PHX
ENERGY SERVICES CORP.

PRESS RELEASE
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TSX – PHX
Calgary, Alberta

PHX Energy Announces: Record Adjusted EBITDA and Net Earnings, Increased 2021 Capital Expenditure Program, Preliminary 2022 Capital Expenditure Program & 100% Increase to its Quarterly Dividend

Financial Results

For the three-month period ended June 30, 2021, the Corporation realized adjusted EBITDA from continuing operations of $14.2 million (2020 - $4.6 million), the highest adjusted EBITDA achieved in any second quarter since the Corporation's inception (see "Non-GAAP Measures"). This level of adjusted EBITDA from continuing operations is 19 percent of revenue compared to 11 percent of revenue in the corresponding 2020-quarter. For the three-month period ended June 30, 2021, the Corporation achieved earnings from continuing operations of $4.4 million compared to a loss from continuing operations of $5.2 million in the 2020-period. This level of earnings is also the best second quarter net earnings in the Corporation's history. Included in the 2021-quarter's adjusted EBITDA and earnings from continuing operations were $4.5 million in government grants and $3.9 million in cash-settled share-based payments expense (pre-tax). The noteworthy improvement in profitability was mainly driven by stronger activity levels as a result of the industry's continued recovery and greater capacity in PHX Energy's fleet of premium technologies, specifically Velocity Real-Time System ("Velocity"), PowerDrive Orbit Rotary Steerable System ("RSS"), and Atlas High Performance Motors ("Atlas").

In the second quarter of 2021, the Corporation generated consolidated revenue from continuing operations of $75.8 million, an increase of 76 percent over the $43 million generated in the respective 2020-quarter. This is the third highest consolidated revenue achieved for a second quarter in the Corporation's history, with the second quarter of 2014 being the highest. Consolidated operating days in the 2021 three-month period improved by 80 percent to 4,639 days as compared to 2,580 days in the 2020-quarter. The increase in activity was led by the US division with PHX Energy's US operating days growing by 63 percent to 3,549 days in the second quarter of 2021 from 2,172 days in the 2020-quarter. This growth outpaced the US industry's activity gains which increased by 15 percent to an average of 450 active rigs per day in the second quarter of 2021 from an average of 392 rigs in the 2020-quarter (Source: Baker Hughes). The US segment's revenue represented 86 percent of the Corporation's consolidated revenue for the period (2020 – 89 percent).

The Canadian industry's activity levels in the second quarter of 2021 recovered immensely over the same quarter of 2020 and PHX Energy's Canadian division recorded 1,090 operating days in the 2021 quarter which is more than double the 408 days generated in the 2020-quarter. The increase in the Canadian segment's drilling activity quarter-over-quarter was representative of the recovery in the Canadian market's activity where there were 6,443 horizontal and directional drilling days in the second quarter of the 2021 compared to 1,932 days in the corresponding 2020-quarter (Source: Daily Oil Bulletin). As a result of the activity recovery, the Canadian segment's revenue in the three-month period ended June 30, 2021 improved to $10.3 million from $4.6 million in the 2020-period.

Throughout the first half of 2021, the Corporation maintained a strong balance sheet position and as at June 30, 2021 had a cash balance of $21 million with no bank loans outstanding. As a result of improved earnings, for the three-month period ended June 30, 2021, the Corporation's free cash flow from continuing operations increased to $8.3 million as compared to negative $0.4 million in the corresponding 2020-quarter (see "Non-GAAP Measures").

Dividends

In light of the Corporation's balance sheet strength and improving adjusted EBITDA margins and net earnings, the Board has approved an increase to the Corporation's quarterly dividend from $0.025 per common share to $0.05 per common share, commencing with the dividend payable October 15, 2021 to shareholders of record at the close of business on September 30, 2021.

On June 15, 2021, PHX Energy declared a cash dividend of $0.025 per common share and $1.3 million was paid on July 15, 2021 to shareholders of record at the close of business on June 30, 2021.

Responding to COVID-19

As oil prices recover to pre-pandemic levels and vaccinations roll out, drilling activity steadily increased during the second quarter of 2021. The Corporation continued to monitor, evaluate and adjust its business costs in line with drilling activity in North America and will continue to implement changes as required. In addition, the Corporation will continue to review various government assistance programs available for businesses in North America. For the three-month period ended June 30, 2021 the Corporation recognized government grants of $1.8 million (2020 - $1.1 million) in the Canadian division related to the Canadian Emergency Wage Subsidy ("CEWS") and Canadian Emergency Rent Subsidy ("CERS") programs and USD $2.2 million (2020 – nil) related to the Coronavirus Aid, Relief, and Economic Security ("CARES") program in the US segment. Subsequent to June 30, 2021, the Corporation does not expect future government grants to be significant.

PHX Energy has and will continue to diligently preserve a solid financial position and retain financial flexibility through substantial liquidity on its credit facilities. As at June 30, 2021, the Corporation has working capital of $58.5 million and approximately CAD $65 million and USD $15 million available from its credit facilities. Additional information regarding the risks, uncertainties and impact on the Corporation's business can be found throughout this MD&A, including under the headings "Capital Spending", "Operating Costs and Expenses", "Critical Accounting Estimates" and "Outlook".

Assets Held for Sale and Discontinued Operations

On December 10, 2020, the Corporation entered into a preliminary purchase and sale agreement with Well Tech Services Ltd. to sell the Russian division, operating under the entity Phoenix TSR LLC ("Phoenix TSR"), for 240 million Russian Rubles. Management expects the sale to be completed within 2021. Accordingly, for the six-month period ended June 30, 2021, net assets with a carrying value of $3.4 million owned by Phoenix TSR have been classified as assets held for sale and liabilities directly associated with assets held for sale and the financial results of Phoenix TSR have been presented as discontinued operations. The decision to sell the division is not anticipated to have a significant impact on the continuing operations of the

Corporation. For the three and six-month periods ended June 30, 2021, the Russian division incurred adjusted EBITDA of negative $0.1 million and negative $0.5 million, respectively (2020 - $0.7 million and $0.1 million, respectively).

Technology Partnership

In the first quarter of 2021, the Corporation announced it had entered into a technology partnership with National Energy Services Reunited Corp. ("NESR"). Pursuant to the partnership, PHX Energy will provide its premium downhole technology for use in NESR's directional drilling operations in the Middle East and North Africa ("MENA") regions. Access to NESR's international markets is anticipated to provide opportunities to further extend the global reach and reputation of the Corporation's high-performance technologies and equipment. In the second quarter of 2021, the Corporation deployed equipment and personnel to drill qualification wells and thus far, the wells drilled have produced several operating records. Additionally, the Corporation has also successfully obtained qualification certification for the Velocity system by a prospect client, a first step in the qualification process. PHX Energy is optimistic, based on these results, that through its partnership it will become a qualified supplier in the region. It is anticipated that this process will take some time and the Corporation is expecting to increase activity levels in the region in the 2022-year.

Capital Spending

During the second quarter of 2021, the Corporation spent $10.5 million in capital expenditures (2020 - $1.4 million), which were primarily used to expand its fleet of Velocity systems, Atlas motors, and RSS. Of the total capital expenditures in the 2021-quarter $7.8 million was spent on growing the Corporation's fleet of drilling equipment and the remaining $2.7 million was spent on maintenance of the current fleet of drilling and other equipment. The Corporation funded capital spending through funds from operations.

As at June 30, 2021, the Corporation has commitments to purchase drilling and other equipment for $14.4 million, with delivery of these purchases expected to occur by the end of the third quarter of 2021. Commitments include $6.8 million for Velocity systems, $6.9 million for performance drilling motors primarily relating to Atlas, and $0.7 million for other machinery and equipment. Of the $14.4 million capital expenditure commitments, $7.4 million will be spent on growing the Corporation's fleet of high-performance equipment.

In addition to the Corporation's fleet of conventional measurement while drilling ("MWD") systems and drilling motors, the Corporation currently possesses approximately 447 Atlas motors, comprised of various configurations including its 7.25", 5.13", 5.76", 8" and 9" Atlas motors, 98 Velocity systems, and 27 PowerDrive Orbit RSS, the largest independent fleet in North America.

On April 9, 2021, the Corporation announced an increase to its 2021 capital expenditure program from $15 million to $25 million and PHX Energy is pleased to announce the Board has approved a further increase to $35 million. The increase to the capital expenditure program is primarily dedicated to growing and maintaining the Velocity and Atlas fleets to meet increased demand anticipated in the second half of 2021. The Corporation's Board also approved a preliminary 2022 capital expenditure program of $30 million, of which $23 million is anticipated to be spent on growing PHX Energy's fleet of drilling and other equipment and $7 million on maintenance of the fleet of drilling and other equipment.

Shares Held in Trust

In the second quarter of 2021, the Corporation amended its cash-settled share-based compensation program to permit the settlement of retention and performance awards with, at the option of the Corporation, either cash or in common shares acquired by an independent trustee in the open market from time to time for such purposes. If common shares are used to settle awards, an additional multiplier to the award value of 1.25 times is applied. Common shares acquired by the independent trustee in the open market are held in trust for the potential settlement of retention and performance award values and are netted out of share capital, including the cumulative purchase cost, until they are distributed for future settlements. For the six-month period ended June 30, 2021, the trustee purchased 786,539 common shares for a total cost of $3.3 million and as at June 30, 2021, holds 786,539 common shares in trust.

Investment

On July 20, 2021, PHX Energy announced it has made a strategic investment of $3 million in a private geothermal power developer, DEEP Earth Energy Production Corp. ("DEEP"). DEEP is currently developing a geothermal power facility in southern Saskatchewan which stands to become the first major geothermal power facility in Canada. The investment in DEEP provides an opportunity for the Corporation to diversify the business as management continues to focus on strategies to ensure long term sustainable growth for the business. PHX Energy's investment in DEEP includes an option for an additional $3.5 million equity upon the exercise of warrants held by the Corporation. Exercise of the warrants, which expires in three years, is at the discretion of the Corporation.

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,		
	2021	2020	% Change	**2021**	2020	% Change
Operating Results – Continuing Operations	***(unaudited)***	*(unaudited)*		***(unaudited)***	*(unaudited)*	
Revenue	**75,765**	42,984	76	**144,312**	141,886	2
Earnings (loss)	**4,447**	(5,205)	n.m.	**9,781**	(7,362)	n.m.
Earnings (loss) per share – diluted	**0.08**	(0.10)	n.m.	**0.19**	(0.14)	n.m.
Adjusted EBITDA [(1)]	**14,154**	4,577	n.m.	**28,645**	23,846	20
Adjusted EBITDA per share – diluted [(1)]	**0.27**	0.09	n.m.	**0.56**	0.45	24
Adjusted EBITDA as a percentage of revenue [(1)]	**19%**	11%		**20%**	17%	
Cash Flow – Continuing Operations						
Cash flows from operating activities	**8,774**	36,780	(76)	**10,279**	48,520	(79)
Funds from operations [(1)]	**12,298**	2,150	n.m.	**24,102**	22,658	6
Funds from operations per share – diluted [(1)]	**0.24**	0.04	n.m.	**0.47**	0.43	9
Dividends per share paid	**0.025**	-	n.m.	**0.050**	-	n.m.
Capital expenditures	**10,519**	1,395	n.m.	**17,408**	20,263	(14)
Free cash flow [(1)]	**8,265**	(434)	n.m.	**16,470**	16,124	2
Financial Position (unaudited)				**Jun 30, '21**	Dec 31, '20	
Working capital				**58,463**	55,524	5
Net debt [(1)] [(2)]				**(21,026)**	(25,746)	(18)
Shareholders' equity				**132,681**	132,033	-
Common shares outstanding				**49,603,760**	50,625,920	(2)

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, 2021, 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 anticipated impact of COVID-19 on the Corporation's operations, results and the Corporation's planned responses thereto, the expectation that future government grants will not be significant, the anticipated closing and terms of the transaction to sell the Russian division, the opportunities that will be created by the NESR partnership, successful qualification in the region and the ramp up of activity in 2022, the anticipated continuation of PHX Energy's quarterly dividend program and the amounts of dividends, the potential future settlement of retention and performance awards in common shares that were purchased and held in trust by an independent trustee in the open market, the anticipation of resumed activity in Albania, the timeline for delivery of equipment on order, the projected capital expenditures budget for 2021 and 2022 and how these budgets will be allocated and funded, and the intention to submit application to the TSX for the renewal of the Corporation's NCIB.

The above are stated under the headings: "Dividends", "Responding to COVID-19", "Assets Held for Sale and Discontinued Operations", "Technology Partnership", "Capital Spending", "Shares Held in Trust", "Segmented Information", "Financing Activities" and "Cash Requirements for Capital Expenditures". In addition, all information contained under the headings "Responding to COVID-19", and "Outlook" sections of this press release may 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; 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 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 June 30,			Six-month periods ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Revenue	**75,765**	42,984	76	**144,312**	141,886	2

During the three-month period ended June 30, 2021, the Corporation generated consolidated revenue of $75.8 million, a 76 percent increase from the $43 million recognized in the 2020-period. Consolidated operating days in the second quarter of 2021 improved by 80 percent to 4,639 days as compared to 2,580 days in the 2020-quarter. The average consolidated revenue per day, excluding the motor rental division in the US, decreased slightly by 2 percent from $15,838 in the 2020-quarter to $15,507 in the 2021-quarter. The slight decrease was mainly a result of the US Dollar weakening relative to the Canadian Dollar. Excluding the impact of exchange rates, the average consolidated revenue per day increased 9 percent from the second quarter of 2020.

Crude oil prices recovered from the decline that commenced at the end of first quarter of 2020, with Western Texas Intermediate ("WTI") averaging USD $62/bbl in the first half of 2021 (2020 – USD $37/bbl) and Western Canadian Select ("WCS") oil prices averaging USD $50/bbl (2020 – USD $21/bbl). This strengthening in commodity prices has also led to improved industry activity. The Canadian rig count increased 209 percent to an average of 71 rigs operating per day in the second quarter of 2021 (2020-quarter – 23 rigs) and the US rig count increased to 450 rigs per day (2020-quarter - 392 rigs). The increase in the rig count aided the Corporation's activity levels and PHX Energy's Canadian drilling days increased from 408 to 1,090 days quarter-over-quarter while the US operation's drilling days increased 63 percent from 2,172 to 3,549 days quarter-over-quarter. In both Canada and the US, horizontal and directional drilling continued to dominate industry activity in the second quarter of 2021 (Sources: Baker Hughes and Daily Oil Bulletin).

Despite record results in the second quarter of 2021, consolidated revenue for the six-month period ended June 30, 2021 increased only by 2 percent to $144.3 million from $141.9 million in the comparable 2020-period as the Corporation experienced strong activity prior to the COVID-19 pandemic which began late in the first quarter of 2020. In the first half of 2021, the Corporation achieved 9,487 consolidated operating days, which is 3 percent higher than the 9,253 days reported in the corresponding 2020-period. Average consolidated revenue per day for continuing operations, excluding the US motor rental division, decreased by only 1 percent from $14,626 in the six-month period ended June 30, 2020 to $14,607 for the respective six-month period in 2021.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Direct costs	**59,437**	41,865	42	**113,953**	121,743	(6)
Gross profit as a percentage of revenue	**22%**	3%		**21%**	14%	
Depreciation & amortization drilling and other equipment (included in direct costs)	**6,277**	7,483	(16)	**12,509**	14,907	(16)
Depreciation & amortization right-of-use asset (included in direct costs)	**825**	932	(11)	**1,661**	1,856	(11)
Gross profit as percentage of revenue excluding depreciation & amortization	**31%**	22%		**31%**	26%	

Direct costs are comprised of field and shop expenses and include depreciation and amortization of the Corporation's equipment and right-of-use assets. For the three-month period ended June 30, 2021, direct costs increased by 42 percent to $59.4 million from $41.9 million in the comparable 2020-period. The increase in direct costs was primarily associated with increased activity levels, in particular, the Corporation experienced higher personnel costs and equipment repair expenses during the 2021-period. In addition, as RSS activity grew, more RSS-related expenses were incurred in the 2021-quarter. For the six-month period ended June 30, 2021, direct costs decreased by 6 percent to $114 million from $121.7 million in the corresponding 2020-period. The decrease in direct costs was primarily due to government grants and the absence of severance that was paid in the 2020-period as a result of cost restructuring.

The reduction in the depreciation and amortization expenses for the three and six-month periods ended June 30, 2021 was mainly the result of PHX Energy's lower level of capital spending relative to the years before the COVID-19 pandemic and more assets being fully depreciated.

For the three and six-month periods ended June 30, 2021, excluding depreciation and amortization, gross profit as a percentage of revenue increased to 31 percent in both 2021-periods from 22 percent and 26 percent in the respective 2020-periods. The improved profitability achieved in the three and six-month periods ended June 30, 2021 was primarily a result of increased activity, government grants, lower depreciation and amortization, and continued commitment to disciplined cost management by the Corporation.

Government grants recognized in direct costs during the second quarter of 2021 include $1.1 million in CEWS and CERS and USD $2 million from the CARES program. For the 2021 six-month period, the Corporation reported $2 million in CEWS and CERS and USD $3.7 million from the CARES program. Gross profit as a percentage of revenue excluding depreciation, amortization and government grants for the three and six-month periods ended 2021 were 25 percent for both periods (2020 - 20 percent and 25 percent, respectively).

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
SG&A costs	**10,629**	6,773	57	**19,612**	13,275	48
Cash-settled share-based payments (included in SG&A costs)	**3,924**	1,397	181	**6,568**	(2,027)	n.m.
Equity-settled share-based payments (included in SG&A costs)	**150**	85	76	**218**	148	47
SG&A costs excluding equity and cash-settled share-based payments as a percentage of revenue	**9%**	12%		**9%**	11%	

n.m. – not meaningful

For the three and six-month periods ended June 30, 2021, SG&A costs were $10.6 million and $19.6 million, respectively, as compared to $6.8 million and $13.3 million in the corresponding 2020-periods. Increased SG&A costs in both periods was mainly attributable to higher personnel costs associated with increased drilling activity and compensation expenses related to cash-settled share-based awards. The increase in SG&A costs in the second quarter of 2021 was marginally offset by $0.7 million in CEWS and CERS and USD $0.2 million from the CARES program. For the six-month period ended June 30, 2021, the Corporation reported $1.3 million of CEWS and CERS assistance and USD $0.4 million of CARES as an offset to SG&A costs.

During the second quarter of 2021, the Corporation’s Retention Award Plan was amended whereby the Corporation has the option to settle retention and performance awards with either cash or in common shares acquired by an independent trustee in the open market from time to time for such purposes. As at June 30, 2021 the Corporation continued to account for the retention award plan as cash-settled share-based payments and are measured at fair-value.

For the three-month period ended June 30, 2021, the Corporation recognized $3.9 million in cash-settled share-based payments, a 181 percent increase compared to $1.4 million in the corresponding 2020-quarter. For the six-month period ended June 30, 2021, the Corporation reported a $6.6 million expense related to cash-settled share-based payments compared to a recovery of $2 million in the same 2020-period. Fluctuations in the cash-settled share-based payments in the respective 2021-periods were primarily due to movements in the Corporation’s share price in those periods, relative to share price movements in the same 2020-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, 2021, equity-settled share-based payments were $0.2 million, as compared to $0.1 million in both respective 2020-periods. The increase in equity-settled share-based payments in both 2021-periods are due to stock option grants from prior years fully vesting in 2020 and 2021 coupled with a higher valuation per option for the 2021 grant relative to the 2018 and 2020 grants.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Research & development expense	**624**	308	103	**1,185**	1,580	(25)

Research and development ("R&D") expenditures for the three and six-month periods ended June 30, 2021 were $0.6 million (2020 - $0.3 million) and $1.2 million (2020 - $1.6 million), respectively. Decreased R&D costs in the first half of 2021 primarily relate to lower personnel costs that resulted from the cost reduction measures taken by management in the past year in response to the decline in activity. With oil prices and revenue returning to pre-pandemic levels, R&D costs have increased quarter-over-quarter to support initiatives aimed at continually improving the reliability and efficiency of the Corporation's high-performance technologies.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Finance expense	**94**	170	(45)	**265**	515	(49)
Finance expense lease liability	**534**	683	(22)	**1,083**	1,226	(12)

Finance expenses primarily 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, 2021, finance charges, which consists primarily of standby charges, decreased to $0.1 million (2020 - $0.2 million) and $0.3 million (2020 - $0.5 million), respectively. In the second quarter of 2020, the Corporation paid down all bank loans and borrowings outstanding and since then the Corporation has solely funded its operations, investing, and financing activities with funds from operations.

Finance expense lease liability relates to interest expenses incurred on lease liabilities. For the three and six-month periods ended June 30, 2020, finance expense lease liability decreased to $0.5 million and $1.1 million, respectively (2020 - $0.7 million and $1.2 million, respectively).

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2021	2020	**2021**	2020
Net gain on disposition of drilling equipment	**(1,483)**	(482)	**(4,302)**	(2,332)
Foreign exchange (gains) losses	**61**	140	**61**	(233)
Provision for (Recovery of) bad debts	**(265)**	(440)	**(265)**	2,677
Other expenses (income)	**(1,687)**	(782)	**(4,506)**	112

Other income in both the three and six-month periods ended June 30, 2021 is primarily 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, 2021, the Corporation recognized net gain on disposition of drilling equipment of $1.5 million and $4.3 million, respectively, which are higher compared to the $0.5 million and $2.3 million realized in the respective 2020-periods. Due to increased activity levels, the Corporation had a higher occurrence of downhole equipment losses in the respective 2021-periods resulting in a higher 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, 2021, the Corporation recognized foreign exchange losses of $0.1 million in both periods as compared to foreign exchange losses of $0.1 million and foreign exchange gains of $0.2 million in the respective 2020-periods. Losses in the 2021-periods primarily relate to the revaluation of CAD-denominated intercompany receivable in the US segment.

For the three and six-month periods ended June 30, 2021, the Corporation reported a bad debts recovery of $0.3 million (2020 - $0.4 million recovery and of $2.8 million expense, respectively), which relates mainly to a US receivable account recovered in the 2021-quarter.

(Stated in thousands of dollars, except percentages)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2021	2020	**2021**	2020
Provision for (Recovery of) income taxes	**1,687**	(1,309)	**2,939**	67
Effective tax rates	**28%**	n.m.	**23%**	n.m.

n.m. – not meaningful

For the three and six-month periods ended June 30, 2021, the Corporation recognized a provision for income taxes of $1.7 million (2020 - $1.3 million recovery) and $2.9 million (2020 - $0.1 million), respectively. Higher provisions in both 2021-periods was mainly a result of improved profitability particularly in the US jurisdictions. Deferred taxes in the 2021 and 2020-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, and is currently operating throughout the Canadian provinces of Alberta, Saskatchewan, British Columbia, and Manitoba and throughout the US in the Gulf Coast, Northeast and Rocky Mountain regions.

Canada

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Revenue	**10,250**	4,562	125	**25,697**	29,149	(12)
Reportable segment profit (loss) before tax	**224**	(2,869)	n.m.	**2,549**	424	n.m.

n.m. – not meaningful

For the three-month period ended June 30, the Corporation's Canadian revenue grew from $4.6 million in 2020 to $10.3 million in 2021. The recovery in the industry rig count continued during Canadian spring break-up, with substantially more rigs operating in 2021 than in the prior year. PHX Energy's Canadian segment reported 1,090 operating days, up from 408 days in the 2020-quarter. This is consistent with the industry's performance as horizontal and directional drilling activity, as measured by drilling days, increased from 2,168 days in the 2020-quarter to 6,613 days in the 2021-quarter (Source: Daily Oil Bulletin). Due to the impacts of the COVID-19 pandemic, several pricing concessions were negotiated with customers in the second half of 2020 which continued to be in effect throughout the first half of 2021 and as a result, the average revenue per day fell by 14 percent to $9,334 in the second quarter of 2021 from $10,873 in the 2020-quarter.

During the second quarter of 2021, the Corporation remained active in the Montney, Glauconite, Frobisher, Cardium, Viking, Bakken, Torquay, Colony, and Scallion basins.

For the six-month period ended June 30, 2021, the PHX Energy's Canadian segment recognized revenue of $25.7 million, a decrease of 12 percent from $29.1 million in the corresponding 2020-period. The decrease in revenue was primarily driven by lower activity levels, as the downturn caused by the pandemic did not begin until late in the first quarter of 2020. For the six-month period ended June 30, 2021, operating days declined by 7 percent to 2,855 days from 3,053 days in the same 2020-period. In addition, in the first half of 2021, PHX Energy saw its average revenue per day decrease slightly by 3 percent to $8,969 from $9,219 in the 2020-period. Despite the decrease in revenue, for the six-month period ended June 30, 2021, reportable segment income before tax was $2.5 million compared to $0.4 million in the same 2020-period. The improved margins for both 2021-periods were primarily due to continued cost management, lower depreciation, and the support of government grants.

United States

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Revenue	**65,515**	38,422	71	**118,615**	112,737	5
Reportable segment income (loss) before tax	**9,268**	(1,239)	n.m.	**14,852**	9,156	62

n.m. - not meaningful

PHX Energy has continued to build momentum in the US and the Corporation leveraged its high-performance technologies to gain greater volumes of work in the first half of the year. For the three-month period ended June 30, 2021, the US segment generated revenue of $65.5 million, a 71 percent increase from the $38.4 million generated in the 2020-period. PHX Energy's US operating days grew by 63 percent to 3,549 days in the 2021-quarter from 2,172 days in the 2020-quarter. Average revenue per day, excluding the Corporation's US motor rental division, rose by 17 percent to USD $14,173 in the 2021-quarter compared to USD $12,075 in the 2020-period. The increase in average revenue per day was primarily driven by the increase in RSS activity.

After reaching historical lows during the second quarter of 2020, the US rig count has continued to rebound in 2021. The average number of rigs running per day in the second quarter of 2021 was 432 rigs, a 14 percent improvement from the 378 rigs that were running in the 2020-quarter (Source: Baker Hughes). During the second quarter of 2021, Phoenix USA continued to be active in the Permian, Eagle Ford, SCOOP/STACK, Marcellus, Bakken, and Niobrara basins.

For the six-month period ended June 30, 2021, US revenue grew by 5 percent to $118.6 million from $112.7 million in the comparable 2020-period. In the first half of 2021 the segment recorded 6,633 operating days, a 7 percent improvement from the 6,200 days in the first half of 2020. In comparison, US industry activity, as measured by the average number of horizontal and directional rigs running on a daily basis, decreased by 28 percent in the first half of 2021 to 423 rigs from 588 rigs in the comparable 2020-period (Source: Baker Hughes). The glaring contrast between the direction of PHX Energy's activity and the US industry activity for the six-month ended June 30 periods is a testament to the momentum that the US division has been building since 2019, the positive reputation of the operations and growing demand for the Corporation's high performance technologies and expertise.

For the three and six-month periods ended June 30, 2021, the reportable segment income before tax was $9.3 million (2020 - $1.2 million loss) and $14.9 million (2020 - $9.2 million), respectively. The improved margins in both 2021-periods are mainly attributable to the rise in activity levels, continued prudent cost control, and support from government grants.

International – Continuing Operations

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Revenue	**-**	-	n.m.	**-**	-	n.m.
Reportable segment loss before tax	**(471)**	(421)	12	**(798)**	(338)	n.m.

n.m. – not meaningful

The International segment information and discussion for the three and six-month periods ended June 30, 2021 and 2020 only include the operations in the Albanian division. The financial results of the Russian division have been presented as discontinued operations.

In the second quarter of 2021, as economic uncertainties persist and producers continue to apply a cautious approach to resuming drilling activity, PHX Energy's operations in Albania remained suspended. For the three-month period ended June 30, 2021, reportable segment loss before tax was $0.5 million (2020 – $0.4 million). For the six-month period ended June 30, 2021, reportable segment loss before tax was $0.8 million (2020 -$0.3 million). In both the 2021 and 2020-periods, expenses incurred were primarily personnel and equipment costs necessary to remain on standby for anticipated resumption of activity.

Discontinued Operations

In the fourth quarter of 2020, management, with approval from the Board, committed to a plan to sell the Russian division operating under the entity, Phoenix TSR. Accordingly, for the six-month period ended June 30, 2021, net assets with a carrying value of $3.4 million owned by Phoenix TSR have been classified as assets held for sale and liabilities directly associated with assets held for sale and the financial results of Phoenix TSR have been presented as discontinued operations.

For the three-month period ended June 30, 2021, discontinued operations reported revenue of $2.1 million (2020 - $3.8 million) and loss before taxes of $0.1 million (2020 – $0.3 million profit). For the six-month period ended June 30, 2021, discontinued operations reported revenue of $3.6 million (2020 - $7.9 million) and loss before taxes of $0.5 million (2020 – $0.9 million).

Investing Activities

For the three-month period ended June 30, 2021, PHX Energy used $5.4 million net cash in investing activities as compared to $5.6 million in the same 2020-quarter, and received proceeds of $2.7 million relating to the involuntary disposal of drilling equipment in well bores as compared to $1.2 million in the corresponding 2020-quarter. In the second quarter of 2021, the Corporation spent $10.5 million on capital expenditures compared to $1.4 million in the 2020-quarter. The expenditures in the 2021-quarter were comprised of:

- $2.4 million in MWD systems and spare components;
- $2.3 million in downhole performance drilling motors; and,

- $5.8 million in machinery and equipment, RSS, and other assets.

The capital expenditure program undertaken in the period was financed from funds from operations. Of the total capital expenditures in the 2021-quarter $7.8 million was used to grow the Corporation's fleet of drilling equipment and the remaining $2.7 million was used to maintain the current fleet of drilling and other equipment.

Financing Activities

The Corporation reported cash flows used in financing activities of $5.4 million in the three-month period ended June 30, 2021 as compared to $24.2 million in the 2020-period. In the 2021-quarter:

- dividends of $1.3 million were paid to shareholders;
- common shares were purchased by an independent trustee in the open market for $3.3 million to be held in trust for the potential future settlement of retention and performance awards; and,
- payments of $0.8 million were made towards lease liability.

Capital Resources

As of June 30, 2021, the Corporation had nothing drawn on its syndicated and operating facilities, and a cash balance of $21 million. As at June 30, 2021, subject to a borrowing base limit of approximately $90 million, the Corporation had 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, 2021, the Corporation was in compliance with all its financial covenants as follows:

Ratio	Covenant	**As at June 30, 2021**
Debt to covenant EBITDA (1)	<3.0x	**n.m.**
Interest coverage ratio	>3.0x	**77.05**

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.

In the second quarter of 2021 the syndicated loan credit agreement was amended to extend the maturity date to December 12, 2023.

Cash Requirements for Capital Expenditures

Historically, the Corporation has financed its capital expenditures and acquisitions through cash flows from operating activities, debt and equity. On April 9, 2021, the Corporation announced an increase to its 2021 capital expenditure program from $15 million to $25 million, and on August 4, 2021, the Board approved to further increase the 2021 capital expenditure program to $35 million. The increase to the capital expenditure program is primarily dedicated to growing and maintaining the Velocity and Atlas fleets to meet increased demand anticipated in the second half of 2021. The Corporation's Board also approved a preliminary 2022 capital expenditure program of $30 million.

These planned expenditures are expected to be financed from cash flow from operations and / or the Corporation's unused credit facilities, if necessary. However, if a sustained period of market uncertainty and financial market volatility persists in 2021, 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, 2021, the Corporation has commitments to purchase drilling and other equipment for $14.4 million, with delivery of these purchases expected to occur by the end of the third quarter of 2021.

Outlook

During the second quarter of 2021, we further strengthened our operations and financial position, allowing greater opportunities to provide rewards to shareholders. We achieved the highest adjusted EBITDA and net earnings for a second quarter in our history, remained cash positive and generated strong revenue and operating days. These are all notable achievements that outpace the industry's growth in an environment where uncertainty still remains. As a result of these achievements and our continued successes, we are pleased to announce an increase to our quarterly dividend as well as an increase to our 2021 capital expenditures program.

In North America, the industry continues to recover and activity levels were significantly higher than in the second quarter of 2020. In this more positive environment both our Canadian and US operations generated higher operating days, revenues and margins. The second quarter is typically the slowest of the year in Canada due to the spring break up period, although our operations showed a significant improvement over the 2020-quarter. As we entered the summer, we experienced an uptick in activity in our Canadian operations and we foresee this continuing for the remainder of the year. Our US operations continue to be our largest area of activity, and our US growth continues to outpace the rate of growth in the industry. As a result, our market share continues to remain at the strongest level we have ever achieved. All of our premium technologies are in high demand, including our Atlas motors and PowerDrive Orbit RSS, and the additional RSS tools added to the fleet last quarter are enabling us to meet this demand with fewer rentals, which improves margins. In the third quarter, in both Canada and the US we have seen incremental increases to activity each month, and if the macro environment remains stable, we foresee this continuing through to 2022.

With the present demand, we are already seeing pressures on our fleet, and we anticipate that this will continue into next year. With this outlook, our 2021 capital expenditures program is now anticipated to be $35 million, an increase of 40 percent from the previously announced $25 million and we anticipate funding these expenditures with our cash on hand. Additionally, the Board has approved a preliminary 2022 capital expenditure program of $30 million, which is expected to be dedicated to the expansion and maintenance of our high performance fleet to meet the anticipated ongoing demand and increase capacity in the MENA region which is expected to slowly ramp up in 2022. As is the case in many industries, we are seeing challenges in our supply chain including increased costs for materials as well as longer lead times for delivery. With our enviable financial strength, we are positioned to partially shelter our fleet from the anticipated challenges that may arise in our supply chain, as a portion of the 2022 capital expenditure program is dedicated to long-lead items required for maintenance and manufacturing.

As our activity levels increase, we remain focused on managing this growth to protect our balance sheet. Our cost management strategies resulted in positive earnings once again this quarter and we continue to maintain our cash positive position, even with the quarterly dividend and the increase to our capital expenditure budget. As we continue to strive to use this balance sheet strength to create rewards for our shareholders, we are pleased to announce an increase to our quarterly dividend, from $0.025/share to $0.05/share per quarter effective for our third quarter dividend payable October 15, 2021. Additionally, we intend to make an application to the TSX for renewal of our NCIB for a further one-year term. We will continue to focus on being an outlier in a challenged sector and on rewarding our shareholders who see the value we offer in the energy sector.

We recognize that sustainability is an important part of our continued business success and as part of our drive to be the leader in all areas of our business, we are implementing initiatives to obtain the targets set in our 2020 ESG and Sustainability Report. Additionally, as part of our long-term growth and sustainability strategy, we have started to seek out opportunities where we can leverage our core expertise in the emerging renewable energy industry. Our drilling practices and technologies are applicable in many non-oil and gas drilling applications projects, including helium and potash where we have already drilled wells using our technology and expertise to deliver superior performance. There is also demand for horizontal drilling expertise in the development of geothermal energy, where horizontal wells are drilled to access the geothermal reservoirs. In an effort to gain valuable knowledge about geothermal energy production, we have invested $3 million to gain an equity position in DEEP Earth Energy Production Corp. ("DEEP"), and our CEO has joined the DEEP Board. Through this investment and involvement in the DEEP project, we not only can gain knowledge about the geothermal industry, but we can also offer specialized technology and industry expertise while remaining true to our core business as a pure play directional provider.

Our ability to reward shareholders along with our operational and financial successes can be attributed to our people, our high performance technologies, our drive to outperform and our mandate to protect our financial position in what is still a volatile industry.

Michael Buker
President
August 4, 2021

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. 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,	
	2021	2020	**2021**	2020
Earnings (loss) from continuing operations	**4,447**	(5,205)	**9,781**	(7,362)
Add (deduct):				
Depreciation and amortization drilling and other equipment	**6,277**	7,483	**12,509**	14,907
Depreciation and amortization right-of-use asset	**825**	932	**1,661**	1,856
Provision for income taxes	**1,687**	(1,309)	**2,939**	67
Finance expense	**94**	170	**265**	515
Finance expense lease liability	**534**	683	**1,083**	1,226
Equity-settled share-based payments	**150**	85	**218**	148
Unrealized foreign exchange (gain) loss	**140**	(30)	**189**	(97)
Impairment loss	**-**	481	**-**	10,730
Severance	**-**	1,287	**-**	1,856
Adjusted EBITDA as reported	**14,154**	4,577	**28,645**	23,846

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,	
	2021	2020	**2021**	2020
Cash flows from operating activities	**8,774**	36,780	**10,279**	48,520
Add (deduct):				
Changes in non-cash working capital	**3,469**	(34,181)	**13,696**	(25,698)
Interest paid	**47**	79	**107**	275
Income taxes paid (received)	**8**	(528)	**20**	(439)
Funds from operations	**12,298**	2,150	**24,102**	22,658

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,	
	2021	2020	**2021**	2020
Funds from operations [(1)]	**12,298**	2,150	**24,102**	22,658
Deduct:				
Maintenance capital expenditures	**(2,684)**	(1,228)	**(4,943)**	(3,718)
Cash payment on leases	**(1,349)**	(1,356)	**(2,689)**	(2,816)
Free cash flow	**8,265**	(434)	**16,470**	16,124

[(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 MD&A.

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. Working capital excludes assets held for sale and liabilities associated with assets held for sale. 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 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, Albania, and the MENA region through a partnership with NESR.

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; Casper, Wyoming; Midland, Texas; and Oklahoma City, Oklahoma. Internationally, PHX Energy has sales offices and service facilities in Albania and Russia, and administrative offices in Nicosia, Cyprus; and Luxembourg City, Luxembourg.

In the fourth quarter of 2020, management, with approval from the Board, committed to a plan to sell the Russian division operating under the entity, Phoenix TSR LLC ("Phoenix TSR").

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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Condensed Consolidated Statements of Financial Position

(unaudited)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 21,026,047**	$ 25,745,911
Trade and other receivables	**63,629,293**	43,193,310
Inventories	**30,204,555**	26,665,902
Prepaid expenses	**2,709,504**	1,926,336
Current tax assets	**219,910**	219,400
Assets held for sale	**4,372,698**	4,405,516
Total current assets	**122,162,007**	102,156,375
Non-current assets:		
Drilling and other long-term assets	**71,063,561**	68,933,236
Right-of-use asset	**27,132,257**	28,956,908
Intangible assets	**15,290,110**	16,204,673
Deferred tax assets	**259,876**	289,542
Total non-current assets	**113,745,804**	114,384,359
Total assets	**$ 235,907,811**	$ 216,540,734
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade and other payables	**55,319,488**	37,562,481
Lease liability	**2,747,350**	3,398,559
Dividends payable	**1,259,757**	1,265,648
Liabilities directly associated with assets held for sale	**1,022,161**	943,063
Total current liabilities	**60,348,756**	43,169,751
Non-current liabilities:		
Lease liability	**34,498,916**	35,698,084
Deferred tax liability	**8,378,821**	5,640,261
Total non-current liabilities	**42,877,737**	41,338,345
Equity:		
Share capital	**243,649,844**	247,543,263
Contributed surplus	**10,118,490**	10,131,786
Deficit	**(130,215,015)**	(136,939,398)
Accumulated other comprehensive income	**19,886,898**	21,707,101
Accumulated other comprehensive loss related to assets held for sale	**(10,758,899)**	(10,410,114)
Total equity	**132,681,318**	132,032,638
Total liabilities and equity	**$ 235,907,811**	$ 216,540,734

Condensed Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2021	2020	**2021**	2020
Revenue	**$ 75,765,208**	$ 42,984,418	**$ 144,311,945**	$ 141,886,206
Direct costs	**59,436,713**	41,864,877	**113,952,764**	121,742,844
Gross profit	**16,328,495**	1,119,541	**30,359,181**	20,143,362
Expenses:				
Selling, general and administrative expenses	**10,629,415**	6,773,415	**19,611,825**	13,275,245
Research and development expenses	**624,447**	307,528	**1,184,548**	1,579,945
Finance expense	**94,007**	170,106	**265,232**	515,326
Finance expense lease liability	**534,208**	683,495	**1,082,682**	1,226,003
Other expense (income)	**(1,686,926)**	(781,847)	**(4,505,598)**	112,227
Impairment loss	**-**	480,868	**-**	10,729,587
	10,195,151	7,633,565	**17,638,689**	27,438,333
Earnings (loss) from continuing operations before income taxes	**6,133,344**	(6,514,024)	**12,720,492**	(7,294,971)
Provision for (recovery of) income taxes				
Current	**11,619**	(543,809)	**20,453**	(746,299)
Deferred	**1,675,191**	(765,264)	**2,918,648**	813,549
	1,686,810	(1,309,073)	**2,939,101**	67,250
Earnings (loss) from continuing operations	**4,446,534**	(5,204,951)	**9,781,391**	(7,362,221)
Discontinued operations				
Net earnings (loss) from discontinued operations, net of taxes	**(67,656)**	305,492	**(537,493)**	(857,924)
Net earnings (loss)	**4,378,878**	(4,899,459)	**9,243,898**	(8,220,145)
Other comprehensive income (loss)				
Foreign currency translation	**(987,617)**	(3,916,078)	**(2,168,988)**	4,656,431
Total comprehensive income (loss) for the period	**$ 3,391,261**	$ (8,815,537)	**$ 7,074,910**	$ (3,563,714)
Earnings (loss) per share – basic and diluted				
Continuing operations	**$ 0.08**	$ (0.10)	**$ 0.19**	$ (0.14)
Discontinued operations	**$ -**	$ 0.01	**$ (0.01)**	$ (0.01)
Net earnings (loss)	**$ 0.08**	$ (0.09)	**$ 0.18**	$ (0.15)

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2021	2020	**2021**	2020
Cash flows from operating activities:				
Earnings (loss) from continuing operations	**$ 4,446,534**	$ (5,204,951)	**$ 9,781,391**	$ (7,362,221)
Adjustments for:				
Depreciation and amortization	**6,277,011**	7,483,440	**12,509,160**	14,906,513
Depreciation and amortization right-of-use asset	**825,454**	932,456	**1,661,353**	1,856,282
Provision for (recovery of) income taxes	**1,686,810**	(1,309,073)	**2,939,101**	67,250
Unrealized foreign exchange loss (gain)	**140,177**	(29,506)	**188,816**	(96,717)
Gain on disposition of drilling equipment	**(1,483,034)**	(482,023)	**(4,302,196)**	(2,332,280)
Equity-settled share-based payments	**149,817**	84,909	**218,318**	148,121
Finance expense	**94,007**	170,106	**265,232**	515,326
Provision for (recovery of) bad debts	**(264,623)**	(439,661)	**(264,623)**	2,676,951
Provision for inventory obsolescence	**426,538**	462,628	**1,105,881**	1,548,606
Interest paid	**(47,463)**	(78,768)	**(106,836)**	(274,788)
Income taxes received (paid)	**(8,097)**	528,468	**(20,316)**	439,273
Impairment loss	**-**	480,868	**-**	10,729,587
Change in non-cash working capital	**(3,469,438)**	34,181,408	**(13,695,919)**	25,697,756
Continuing operations	**8,773,693**	36,780,301	**10,279,362**	48,519,659
Discontinued operations	**(472,558)**	470,882	**(590,149)**	(138,779)
Net cash from operating activities	**8,301,135**	37,251,183	**9,689,213**	48,380,880
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	**2,740,941**	1,167,000	**6,525,814**	4,514,129
Acquisition of drilling and other equipment	**(10,518,640)**	(1,395,284)	**(17,408,157)**	(20,262,669)
Change in non-cash working capital	**2,411,228**	(5,337,067)	**4,715,729**	(77,183)
Continuing operations	**(5,366,471)**	(5,565,351)	**(6,166,614)**	(15,825,723)
Discontinued operations	**13,406**	(42,212)	**13,855**	(46,341)
Net cash used in investing activities	**(5,353,065)**	(5,607,563)	**(6,152,759)**	(15,872,064)
Cash flows from financing activities:				
Purchase of shares held in trust	**(3,316,171)**	-	**(3,316,171)**	-
Dividends paid to shareholders	**(1,259,757)**	-	**(2,525,405)**	-
Payments of lease liability	**(814,514)**	(672,708)	**(1,605,880)**	(1,590,199)
Repurchase of shares under the NCIB	**-**	-	**(1,204,133)**	-
Proceeds from issuance of share capital	**-**	-	**395,271**	7,750
Repayment of loans and borrowings	**-**	(23,362,800)	**-**	(13,960,400)
Repayment of operating facility	**-**	(159,666)	**-**	(11,395,835)
Surrender value cash payment	**-**	-	**-**	(1,518,042)
Continuing operations	**(5,390,442)**	(24,195,174)	**(8,256,318)**	(28,456,726)
Discontinued operations	**-**	-	**-**	(6,396)
Net cash used in financing activities	**(5,390,442)**	(24,195,174)	**(8,256,318)**	(28,463,122)
Net increase (decrease) in cash and cash equivalents	**(2,442,372)**	7,448,446	**(4,719,864)**	4,045,694
Cash and cash equivalents, beginning of period	**23,468,419**	7,179,544	**25,745,911**	10,582,296
Cash and cash equivalents, end of period	**$ 21,026,047**	$ 14,627,990	**$ 21,026,047**	$ 14,627,990