PHX
ENERGY SERVICES CORP.

PRESS RELEASE
August 5, 2020
TSX – PHX
Calgary, Alberta

PHX Energy Announces Its Operating and Financial Results for the Second Quarter of 2020

Overall Performance

For the three-month period ended June 30, 2020, PHX Energy realized adjusted EBITDA of $5.3 million (11 percent of revenue) as compared to $11 million (13 percent of revenue) in the corresponding 2019-quarter. Adjusted EBITDA in the 2020-quarter includes $1.1 million in government grants earned as part of the Canada Emergency Wage Subsidy ("CEWS") program. Positive adjusted EBITDA was achieved despite the negative impact of COVID-19 on consolidated revenue and operating activity in all regions. For the three-month period ended June 30, 2020, the Corporation generated consolidated revenue of $46.8 million, a decline of 44 percent relative to the $83 million recognized in the second quarter of 2019. There were 2,990 consolidated operating days recorded in the 2020-quarter, which is 46 percent lower than the 5,567 days in the 2019-quarter. In contrast, consolidated revenue per day, excluding the motor rental division in the US, increased by 5 percent to $14,932, compared to revenue per day of $14,181 in the 2019-quarter.

For the three-month period ended June 30, 2020, the US division's revenue, which represented 82 percent of consolidated revenue, fell to the lowest quarterly revenue since the fourth quarter of 2018. US revenue in the 2020-quarter was $38.4 million compared to $67.1 million in the corresponding 2019-quarter, a decrease of 43 percent. The lower revenue in the quarter was mainly due to the declining rig count in the US. The Corporation's US operating days in the 2020-quarter decreased by 44 percent to 2,172 days as compared to 3,903 days in the same 2019-quarter. The decrease in the Corporation's drilling activity was not as steep as what was experienced in the US industry which declined by 60 percent from 939 average rigs running per day in the second quarter of 2019 to 378 rigs in the 2020-quarter (Source: Baker Hughes). US revenue per day rose slightly by 2 percent to $16,774 from revenue per day of $16,409 in the corresponding 2019-quarter.

For the three-month period ended June 30, 2020, the Canadian segment's revenue decreased to $4.6 million from $10.7 million in the 2019-quarter. The Corporation's Canadian operating days in the 2020-quarter were 63 percent lower than in the 2019-quarter, whereas the industry experienced a 74 percent decrease in horizontal and directional drilling days. The negative impact of this decline in activity to revenue was partially offset by an increase in revenue per day, which rose by 23 percent to $10,873 in the second quarter of 2020 compared to $8,860 in the 2019-quarter.

Throughout the first half of 2020, the Corporation maintained a strong balance sheet position and as at June 30, 2020 had a cash balance of $14.6 million with no bank loans and borrowings outstanding. As a result of lower earnings, for the three-month period ended June 30, 2020, the Corporation's free cash flow decreased to $0.6 million as compared to $4.8 million realized in the corresponding 2019-quarter (see "Non-GAAP Measures").

Responding to COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus or COVID-19 a global pandemic and the Corporation adopted heightened safety protocols as a result of COVID-19. At present, the Corporation's business is considered essential in Canada and the US given the important role that PHX Energy's activities play in delivering oil and natural gas to North American markets. The Corporation anticipates that changes to work practices and other restrictions put in place by governments and health authorities in response to COVID-19 will continue to have an impact on business activities going forward.

COVID-19 has had a significant impact on the global economy and has resulted in a substantial weakening of global oil prices and global oil demand. The Corporation experienced reduced drilling activity in the second quarter of 2020 and the deterioration of the economic and industry conditions has materially impacted the second quarter financial results. For the three-month period ended June 30, 2020, the Corporation recognized a $0.5 million impairment expense related to international EDR assets, and received $1.1 million in government grants under the CEWS program. The status of the bad debt provision of $4 million made in the first quarter of 2020 remains substantially unchanged. There are many variables and uncertainties regarding COVID-19, including the duration and magnitude of the disruption in the oil and natural gas industry. As such, it is not possible to precisely estimate the potential impact of the COVID-19 pandemic on the Corporation's financial condition and operations. Management has been proactive in mitigating these risks by aligning costs with projected revenues and protecting profit margins. The Corporation has restructured its business costs in line with decreasing drilling activity in North America. This includes the unfortunate necessity to decrease the size of its workforce as well as actions to lower labour rates, reduce rental costs, and maximize discounts and efficiencies within the supply chain. The Corporation will also continue to take advantage of various government assistance programs available for businesses in North America.

The Corporation has remained diligent in protecting its balance sheet and retains financial flexibility with significant liquidity on its credit facilities and no bank loans and borrowings outstanding at the end of the 2020-quarter. As at June 30, 2020, the Corporation has working capital of $56.9 million and has approximately CAD $65 million and USD $15 million available to be drawn from its credit facilities. The Corporation has suspended new capital expenditures and as at June 30, 2020 has commitments to purchase drilling and other equipment for $4.5 million, with delivery expected to occur by the end of the third quarter. The Corporation has also currently suspended all share repurchases under its Normal Course Issuer Bid ("NCIB"). Additional information regarding the risks, uncertainties and impact on the Corporation's business can be found throughout this press release, including under the headings "Capital Spending", "Operating Costs and Expenses", and "Outlook".

Severance Payout

Beginning in March 2020 as a result of the negative impacts of COVID-19 to drilling activity, Management started to reduce the size of its workforce to align the Corporation's cost structure with lower activity levels. In the three and six-month periods ended June 30, 2020, this resulted in severance payouts of $1.3 million and $1.9 million, respectively, included in direct costs and selling, general & administrative ("SG&A") costs (2019 – nil).

Capital Spending

For the three-month period ended June 30, 2020, the Corporation spent $1.4 million in capital expenditures, which is lower when compared to the $9.1 million spent in the same 2019-quarter. Due to COVID-19's impact on rig counts in North America, the Corporation suspended any new capital expenditures in the second quarter of 2020. Capital expenditures in the 2020-quarter were primarily directed towards Velocity Real Time Systems ("Velocity") and other machine and equipment. For the six-month period ended June 30, 2020, the Corporation spent $20.4 million in capital expenditures, which were primarily directed towards Atlas Higher Performance ("Atlas") Motors, PowerDrive Orbit Rotary Steerable Systems ("RSS"), and Velocity (2019 - $20.4 million). Of the total capital expenditures in the 2020-period, $16.6 million was spent growing the Corporation's fleet of drilling equipment and the remaining $3.8 million was spent on maintenance of the current fleet of drilling and other equipment.

As at June 30, 2020, the Corporation has capital commitments to purchase drilling and other equipment for $4.5 million, majority of which is maintenance capital, and which includes $4 million for Velocity systems, $0.3 million for performance drilling motors, and $0.2 million for vehicles and other equipment.

In 2020, the Corporation expects to spend $27.5 million in capital expenditures as compared to the previously forecasted $30 million.

Normal Course Issuer Bid

During the third quarter of 2019, the Toronto Stock Exchange ("TSX") approved the renewal of PHX Energy's 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.

For the six-month period ended June 30, 2020, the Corporation made no common share repurchases (2019 – 1,625,000).

The Corporation intends to make an application to the TSX for renewal of its NCIB for a further one year term. The anticipated renewal of the NCIB remains subject to the review and approval of the TSX.

Financial Highlights

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

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Operating Results	***(unaudited)***	*(unaudited)*		***(unaudited)***	*(unaudited)*	
Revenue	**46,769**	82,984	(44)	**149,788**	175,104	(14)
Net loss	**(4,899)**	(2,020)	143	**(8,220)**	(3,087)	166
Loss per share – diluted	**(0.09)**	(0.04)	125	**(0.15)**	(0.05)	200
Adjusted EBITDA [(1)]	**5,308**	10,995	(52)	**23,994**	22,426	7
Adjusted EBITDA per share – diluted [(1)]	**0.10**	0.19	(47)	**0.45**	0.38	18
Adjusted EBITDA as a percentage of revenue [(1)]	**11%**	13%		**16%**	13%	
Cash Flow						
Cash flows from operating activities	**37,251**	21,244	75	**48,381**	30,944	56
Funds from operations [(1)]	**3,157**	9,785	(68)	**23,948**	19,884	20
Funds from operations per share – diluted [(1)]	**0.06**	0.17	(65)	**0.45**	0.34	32
Capital expenditures	**1,438**	9,090	(84)	**20,430**	20,397	-
Free cash flow [(1)]	**573**	4,806	(88)	**17,338**	10,756	61
Financial Position (unaudited)				**Jun 30, '20**	Dec 31, '19	
Working capital				**56,869**	68,393	(17)
Net debt [(1) (2)]				**(14,628)**	14,710	n.m.
Shareholders' equity				**144,018**	148,944	(3)
Common shares outstanding				**53,251,420**	53,246,420	-

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 press release.

(2) As at June 30, 2020, the Corporation had no bank loans and borrowing outstanding and was in a cash positive position.

Non-GAAP Measures

PHX Energy uses throughout this press release 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, free cash flow, net debt and working capital. 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 press release 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, the projected capital expenditures budget for the 2020-year and how this budget will be allocated and funded, the Corporation's intention to renew its NCIB, and the anticipated impact of COVID-19 on the Corporation's operations, results and the Corporation's planned responses thereto.

The above are stated under the headings: "Capital Spending", "Normal Corse Issuer Bid", "Responding to COVID-19" and "Cash Requirements for Capital Expenditures". In addition, all information contained under the headings "Responding to COVID-19" and "Outlook" in this document contains forward-looking statements.

In addition to other material factors, expectations and assumptions which may be identified in this press release 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; the continuing impact of COVID-19 on the global economy, specifically trade, manufacturing, supply chain 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; 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 and maintain financing on acceptable terms to fund its ongoing operations and 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 press release 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 June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Revenue	**46,769**	82,984	(44)	**149,788**	175,104	(14)

In the second quarter of 2020, PHX Energy recorded the lowest quarterly revenue since the fourth quarter of 2016. For the three-month period ended June 30, 2020, consolidated revenue decreased by 44 percent to $46.8 million as compared to $83 million in the second quarter of 2019. Due to COVID-19, drilling activity was significantly lower in the quarter and consolidated operating days decreased 46 percent from 5,567 days in the 2019-quarter to 2,990 days in the 2020-quarter. During the second quarter of 2020, the Western Texas Intermediate ("WTI") crude oil price was 35 percent lower than in the 2019-quarter averaging USD $37/bbl (2019-quarter – USD $57/bbl) and the Western Canadian Select ("WCS") oil prices decreased 54 percent averaging USD $21/bbl (2019-quarter – USD $46/bbl). Both the US and Canadian industry's activity slowed quarter-over-quarter with the Canadian rig count declining 70 percent and the US rig count declining 60 percent. The US market remained significantly larger than the Canadian market, with an average of 378 active rigs operating per day in the US and an average of 25 active rigs operating per day in Canada. Throughout North America the vast majority of wells continued to be horizontal and directional representing approximately 95 percent of all activity (Source: Daily Oil Bulletin and Baker Hughes). PHX Energy's average revenue per day, excluding the motor rental division in the US, increased from $14,181 in the 2019-quarter to $14,932 in the relative 2020-quarter.

For the six-month period ended June 30, 2020, the Corporation's consolidated revenue decreased by 14 percent to $149.8 million compared to $175.1 million in the 2019-quarter. For the first half of the year, the industry rig counts declined 41 percent in the US and 17 percent in Canada. Consolidated operating days for PHX Energy decreased from 12,592 days in the 2019-period to 10,231 days in the corresponding 2020-period, a decline of 19 percent. For the six-month period ended June 30, 2020, the average consolidated revenue per day, excluding the motor rental division in the US, was $14,000 as compared to $13,214 in the 2019-period, an increase of 6 percent.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Direct costs	**44,876**	72,261	(38)	**128,230**	151,051	(15)
Gross profit as a percentage of revenue	**4%**	13%		**14%**	14%	
Depreciation & amortization drilling and other equipment (included in direct costs)	**7,912**	10,118	(22)	**15,817**	20,284	(22)
Depreciation & amortization right-of-use asset (included in direct costs)	**932**	878	6	**1,862**	1,746	7
Gross profit as percentage of revenue excluding depreciation & amortization	**23%**	26%		**26%**	26%	

Direct costs are comprised of field and shop expenses, and include depreciation and amortization on the Corporation's equipment and right-of-use assets. For the three and six-month periods ended June 30, 2020, direct costs decreased to $44.9 million and $128.2 million, respectively, from $72.3 million and $151.1 million in the corresponding 2019-periods. Lower costs in the respective periods was mainly the result of lower drilling activity in the second quarter.

For the three-month period ended June 30, 2020, gross profit as a percent of revenue, excluding depreciation and amortization, decreased to 23 percent from 26 percent in the 2019-quarter. Lower profitability in the period was primarily due to the lower revenues that resulted from the reduced activity in all operating divisions of the Corporation. For the six-month period ended June 30, 2020, gross profit as a percent of revenue, excluding depreciation and amortization, was flat period-over-period at 26 percent.

For the three and six-month periods ended June 30, 2020, the Corporation's depreciation and amortization on drilling and other equipment was $7.9 million and $15.8 million, respectively, which is less than the $10.1 million and $20.3 million recorded in the corresponding 2019-periods. The decrease in depreciation and amortization of drilling and other equipment in the respective periods is mainly due to a large number of drilling and other equipment being fully depreciated in the fourth quarter of 2019.

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
SG&A costs	**7,332**	11,394	(36)	**14,334**	24,596	(42)
Cash-settled share-based payments (included in SG&A costs)	**1,410**	1,095	29	**(2,037)**	4,030	n.m.
Equity-settled share-based payments (included in SG&A costs)	**85**	215	(60)	**148**	399	(63)
SG&A costs excluding equity and cash-settled share-based payments and provision for onerous contracts as a percentage of revenue	**12%**	12%		**11%**	12%	

n.m. – not meaningful

For the three and six-month period ended June 30, 2020, SG&A costs were $7.3 million and $14.3 million, respectively, as compared to $11.4 million and $24.6 million in the corresponding 2019-periods. Reduced SG&A costs in both periods is attributable to lower personnel costs due to the decline in drilling activity. For the six-month period ended June 30, 2020, the recovery in cash-settled share-based payments also reduced SG&A.

Cash-settled share-based payments relate to the Corporation's Retention Award Plan and are measured at fair value. For the three-month period ended June 30, 2020, the Corporation recognized $1.4 million in cash-settled share-based payments, a 29 percent increase compared to $1.1 million in the corresponding 2019-quarter. For the six-month period ended June 30, 2020, the Corporation recognized a recovery of $2 million relating to cash-settled share-based payments compared to an expense of $4 million in the same 2019-period. Fluctuations in the cash-settled share-based payments in the respective 2020-periods are primarily due to movements in the Corporation's share price in those periods, relative to share price movements in the same 2019-periods.

Equity-settled share-based payments relate to the amortization of the fair values of issued options by the Corporation using the Black-Scholes model. For both the three and six-month periods ended June 30, 2020, equity-settled share-based payments were $0.1 million, as compared to $0.2 million and $0.4 million in the respective 2019-periods. Lower equity-settled share-based payments in both 2020-periods is due to stock option grants from prior years fully vesting in 2019 and 2020-years.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Research & development expense	**308**	880	(65)	**1,580**	1,780	(11)

Research and development ("R&D") expenditures for the three and six-month periods ended June 30, 2020 were $0.3 million (2019 - $0.9 million) and $1.6 million (2019 - $1.8 million), respectively. Decreased R&D costs primarily relate to lower personnel costs resulting from the cost reduction measures taken by Management in response to the decline in activity.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Finance expense	**176**	400	(56)	**529**	784	(33)
Finance expense lease liability	**683**	629	9	**1,226**	1,275	(4)

Finance expenses relate to interest charges on the Corporation's long-term and short-term bank facilities. For the three and six-month periods ended June 30, 2020, finance charges decreased to $0.2 million (2019 - $0.4 million) and $0.5 million (2019 - $0.8 million), respectively. In the second quarter of 2020, the Corporation paid down all bank loans and borrowings outstanding, resulting in lower interest charges in the respective periods.

Finance expense lease liability relates to interest expenses incurred on lease liabilities. For the three-month period ended June 30, 2020, finance expense lease liability increased by 9 percent to $0.7 million.

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Net gain on disposition of drilling equipment	**(470)**	(1,596)	**(2,409)**	(2,876)
Foreign exchange (gains) losses	**(357)**	246	**(230)**	512
Provision for (Recovery of) bad debts	**(51)**	280	**3,952**	326
Other expenses (income)	**(878)**	(1,070)	**1,313**	(2,038)

Net gain on disposition of drilling equipment is comprised of gains on disposition of drilling equipment that 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. For the three and six-month periods ended June 30, 2020, the Corporation recognized gain on dispositions of $0.5 million and $2.4 million, respectively, which are lower compared to the $1.6 million and $2.9 million gain on dispositions realized in the respective 2019-periods. The Corporation had fewer occurrences of downhole equipment losses in the second quarter of 2020 resulting in a lower net gain on disposition of drilling equipment.

Foreign exchange gains and losses relate to unrealized and realized exchange fluctuations in the period. For the three and six-month periods ended June 30, 2020, the Corporation recognized foreign exchange gains of $0.4 million and $0.2 million, respectively, relative to foreign exchange losses of $0.2 million and $0.5 million in the corresponding 2019-periods. Gains in the 2020-periods primarily relate to settlement of CAD-denominated intercompany payable in the US segment.

Provision for bad debts for the six-month period ended June 30, 2020 were higher because of provisions recognized in the first quarter of 2020. Greater provisions in 2020 reflect increased credit risks of the Corporation's customers as a result of the unparalleled decline in energy demand and the resulting supply imbalance stemming from global impacts of COVID-19.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Impairment loss	**481**	-	n.m.	**10,730**	-	n.m.

n.m. – not meaningful

For the three and six-month periods ended June 30, 2020, the Corporation recognized $0.5 million and $10.7 million in impairment losses, respectively (2019 – nil). In the first quarter of 2020, due to COVID-19 and the decline in global oil and natural gas prices, the Corporation determined that indicators of impairment existed in its Canadian, US, and International segments. Goodwill that was allocated to PHX Energy's Canadian segment was tested for impairment, and as a result, the Corporation recognized an impairment expense of $8.9 million equivalent to the full amount of goodwill. The Corporation also determined no further economic benefits are expected from the future use or future disposal of Stream's EDR equipment. The Corporation has substantially closed all of its operations in Stream. As a result, EDR equipment with a carrying amount of $1.2 million was derecognized, as well as working capital of $0.1 million. In the second quarter of 2020, additional international EDR equipment and inventory of $0.5 million were identified as impaired and derecognized.

(Stated in thousands of dollars, except percentages)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Provision for (Recovery of) income taxes	**(1,309)**	510	**67**	744
Effective tax rates	**n.m.**	n.m.	**n.m.**	n.m.

n.m. – not meaningful

For the three and six-month periods ended June 30, 2020, the Corporation recognized a recovery of income taxes of $1.3 million (2019 - $0.5 million provision) and provision for income taxes of $0.1 million (2019 - $0.7 million), respectively. Deferred taxes in the 2020 and 2019-periods were impacted by unrecognized deferred tax assets with respect to deductible temporary differences in the Canadian jurisdictions.

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, in Russia and Albania.

Canada

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Revenue	**4,562**	10,664	(57)	**29,166**	35,528	(18)
Reportable segment profit (loss) before tax	**(2,869)**	(3,856)	(26)	**424**	(4,251)	(110)

For the three and six-month periods ended June 30, 2020, Canadian revenue was $4.6 million and $29.2 million, respectively, compared to revenue of $10.7 million and $35.5 million in the same 2019-periods. The decrease in revenue in both 2020-periods was primarily due to lower Canadian activity levels. For the three-month period ended June 30, 2020, operating days declined 63 percent to 408 days, compared to 1,097 days in the relative 2019-quarter. The decline in the Canadian segment's activity was less than that of the industry, which can be attributed to the Corporation's positive reputation in the Canadian market and strong operational performance. The industry's horizontal and directional drilling activity contracted 74 percent as measured by drilling days shrinking from 7,348 days in the 2019-quarter to 1,947 days in the 2020-quarter (Source: Daily Oil Bulletin). The Canadian segment's average revenue per day in the second quarter of 2020 was $10,873 compared to $8,860 in the 2019-quarter.

During the second quarter of 2020, the Corporation remained active in the Montney and Duvernay in addition to also having a Potash project.

For the six-month period ended June 30, 2020, operating days declined 20 percent to 3,053 days, compared to 3,834 days in the same 2019-period. The Canadian industry activity decreased 14 percent to 18,737 horizontal and directional drilling days reported in the first half of 2020 as compared to 21,846 horizontal and directional drilling days in 2019 (Sources: Daily Oil Bulletin).

Despite the decline in activity, the Canadian segment's reportable segment loss before tax decreased for the three and six-month periods ended June 30, 2020. Improved profitability is mainly attributed to higher average revenue per day, lower depreciation expense, and reduced repair costs for drilling and other equipment.

United States

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Revenue	**38,423**	67,137	(43)	**112,737**	130,133	(13)
Reportable segment income (loss) before tax	**(1,239)**	5,079	(124)	**9,156**	9,123	-

For the three-month period ended June 30, 2020, US segment revenue declined by 43 percent to $38.4 million as compared to $67.1 million in the corresponding 2019-quarter. The US division's revenue represented 82 percent of consolidated revenue in the second quarter of 2020 (2019 - 81 percent). PHX Energy's US drilling activity decreased by 44 percent in the quarter to 2,172 days compared to 3,903 days in the same 2019-quarter. The US industry rig count dropped far more sharply, with 60 percent fewer rigs operating per day. There was an average of 378 active horizontal and directional rigs per day in the 2020-quarter compared to an average of 939 active horizontal and directional rigs per day in the 2019-quarter (Source: Baker Hughes). PHX Energy's US division gained market share in the challenging downturn environment which is a testament to the superior operational performance of personnel and the Corporation's high performance fleet. Phoenix USA continued to be active in the Permian, Granite Wash, SCOOP/STACK, Marcellus, Bakken and Niobrara basins. For the three-month period ended June 30, 2020, average revenue per day, excluding the Corporation's US motor rental division, rose slightly by 2 percent to $16,774 relative to $16,409 in the corresponding 2019-quarter. Reportable segment income decreased from $5.1 million in the 2019-quarter to a loss of $1.2 million in the second quarter of 2020. This reduced profitability primarily resulted from the drop in activity in the US.

In the first half of 2020, Phoenix USA's revenue was $112.7 million, a decrease of 13 percent compared to the $130.1 million in the same 2019-period. Drilling activity for the six-month period ended June 30, 2020 declined by 19 percent to 6,200 days as compared to 7,652 days in the same 2019-period. In comparison, US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, fell by twice as much from 960 rigs in the first half of 2019 to an average of 564 rigs in the comparable 2020-period (Source: Baker Hughes). For the six-month period ended June 30, 2020, Phoenix USA's average revenue per day, excluding the Corporation's motor rental division, was $17,292, which is 7 percent higher than the $16,181 in the 2019-period. The increase in average revenue per day was mainly realized in the first quarter of 2020 and was primarily a result of increased utilization of the fleet of high performance technologies. For the six-month period ended June 30, 2020, despite lower revenues, PHX Energy's US division realized reportable segment income of $9.2 million, the same level of reportable segment income realized in the corresponding 2019-period. The strong volume of activity and profitability in the first quarter of 2020 greatly contributed to this result.

International

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2020	2019	% Change	**2020**	2019	% Change
Revenue	**3,784**	**5,183**	(27)	**7,885**	**9,443**	(16)
Reportable segment income (loss) before tax	**(207)**	**170**	n.m.	**18**	**65**	(72)

n.m. – not meaningful

For the three-month period ended June 30, 2020, the International segment's revenue was $3.8 million, a 27 percent decrease over the $5.2 million in the 2019-quarter. PHX Energy generated 8 percent of its consolidated revenue from its International operations in the 2020-quarter versus 6 percent in the second quarter of 2019. For the six-month period ended June 30, 2020, the International segment's revenue was $7.9 million, a 16 percent decrease compared to $9.4 million in the same 2019-period. The decrease in revenue in both 2020-periods is mainly a result of Albania operations being temporarily suspended since the first quarter of 2020.

For the three-month period ended June 30, 2020, the Russia division's revenue grew by 24 percent to $3.8 million as compared to $3.1 million in the 2019-quarter. The division's operating days rose to 410 days in the 2020-quarter compared to 312 days in the corresponding 2019-quarter, a 31 percent increase.

For the three and six-month periods ended June 30, 2020, the International segment recognized reportable segment loss of $0.2 million (2019 - $0.2 income) and reportable segment income of $18,000 (2019 - $0.1 million), respectively. Lower margins in both 2020-periods were mainly due to suspended operations in Albania.

Investing Activities

For the three-month period ended June 30, 2020, PHX Energy used $5.6 million net cash in investing activities as compared to $7.5 million in the same 2019-quarter, and received proceeds of $1.2 million relating to the involuntary disposal of drilling equipment in well bores as compared to $3.5 million in the corresponding 2019-quarter. In the second quarter of 2020, the Corporation spent $1.4 million on capital expenditures compared to $9.1 million in the 2019-quarter. The expenditures in the 2020-quarter were comprised of:

- $1 million in MWD systems and spare components; and
- $0.4 million in machinery and equipment and other assets.

The capital expenditure program undertaken in the period was financed generally from cash flow from operating activities. Of the total capital expenditures in the 2020-quarter $0.2 million was used to grow the Corporation's fleet of drilling equipment and the remaining $1.2 million was used to maintain the current fleet of drilling and other equipment.

The change in non-cash working capital balance of $5.3 million (use of cash) for the three-month period ended June 30, 2020, relates to the net change in the Corporation's trade payables that are associated with the acquisition of capital assets. This compares to $2 million (use of cash) for the three-month period ended June 30, 2019.

Financing Activities

The Corporation reported cash flows used in financing activities of $24.2 million in the three-month period ended June 30, 2020 as compared to $10.3 million in the 2019-period. In the 2020-quarter the Corporation:

- made net payments of $23.5 million to its syndicated facilities; and
- made payments of $0.7 million towards lease liability.

Capital Resources

As of June 30, 2020, the Corporation had nothing drawn on its syndicated and operating facilities, and a cash balance of $14.6 million. As at June 30, 2020, the Corporation had approximately CAD $65 million and USD $15 million available to be drawn from its credit facilities. The credit facilities are secured by substantially all of the Corporation's assets.

As at June 30, 2020, the Corporation was in compliance with all its financial covenants.

Cash Requirements for Capital Expenditures

Historically, the Corporation has financed its capital expenditures and acquisitions through cash flows from operating activities, debt and equity. The 2020 capital expenditures are expected to be $27.5 million, subject to quarterly review of the Board.

These planned expenditures are expected to be financed from a combination of one or more of the following: cash flow from operations, the Corporation's unused credit facilities or equity, if necessary. However, if a sustained period of market uncertainty and financial market volatility persists in 2020, the Corporation's activity levels, cash flows and access to credit may be negatively impacted, and the expenditure level would be reduced accordingly. Conversely, if future growth opportunities present themselves, the Corporation would look at expanding this planned capital expenditure amount.

As at June 30, 2020, the Corporation has commitments to purchase drilling and other equipment for $4.5 million, with delivery expected to occur by the end of the third quarter.

Outlook

The challenges of this unprecedented time in our history intensified during the second quarter of 2020 and the COVID-19 pandemic and severe industry downturn impacted our financial and operational results. However, diligent cost management strategies and entering this period with a healthy balance sheet allowed us to end the quarter with net cash and no bank debt.

Our top priority remains the health and safety of our stakeholders and as the pandemic has evolved, we have remained diligent in following guidance provided by government and health authorities. We have remained operational, although at lower activity levels, while the policies and procedures we implemented ensure we are operating in the safest manner possible. We continue to monitor the situation, adapt our contingency planning and act when additional precautionary measures can be taken.

As rig counts slid to historically low levels in North America, our competitive advantages helped lessen the decline in our activity as compared to the industry. This demonstrates the resiliency of our operations which is created by our unwavering focus on strong marketing relationships, unmatched drilling performance and industry leading technologies. That said this is the harshest downturn we have ever experienced, and it is anticipated to persist through 2020 and possibly into 2021 with only a very gradual recovery. In Canada, although we are now starting to come out of spring break up with a slight uptick in active rigs, we don't foresee a meaningful industry recovery in the near future as there are many challenges that persist in this market. Similarly, although the US industry is at historical lows, it seems unlikely that rig counts will begin to climb upward in the foreseeable future given the current economic and industry conditions.

For the remainder of 2020, we foresee our operations generating greatly reduced activity quarter-over-quarter. In the US we anticipate that our operations will be slower for the third and fourth quarter when compared to the second quarter. Whereas in Canada, the third and fourth quarters will show an increase in relation to the second quarter only as a result of the industry exiting spring break up. That said, this is a very volatile time surrounded with uncertainty and the industry and economic conditions can change rapidly. We will continue to diligently work to maintain a cost structure aligned with our operations activity and protect our healthy financial position. With the strength of our fleet of technology and operational performance, we believe we will continue to be market leaders in our sector, and this will be reflected in our market share in both Canada and the US.

Knowing the cyclical nature of this industry, one of our ongoing strategies has been to position ourselves for the next downturn. This meant protecting and building balance sheet strength, maintaining low or no bank debt and focusing on being a vital provider in Operators' drive for drilling efficiency. We believe we are positioned operationally and financially to outlast and survive this downturn and to grow when the market does recover, without significant capital commitments. What we have also learned from past downturns is that with each recovery wells are drilled much quicker and more efficiently than before. The directional drilling market still remains saturated with competitors, and the brutal nature of this downturn is likely to shrink the competitive landscape as the opportunity for those without high performance technologies has significantly shrunk. We are in the enviable position to outlast this unprecedented time with a strong team of personnel, a fleet comprised of some of the top technologies in our sector and a healthy financial position.

Michael Buker, President
August 5, 2020

Non-GAAP Measures

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, equity 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 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. Starting in the first quarter of 2020, due to the impact of COVID-19 and the downturn in the oil and natural gas industry, the Corporation included impairment expenses and severance costs, which were not present in the relative 2019-quarter. Severance costs related to restructuring were not present, and therefore were not included in the 2019 Annual Report. 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 June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Net loss	**(4,899)**	(2,020)	**(8,220)**	(3,087)
Add (deduct):				
Depreciation and amortization drilling and other equipment	**7,912**	10,118	**15,817**	20,284
Depreciation and amortization right-of-use asset	**932**	878	**1,862**	1,746
Impairment loss	**481**	-	**10,730**	-
Severance expense	**1,348**	-	**1,931**	-
Provision for (Recovery of) income taxes	**(1,309)**	510	**67**	744
Finance expense	**176**	400	**529**	784
Finance expense lease liability	**683**	629	**1,226**	1,275
Equity-settled share-based payments	**85**	215	**148**	399
Unrealized foreign exchange (gain) loss	**(101)**	265	**(96)**	281
Adjusted EBITDA as reported	**5,308**	10,995	**23,994**	22,426

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 June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Cash flows from operating activities	**37,251**	21,244	**48,381**	30,944
Add (deduct):				
Changes in non-cash working capital	**(33,644)**	(11,436)	**(24,288)**	(11,454)
Interest paid	**84**	218	**288**	495
Income taxes paid (received)	**(534)**	(241)	**(433)**	(101)
Funds from (used in) operations	**3,157**	9,785	**23,948**	19,884

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.

Free Cash Flow

Free cash flow is defined as funds from operations (as defined above) less maintenance capital expenditures and cash payment on leases. This non-GAAP measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses free cash flow as an indication of the Corporation's ability to generate funds from its operations to support operations 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 free 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 funds from operations to free cash flow:

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Funds from operations [1]	**3,157**	9,785	**23,948**	19,884
Deduct:				
Maintenance capital expenditures	**(1,228)**	(3,590)	**(3,787)**	(6,298)
Cash payment on leases	**(1,356)**	(1,389)	**(2,823)**	(2,830)
Free cash flow	**573**	4,806	**17,338**	10,756

[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 press release.

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 drilling and other equipment and goodwill, unrealized foreign exchange gains or losses, and IFRS 16 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 syndicate 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'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.

In the first quarter of 2020, the Corporation closed substantially all of its operations in its Stream Services ("Stream") division which marketed electronic drilling recorder ("EDR") technology and services.

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

For further information please contact:

John Hooks, CEO;
Michael Buker, President; or
Cameron Ritchie, Senior Vice President Finance and CFO

PHX Energy Services Corp.
Suite 1400, 250 2nd Street SW
Calgary, Alberta T2P 0C1
Tel: 403-543-4466 Fax: 403-543-4485 www.phxtech.com

Consolidated Statements of Financial Position

(unaudited)

		June 30, 2020		December 31, 2019
ASSETS				
Current assets:				
Cash and cash equivalents	$	**14,627,990**	$	10,582,296
Trade and other receivables		**34,990,544**		93,641,885
Inventories		**34,618,956**		30,826,700
Prepaid expenses		**2,828,889**		2,569,046
Current tax assets		**444,245**		-
Total current assets		**87,510,624**		137,619,927
Non-current assets:				
Drilling and other equipment		**83,526,554**		78,416,229
Right-of-use asset		**31,016,794**		32,825,964
Intangible assets		**17,555,275**		18,901,559
Goodwill		**-**		8,876,351
Deferred tax assets		**927,479**		613,355
Total non-current assets		**133,026,102**		139,633,458
Total assets	$	**220,536,726**	$	277,253,385
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Operating facility	$	**-**	$	11,395,835
Lease liability		**2,552,968**		2,765,633
Trade and other payables		**28,088,570**		54,892,277
Current tax liability		**-**		172,766
Total current liabilities		**30,641,538**		69,226,511
Non-current liabilities:				
Lease liability		**38,568,114**		39,753,860
Loans and borrowings		**-**		13,896,400
Deferred tax liability		**7,308,872**		5,432,527
Total non-current liabilities		**45,876,986**		59,082,787
Equity:				
Share capital		**251,219,748**		251,815,183
Contributed surplus		**10,087,914**		10,854,650
Retained earnings		**(136,122,738)**		(127,902,593)
Accumulated other comprehensive income		**18,833,278**		14,176,847
Total equity		**144,018,202**		148,944,087
Total liabilities and equity	$	**220,536,726**	$	277,253,385

Consolidated Statements of Comprehensive Loss

(unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Revenue	**$ 46,768,641**	$ 82,983,644	**$ 149,788,436**	$ 175,104,348
Direct costs	**44,876,434**	72,260,718	**128,230,485**	151,050,936
Gross profit	**1,892,207**	10,722,926	**21,557,951**	24,053,412
Expenses:				
Selling, general and administrative expenses	**7,331,672**	11,394,219	**14,333,809**	24,596,157
Research and development expenses	**307,528**	880,017	**1,579,945**	1,779,603
Finance expense	**175,529**	400,025	**528,599**	783,625
Finance expense lease liability	**683,495**	628,522	**1,226,015**	1,274,683
Other income	**(878,353)**	(1,069,532)	**1,313,166**	(2,037,788)
Impairment Loss	**480,868**	-	**10,729,587**	-
	8,100,739	12,233,251	**29,711,121**	26,396,280
Loss before income taxes	**(6,208,532)**	(1,510,325)	**(8,153,170)**	(2,342,868)
Provision for (Recovery of) income taxes				
Current	**(543,809)**	120,312	**(746,574)**	468,784
Deferred	**(765,264)**	389,463	**813,549**	275,413
	(1,309,073)	509,775	**66,975**	744,197
Net loss	**(4,899,459)**	(2,020,100)	**(8,220,145)**	(3,087,065)
Other comprehensive income (loss)				
Foreign currency translation	**(3,916,078)**	(1,803,995)	**4,656,431**	(2,662,069)
Total comprehensive loss for the period	**$ (8,815,537)**	$ (3,824,095)	**$ (3,563,714)**	$ (5,749,134)
Loss per share – basic	**$ (0.09)**	$ (0.04)	**$ (0.15)**	$ (0.05)
Loss per share – diluted	**$ (0.09)**	$ (0.04)	**$ (0.15)**	$ (0.05)

Consolidated Statements of Cash Flows

(unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2020	2019	**2020**	2019
Cash flows from operating activities:				
Net loss	**$ (4,899,459)**	$ (2,020,100)	**$ (8,220,145)**	$ (3,087,065)
Adjustments for:				
Depreciation and amortization	**7,911,639**	10,117,493	**15,816,701**	20,284,764
Depreciation and amortization right-of-use asset	**932,456**	878,319	**1,862,434**	1,745,522
Impairment loss	**480,868**	-	**10,729,587**	-
Provision for (Recovery of) income taxes	**(1,309,073)**	509,775	**66,975**	744,197
Unrealized foreign exchange loss (gain)	**(100,843)**	264,934	**(96,331)**	281,009
Gain on disposition of drilling equipment	**(470,042)**	(1,596,318)	**(2,408,571)**	(2,876,496)
Equity-settled share-based payments	**84,909**	215,100	**148,121**	399,057
Finance expense	**175,529**	400,025	**528,599**	783,625
Provision for (Recovery of) bad debts	**(50,744)**	279,567	**3,951,754**	326,138
Provision for inventory obsolescence	**401,356**	735,901	**1,569,240**	1,283,302
Interest paid	**(84,191)**	(217,750)	**(288,061)**	(495,288)
Income taxes received	**534,325**	240,811	**432,964**	100,871
Change in non-cash working capital	**33,644,453**	11,436,637	**24,287,613**	11,454,051
Net cash from operating activities	**37,251,183**	21,244,394	**48,380,880**	30,943,687
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	**1,167,246**	3,510,292	**4,634,959**	6,044,065
Acquisition of drilling and other equipment	**(1,437,742)**	(9,090,137)	**(20,429,840)**	(20,396,683)
Change in non-cash working capital	**(5,337,067)**	(1,958,066)	**(77,183)**	(3,713,201)
Net cash used in investing activities	**(5,607,563)**	(7,537,911)	**(15,872,064)**	(18,065,819)
Cash flows from financing activities:				
Proceeds from (Repayment of) loans and borrowings	**(23,362,800)**	(2,700,200)	**(13,960,400)**	4,487,700
Repayment of operating facility	**(159,666)**	(2,196,552)	**(11,395,835)**	(6,790,317)
Payments of Lease Liability	**(672,708)**	(760,281)	**(1,596,595)**	(1,555,344)
Surrender Value Cash Payment	**-**	-	**(1,518,042)**	-
Repurchase of shares under the NCIB	**-**	(4,674,837)	**-**	(5,345,437)
Proceeds from issuance of share capital	**-**	-	**7,750**	87,750
Net cash used in financing activities	**(24,195,174)**	(10,331,870)	**(28,463,122)**	(9,115,648)
Net increase in cash and cash equivalents	**7,448,446**	3,374,613	**4,045,694**	3,762,220
Cash and cash equivalents, beginning of period	**7,179,544**	4,031,025	**10,582,296**	3,643,418
Cash and cash equivalents, end of period	**$ 14,627,990**	$ 7,405,638	**$ 14,627,990**	$ 7,405,638