

PHX ENERGY IS POSITIONED TO SEIZE OPPORTUNITIES FOR GROWTH



WE HAVE THE RIGHT FOCUS

Over our 20 year history, we have grown to be one of the most reputable directional drilling providers by focusing on strong client relationships and superior service delivery.

We have a strong history of responsible balance sheet management, as shown by the reduction of debt levels and improvement of margins through this challenging downturn.

The current down turn has created a lean structure that we will sustain for greater profitability, as our objective is to be the most efficient service provider in the industry.

WE ARE IN THE RIGHT PLACES

PHX Energy has created a lucrative global foot print with operations established in all key North American basins and strategic international locations.

We protected and expanded our market share in all regions despite the challenging market conditions that persisted the past two years.

WE HAVE MADE THE RIGHT INVESTMENTS

Past aggressive capital expenditure programs have equipped us with a large job capacity and proprietary equipment that differentiates us.

With a flexible capital structure, we were able to reduce capital expenditures in 2015 and 2016 to be solely dedicated to our strategy of deploying advanced technology.

Recently commercialized MWD technology, Velocity, and development of a new EDR platform will provide us a competitive advantage.

WE EMPLOY THE RIGHT PEOPLE

We have maintained a core team of the industry's top operations and marketing personnel who are dedicated to delivering unmatched solutions to our clients.

Stated in thousands of dollars except per unit amounts, percentages and operating days	Years ended December 31,			Six-Month Period ended June 30,		
	2015 <i>(unaudited)</i>	2014 <i>(unaudited)</i>	% Chg	2016 <i>(unaudited)</i>	2015 <i>(unaudited)</i>	% Chg
Operating Results						
Revenue	286,780	521,467	(45)	66,808	162,414	(59)
Adjusted EBITDA ⁽¹⁾	27,929	82,237	(66)	250	8,861	(97)
Cash Flow						
Funds from operations ⁽¹⁾	13,846	82,263	(83)	393	3,639	(89)
Capital expenditures	18,029	68,282	(74)	2,892	14,817	(80)
Operating Days						
Consolidated Operating Days	22,784	39,222	(42)	6,521	12,633	(48)
Financial Position				June 30, 2016	Dec 31, 2015	
Working Capital	61,041	80,974	(25)	45,530	61,041	(25)
Long-term debt	60,000	104,281	(42)	22,067	60,000	(63)

⁽¹⁾ Refer to non-GAAP measures section of Annual and Quarterly Report

FINANCIALS



DIVERSIFYING OUR LINES OF BUSINESS

WHY THE EDR MARKET IS THE RIGHT FIT

We are diversifying our service offering by entering rewarding sectors of the industry that complement our core business. Stream Services offers EDR services and technology to the Canadian drilling market.

OPPORTUNITY

In North America the majority of drilling rigs employ an EDR system.

Market is dominated by only a few competitors, with one service provider representing 97% market share in Canada and 60% market share in the US.

International markets exist where competitive and reliable EDR technology has not been introduced.

Operations model offers attractive margins as it is less labor intensive.

STREAM STRATEGY

PHX Energy has invested in developing new technology that competes head-to-head with existing providers in most applications.

The new product line is gaining momentum as we work toward a fully commercial platform; field tests continue with positive feedback from operators.

Stream will offer unrivaled service and competitive pricing to gain market share by providing a choice where one did not exist before.

Existing lean infrastructure within the Corporation, including sales, marketing and administrative functions, can support rapid growth of the Stream division, eliminating the need for any investments outside of additional field equipment and field support personnel.

