2019	2018	% Change	**2019**	2018	% Change
Revenue	**71,629**	64,270	11	**270,028**	208,112	30
Reportable segment profit before tax (1)	**5,153**	4,775	8	**20,899**	11,382	84

(1) Includes adjustments to intercompany transactions.

PHX Energy's US division continued to capitalize on the advantages of its high performance technologies throughout 2019. Despite sharp declines in US rig counts in the fourth quarter of 2019, Phoenix USA's activity once again outperformed the industry as a result of greater capacity in its high performance technology fleets, superior operational performance of personnel and equipment, and concentrated marketing efforts of the Corporation.

For the three-month period ended December 31, 2019, Phoenix USA's revenue grew 11 percent to $71.6 million as compared to $64.3 million in the corresponding 2018-quarter. Average revenue per day, excluding the Corporation's motor rental division, increased by 8 percent to $17,793 as compared to $16,508 in the 2018-quarter. The increase in average revenue per day was mainly due to the premiums and surcharges for the Corporation's high performance technologies, especially those resulting from increased RSS activity. In the face of declining US rig counts, the US division's operating days rose 2 percent in the fourth quarter of 2019 to 3,847 days from 3,765 days in the corresponding 2018-quarter. In comparison, the industry activity continued its downward trend that began in the second quarter of 2019, and the number of horizontal and directional rigs running per day declined 23 percent from 1,003 in the fourth quarter of 2018 to 768 rigs in the 2019-quarter. This is the lowest quarterly average rig count in the US industry since the first quarter of 2017 (Source: Baker Hughes). Reportable segment profit in the 2019-quarter increased by 8 percent to $5.2 million from $4.8 million in the 2018-quarter, mainly as a result of higher average revenue per day realized in the 2019-quarter.

In the fourth quarter of 2019, horizontal and directional drilling continued to represent a large majority of the industry rig count, averaging 94 percent of the rigs running on a daily basis. The vast majority of PHX Energy's activity was related to oil well drilling in the fourth quarter, excluding the motor rental division, as approximately half of the industry's drilling activity remained concentrated in Texas, specifically the Permian basin. During the fourth quarter of 2019, Phoenix USA remained active in the Permian, Mississippian/Woodford, Marcellus, Utica, Niobrara and Bakken basins.

Phoenix USA's annual revenue increased to $270 million in 2019, 30 percent higher as compared to the $208.1 million recorded in 2018. In the 2019-year, even with declining US rig counts, PHX Energy's US division grew its operating days by 14 percent to 15,348 from 13,506 days in the 2018-year. The US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, declined by 8 percent to 889 rigs in 2019 compared from 969 rigs in 2018 (Source: Baker Hughes). Average revenue per day, excluding the Corporation's motor rental division, for the year ended December 31, 2019 rose to $16,798, an 11 percent increase when compared to the average of $15,074 in 2018. In the 2019-year, reportable segment profit increased 84 percent to $20.9 million as compared to $11.4 million recognized in the 2018-year. Higher profitability in the 2019-year is mainly attributable to greater revenue per day and operating days resulting from the increased capacity of the Corporation's high performance technology fleets.

International

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2019	2018	% Change	**2019**	2018	% Change
Revenue	**4,952**	3,763	32	**20,106**	18,413	9
Reportable segment profit (loss) before tax	**(413)**	(306)	35	**(43)**	525	n.m.

n.m. - not meaningful

For the three-month period ended December 31, 2019, the international segment's revenue was $5 million as compared to $3.8 million in the 2018-quarter, an increase of 32 percent. For the year ended December 31, 2019, the international segment's revenue was $20.1 million as compared to $18.4 million, an increase of 9 percent. Higher revenue in the 2019-quarter primarily relates to increased activity in PHX Energy's Russia division, while the higher annual revenue relates to increased activity in the Albanian division.

For the three-month period ended December 31, 2019, PHX Energy's Russia division's revenue was $3.8 million, 81 percent higher than the $2.1 million of revenue in the corresponding 2018-quarter. The division achieved 560 operating days in the 2019-quarter, which is 227 percent greater than the 171 days in the 2018-quarter. For the year ended December 31, 2019, Russian revenue was $12.3 million, 12 percent lower compared to the $13.9 million of annual revenue in 2018. The Russia division generated 1,618 operating days in the 2019-year, which is 1 percent lower than the 1,639 days in 2018. PHX Energy operated on a higher share of lower priced services and experienced a general decline in the Russian market's day rates in 2019 relative to the 2018-year.

For the three-month period ended December 31, 2019, PHX Energy's Albania division's revenue was $1.2 million, 29 percent lower compared to the $1.7 million of revenue record in the same 2018-quarter. The Albania division realized 133 operating days in the 2019-quarter, 38 percent lower relative to 216 days generated in the corresponding 2018-quarter. The decline in activity and revenue was due to drilling operations being temporarily suspended in the latter half of the 2019-quarter. For the year ended December 31, 2019, PHX Energy's Albania division's revenue was $7.8 million, 73 percent higher compared to $4.5 million of annual revenue in 2018. The Albania division realized 905 operating days in the 2019-year which is a 70 percent increase relative to the 533 days generated in 2018. Albania grew its operations to 3 rigs during 2019, however, in the latter half of the fourth quarter all operations were suspend and at December 31 there were no rigs operating.

For the three-month period and year ended December 31, 2019, the international reportable segment loss before tax was $0.4 million (2018- $0.3 million loss) and $43 thousand (2018 - $0.5 million profit), respectively. Lower margins in the respective 2019-periods were primarily due to the general decline in the market day rates in Russia.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2019 was $26.2 million as compared to $18.2 million in the 2018. During 2019, the Corporation spent $34.5 million on capital expenditures directed towards drilling and other equipment (2018 - $35 million) and received proceeds of $15.3 million primarily from involuntary disposal of drilling equipment in well bores (2018 - $14.6 million). The 2019 expenditures were comprised of:

- $16.1 million in downhole performance drilling motors;
- $14.1 million in measurement while drilling ("MWD") systems and spare components; and
- $4.3 million in RSS tools, machining and equipment, and other assets.

The capital expenditure program undertaken in the year was financed generally from cash flow from operating activities. Of the total capital expenditures in the 2019-year, $22.7 million was used to grow the Corporation's fleet of drilling equipment and the remaining $11.8 million was used to maintain the current fleet of drilling and other equipment.

The change in non-cash working capital balances of $6.8 million (use of cash) for the year ended December 31, 2019, relates to the net change in the Corporation's trade payables that are associated with the acquisition of capital assets. This compares to a $5.3 million (source of cash) for the year ended December 31, 2018.

Financing Activities

For the year ended December 31, 2019, net cash used in financing activities was $17.1 million as compared to $4.4 million source of cash in 2018. In the 2019-year, the Corporation:

- repurchased 4,762,300 shares for $14.1 million under its NCIB program;
- made payments of $3.2 million towards its lease liability in line with the newly adopted IFRS 16 Lease standard;
- received net proceeds of $0.1 million from its syndicated and operating facilities; and
- 45,000 common shares were issued for proceeds of $0.1 million upon the exercise of share options.

Capital Resources

As of December 31, 2019, the Corporation had $10 million drawn on its Syndicated Facility, $11.4 million drawn on its Canadian Operating Facility and USD $3 million drawn on its US Operating Facility.

As at December 31, 2019, the Corporation was in compliance with all its financial covenants as follows:

Ratio	Covenant	**As at December 31, 2019**
Debt to covenant EBITDA [1]	<3.0x	**0.57**
Interest coverage ratio	>3.0x	**31.29**

[1] Non-GAAP 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 measures section that follows the Outlook section of this document.

In January 2019, the Corporation amended its syndicated loan agreement in connection with the effect of IFRS 16 Leases. The calculation relating to financial covenants shall be made with regard to generally accepted accounting principles in effect on December 31, 2018, thus negating IFRS 16 Leases.

On July 29, 2019, the Corporation extended the maturity date of the syndicated loan agreement to December 11, 2022. The Corporation also increased the borrowing amounts in the syndicated facility from CAD $48 million to CAD $50 million and in the US operating facility from USD $5 million to USD $15 million.

The Corporation had approximately CAD $43.6 million and USD $12 million available to be drawn from its credit facilities as at December 31, 2019.

Cash Requirements for Capital Expenditures

Historically, the Corporation has financed its capital expenditures and acquisitions through cash flows from operating activities, debt and, from time-to-time, the issuance of equity. The 2020 capital budget has been set at $30 million subject to quarterly review of the Board. These planned expenditures are expected to be financed primarily by funds from operations and unused credit facilities. However, if a sustained period of market and commodity price uncertainty and financial market volatility persists in 2020, the Corporation's activity levels, cash flows and access to credit may be negatively impacted, in which event the proceeds from borrowing may be required to fund operations, and the expenditure level would be reduced accordingly. Conversely, if future growth opportunities present themselves, the Corporation might consider expanding this planned capital expenditure amount.

Outlook

PHX Energy finished 2019 strong and achieved its highest annual revenue and adjusted EBITDA since 2014. Additionally, in the fourth quarter PHX Energy achieved its highest quarterly revenue since the first quarter of 2015. These records were achieved despite declining North American rig counts. Phoenix USA represented 75 percent of revenue in 2019, and this trend is expected to continue throughout 2020. The Corporation has aligned its strategy to take advantage of the larger US market and the growth opportunities it presents.

Currently the global market is volatile due to the uncertainty around how severely the Coronavirus outbreak will affect global energy consumption. The global economy is reliant on the manufacturing and trade of products and the movement of people, and any slowdown in this process has a chain reaction that impacts energy consumption by both manufacturers and consumers. As a result of the outbreak's impact on the global economy, commodity prices have already declined and there may be a further weakening as the effects move through the supply chain. North American producers' cash flow may decrease and this could impact the already weak rig activity forecasted for North America.

In the fourth quarter, Phoenix USA continued to build upon the positive momentum of prior quarters. This performance is a testament to the growing reputation of Phoenix USA, particularly given that the industry rig counts began to decline in the second quarter of 2019. It is forecasted that a weaker rig count will persist in 2020, but despite this forecast, the Corporation is optimistic that the US division will continue to capture additional market share. PHX Energy has dedicated its 2019 and 2020 capital expenditures towards expanding its high performance fleets and believes the demand for Velocity, Atlas Motors and PowerDrive Orbit RSS will continue to propel growth and profitability of the US division.

In Canada, the difficult industry environment persisted, with new challenges arising in the recent months. In 2019 there was near record low drilling activity, with the fourth quarter being particularly slow. The decline in the Corporation's Canadian operations can be directly related to the industry decline, however, the Corporation continued to be one of the most active competitors in its sector and the Corporation remains focused on preserving profit margins. Entering 2020, PHX Energy's Canadian operations experienced a considerable uptick in activity and today the division is more active than was anticipated. This increase in activity and stable market share can be attributed to our high performance technology as well as our strong marketing relationships.

International operations recorded increases in revenue in the 2019-year and in the fourth quarter, however, profitability declined period-over-period. In Russia, although PHX Energy continued to show improved activity and revenue over 2018, profitability declined as there was a larger portion of lower priced services and there were overall pricing pressures in the industry. The Corporation is implementing strategies to improve profitability and remains focused on achieving higher margins in this region. In the 2019-year, Albanian operations grew to 3 rigs which resulted in year-over-year improvements, however, in the fourth quarter operations were temporarily suspended and currently PHX Energy is not active in the country. The Corporation has downsized its Albania footprint, but remains in a position to resume operations quickly if opportunities arise.

Technology Update

PHX Energy continues to focus on growing its fleet of high performance technology and has dedicated its anticipated $30 million capital expenditure program to growing and maintaining the higher margin fleets. As a result of increased demand for these technologies, PHX Energy has committed the majority of the anticipated 2020 capital expenditures to ensure delivery of new equipment occurs within the year. PHX Energy has recently received additional Atlas and RSS capacity, and as a result, the Corporation is the largest independent provider of the PowerDrive Orbit RSS in the US market. Demand for RSS technology is growing in the US market and the new systems allow PHX Energy to deploy its own equipment to replace systems presently being rented, which has a significant improvement on margins. In addition, the growth in the RSS fleet is expected to aide market share growth in the US.

Despite the strong results generated by the Corporation, PHX Energy's valuations remain low due to the general sentiment towards the energy sector. The Corporation is committed to enhancing long-term shareholder returns in this difficult environment and it will continue to achieve this by leveraging its NCIB. Over the past two years, PHX Energy has improved profitability and maintained low debt levels, creating a favorable financial position. Looking forward, the Corporation will continue with this focus, while investing in high performance technology that is unmatched in the industry.

Michael Buker, President
February 25, 2020

Non-GAAP Measures

Adjusted EBITDA

Adjusted EBITDA, defined as earnings before finance expense and finance expense lease liability, income taxes, depreciation and amortization, impairment losses on goodwill and intangible assets, equity share-based payments, 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 net 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 net earnings determined in accordance with GAAP. PHX Energy's method of calculating adjusted EBITDA may differ from that of other organizations and, accordingly, its adjusted EBITDA may not be comparable to that of other companies.

The following is a reconciliation of net earnings to adjusted EBITDA:

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2019	2018	**2019**	2018
Net loss	**(1,720)**	(18,355)	**(2,213)**	(18,947)
Add:				
Depreciation and amortization drilling and other equipment	**9,668**	10,126	**39,846**	39,738
Depreciation and amortization right-of-use asset [1]	**898**	-	**3,539**	-
Provision for income taxes	**1,934**	17,546	**3,764**	17,469
Finance expense	**337**	279	**1,426**	1,208
Finance expense lease liability	**612**	-	**2,509**	-
Impairment loss	**500**	4,498	**500**	4,498
Equity-settled share-based payments	**52**	168	**612**	1,369
Unrealized foreign exchange (gain) loss	**118**	474	**377**	114
Adjusted EBITDA as reported	**12,399**	14,736	**50,360**	45,449

[1] Cash payment on leases included in IFRS 16 Leases for the three-month period and year ended December 31, 2019 was $1.5 million and $5.7 million, respectively. These were recorded as rental expenses in direct costs and SG&A in the 2018-periods.

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

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 non-GAAP 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,	
	2019	2018	**2019**	2018
Cash flows from operating activities	**9,508**	(2,541)	**50,173**	13,330
Add (deduct):				
Changes in non-cash working capital	**1,251**	15,454	**(5,506)**	23,388
Interest paid	**140**	84	**808**	526
Income taxes paid (received)	**445**	(194)	**421**	(66)
Funds from operations	**11,344**	12,803	**45,896**	37,178

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

Debt to Covenant EBITDA Ratio

Debt is represented by loans and borrowings. Covenant EBITDA, for purposes of the calculation of this covenant ratio, is represented by net earnings for a rolling four quarter period, adjusted for finance expense and finance expense lease liability, provision for income taxes, depreciation and amortization, equity-settled share-based payments, impairment losses on goodwill and intangible assets, onerous contracts, and IFRS 16 Leases adjustment to restate cash payments to expense, subject to the restrictions provided in the amended credit agreement.

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 non-GAAP 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.

Net Debt

Net debt is defined as the Corporation's loans and borrowings and operating facility borrowings less cash and cash equivalents. This non-GAAP 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.

About PHX Energy Services Corp.

The Corporation, through its directional drilling subsidiary entities, provides horizontal and directional drilling technology and services to oil and natural gas producing companies in Canada, the US, Russia and Albania. PHX Energy also provides electronic drilling recorder ("EDR") technology and services.

PHX Energy's Canadian directional drilling operations are conducted through Phoenix Technology Services LP. The Corporation maintains its corporate head office, research and development, Canadian sales, service and operational centres in Calgary, Alberta. In addition, PHX Energy has a facility in Estevan, Saskatchewan. PHX Energy's US operations, conducted through the Corporation's wholly-owned subsidiary, Phoenix Technology Services USA Inc. ("Phoenix USA"), is headquartered in Houston, Texas. Phoenix USA has sales and service facilities in Houston, Texas; Denver, Colorado; Casper, Wyoming; Midland, Texas; Bellaire, Ohio; and Oklahoma City, Oklahoma. Internationally, PHX Energy has sales offices and service facilities in Albania and Russia, and administrative offices in Nicosia, Cyprus; Dublin, Ireland; and Luxembourg City, Luxembourg.

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

As at December 31, 2019, PHX Energy had 835 full-time employees and the Corporation utilized over 150 additional field consultants in 2019.

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

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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Consolidated Statements of Financial Position

		December 31, 2019		December 31, 2018
ASSETS				
Current assets:				
Cash and cash equivalents	$	10,582,296	$	3,643,418
Trade and other receivables		93,641,885		103,987,716
Inventories		30,826,700		27,558,003
Prepaid expenses		2,569,046		2,428,221
Current tax assets		-		73,304
Total current assets		137,619,927		137,690,662
Non-current assets:				
Drilling and other long-term assets		78,416,229		94,164,880
Right-of-use asset		32,825,964		-
Intangible assets		18,901,559		22,301,680
Goodwill		8,876,351		8,876,351
Deferred tax assets		613,355		594,049
Total non-current assets		139,633,458		125,936,960
Total assets	$	277,253,385	$	263,627,622
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Lease Liability	$	2,765,633		-
Operating facility		11,395,835	$	13,348,562
Trade and other payables		54,892,277		58,027,000
Current tax liability		172,766		-
Total current liabilities		69,226,511		71,375,562
Non-current liabilities:				
Lease Liability		39,753,860		-
Loans and borrowings		13,896,400		11,821,000
Deferred tax liability		5,432,527		3,560,399
Provision for onerous contracts		-		1,832,000
Deferred income		-		1,300,007
Total non-current liabilities		59,082,787		18,513,406
Equity:				
Share capital		251,815,183		265,760,391
Contributed surplus		10,854,650		10,631,982
Retained earnings		(127,902,593)		(120,060,233)
Accumulated other comprehensive income		14,176,847		17,406,514
Total equity		148,944,087		173,738,654
Total liabilities and equity	$	277,253,385	$	263,627,622

Consolidated Statements of Comprehensive Income/Loss

	Three-month periods ended December 31,		Year ended December 31,	
	2019	2018	**2019**	2018
	(unaudited)	*(unaudited)*		
Revenue	**$ 93,853,186**	**$ 92,335,004**	**$ 362,056,761**	$ 317,135,411
Direct costs	**81,467,555**	**78,453,723**	**309,608,296**	276,249,509
Gross profit	**12,385,631**	**13,881,281**	**52,448,465**	40,885,902
Expenses:				
Selling, general and administrative expenses	**10,544,013**	10,706,504	**45,756,152**	41,471,955
Research and development expenses	**895,993**	847,383	**3,868,779**	3,353,746
Finance expense	**336,660**	279,327	**1,426,382**	1,208,344
Finance expense lease liability	**611,812**	-	**2,508,691**	-
Impairment loss	**500,000**	4,498,066	**500,000**	4,498,066
Other income	**(717,276)**	(1,640,413)	**(3,162,661)**	(8,168,677)
	12,171,202	14,690,867	**50,897,343**	42,363,434
Earnings (loss) before income taxes	**214,429**	(809,586)	**1,551,122**	(1,477,532)
Provision for (Recovery of) income taxes				
Current	**108,910**	(3,137,261)	**699,186**	177,826
Deferred	**1,825,080**	20,683,313	**3,065,056**	17,291,451
	1,933,990	17,546,052	**3,764,242**	17,469,277
Net loss	**(1,719,561)**	(18,355,638)	**(2,213,120)**	(18,946,809)
Other comprehensive income (loss)				
Foreign currency translation	**(1,568,949)**	4,830,181	**(3,229,667)**	5,584,125
Total comprehensive loss for the period	**$ (3,288,510)**	$ (13,525,457)	**$ (5,442,787)**	$ (13,362,684)
Loss per share – basic	**$ (0.03)**	$ (0.32)	**$ (0.04)**	$ (0.33)
Loss per share – diluted	**$ (0.03)**	$ (0.32)	**$ (0.04)**	$ (0.33)

Consolidated Statements of Cash Flows

	Three-month periods ended December 31,		Year ended December 31,	
	2019	2018	**2019**	2018
	(unaudited)	*(unaudited)*		
Cash flows from operating activities:				
Net loss	**$ (1,719,561)**	$ (18,355,638)	**$ (2,213,120)**	$ (18,946,809)
Adjustments for:				
Depreciation and amortization	**9,667,961**	10,125,729	**39,846,248**	39,738,406
Depreciation and amortization right-of-use asset	**897,639**	-	**3,539,039**	-
Provision for income taxes	**1,933,990**	17,546,052	**3,764,242**	17,469,277
Impairment loss	**500,000**	4,498,066	**500,000**	4,498,066
Unrealized foreign exchange loss	**118,240**	474,042	**377,345**	114,325
Gain on disposition of drilling equipment	**(1,038,923)**	(2,167,248)	**(4,429,047)**	(8,376,711)
Equity-settled share-based payments	**52,364**	168,163	**611,681**	1,368,819
Finance expense	**336,660**	279,327	**1,426,382**	1,208,344
Provision for bad debts	**-**	24,899	**387,728**	9,458
Provision for inventory obsolescence	**594,982**	286,784	**2,086,242**	542,941
Provision for onerous contracts	**-**	(44,000)	**-**	(314,000)
Amortization of deferred income	**-**	(33,333)	**-**	(133,332)
Interest paid	**(140,285)**	(83,899)	**(807,997)**	(525,741)
Income taxes received (paid)	**(444,649)**	193,607	**(421,260)**	65,611
Change in non-cash working capital	**(1,250,019)**	(15,453,809)	**5,505,861**	(23,388,445)
Net cash from (used) in operating activities	**9,508,399**	(2,541,258)	**50,173,344**	13,330,209
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	**3,451,957**	3,418,202	**15,275,908**	14,583,922
Acquisition of drilling and other equipment	**(5,685,842)**	(19,196,103)	**(34,526,264)**	(35,027,380)
Acquisition of intangible assets	**-**	(3,019,413)	**(66,180)**	(3,052,146)
Change in non-cash working capital	**(1,492,298)**	4,008,013	**(6,837,332)**	5,267,584
Net cash used in investing activities	**(3,726,183)**	(14,789,301)	**(26,153,868)**	(18,228,020)
Cash flows from financing activities:				
Repurchase of shares under the NCIB	**(4,746,972)**	(172,566)	**(14,071,163)**	(1,207,324)
Payments of lease liability	**(845,021)**	-	**(3,219,858)**	-
Proceeds from (Repayment of) operating facility	**4,827,763**	8,600,608	**(1,952,727)**	7,728,098
Proceeds from (Repayment of) loans and borrowings	**(1,103,600)**	6,821,000	**2,075,400**	(2,179,000)
Proceeds from issuance of share capital	**-**	-	**87,750**	76,916
Net cash from (used) in financing activities	**(1,867,830)**	15,249,042	**(17,080,598)**	4,418,690
Net increase (decrease) in cash and cash equivalents	**3,914,386**	(2,081,517)	**6,938,878**	(479,121)
Cash and cash equivalents, beginning of period	**6,667,910**	5,724,935	**3,643,418**	4,122,539
Cash and cash equivalents, end of period	**$ 10,582,296**	$ 3,643,418	**$ 10,582,296**	$ 3,643,418