



# **Peters & Co. Ltd 2014 Energy Conference**

**September 9, 2014**

# FORWARD-LOOKING STATEMENTS

Some matters discussed in this presentation may be considered to be forward-looking statements. Such statements include declarations regarding management's intent, belief or current expectations. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Such risks and uncertainties include: the possible unavailability of financing, risks related to the uncertainty inherent in the oil and gas horizontal and directional services industry, the impact of energy price fluctuations, the seasonal nature of business, the dependence on third party suppliers and contractors, changes in government regulation, the impact of competition, the successful commercialization of certain technologies, the dependence upon competent employees including senior management, and fluctuations in currency exchange rates and interest rates.

# COMPANY OVERVIEW

- Pure play horizontal and directional drilling provider established in 1995
  - Addition of EDR business in 2013
- Proprietary technology coupled with experienced personnel creates our service advantage
- Worldwide operations with strong presence in North America and gaining international presence in Albania and Russia
- One of the most globally diverse Canadian oil and natural gas service companies

# ACCUMULATING SUCCESS: 1996 – Q2 2014

**23.1  
MILLION**

**Shares Issued**

**202.9  
MILLION**

**Earnings**

**2.1  
BILLION**

**Revenue**

**91.6  
MILLION**

**Equity**

**380.6  
MILLION**

**EBITDA**

**173.3  
MILLION**

**Dividend Payout**  
*(since '04)*

# PROVEN PERFORMANCE

- Record revenue has been achieved quarter over quarter since Q1 2010
- Demonstrated growth in the worlds three largest horizontal drilling markets

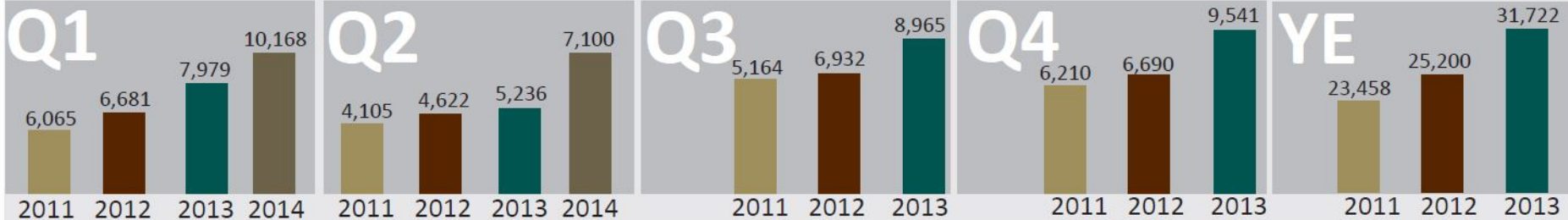
## CANADA

## USA

## RUSSIA

### OPERATING DAYS

*Operating days have increased to record levels quarter over quarter since Q4 2012*



# Q2 2014: FINANCIAL HIGHLIGHTS

(Stated in thousands of dollars except per unit amounts, percentages and operating days)

	Three-Month Period ended June 30,			Six-Month Period ended June 30,		
	2014	2013	% Chg	2014	2013	% Chg
<b>Operating Results</b>	<i>(unaudited)</i>	<i>(unaudited)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	100,484	65,483	53	229,615	158,150	45
Net earnings (loss)	(1,062)	(4,735)	78	7,751	3,571	117
EBITDA <sup>(1)</sup>	7,809	367	n.m.	29,080	18,696	56
<b>Cash Flow</b>						
Funds from operations <sup>(1)</sup>	11,629	11,942	(3)	19,400	25,244	(23)
Capital expenditures	11,069	8,134	36	24,525	21,629	13
<b>Operating Days</b>						
Consolidated Operating Days	7,100	5,236	36	17,268	13,216	31
<b>Financial Position</b>				June 30, '14	Dec 31, '13	
Working Capital				77,771	66,580	17
Long-term debt				90,273	70,208	29

(1) Refer to non-GAAP measures section of the Second Quarter Report

# MARKET DATA: PHX ENERGY

As of August 29, 2014

Exchange	Toronto Stock Exchange
Shares Outstanding	35.0 million
Share Price (Close)	\$15.52
52 Week High / Low	\$17.20/ \$10.13
Current Dividends per Share	\$0.07/month or \$0.84/year
Insiders Position	20%
Yield	5%
Payout Ratio (Six month period ended June 30, 2014)*	53%

- *Payout ratio is calculated using cash flow from operating activities before changes in non cash working capital*
- *Dividend increase is payable on December 13, 2013 to shareholders of record at the close of business on November 29, 2013)*

# OPERATOR'S PERSPECTIVE

## Increase pad production

- Pad drilling has created a need for more accurate well placement

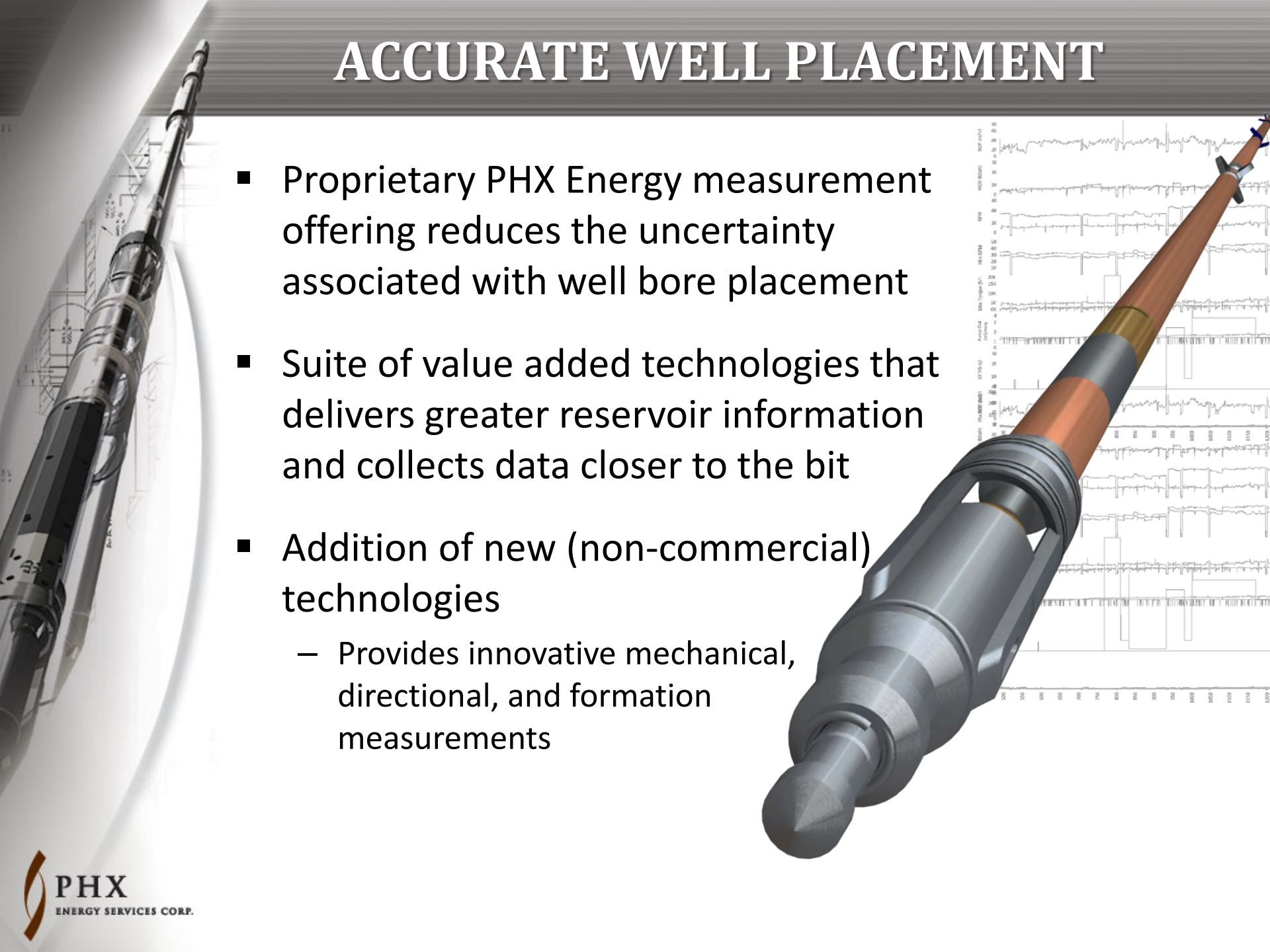
## Reduce drilling costs and drilling risks

- Focus on cost per meter and minimizing non-productive time



# ACCURATE WELL PLACEMENT

- Proprietary PHX Energy measurement offering reduces the uncertainty associated with well bore placement
- Suite of value added technologies that delivers greater reservoir information and collects data closer to the bit
- Addition of new (non-commercial) technologies
  - Provides innovative mechanical, directional, and formation measurements



# COST & RISK REDUCTION

- Performance drilling motors and proprietary power sections designed and fitted for each basin
- Systematic approach to reliability, quality and safety has driven our market penetration
- Stream's EDR services are critical to answering the demand for optimization
  - Ability to provide access to drilling information anywhere at any time through mobile app
  - Continued innovation will add multiple future data streams



# INVESTMENT SUMMARY

## WHY PHX ENERGY?

- One of the highest yields in the oil and natural gas service sector
- Proven track record of financial performance
- 10 years of rewarding shareholders with dividends (distributions)
- Positioned for future growth
  - Major/super major client base is growing in key basins
- Diversified revenue stream
  - 65% of revenue is generated outside of Canada