PHX
ENERGY SERVICES CORP.

PRESS RELEASE
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TSX – PHX
Calgary, Alberta

PHX Energy Announces Its Operating and Financial Results for the Fourth Quarter and Year Ended 2020

In 2020, PHX Energy strengthened its financial position, eliminated all bank loans, re-purchased shares under its Normal Course Issuer Bid ("NCIB"), operated with positive margins, and achieved positive adjusted EBITDA that was only 23 percent lower than 2019. However, like other service providers in the oil and natural gas sector, the Corporation suffered a significant decline in the demand for its services due to the negative impact of COVID-19 on commodity prices and the associated reduction in the industry's capital spending and drilling activity.

For the year ended December 31, 2020, the Corporation generated consolidated revenue from continuing operations of $233.7 million, 33 percent lower than the $349.7 million generated in 2019 and consolidated operating days related to continuing operations decreased by 35 percent to 15,676 days in the 2020-year as compared to 23,952 days in the 2019-year. Aligning the Corporation's cost structure with activity levels was a key strategy and numerous cost-reducing initiatives were implemented. As a result of the Corporation's successful execution of these measures during the year, PHX Energy's adjusted EBITDA as a percentage of revenue improved to 17 percent of revenue in the 2020-year from 15 percent in the 2019-year. For the year ended December 31, 2020, the Corporation realized an adjusted EBITDA from continuing operations of $39.2 million which is 23 percent lower than the $51.1 million reported in 2019. Adjusted EBITDA in the 2020-year includes a provision of $1.5 million for bad debts and $5.4 million in government grants earned as part of the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rental Subsidy ("CERS") programs.

For the year ended December 31, 2020, PHX Energy reported a loss from continuing operations of $6.9 million compared to earnings from continuing operations of $0.9 million in the 2019-year. The loss incurred during the 2020-year included pre-tax charges of $10.7 million related to impairment losses on goodwill and drilling and other equipment, and $1.9 million in severance costs.

The Corporation continued to maintain a strong financial position ending the 2020-year with a cash and cash equivalents balance of $25.7 million and no bank loans outstanding. For the year ended December 31, 2020, the Corporation's free cash flow was $21.8 million as compared to $31 million realized in the 2019-year.

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 the delivery of 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 continued to experience reduced drilling activity in the fourth quarter of 2020 compared to 2019 due to the prevailing economic and industry conditions driven by COVID-19. 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 impact of the COVID-19 pandemic on the Corporation's financial condition and operations. Management has been proactive in mitigating these risks, aligning costs with projected revenues and protecting profit margins. Management restructured its business costs, primarily during the second quarter, in line with decreasing drilling activity in North America, which included 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 continues 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 utilize 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. As at December 31, 2020, the Corporation has working capital of $55.5 million and has approximately CAD $65 million and USD $15 million available from its credit facilities, subject to a borrowing base limit of $76 million. The Corporation minimized new capital expenditures in 2020 wherever it is was prudent to do so and will continue with a conservative approach to spending in 2021. Additional information regarding the risks, uncertainties and impact of COVID-19 on the Corporation's business can be found throughout this press release, including under the headings "Capital Spending", "Operating Costs and Expenses", and "Outlook".

Assets Held for Sale and Discontinued Operations

In the fourth quarter of 2020, management, with approval from the Board, committed to a plan to sell the Russian division, Phoenix TSR. As at December 31, 2020, the operations of Phoenix TSR had not been sold, however, management anticipates the operations will be sold early in the second quarter of 2021. Accordingly, for the year ended December 31, 2020, net assets with a carrying value of $3.5 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-month period ended December 31, 2020, the Russian division incurred adjusted EBITDA of negative $48 thousand (2019 – negative $0.3 million). For the 2020-year, the Russian division incurred adjusted EBITDA of $0.7 million (2019 – negative $0.8 million). While the closing of this transaction is expected in the second quarter of 2021, there can be no assurance that the sale of the Russian division will be complete on the terms anticipated or at all.

Capital Spending

For the year ended December 31, 2020, the Corporation spent $25.7 million in capital expenditures, as compared to $34 million in capital expenditures in the previous year. Due to COVID-19's impact on rig counts in North America, the Corporation reduced new capital expenditures at the beginning of the second quarter of 2020. Capital expenditures in the 2020-year were primarily directed towards Atlas High Performance ("Atlas") Motors, Velocity Real Time Systems ("Velocity"), and PowerDrive Orbit Rotary Steerable Systems ("RSS"). Of the total capital expenditures, $17.7 million was spent on growing the Corporation's fleet of drilling equipment (2019 - $22.7 million) and the remaining $8 million was spent on maintenance of the current fleet of drilling and other equipment (2019 - $11.3 million).

As at December 31, 2020, the Corporation has capital commitments to purchase drilling and other equipment for $11.5 million, $7 million of which is growth capital and includes $5.7 million for performance drilling motors, $3.8 million for Velocity systems, $1.1 million for RSS, and $0.9 million for other equipment. PHX Energy currently anticipates that $15 million in capital expenditures will be spent in the 2021-year of which $8 million will be for maintenance of existing drilling and other equipment and $7 million for growth capital.

Capital expenditures since 2015 have primarily been dedicated toward expanding and growing the capacity of the high performance fleets. In addition to the Corporation's fleet of conventional measurement while drilling ("MWD") systems and drilling motors, the Corporation possesses approximately 400 Atlas motors, comprised of various configurations including its 7.25", 5.13", 5.76", 8" and 9" Atlas motors, 77 Velocity systems, and 18 PowerDrive Orbit RSS, the largest independent fleet in North America.

Dividends

In light of the Corporation's balance sheet strength and improving adjusted EBITDA margins, in December 2020, the Board approved the reinstatement of the Corporation's quarterly dividend program. Dividends are only declared once they are approved by the Board. The Board reviews the Corporation's dividend policy on a quarterly basis. On December 7, 2020, PHX Energy declared a cash dividend of $0.025 per common share, and $1.3 million was paid on January 15, 2021 to shareholders of record at the close of business on December 31, 2020.

Normal Course Issuer Bid

During the third quarter of 2020, 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 3,131,388 common shares, representing 10 percent of the Corporation's public float of Common Shares as at July 31, 2020. The NCIB commenced on August 14, 2020 and will terminate on August 13, 2021. 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 14, 2020, 2,670,500 common shares were purchased by the Corporation and cancelled as at December 31, 2020. Subsequent to December 31, 2020, the Corporation purchased and cancelled the remaining 460,888 common shares eligible for repurchase under the current NCIB program.

The Corporation's previous NCIB commenced on August 9, 2019 and terminated on August 8, 2020. Pursuant to the previous NCIB, the 2,524,500 common shares eligible for repurchase were purchased and cancelled by the Corporation in the second half of 2019.

PHX Energy has continued to use NCIBs as an additional tool to enhance total long-term shareholder returns in conjunction with management's disciplined capital allocation strategy. In 2020, the Corporation purchased and cancelled 5 percent of its total common shares outstanding as at December 31, 2019, representing 11 percent of funds from operations.

Financial Highlights

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

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Operating Results – Continuing Operations	***(unaudited)***	*(unaudited)*				
Revenue	**54,805**	90,060	(39)	**233,734**	349,715	(33)
Earnings (loss)	**2,028**	(839)	n.m.	**(6,878)**	867	n.m.
Earnings (loss) per share – diluted	**0.04**	(0.02)	n.m.	**(0.13)**	0.02	n.m.
Adjusted EBITDA (1)	**8,502**	12,693	(33)	**39,217**	51,139	(23)
Adjusted EBITDA (1) per share – diluted	**0.17**	0.23	(26)	**0.75**	0.90	(17)
Adjusted EBITDA (1) as a percentage of revenue	**16%**	14%		**17%**	15%	
Cash Flow – Continuing Operations						
Cash flows from operating activities	**9,552**	9,741	(2)	**67,945**	51,972	31
Funds from operations (1)	**7,118**	11,814	(40)	**35,196**	48,037	(27)
Funds from operations per share – diluted (1)	**0.14**	0.21	(33)	**0.67**	0.84	(20)
Capital expenditures	**3,602**	5,417	(34)	**25,680**	34,007	(24)
Free cash flow (1)	**3,165**	6,737	(53)	**21,773**	31,011	(30)
Financial Position, December 31,						
Working capital (1)				**55,524**	68,393	(19)
Net Debt (1) (2)				**(25,746)**	14,710	n.m.
Shareholders' equity				**132,033**	148,944	(11)
Common shares outstanding				**50,625,920**	53,246,420	(5)

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 December 31, 2020, the Corporation had no bank loans outstanding and was in a cash positive position.

Non-GAAP Measures

Throughout this press release, PHX Energy uses certain measures to analyze operational and financial performance that do not have standardized meanings prescribed under Canadian generally accepted accounting principles ("GAAP"). These non-GAAP measures include adjusted EBITDA, adjusted EBITDA per share, debt to covenant EBITDA, funds from operations, funds from operations per share, 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, rational for use, method of calculation and reconciliations where applicable.

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, and the anticipated impact of COVID-19 on the Corporation’s operations, results and the Corporation’s planned responses thereto, the anticipated closing and terms of the transaction to sell the Russian division, the anticipated continuation of PHX Energy’s current dividend program, the timeline for delivery of equipment on order, the projected capital expenditures budget for 2021 and how this budget will be allocated and funded, and the projections related to the costs in the dormant Albania division and future activity in the region.

The above are stated under the headings, “Responding to COVID-19”, “Dividend”, “Capital Spending”, “Assets Held for Sale and Discontinued Operations” “International” Segment 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 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 December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Revenue	**54,805**	90,060	(39)	**233,734**	349,715	(33)

The negative impact of the COVID-19 pandemic on global oil demand and industry activity persisted through the fourth quarter of 2020. For the three-month period ended December 31, 2020, consolidated revenue decreased by 39 percent to $54.8 million compared to $90.1 million in the corresponding 2019-quarter. Consolidated operating days decreased by 32 percent to 3,956 days in the fourth quarter of 2020 from 5,789 days in the 2019-quarter. Average consolidated revenue per day for the three-month period ended December 31, 2020, excluding the motor rental division in the US, decreased to $13,520 which is 9 percent lower compared to the $14,827 realized in the fourth quarter of 2019. US revenue represented 77 percent of total consolidated revenue in the 2020 three-month period compared to 80 percent in the corresponding 2019-quarter.

Prior to COVID 19, the Canadian and US industries were on divergent paths, with the Canadian industry already facing challenges and low activity levels whereas the US had a more stable industry environment. As a result, the US rig count's decline was far steeper in the fourth quarter of 2020 than that of the Canadian rig count. In the US, the rig count declined by 61 percent from an average of 794 active rigs per day in the 2019-quarter to an average of 311 in the 2020-quarter. In Canada the quarter-over-quarter decrease was 36 percent with 89 active rigs per day in the fourth quarter of 2020 (2019 - 138 rigs). The Permian basin remained the most active play in North America representing 38 percent of the North American rig count. There was an average of 153 active Permian rigs in the fourth quarter of 2020, which is 53 percent lower than in the fourth quarter of 2019. Horizontal and directional drilling continues to dominate the market representing approximately 94 percent of the drilling activity in the US and 97 percent of activity in Canada. (Source: Daily Oil Bulletin and Baker Hughes).

For the year ended December 31, 2020, PHX Energy's consolidated revenue decreased by 33 percent to $233.7 million from revenue of $349.7 million in 2019. US revenue as a percentage of consolidated revenue was 79 percent for the 2020-year compared to 77 percent in 2019. There were 15,676 consolidated operating days in the 2020-year, which is 35 percent lower compared to the 23,952 days generated in 2019. Average consolidated revenue per day for the year ended December 31, 2020, excluding the motor rental division in the US, increased by 3 percent to $14,322 from $13,891 in 2019. Despite the industry downturn and decline in operating activity, the average revenue per day improved due to the increased efficiencies and greater utilization of PHX Energy's high performance technologies.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Direct costs	**47,123**	77,635	(39)	**201,698**	296,832	(32)
Gross profit as a percentage of revenue	**14%**	14%		**14%**	15%	
Depreciation & amortization (included in direct costs)	**6,453**	9,170	(30)	**27,975**	37,827	(26)
Depreciation & amortization right-of-use asset (included in direct costs)	**838**	889	(6)	**3,555**	3,503	1
Gross profit as percentage of revenue excluding depreciation & amortization	**27%**	25%		**27%**	27%	

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 and year ended December 31, 2020, direct costs decreased by 39 and 32 percent, respectively, primarily as a result of lower activity in all of the Corporation's operating segments. In addition, for the 2020 three and twelve-month periods, government grants of $1.6 million and $3 million, respectively, that were earned as part of the CEWS and CERS programs, were recognized by the Corporation in direct costs.

The Corporation's depreciation and amortization on drilling and other equipment for the three-month period and year ended December 31, 2020, decreased by 30 percent and 26 percent, respectively, mainly due to the slower replacement of fully depreciated fixed assets.

Gross profit as a percentage of revenue excluding depreciation and amortization for the three-month period ended December 31, 2020 increased to 27 percent of revenue from 25 percent in the comparable 2019-period. On an annual basis, gross profit as a percentage of revenue excluding depreciation and amortization was flat at 27 percent in both 2020 and 2019. Despite the volatility in oil prices and the significant reduction in activity levels, management was able to maintain gross profit margins through government grant support, effective cost restructuring, and maintaining cost efficiencies in all major aspects of the Corporation's operations, particularly related to equipment repair costs and equipment rentals. Many difficult decisions, including reductions to staff levels and employee compensation, were made throughout the year, which resulted in $0.9 million of severance costs being incurred and included in direct costs in 2020.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Selling, general and administrative ("SG&A") costs	**7,833**	9,966	(21)	**26,855**	43,391	(38)
Equity-settled share-based payments (included in SG&A costs)	**28**	52	(46)	**242**	612	(60)
Cash-settled share-based payments (included in SG&A costs)	**3,033**	1,743	74	**1,889**	6,819	(72)
SG&A costs excluding share- based payments as a percentage of revenue	**9%**	9%		**11%**	10%	

For the three-month period and year ended December 31, 2020, SG&A costs were $7.8 million and $26.9 million, respectively, as compared to $10 million and $43.4 million in the corresponding 2019-periods. The decrease in SG&A costs in both 2020-periods was mainly due to reduced personnel related costs and tightened policies on travel, entertainment, and marketing related costs as part of the Corporation's strategy to align its cost structure with lower activity in all regions. Included in SG&A costs for the year ended December 31, 2020 were severance payments of $1 million. For the 2020 three and twelve-month periods, government grants of $1.1 million and $1.9 million, respectively, that were earned as part of the CEWS and CERS programs were recognized by the Corporation in SG&A costs.

Cash-settled share-based payments relate to the Corporation's Retention Award Plan and are measured at fair value. In the 2020-quarter, the related compensation expense recognized by PHX Energy increased 74 percent to $3 million as compared to $1.7 million in the 2019-quarter. For the year ended December 31, 2020, the compensation expense related to cash-settled share-based retention awards is $1.9 million, a decrease of 72 percent compared to the 2019-year's expense of $6.8 million. Changes in cash-settled share-based payments in the 2020-periods are mainly attributable to fluctuations in the Corporation's share price period-over-period. There were 3,487,297 cash-settled share-based retention awards outstanding as at December 31, 2020 (2019 – 3,555,634).

Equity-settled share-based payments relate to the amortization of the fair values of issued options of the Corporation using the Black-Scholes model. For the three-month period and year ended December 31, 2020, equity-settled share-based payments decreased to $28 thousand and $0.2 million, respectively, compared to $52 thousand and $0.6 million in the same 2019-periods. The lower equity-settled share-based payments in both 2020-periods are largely due to previously granted options that fully vested in the 2019 and 2020-years and fewer options granted in recent years.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Research and development expense	**148**	896	(83)	**1,944**	3,869	(50)

Research and development ("R&D") expenditures during the quarter and year ended December 31, 2020 were $0.1 million and $1.9 million, respectively, compared to $0.9 million and $3.9 million in the corresponding 2019-periods. PHX Energy's R&D focus continues to be on developing new technologies, improving reliability of equipment, and reducing costs to operations. The decrease in R&D expenditures in both 2020-periods is primarily due to the reduction of personnel related costs in the R&D department as part of management's cost alignment initiatives. R&D expenses for the three-month period and year ended December 31, 2020 also included government grants of $0.3 million and $0.5 million, respectively, earned as part of the CEWS program.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Finance expense	**105**	333	(68)	**748**	1,423	(47)
Finance expense lease liability	**562**	612	(8)	**2,361**	2,508	(6)

Finance expenses relate to interest charges on the Corporation's long-term and short-term bank facilities. For the quarter and year ended December 31, 2020, the Corporation's finance expense decreased by 68 percent and 47 percent, respectively, relative to the same 2019-periods. Lower finance expenses in the 2020-periods are primarily due to the repayment of all bank loans in the first half of 2020.

Finance expense lease liability relates to interest expenses incurred on lease liabilities. For the three-month period and year ended December 31, 2020, finance expense lease liability decreased by 8 percent and 6 percent, respectively, reflecting the reduction in lease liabilities as lease obligations are fulfilled.

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2020	2019	**2020**	2019
Net gain on disposition of drilling equipment	**(1,236)**	(883)	**(3,694)**	(3,163)
Foreign exchange (gain) loss	**90**	(44)	**(82)**	(520)
Provision for (recovery of) bad debts	**(238)**	-	**1,530**	388
Other income	**(1,384)**	(927)	**(2,246)**	(3,295)

Net gain on disposition of drilling equipment typically result from insurance programs undertaken whereby proceeds for the lost equipment are at current replacement values, which are higher than the respective equipment's book value. The recognized gain is net of losses, which typically result from asset retirements that were made before the end of the equipment's useful life and self-insured downhole equipment losses. During the quarter and year ended December 31, 2020, the Corporation recognized $1.2 million and $3.7 million gain on dispositions, respectively, compared to $0.9 million and $3.2 million in the corresponding 2019-periods.

Foreign exchange gains and losses relate to unrealized and realized exchange fluctuations in the period. In the fourth quarter of 2020, the Corporation recognized $0.1 million in foreign exchange loss compared to a $44 thousand foreign exchange gain in the 2019-period. For the year ended December 31, 2020 and 2019, the Corporation reported foreign exchange gains of $0.1 million and $0.5 million, respectively. The foreign exchange loss in the 2020-quarter was primarily due to the revaluation of USD-denominated cash equivalents in the Canada segment whereas the decrease in foreign exchange gain in the 2020-year primarily relate to the settlement of CAD-denominated intercompany payable in the US segment.

In the fourth quarter of 2020, PHX Energy recovered $0.2 million of bad debts that primarily relate to US receivables. For the year ended December 31, 2020, the provision for bad debts was $1.5 million compared to $0.4 million in the 2019-period. The provisions recognized in 2020 reflect the increased credit risks of the Corporation's customers that stemmed primarily from the global impacts of COVID-19.

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Impairment loss on goodwill and drilling and other equipment	**-**	500	(100)	**10,730**	500	n.m.

n.m. – not meaningful

For the year ended December 31, 2020, the Corporation recognized $10.7 million in impairment losses (2019 - $0.5 million). In the first quarter of 2020, due to the negative impact of 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 loss of $8.9 million equivalent to the full amount of goodwill. The Corporation also determined that no further economic benefits are expected from the future use or future disposal of Stream Services ("Stream") electronic drilling recorder ("EDR") equipment. The Corporation has substantially closed all of its operations in Stream. As a result, EDR equipment and inventory with a combined carrying amount of $1.8 million were derecognized.

On December 31, 2020, the Corporation performed an assessment for impairment indicators in accordance with IFRS and determined that there were no impairment indicators warranting a further impairment test. In the comparative year ended December 31, 2019, the impairment loss of $0.5 million was related to Stream's EDR equipment.

(Stated in thousands of dollars except percentages)

	Three-month periods ended December 31,		Years ended December 31,	
	2020	2019	**2020**	2019
Provision for (Recovery of) income taxes	**(1,610)**	1,883	**(1,476)**	3,621
Effective tax rates	**n.m.**	n.m.	**18**	n.m.

n.m. – not meaningful

The recovery of income taxes for the three-month period and year ended December 31, 2020 was $1.6 million (2019 - $1.9 million provision) and $1.5 million (2019 - $3.6 million provision), respectively. The effective tax rates for the three-month period and year ended December 31, 2020 were lower than expected mainly due to unrecognized deferred tax assets of $0.5 million related to deductible temporary differences in the international jurisdiction.

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

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Earnings (loss) from continuing operations	**2,028**	(839)	n.m.	**(6,878)**	867	n.m.
Earnings (loss) per share – diluted	**0.05**	(0.02)	n.m.	**(0.12)**	0.02	n.m.
Adjusted EBITDA(1)	**8,502**	12,693	(33)	**39,217**	51,139	(23)
Adjusted EBITDA(1) per share – diluted	**0.17**	0.23	(26)	**0.75**	0.90	(17)
Adjusted EBITDA(1) as a percentage of revenue	**16%**	14%		**17%**	15%	

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.

For the three-month period and year ended December 31, 2020, the Corporation's adjusted EBITDA as a percentage of revenue increased to 16 percent and 17 percent, respectively, from 14 percent and 15 percent in the corresponding 2019-periods. The improvement in adjusted EBITDA as a percentage of revenue was mainly due to the cost saving initiatives implemented by management over the course of 2020 and the support from government grants.

Earnings from continuing operations in the 2020-quarter increased to $2 million as compared to a loss of $0.8 million in the 2019-quarter. The 2020-quarter earnings from continuing operations included $0.2 million of net bad debts recovery and $3 million in government grants earned as part of the CEWS and CERS programs. The 2019-quarter net loss included impairment loss of $0.5 million. For the year ended December 31, 2020, loss from continuing operations was $6.9 million compared to earnings of $0.9 million in the 2019-year. The loss incurred during the 2020-year included $10.7 million of impairment loss and $5.4 million of government grants earned as part of the CEWS and CERS programs.

Segmented Information

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

Canada

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Revenue	**12,821**	17,273	(26)	**48,676**	71,923	(32)
Reportable segment profit (loss) before tax (1)	**3,823**	(1,587)	n.m.	**3,916**	(5,917)	n.m.

n.m. - not meaningful

(1) Includes adjustments to intercompany transactions.

The Canadian oil and gas industry continued to face many challenges and in 2020 rig counts fell to the lowest levels in history. Despite these challenges, PHX Energy's Canadian operations remained resilient, focused on maintaining market share and providing superior drilling performance while protecting its margins through operational efficiencies and cost saving measures.

For the three-month period and year ended December 31, 2020, the Corporation's Canadian revenue was $12.8 million and $48.7 million, respectively, in comparison to revenue of $17.3 million and $71.9 million generated in the corresponding 2019-periods, a decrease of 26 percent and 32 percent, respectively. During the 2020-quarter, the Corporation's Canadian operating days decreased by 22 percent to 1,411 from 1,810 in the 2019-quarter. In comparison, total industry horizontal and directional drilling activity, as measured by drilling days decreased by 34 percent in the 2020-quarter to 7,509 days, compared to the 2019-quarter's 11,459 days. (Source: Daily Oil Bulletin). During the fourth quarter of 2020, the Corporation remained active in Montney, Glauconite, Frobisher, Cardium, Viking, Bakken, Torquay, and Scallion. For the year ended December 31, 2020, the Corporation's Canadian operating days was 5,184, that is 33 percent lower compared to 7,700 days generated in the 2019-year. This was in line with the industry's activity decline of 35 percent. The Canadian industry horizontal and directional drilling days decreased to 26,619 days in the 2020-year as compared to 45,414 days in 2019 (Source: Daily Oil Bulletin).

Reportable segment profit before tax for the three-month period ended December 31, 2020 increased to a profit of $3.8 million from a loss of $1.6 million in the 2019-period. For the year ended December 31, 2020, reportable segment profit increased to a profit of $3.9 million from a loss of $5.9 million in 2019. The increase in profitability in the 2020-periods is mainly attributable to lower depreciation, reduced operating expenses that resulted from cost reduction initiatives, and grants earned from the CEWS and CERS programs recognized in the Canada segment directly.

United States

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Revenue	**41,984**	71,629	(41)	**185,058**	270,028	(31)
Reportable segment profit before tax (1)	**(2,442)**	5,153	n.m.	**7,393**	20,899	(65)

n.m. – not meaningful
(1) Includes adjustments to intercompany transactions.

The US segment delivered positive earnings for the year ended December 31, 2020 despite limited emergency government aid, and the reduction in drilling activity associated with economic uncertainties.

For the three-month period ended December 31, 2020, the US segment's revenue decreased by 41 percent to $42 million from $71.6 million generated in the 2019-period. The decrease in revenue was mainly a result of the Corporation's US operating days declining by 34 percent to 2,546 days from 3,847 days in the 2019-quarter. This is far less than the 61 percent drop in industry activity with the number of horizontal and directional rigs running per day falling to 293 in the fourth quarter of 2020 from 761 rigs in the comparative 2019-quarter. (Source Baker Hughes). As uncertainties related to the economic impact of COVID-19 continued to subdue activity levels, pricing pressures remained present in the directional sector and the average revenue per day, excluding the US motor rental division, decreased 10 percent to $15,977 per day compared to $17,793 for the 2019-period.

In the fourth quarter of 2020, horizontal and directional drilling continued to represent the majority of the industry rig count, averaging 94 percent of operating rigs. PHX Energy's activities were concentrated in oil well drilling which is consistent with its focus on the Permian basin, the most active play in the US market. In addition to the Permian, Phoenix USA remained active in the Granite Wash, SCOOP/STACK, Marcellus, Bakken and Niobrara basins.

For the year ended December 31, 2020, US revenue decreased 31 percent to $185.1 million from $270 million reported in the 2019-year. The Corporation's US operating days in the 2020 twelve-month period decreased by 32 percent to 10,492 days compared to 15,348 in 2019. In comparison, US industry activity, as measured by the average number of horizontal and directional drilling rigs running on a daily basis, fell by 51 percent to 412 rigs in 2020 compared to 843 rigs in 2019. (Source: Baker Hughes). Excluding the motor rental division, Phoenix USA's average revenue per day remained flat at $16,857 compared to $16,798 in the 2019-year. The consistency in the average day rates year-over-year and the difference between the industry's activity decline versus Phoenix USA's over the course of 2020 is evidence of Phoenix USA's positive brand reputation coupled with increased utilization of the Corporation's high performance technologies.

Reportable segment profit before tax for the three-month period ended December 31, 2020 decreased to a loss of $2.4 million from a profit of $5.2 million reported in the 2019-quarter. For the year ended December 31, 2020, reportable segment profit before tax decreased 65 percent to $7.4 million from $20.9 million in 2019. The significant decline in profitability realized in the 2020-periods were primarily a result of substantially lower drilling activity experienced in the US during the year.

International – Continuing Operations

(Stated in thousands of dollars)

	Three-month periods ended December 31,			Years ended December 31,		
	2020	2019	% Change	**2020**	2019	% Change
Revenue	**-**	1,158	n.m.	**-**	7,764	n.m.
Reportable segment profit (loss) before tax	**(209)**	204	n.m.	**(1,513)**	2,757	n.m.

n.m. - not meaningful

The International segment information and discussion for the three-month periods and years ended December 31, 2020 and 2019 only include the operations in the Albanian division. The financial results of the Russian division have been presented as discontinued operations.

Throughout 2020, due to economic uncertainties and reduced local drilling activity levels, PHX Energy's operations in Albania remained suspended. For the three-month period and year ended December 31, 2020, reportable segment loss before tax were $0.2 million and $1.5 million, respectively, as compared to reportable segment profit before tax of $0.2 million and $2.8 million in corresponding 2019-periods. The expenses in the 2020-periods were incurred primarily to keep personnel and equipment on standby for anticipated resumption of drilling activity in 2021.

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 year ended December 31, 2020, net assets with a carrying value of $3.5 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 and year ended December 31, 2020, discontinued operations include revenue of $1.9 million and $12.7 million, respectively, as compared to $2.7 million and $12.3 million in the corresponding 2019-periods. In the 2020 three-month and twelve-month periods, loss from discontinued operations before tax was $5 thousand and $0.8 million, respectively, as compared to $0.8 million and $2.9 million in the corresponding 2019-periods.

Investing Activities

Net cash used in investing activities for continuing operations for the year ended December 31, 2020 was $19.1 million as compared to $27.1 million in 2019. During 2020, the Corporation spent $25.7 million on capital expenditures directed towards drilling and other equipment (2019 - $34 million) and received proceeds of $7.2 million primarily from involuntary disposal of drilling equipment in well bores (2019 - $13.9 million). The 2020 expenditures comprised of:

- $10.8 million in downhole performance drilling motors;
- $7.5 million in MWD systems and spare components; and
- $7.4 million in RSS tools, machining and equipment, and other assets.

The capital expenditure program undertaken in the year was financed generally from cash flow from operating activities. Of the total capital expenditures in the 2020-year, $17.7 million was used to grow the Corporation's fleet of drilling equipment and the remaining $8 million was used to maintain the current fleet of drilling and other equipment.

The change in non-cash working capital balances of $0.6 million (use of cash) for the year ended December 31, 2020, relates to the net change in the Corporation's trade payables that are associated with the acquisition of capital assets. This compares to a $6.8 million (use of cash) for the year ended December 31, 2019.

Financing Activities

For the year ended December 31, 2020, net cash used in financing activities for continuing operations was $33.6 million as compared to $17 million in 2019. In the 2020-year, the Corporation:

- repurchased 2,670,500 shares for $3.8 million under its NCIB program;
- made payments of $3 million towards its lease liability; and,
- made payments of $25.4 million to its syndicated facilities.

Capital Resources

As of December 31, 2020, the Corporation had nothing drawn on its syndicated and operating facilities, and a cash balance of $25.7 million. Subject to a borrowing base limit of $76 million, the Corporation had CAD $65 million and USD $15 million available from its credit facilities as at December 31, 2020. The credit facilities are secured by substantially all of the Corporation's assets.

As at December 31, 2020, the Corporation was in compliance with all its financial covenants as follows:

Ratio	Covenant	**As at December 31, 2020**
Debt to covenant EBITDA [1]	<3.0x	**-**
Interest coverage ratio	>3.0x	**37.6**

[1] Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to non-GAAP measures section that follows the Outlook section of this DOCUMENT.

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 2021 capital expenditures are expected to be $15 million, subject to quarterly review by 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 and commodity price 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 adjusted accordingly. Conversely, if future growth opportunities present themselves, the Corporation would look at expanding this planned capital expenditure amount.

As at December 31, 2020, the Corporation has capital commitments to purchase drilling and other equipment for $11.5 million, with delivery expected to occur within the first half of 2021.

Outlook

Despite the unprecedented events and challenges in 2020, we have many accomplishments to be proud of. These did not happen without difficult decisions and sacrifices, diligently adhering to our strategy and the dedication of our personnel. Despite the economic and industry downturn, notable accomplishments during 2020 include:

- Successfully implementing procedures and protocols to ensure a safe work environment for all employees and stakeholders
- Achieving a strong level of adjusted EBITDA
- Eliminating all bank debts and maintained a strong cash position
- Further reducing our shares outstanding by leveraging our NCIB
- Growing our US market share to the highest level in our history

- Drafting our first annual ESG report, and
- Drilling numerous record-breaking wells utilizing our premium fleet of technology.

In 2021 we will continue to build upon these successes, staying focused on preserving our financial strength, protecting our position as a top technology provider, delivering operational excellence to drill wells faster and more efficiently and further enhancing returns to our shareholders.

In the fourth quarter, North American industry activity began to rebound slightly, and this has continued into the first quarter of 2021. We are cautiously optimistic that this activity level will be sustained. We believe our North American operations are well positioned to grow with the higher rig counts and maintain the strong market share we have established. We continue to dedicate capital expenditures towards our premium technologies that are in high demand and, along with the expertise of our personnel, are driving the many performance records we have achieved. Recently, we were part of a team that drilled the longest horizontal lateral section in Texas, and it is achievements such as this that continue to strengthen our reputation.

In the US, it is likely there will be new federal regulations that impact the oil and natural gas industry; however, we believe that our strong client mix will help minimize the impact of these on our operations. In Canada, although the pricing environment is very competitive we believe operators understand how our proven performance and technologies positively impact the economics of their operations.

Late in the fourth quarter we announced the proposed sale of our Russia division, which is expected to close early in the second quarter of this year. With the decline of the global economy and commodity prices, our operations in Albania were suspended in late 2019 and we expect these operations to start back up in the second half of 2021. PHX Energy has a unique package of expertise and technology that can be exported to other markets in the world and we remain open to opportunities that align with our business model.

We are proud of the strong financial position we have built and believe we are one of a few publicly traded energy service companies who are in a position to enhance rewards to shareholders. We have been leveraging our NCIB for a number of years and in 2021 purchased and cancelled the remaining 460,888 shares under our current NCIB. Additionally, in December our Board approved the re-instatement of a quarterly dividend of $0.025 per share and the first dividend was paid January 15, 2021.

As 2021 progresses we will continue to build our operational and financial strength, leveraging our unique market position. Additionally, we are committed to working with our clients and other service providers in our industry to showcase our commitment to a sustainable future.

Michael Buker, President
February 24, 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. 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 December 31,		Years ended December 31,	
	2020	2019	**2020**	2019
Earnings (loss) from continuing operations:	**2,028**	(839)	**(6,878)**	867
Add:				
Depreciation and amortization drilling and other equipment	**6,453**	9,171	**27,975**	37,827
Depreciation and amortization right-of-use asset	**838**	889	**3,555**	3,503
Provision for income taxes	**(1,610)**	1,883	**(1,476)**	3,621
Finance expense	**105**	333	**748**	1,423
Finance expense lease liability	**562**	612	**2,361**	2,508
Impairment loss	**-**	500	**10,730**	500
Equity-settled share-based payments	**28**	53	**242**	612
Unrealized foreign exchange (gain) loss	**95**	91	**33**	278
Severance	**3**	-	**1,927**	-
Adjusted EBITDA as reported	**8,502**	12,693	**39,217**	51,139

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

Funds from Operations

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

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

(Stated in thousands of dollars)

	Three-month periods ended December 31,		Years ended December 31,	
	2020	2019	**2020**	2019
Cash flows from operating activities	**9,552**	9,741	**67,945**	51,972
Add (deduct):				
Changes in non-cash working capital	**(2,528)**	1,486	**(32,685)**	(5,202)
Interest paid	**50**	136	**366**	804
Income taxes paid (received)	**44**	451	**(430)**	462
Funds from operations	**7,118**	11,814	**35,196**	48,037

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 December 31,		Years ended December 31,	
	2020	2019	**2020**	2019
Funds from operations [1]	**7,118**	11,814	**35,197**	48,037
Deduct:				
Maintenance capital expenditures	**(2,606)**	(3,630)	**(8,015)**	(11,336)
Cash payment on leases	**(1,347)**	(1,447)	**(5,409)**	(5,690)
Free cash flow	**3,165**	6,737	**21,773**	31,011

[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. See "Funds from Operations" above for the reconciliation of funds from operations to the nearest IFRS term, cash flows from operating activities

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, 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; 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").

As at December 31, 2020, PHX Energy had 438 full-time employees (2019 – 835) and the Corporation utilized over 150 additional field consultants in 2020 (2019 – over 150).

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

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Consolidated Statements of Financial Position

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,745,911	$ 10,582,296
Trade and other receivables	43,193,310	93,641,885
Inventories	26,665,902	30,826,700
Prepaid expenses	1,926,336	2,569,046
Current tax assets	219,400	-
Assets held for sale	4,405,516	-
Total current assets	102,156,375	137,619,927
Non-current assets:		
Drilling and other long-term assets	68,933,236	78,416,229
Right-of-use asset	28,956,908	32,825,964
Intangible assets	16,204,673	18,901,559
Deferred tax assets	289,542	613,355
Goodwill	-	8,876,351
Total non-current assets	114,384,359	139,633,458
Total assets	$ 216,540,734	$ 277,253,385
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Operating facility	$ -	$ 11,395,835
Lease liability	3,398,559	2,765,633
Trade and other payables	37,562,481	54,892,277
Dividends payable	1,265,648	-
Liabilities directly associated with assets held for sale	943,063	-
Current tax liability	-	172,766
Total current liabilities	43,169,751	69,226,511
Non-current liabilities:		
Loans and Borrowings	-	13,896,400
Lease liability	35,698,084	39,753,860
Deferred tax liability	5,640,261	5,432,527
Total non-current liabilities	41,338,345	59,082,787
Equity:		
Share capital	247,543,263	251,815,183
Contributed surplus	10,131,786	10,854,650
Retained earnings	(136,939,398)	(127,902,593)
Accumulated other comprehensive income	21,707,101	14,176,847
Accumulated other comprehensive loss related to assets held for sale	(10,410,114)	-
Total equity	132,032,638	148,944,087
Total liabilities and equity	$ 216,540,734	$ 277,253,385

Consolidated Statements of Comprehensive Loss

	Three-month periods ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
	(Unaudited)	*(Unaudited)*		
Revenue	**$ 54,804,828**	$ 90,059,741	**$ 233,734,479**	$ 349,715,063
Direct costs	**47,123,449**	77,635,472	**201,697,504**	296,832,136
Gross profit	**7,681,379**	12,424,269	**32,036,975**	52,882,927
Expenses:				
Selling, general and administrative expenses	**7,832,692**	9,965,554	**26,855,472**	43,391,073
Research and development expenses	**147,749**	895,993	**1,943,713**	3,868,779
Finance expense	**104,935**	332,795	**747,779**	1,422,791
Finance expense lease liability	**561,762**	611,706	**2,361,066**	2,507,652
Other income	**(1,384,260)**	(925,394)	**(2,246,134)**	(3,295,076)
Impairment loss	**-**	500,000	**10,729,587**	500,000
	7,262,878	11,380,654	**40,391,483**	48,395,219
Earnings (loss) from continuing operations before taxes	**418,501**	1,043,615	**(8,354,508)**	4,487,708
Provision for (Recovery of) income taxes				
Current	**(307,743)**	57,999	**(1,049,256)**	555,590
Deferred	**(1,301,961)**	1,825,080	**(426,909)**	3,065,056
	(1,609,704)	1,883,079	**(1,476,165)**	3,620,646
Earnings (loss) from continuing operations	**2,028,205**	(839,464)	**(6,878,343)**	867,062
Discontinued operations				
Net loss from discontinued operations, net of taxes	**(74,040)**	(880,097)	**(892,814)**	(3,080,182)
Net earnings (loss)	**1,954,165**	(1,719,561)	**(7,771,157)**	(2,213,120)
Other comprehensive income loss				
Foreign currency translation	**(3,646,415)**	(1,568,949)	**(2,879,860)**	(3,229,667)
Total comprehensive loss for the period	**$ (1,692,250)**	$ (3,288,510)	**$ (10,651,017)**	$ (5,442,787)
Earnings (loss) per share – basic and diluted				
Continuing operations	**$ 0.04**	$ (0.01)	**$ (0.13)**	$ 0.02
Discontinued operations	**$ (0.01)**	$ (0.02)	**$ (0.02)**	$ (0.06)
Net earnings (loss)	**$ 0.03**	$ (0.03)	**$ (0.15)**	$ (0.04)

Consolidated Statements of Cash Flows

	Three-month periods ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
	(Unaudited)	*(Unaudited)*		
Cash flows from operating activities:				
Net earnings (loss)	**$ 2,028,205**	$ (839,464)	**$ (6,878,343)**	$ 867,062
Adjustments for:				
Depreciation and amortization	**6,452,977**	9,170,411	**27,974,556**	37,826,857
Depreciation and amortization right-of-use asset	**838,112**	888,521	**3,555,336**	3,502,783
Impairment loss	**-**	500,000	**10,729,587**	500,000
Provision for income taxes	**(1,609,704)**	1,883,079	**(1,476,165)**	3,620,646
Unrealized foreign exchange loss (gain)	**94,753**	90,666	**33,030**	277,787
Gain on disposition of drilling equipment	**(1,236,919)**	(883,392)	**(3,694,467)**	(3,163,254)
Equity-settled share-based payments	**27,844**	52,364	**241,853**	611,681
Finance expense	**104,935**	332,795	**747,779**	1,422,791
Provision for (Recovery of) bad debts	**(237,883)**	-	**1,529,660**	387,728
Provision for inventory obsolescence	**655,195**	618,952	**2,433,139**	2,182,919
Interest paid	**(49,624)**	(136,420)	**(366,417)**	(804,406)
Income taxes received (paid)	**(43,673)**	(450,511)	**430,418**	(462,465)
Change in non-cash working capital	**2,527,951**	(1,485,676)	**32,685,407**	5,201,979
Continuing operations	**9,552,169**	9,741,325	**67,945,373**	51,972,108
Discontinued operations	**578,382**	(232,926)	**(33,957)**	(1,798,764)
Net cash from operating activities	**10,130,551**	9,508,399	**67,911,416**	50,173,344
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	**1,929,637**	3,223,345	**7,229,645**	13,860,158
Acquisition of drilling and other equipment	**(3,602,180)**	(5,416,614)	**(25,680,361)**	(34,007,163)
Acquisition of intangible assets	**-**	-	**-**	(66,180)
Change in non-cash working capital	**(275,346)**	(1,492,298)	**(648,472)**	(6,837,332)
Continuing operations	**(1,947,889)**	(3,685,567)	**(19,099,188)**	(27,050,517)
Discontinued operations	**(6,247)**	(40,616)	**(940)**	896,649
Net cash used in investing activities	**(1,954,136)**	(3,726,183)	**(19,100,128)**	(26,153,868)
Cash flows from financing activities:				
Proceeds from (repayment of) loans and borrowings	**-**	(1,103,600)	**(13,960,400)**	2,075,400
Proceeds from (repayment of) operating facility	**-**	4,827,763	**(11,395,835)**	(1,952,727)
Payments of lease liability	**(785,726)**	(835,542)	**(3,048,361)**	(3,182,316)
Surrender value cash payment	**-**	-	**(1,518,042)**	-
Repurchase of shares under the NCIB	**(603,849)**	(4,746,972)	**(3,796,095)**	(14,071,163)
Proceeds from issuance of share capital	**69,750**	-	**77,500**	87,750
Continuing operations	**(1,319,825)**	(1,858,351)	**(33,641,233)**	(17,043,056)
Discontinued operations	**-**	(9,479)	**(6,440)**	(37,542)
Net cash used in financing activities	**(1,319,825)**	(1,867,830)	**(33,647,673)**	(17,080,598)
Net increase (decrease) in cash and cash equivalents	**6,856,590**	3,914,386	**15,163,615**	6,938,878
Cash and cash equivalents, beginning of period	**18,889,321**	6,667,910	**10,582,296**	3,643,418
Cash and cash equivalents, end of period	**$ 25,745,911**	$ 10,582,296	**$ 25,745,911**	$ 10,582,296