



2024 Q2 Report



Management's Discussion and Analysis

Second Quarter Report for the three and six-month periods ended June 30, 2024 and 2023

The following Management's Discussion and Analysis ("MD&A") of the financial condition, results of operations, and cash flow of PHX Energy Services Corp. ("PHX Energy" or the "Corporation") should be read in conjunction with the Corporation's 2024 unaudited interim second quarter report, including the unaudited condensed consolidated interim financial statements and the accompanying notes contained therein as well as other sections contained within the Corporation's 2024 second quarter report, and the Corporation's 2023 annual report, including the MD&A, and audited consolidated financial statements and the accompanying notes contained therein as well as other sections contained within the Corporation's 2023 annual report. Readers can also obtain additional information on the Corporation including its most recently filed Annual Information Circular and Annual Information Form ("AIF") on SEDAR+ at www.sedarplus.ca. This MD&A has been prepared taking into consideration information available up to and including August 6, 2024.

PHX Energy's Interim Financial Report for the three and six-month periods ended June 30, 2024 and 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board. The MD&A and Interim Financial Report was reviewed by PHX Energy's Audit Committee and approved by PHX Energy's Board of Directors (the "Board") on August 6, 2024.

This MD&A contains Forward-Looking Information and Non-GAAP and Other Financial Measures, including Non-GAAP Financial Measures and Ratios, Capital Management Measures and Supplementary Financial Measures. Please refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for applicable definitions and reconciliations. Please refer to the "Cautionary Statement Regarding Forward-Looking Information and Statements" section of this MD&A.

Industry data cited throughout this MD&A is sourced from Baker Hughes North American rig counts (<https://rigcount.bakerhughes.com/na-rig-count>) and custom reports from Geologic Systems for Canadian industry operating days.

Second Quarter Highlights

- For the three-month period ended June 30, 2024, PHX Energy generated consolidated revenue of \$154.2 million, only 1 percent lower than the record second quarter consolidated revenue of \$155.6 million generated in 2023. Strong Canadian segment revenue and activity continued which helped partially offset the impact of the lower US rig count on the Corporation's US results. Consolidated revenue in the 2024-quarter included \$10 million of motor rental revenue and \$1.1 million of motor equipment and parts sold (2023 - \$12.6 million and \$3.2 million, respectively).
- In the second quarter of 2024, adjusted EBITDA⁽¹⁾ was \$30 million, 19 percent of consolidated revenue⁽¹⁾, as compared to \$34.8 million, 22 percent of consolidated revenue, in the same 2023-quarter. Included in the 2024-quarter's adjusted EBITDA is \$1.4 million of cash-settled share-based compensation expense (2023 - \$2.6 million). Adjusted EBITDA excluding cash-settled share-based compensation expense⁽¹⁾ in the second quarter of 2024 was \$31.5 million, 20 percent of consolidated revenue⁽¹⁾ (2023 - \$37.4 million, 24 percent of consolidated revenue).
- Earnings in the 2024 three-month period were \$12.9 million, \$0.26 per share, as compared to \$18.1 million, \$0.35 per share, in the same 2023-period.

⁽¹⁾ Non-GAAP financial measure or ratio 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 and Other Financial Measures section of this MD&A.

- For the three-month period ended June 30, 2024, PHX Energy's US division generated revenue of \$116 million, 7 percent lower than the \$125 million in the 2023-quarter and 2 percent higher than the \$114.2 million in the first quarter of 2024. The continued strong demand for the Corporation's premium technologies and strength of the US division's team of operating and marketing personnel sheltered the US segment from the full impact of the industry declines. The US rig count was down 16 percent second quarter-over-second quarter and 4 percent compared to the first quarter of 2024. US division revenue in the 2024-quarter represented 75 percent of consolidated revenue (2023 – 80 percent of consolidated revenue).
- PHX Energy's Canadian division reported \$38.2 million of quarterly revenue, 25 percent higher compared to \$30.7 million in the 2023-quarter and the highest level of second quarter revenue on record. In comparison, the Canadian rig count increased by 16 percent quarter-over-quarter.
- The stronger US dollar had a favorable impact on the 2024-quarter's financial results. In the 2023 three-month period, the average US dollar to Canadian dollar foreign exchange rate was 1.37 compared to 1.34 in the 2023-period.
- For the three-month period ended June 30, 2024, the Corporation generated excess cash flow⁽²⁾ of \$3.5 million, after deducting net capital expenditures⁽²⁾ of \$19.4 million (\$26.8 million of capital expenditures offset by proceeds on disposition of drilling and other equipment of \$7.4 million).
- In the 2024 three-month period, PHX Energy paid \$9.5 million in dividends which is 24 percent higher than the dividend amount paid in the same 2023-period. On June 14, 2024, the Corporation declared a dividend of \$0.20 per share or \$9.4 million payable on July 15, 2024.
- There were 358,300 common shares purchased for \$3.1 million and cancelled under the current NCIB in the three-month period ended June 30, 2024 (2023 – 267,800 shares, \$1.6 million). Subsequent to June 30, 2024, the Corporation purchased 710,821 common shares for \$7 million.
- From the second quarter of 2017 up to June 30, 2024, a total of 14.5 million common shares have been purchased and cancelled under PHX Energy's previous and current NCIB's. This represents 25 percent of common shares outstanding as of June 30, 2017.
- The Corporation intends to make an application to the TSX for renewal of its NCIB for a further one-year term and, subject to TSX approval, it is the Corporation's intention to continue the current strategy of leveraging the NCIB to its fullest as a tool to further reward shareholders under ROCS.
- As at June 30, 2024, the Corporation had working capital⁽²⁾ of \$75.1 million and net cash⁽²⁾ of \$4.1 million.

⁽²⁾ Capital management 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 and Other Financial Measures section of this MD&A.

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,		
	2024	2023	% Change	2024	2023	% Change
Operating Results	<i>(unaudited)</i>	<i>(unaudited)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	154,230	155,618	(1)	320,353	321,641	-
Earnings	12,913	18,108	(29)	30,366	40,526	(25)
Earnings per share – diluted	0.26	0.35	(26)	0.64	0.77	(17)
Adjusted EBITDA ⁽¹⁾	30,049	34,802	(14)	65,082	71,804	(9)
Adjusted EBITDA per share – diluted ⁽¹⁾	0.62	0.66	(6)	1.37	1.35	1
Adjusted EBITDA as a percentage of revenue ⁽¹⁾	19%	22%		20%	22%	
Cash Flow						
Cash flows from operating activities	39,317	22,633	74	50,484	26,341	92
Funds from operations ⁽²⁾	24,313	30,248	(20)	50,453	56,985	(11)
Funds from operations per share – diluted ⁽³⁾	0.50	0.57	(12)	1.06	1.07	(1)
Dividends paid per share ⁽³⁾	0.20	0.15	33	0.40	0.30	33
Dividends paid	9,498	7,656	24	18,951	15,292	24
Capital expenditures	26,780	12,072	122	56,420	30,654	84
Excess cash flow ⁽²⁾	3,546	25,508	(86)	10,976	44,743	(75)
Financial Position				June 30 '24	Dec 31 '23	
Working capital ⁽²⁾				75,052	93,915	(20)
Net debt (Net cash) ⁽²⁾				(4,149)	(8,869)	(53)
Shareholders' equity				223,871	209,969	7
Common shares outstanding				47,179,705	47,260,472	

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Non-GAAP and Other Financial Measures

Throughout this MD&A, PHX Energy uses certain measures to analyze financial performance, financial position, and cash flow. These Non-GAAP and Other Specified Financial Measures do not have standardized meanings prescribed under Canadian generally accepted accounting principles (“GAAP”) and include Non-GAAP Financial Measures and Ratios, Capital Management Measures and Supplementary Financial Measures (collectively referred to as “Non-GAAP and Other Financial Measures”). These Non-GAAP and Other Specified Financial Measures include, but are not limited to, adjusted EBITDA, adjusted EBITDA per share, adjusted EBITDA excluding cash-settled share-based compensation expense, adjusted EBITDA as a percentage of revenue, gross profit as a percentage of revenue excluding depreciation and amortization, selling, general and administrative (“SG&A”) costs excluding share-based compensation as a percentage of revenue, funds from operations, funds from operations per share, excess cash flow, net capital expenditures, net debt (net cash), working capital, and remaining distributable balance under ROCS. 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 and Other Financial Measures” section of this MD&A for applicable definitions, rationale for use, method of calculation and reconciliations where applicable.

Outlook

- In the third quarter the US rig count continues to soften, and our outlook for the US division is slightly more cautious than at the beginning of the year. We are the only provider in the market to offer two leading RSS technologies and we will continue to leverage this advantage along with our strong operational performance. We believe our unique technology offering and position as a market leader will continue to provide resilience to any pressures and assist in growing our market share.
- Our strategies for growing and expanding our motor sales and rental division, Atlas Downhole Technology, continue. We believe the experienced marketing and operations personnel will be able to deploy the additional assets purchased as part of our 2024 capital expenditures budget and we will see increased revenues and healthy margins in upcoming quarters.
- In Canada, the rig count remains above the 5-year average, and we foresee the Canadian division continuing to generate strong results in this positive environment. Our ability to outpace the industry's growth is driven by our strong market share in the deeper basins and premium technology offering, which has recently been strengthened with the deployment of RSS. Increased RSS activity in this division is an area of focus, and in the first half of the year we began to see the benefits, even with it presently representing a small percentage of our operating days. We have more initiatives in place to expand this portion of our Canadian business in upcoming quarters. Additionally, we anticipate the deployment of other recently commercialized technologies to provide further opportunities for growth in other basins, such as the Clearwater basin.
- With capital expenditures of \$65 million and \$75 million in 2023 and 2024, respectively, we have now built a fleet of premium technology which we believe will be able to support our North American growth in a flat or contracting industry environment. As such, we anticipate requiring a lower level of growth capital expenditures for this market in 2025.
- We do anticipate growth in the MENA region over the next few years, however, with our strategic partnership and agreement currently in place, this revenue growth is not likely to require material capital expenditures to fulfill our obligations.
- With the likelihood of fewer capital requirements and lower spending in 2025, we foresee an opportunity to produce additional excess cash flow that will allow us to continue to leverage our ROCS program to create rewards for shareholders. We will continue to prioritize maintaining our balance sheet strength with low debt and to leverage this position to continue both our dividend and NCIB programs to create shareholder value. We intend to make an application to the TSX to renew our NCIB for another year.

Michael Buker, President

August 6, 2024

Financial Results

In the second quarter of 2024, PHX Energy generated consolidated revenue of \$154.2 million which is only marginally lower compared to the \$155.6 million generated in the same 2023-period.

For the three-month period ended June 30, 2024, the Corporation's US division's revenue decreased by 7 percent to \$116 million as compared to \$125 million in the same 2023-period. The US industry's rig count declined 16 percent as compared to the second quarter of 2023 while PHX Energy's US operating days only declined by 5 percent from 4,364 in the second quarter of 2023 to 4,146 in the 2024-quarter. Average revenue per day⁽³⁾ for directional drilling services increased by 1 percent quarter-over-quarter and the Corporation's US motor rental and sales divisions generated \$9.6 million and \$1.1 million of revenue, respectively in the second quarter of 2024 (2023 - \$12.2 million and \$3.2 million, respectively). Revenue from PHX Energy's US segment represented 75 percent of consolidated revenue in the 2024 three-month period (2023 - 80 percent).

In the 2024 three-month period, the Corporation's Canadian division generated revenue of \$38.2 million, which is the highest level of second quarter revenue in the Corporation's history and is 25 percent greater than the \$30.7 million generated in the same 2023-period. During the 2024-quarter, Canadian industry activity increased by 17 percent while PHX Energy's Canadian operating days grew by 24 percent to 2,682 days from the 2,162 operating days in the comparable 2023-quarter. In the second quarter of 2024, the Canadian segment's Rotary Steerable System ("RSS") activity and client base continued to grow, and this primarily contributed to the 17 percent improvement in the division's average revenue per day over the second quarter of 2023.

For the three-month period ended June 30, 2024, earnings were \$12.9 million (2023 - \$18.1 million), adjusted EBITDA⁽¹⁾ was \$30 million (2023 - \$34.8 million), and adjusted EBITDA represented 19 percent of consolidated revenue⁽¹⁾ (2023 - 22 percent). Included in the 2024 three-month period adjusted EBITDA is cash-settled share-based compensation expense of \$1.4 million (2023 - \$2.6 million). For the three-month period ended June 30, 2024, adjusted EBITDA excluding cash-settled share-based compensation expense⁽¹⁾ is \$31.5 million, 20 percent of consolidated revenue (2023 - \$37.4 million, 24 percent of consolidated revenue).

As at June 30, 2024, the Corporation had working capital⁽²⁾ of \$75.1 million and net cash⁽²⁾ of \$4.1 million. The Corporation also has CAD \$85 million and USD \$20 million available to be drawn from its credit facilities.

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Dividends and ROCS

On June 14, 2024, the Corporation declared a dividend of \$0.20 per share payable to shareholders of record at the close of business on June 28, 2024. This is 33 percent higher than the dividend of \$0.15 per share declared in the 2023-quarter. An aggregate of \$9.4 million was paid on July 15, 2024.

The Corporation remains committed to enhancing shareholder returns through its Return of Capital Strategy ("ROCS") which will potentially allow up to 70 percent of 2024 excess cash flow to be used for shareholder returns and includes multiple options including the dividend program and the Normal Course Issuer Bid ("NCIB"). In the second quarter of 2024, \$9.5 million (2023 - \$7.7 million) was paid in dividends to shareholders and \$3.1 million (2023 - \$1.6 million) was used to repurchase and cancel shares under the current NCIB. In the 2024-quarter, 70 percent of PHX Energy's excess cash flow⁽²⁾ was \$2.5 million (2023 - \$17.9 million). The remaining distributable balance under ROCS⁽²⁾ was negative \$10.2 million in the 2024 three-month period (2023 - positive \$8.6 million) due to a decrease in excess cash flow, which was mainly due to higher capital expenditures spent in the 2024 three-month period. We expect that future cash flow will compensate for the negative balance in the quarter and anticipate the remaining distributable balance under ROCS to be positive in the latter half of the year.

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Excess cash flow	3,546	25,508	10,976	44,743
70% of excess cash flow	2,482	17,856	7,683	31,320
Deduct:				
Dividends paid to shareholders	(9,498)	(7,656)	(18,951)	(15,292)
Repurchase of shares under the NCIB	(3,143)	(1,579)	(3,143)	(1,579)
Remaining Distributable Balance under ROCS	(10,159)	8,621	(14,411)	14,449

Normal Course Issuer Bid

During the third quarter of 2023, the TSX approved the renewal of PHX Energy's NCIB to purchase for cancellation, from time-to-time, up to a maximum of 3,552,810 common shares, representing 10 percent of the Corporation's public float of Common Shares as at August 2, 2023. The NCIB commenced on August 16, 2023 and will terminate on August 15, 2024. 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, 358,300 common shares were purchased by the Corporation for \$3.1 million and cancelled in the six-month period ended June 30, 2024 (2023 – 267,800 shares, \$1.6 million). Subsequent to June 30, 2024, the Corporation purchased 710,821 common shares for \$7 million.

The Corporation intends to make an application to the TSX for renewal of its NCIB for a further one-year term and, subject to TSX approval, it is the Corporation's intention to continue the current strategy of leveraging the NCIB to its fullest as a tool to further reward shareholders under ROCS.

Capital Spending

In the second quarter of 2024, the Corporation spent \$26.8 million in capital expenditures, of which \$24.5 million was spent on growing the Corporation's fleet of drilling equipment, \$2 million was spent to replace retired assets, and \$0.2 million was spent to replace equipment lost downhole during drilling operations. With proceeds on disposition of drilling and other equipment of \$7.4 million, the Corporation's net capital expenditures⁽²⁾ for the 2024-quarter were \$19.4 million. Capital expenditures in the 2024-quarter were primarily directed towards Atlas High Performance motors ("Atlas"), Velocity Real-Time systems ("Velocity"), and RSS. PHX Energy funded capital spending primarily using proceeds on disposition of drilling equipment, cash flows from operating activities, and its credit facilities when required.

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Growth capital expenditures ⁽³⁾	24,513	4,931	48,737	14,885
Maintenance capital expenditures ⁽³⁾ from asset retirements	2,029	3,860	6,170	8,718
Maintenance capital expenditures ⁽³⁾ from downhole equipment losses	238	3,281	1,513	7,051
	26,780	12,072	56,420	30,654
Deduct:				
Proceeds on disposition of drilling equipment	(7,409)	(8,589)	(19,710)	(21,007)
Net capital expenditures ⁽²⁾	19,371	3,483	36,710	9,647

As at June 30, 2024, the Corporation had capital commitments to purchase drilling and other equipment for \$18.6 million, \$14.1 million of which is growth capital allocated as follows: \$3.6 million for performance drilling motors, \$3 million for Velocity systems, \$4 million for RSS, and \$3.5 million for other equipment. The majority of equipment on order as at June 30, 2024 is expected to be delivered within the year.

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The approved capital expenditure budget for the 2024-year, excluding proceeds on disposition of drilling equipment, is \$75 million, which includes \$5 million of carryover from the 2023 budget. Of the total expenditures, \$62.8 million is expected to be allocated to growth capital and the remaining \$12.2 million is expected to be allocated towards maintenance of the existing fleet of drilling and other equipment and replacement of equipment lost downhole during drilling operations.

The Corporation currently possesses approximately 832 Atlas motors, comprised of various configurations including its 5.13", 5.25", 5.76", 6.63", 7.12", 7.25", 8.12", 9.00", 9.62", and 12.00" Atlas motors, and 128 Velocity systems. The Corporation also possesses the largest independent RSS fleet in North America with 73 RSS tools and the only fleet currently comprised of both the PowerDrive Orbit and iCruise systems.

About PHX Energy Services Corp.

PHX Energy is a growth-oriented, public oil and natural gas services company. The Corporation, through its directional drilling subsidiary entities provides horizontal and directional drilling services and technologies to oil and natural gas exploration and development companies principally in Canada and the US. In connection with the services it provides, PHX Energy engineers, develops and manufactures leading-edge technologies. In recent years, PHX Energy has developed various new technologies that have positioned the Corporation as a technology leader in the horizontal and directional drilling services sector.

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 centers 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. is headquartered in Houston, Texas. Phoenix USA has sales and service facilities in Houston, Texas; Midland, Texas; Casper, Wyoming; and Oklahoma City, Oklahoma. Internationally, PHX Energy has sales offices and service facilities in Albania, and an administrative office in Nicosia, Cyprus. The Corporation also supplies technology to the Middle East regions.

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

Results of Operations

Three and Six-Month Period Ended June 30, 2024

Revenue

The Corporation generates revenue primarily through the provision of directional drilling services which includes providing equipment, personnel, and operational support for drilling a well. Additionally, the Corporation generates revenue through the rental and sale of drilling motors and associated parts, particularly Atlas.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Directional drilling services	143,084	139,756	2	298,142	294,229	1
Motor rental	10,012	12,641	(21)	18,258	23,502	(22)
Sale of motor equipment and parts	1,134	3,221	(65)	3,953	3,910	1
Total revenue	154,230	155,618	(1)	320,353	321,641	-

In the second quarter of 2024, the Corporation's consolidated revenue was \$154.2 million, a 1 percent decrease as compared to the second quarter record of \$155.6 million achieved in 2023. For the six-month period ended June 30, 2024, the Corporation generated consolidated revenue of \$320.4 million, relatively flat as compared to the same 2023-period which generated consolidated revenue of \$321.6 million.

The second quarter of 2024 saw a slight softening in the US industry rig count. There was an average of 586 horizontal and directional rigs operating per day, 4 percent lower compared to the daily average of 610 horizontal and directional rigs in the first quarter of 2024; and quarter-over-quarter the daily average decreased 16 percent from 701 rigs in the second quarter of 2023. In Canada, industry horizontal and directional drilling activity (as measured by drilling days) was 11,693 days in the 2024-quarter, a 17 percent increase from 10,028 days in the same 2023-quarter. With both the Canadian and US division generating improved activity over the industry trends, and the strength in Canadian industry activity offsetting the impacts of the softer US rig count, PHX Energy's consolidated activity levels for the three-month ended June 30, 2024 increased by 5 percent to 6,828 days compared to 6,526 days in the same 2023 period. For the six-month period ended June 30, 2024, consolidated operating days increased by 3 percent to 14,853 from 14,480 days in the corresponding 2023-period.

In both the three and six-month periods of 2024, average consolidated revenue per day⁽³⁾ for directional drilling services were relatively flat. Quarter-over-quarter, average consolidated revenue per day⁽³⁾ declined by 2 percent to \$20,957 from \$21,417 and in the first half of the 2024-year, average consolidated revenue per day decreased 1 percent to \$20,074 from \$20,320 in same 2023-period. In both 2024-periods, PHX Energy's Canadian activity increased as a portion of its consolidated activity and as a result, a greater percentage of consolidated activity was at the lower average revenue per day for directional drilling services in Canada.

In the 2024 three-month period, revenue generated by the Atlas motor rental division declined by 21 percent to \$10 million from \$12.6 million in the same 2023-period. In the 2024 six-month period, revenue generated by the Atlas motor rental division declined by 22 percent to \$18.3 million from \$23.5 million in the same 2023-period. These decreases were largely driven by the softer US industry rig count.

For the three and six-month periods ended June 30, 2024, revenue of \$1.1 million and \$4 million, respectively, were generated from the sale of Atlas motors and parts (2023 – \$3.2 million and \$3.9 million, respectively).

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Direct costs	126,456	119,870	5	255,500	251,858	1
Depreciation & amortization drilling and other equipment (included in direct costs)	11,142	9,621	16	21,461	18,938	13
Depreciation & amortization right-of-use asset (included in direct costs)	857	827	4	1,706	1,235	38
Gross profit as a percentage of revenue excluding depreciation & amortization ⁽¹⁾	26%	30%		27%	28%	

Direct costs are comprised of field and shop expenses, costs of motors and parts sold, and include depreciation and amortization of the Corporation's equipment and right-of-use assets.

In the 2024 three-month period, direct costs increased by 5 percent to \$126.5 million from \$120 million in the corresponding 2023-period. Apart from higher depreciation and amortization expenses on drilling and other equipment, greater direct costs

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in the 2024-quarter were largely due to increased equipment rentals associated with RSS activity in Canada and greater equipment repair costs. In the first half of the 2024-year, direct costs, like consolidated revenue, were relatively flat compared to the corresponding 2023-period.

For the three and six-month periods ended June 30, 2024, depreciation and amortization expenses on drilling and other equipment increased by 16 percent and 13 percent, respectively. The increase in both 2024-periods was primarily driven by the volume of fixed assets acquired as part of PHX Energy's 2023 and 2024 capital expenditure program.

In the three and six-month periods of 2024, gross profit as a percentage of revenue excluding depreciation and amortization⁽¹⁾ declined to 26 percent and 27 percent, respectively, from 30 percent and 28 percent in the corresponding 2023-period. Lower overall average revenue per day and higher equipment repair costs and rentals mainly contributed to the decrease in profitability in both 2024-periods.

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Selling, general and administrative ("SG&A") costs	13,824	15,522	(11)	34,841	31,078	12
Cash-settled share-based compensation (included in SG&A costs)	1,403	2,556	(45)	7,113	3,930	81
Equity-settled share-based compensation (included in SG&A costs)	181	186	(3)	281	287	(2)
SG&A costs excluding share-based compensation as a percentage of revenue ⁽¹⁾	8%	8%		9%	8%	

For the three-month period ended June 30, 2024, SG&A costs were \$13.8 million, a decrease of 11 percent as compared to \$15.5 million in the corresponding 2023-period. Lower SGA costs in the 2024 three-month period are mainly attributable to the 45 percent decrease in cash-settled share-based compensation expense when compared to the 2023-quarter. For the six-month period ended June 30, 2024, SG&A costs were \$34.8 million, an increase of 12 percent as compared to \$31.1 million in the corresponding 2023-period. Higher SG&A costs in the 2024 six-month period were primarily due to greater cash-settled share-based compensation and personnel-related costs in the first quarter of 2024.

Cash-settled share-based compensation relates to the Corporation's retention awards and is measured at fair value. For the three and six-month periods ended June 30, 2024, the related compensation expense recognized by PHX Energy was \$1.4 million (2023 - \$2.6 million) and \$7.1 million (2023 - \$3.9 million), respectively. Changes in cash-settled share-based compensation expense in the 2024-periods were mainly driven by fluctuations in the Corporation's share price and the number of awards granted in the period. There were 1,563,114 retention awards outstanding as at June 30, 2024 (2023 - 2,100,746).

⁽¹⁾ Non-GAAP financial measure or ratio 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 and Other Financial Measures section of this MD&A.

Excluding share-based compensation, SG&A costs as a percentage of revenue⁽¹⁾ in the 2024 three and six-month periods were 8 percent and 9 percent, respectively, as compared to 8 percent in both corresponding 2023-periods.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Research and development expense	1,409	1,314	7	2,612	2,571	2

For the three and six-month periods ended June 30, 2024, PHX Energy's research and development ("R&D") expenditures were \$1.4 million (2023 - \$1.3 million) and \$2.6 million (2023 - \$2.6 million), respectively. Increased R&D expenditures in the 2024 three month-period were mainly due to greater prototype expenses incurred to support key projects and rising personnel related costs.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Finance expense	467	709	(34)	801	1,376	(42)
Finance expense lease liabilities	531	564	(6)	1,072	1,140	(6)

Finance expenses mainly relate to interest charges on the Corporation's credit facilities. For the three and six-month periods ended June 30, 2024, finance expenses decreased to \$0.5 million (2023 - \$0.7 million) and \$0.8 million (2023 - \$1.4 million), respectively, mainly due to lower amounts of loans and borrowings outstanding in both 2024-periods.

Finance expense lease liabilities relate to interest expense incurred on lease liabilities. For the three and six-month periods ended June 30, 2024, finance expense lease liabilities decreased by 6 percent in both periods, primarily due to expired leases.

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Net gain on disposition of drilling equipment	5,401	5,593	14,287	15,549
Foreign exchange gains (losses)	(159)	897	(287)	920
Bad debts	-	(1,223)	-	(1,223)
Other income	5,242	5,267	13,999	15,246

⁽¹⁾ Non-GAAP financial measure or ratio 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 and Other Financial Measures section of this MD&A.

For the three and six-month periods ended June 30, 2024, the Corporation recognized other income of \$5.2 million and \$14 million, respectively (2023 - \$5.3 million and \$15.2 million, respectively). In both periods, other income was mainly comprised of net gain on disposition of drilling equipment. 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. In both 2024-periods, similar instances of high dollar valued downhole equipment losses occurred as compared to the corresponding 2023-periods which resulted in comparable levels of net gains on disposition of drilling and other equipment recognized.

Foreign exchange losses of \$0.2 million and \$0.3 million in the three and six-month periods of 2024, respectively (2023 – gains of \$0.9 million in both periods), were primarily due to the revaluation of USD-denominated trade and other payables.

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Provision for income taxes	3,872	4,797	9,160	8,338
Effective tax rates ⁽³⁾	23%	21%	23%	17%

For the three-month period ended June 30, 2024, the Corporation reported income tax provision of \$3.9 million (2023 - \$4.8 million), of which, \$8.1 million was current and a recovery of \$4.2 million was deferred. For the six-month period ended June 30, 2024, PHX Energy recognized provision for income taxes of \$9.2 million (2023 - \$8.3 million), of which, \$10.1 million was current and a recovery of \$0.9 million was deferred. In both 2024-periods, PHX Energy's effective tax rate⁽³⁾ is 23 percent which is in line with the combined US federal and state corporate income tax rate of 24.5 percent and combined Canadian federal and provincial income tax rate of 23 percent. In the 2023 three and six-month periods, PHX Energy's effective tax rate of 21 percent and 17 percent, respectively, are lower than the combined US federal and state corporate income tax rate 24.5 percent and combined Canadian federal and provincial income tax rate of 23 percent, due to the recognition of previously unrecognized deferred tax assets that were applied to income for tax purposes in Canada.

⁽³⁾ Supplementary financial 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 and Other Financial Measures section of this MD&A.

Segmented Information

The Corporation reports two operating segments on a geographical basis throughout the Gulf Coast, Northeast and Rocky Mountain regions of the US and throughout the Western Canadian Sedimentary Basin (*refer to the "Changes in Material Accounting Policies" section of this MD&A for the change in operating segments*). Revenue generated through the Corporation's technology partnership and sales and lease agreement for the Middle East and North Africa ("MENA") regions are included in the US division's results.

United States

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Directional drilling services	105,226	109,564	(4)	208,632	224,310	(7)
Motor rental	9,630	12,169	(21)	17,555	22,401	(22)
Sale of motor equipment and parts	1,134	3,221	(65)	3,953	3,910	1
Total US revenue	115,990	124,954	(7)	230,140	250,621	(8)
Reportable segment profit before tax	14,223	24,037	(41)	30,818	39,959	(23)

In the second quarter and first half of 2024, US industry rig count continued to soften and trended lower than its five-year average. This softening led to weakened levels of drilling and motor rental activities for the US division and consequently to lower levels of revenue and profitability. For the three and six-month periods ended June 30, 2024, the US segment's revenue was \$116 million and \$230.1 million, a decline of 7 percent and 8 percent as compared to \$125 million and \$250.6 million in the corresponding 2023-periods.

The US division's activity in both 2024-periods did not contract to the same extent as the industry, and this resilience was driven by the reliable performance, strong demand and reputation of the Corporation's premium technologies and team of operating and marketing personnel. In the 2024-quarter, there were 586 active horizontal and directional rigs per day in the US industry which is a 16 percent decrease from the 701 rigs per day in the second quarter of 2023 and 4 percent lower than the industry activity recorded in the first quarter of 2024. The Corporation's US directional drilling activity in the second quarter was only down 5 percent, 4,146 operating days, when compared to 4,364 days in the same 2023-quarter and 1 percent as compared to the 4,168 days in the first quarter of 2024. For the six-month period ended June 30, 2024, PHX Energy's US drilling activity decreased 9 percent to 8,313 operating days as compared to 9,184 days in the same 2023-period whereas US industry horizontal and directional rig count decreased by 17 percent. In the first half of 2024, the US division was active in the Permian, Scoop/Stack, Marcellus, Utica, and Bakken basins.

In both the three and six-month periods of 2024, the US division's average revenue per day⁽³⁾ for directional drilling services was relatively flat. Quarter-over quarter, the US division's average revenue per day for directional drilling services marginally increased by 1 percent to \$25,383 compared to \$25,109 and in the 2024 six-month period, average revenue per day for directional drilling services increased 3 percent to \$25,097 from \$24,425 in the same 2023-period. The strong US dollar in both 2024-periods favorably affected the average revenue per day. Omitting the impact of foreign exchange, the average revenue per day for directional drilling services decreased by 1 percent and increased by 2 percent in the 2024 three and six-month periods, respectively.

In the second quarter and first half of 2024, in line with the softening US rig count, the US segment's Atlas motor rental activity was weaker. The Corporation generated motor rental revenue of \$9.6 million and \$17.6 million in the three and six-month periods of 2024, respectively. This represents decreases of 21 percent and 22 percent, respectively, from the \$12.2 million and \$22.4 million generated in the corresponding 2023-periods.

In the 2024 three and six-month periods, PHX Energy generated revenue of \$1.1 million and \$4 million from the sale of Atlas motors and parts (2023 - \$3.2 million and \$3.9 million, respectively).

For the three and six-month periods ended June 30, 2024, the US segment's reportable segment income before tax were \$14.2 million and \$30.8 million, a decrease of 41 percent and 23 percent as compared to \$24 million and \$40 million in the corresponding 2023-periods. Apart from lower activity, the decline in profitability was primarily due to rising personnel-related costs, higher equipment repairs and rentals, and greater depreciation expenses in the 2024-periods.

⁽³⁾ Supplementary financial 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 and Other Financial Measures section of this MD&A.

Canada

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Directional drilling services	37,858	30,192	25	89,510	69,919	28
Motor rental	382	472	(19)	703	1,101	(36)
Total Canadian revenue	38,240	30,664	25	90,213	71,020	27
Reportable segment profit before tax	2,549	2,167	18	11,223	10,462	7

In the 2024-quarter, the Corporation's Canadian operations generated revenue of \$38.2 million, its highest level of second quarter revenue on record and a 25 percent increase compared to \$30.7 million generated in the 2023-quarter. In the 2024 six-month period, Canadian division revenue was \$90.2 million, a 27 percent increase as compared to \$71 million in the 2023-period.

In both 2024-periods, PHX Energy's Canadian segment's activity growth far outpaced that of the industry. For the three and six-month periods ended June 30, 2024, the Canadian segment's operating days grew by 24 percent and 23 percent to 2,682 days and 6,540 days, respectively, as compared to 2,162 days and 5,297 days in the corresponding 2023-periods. In comparison, industry horizontal and directional drilling activity (as measured by drilling days) increased by 17 percent to 11,693 days in the 2024 three-month period and by 4 percent to 29,065 days in the 2024 six-month period. Activity growth in the 2024-periods were largely attributable to the Canadian segment's increased RSS activity and client base expansion. In the first half of 2024, the Corporation was active in the Duvernay, Montney, Glauconite, Frobisher, Cardium, Viking, Bakken, Torquay, Colony, Ellerslie, Charlie Lake, and Scallion basins.

For the three and six-month period ended June 30, 2024, the Canadian division's average revenue per day⁽³⁾ for directional drilling services increased by 17 percent and 10 percent, respectively, to \$16,303 and \$14,585 from \$13,964 and \$13,201 in the corresponding 2023-periods. These increases were mainly due to greater RSS activity in both 2024-periods.

In the second quarter and first half of 2024, the Corporation's Canadian division recognized reportable segment profit before tax of \$2.5 million (2023 – \$2.2 million) and \$11.2 million (2023 – \$10.5 million), respectively. Despite increased revenue and activity, the increase in profitability was only marginal mainly due to higher depreciation expenses, greater equipment repair costs, and increased rentals associated with RSS activity growth.

⁽³⁾ Supplementary financial 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 and Other Financial Measures section of this MD&A.

Liquidity

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Cash flows from operating activities	39,317	22,633	50,484	26,341
Funds from operations ⁽²⁾	24,313	30,248	50,453	56,985
			Jun. 30, '24	Dec. 31, '23
Working capital ⁽²⁾			75,052	93,915
Net debt (Net cash) ⁽²⁾			(4,149)	(8,869)

In the 2024 three and six-month periods, cash flow from operating activities increased to \$39.3 million and \$50.5 million as compared to \$22.6 million and \$26.3 million in the comparable 2023-periods. The increase was primarily due to the lower levels of trade and other receivables at the end of the 2024-quarter. For the three and six-month periods ended June 30, 2024, funds from operations were \$24.3 million and \$50.5 million as compared to \$30.2 million and \$57 million in the comparable 2023-periods. The decrease in funds from operations in both 2024-periods mainly resulted from lower levels of profitability.

As at June 30, 2024, the Corporation had working capital of \$75.1 million, a decrease of \$18.9 million from the \$93.9 million reported at December 31, 2023. The decrease in working capital at June 30, 2024 was primarily due to lower levels of trade and other receivables and higher levels of current tax liability. Net cash⁽²⁾ as at June 30, 2024 was \$4.1 million, a decrease of \$4.7 million from the net cash of \$8.9 million reported at December 31, 2023. The decrease in net cash was partly due to acquisitions of drilling and other equipment and dividends paid in the first half of 2024.

⁽²⁾ Capital management 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 and Other Financial Measures section of this MD&A.

Cash Flow, Dividends, and ROCS

In December 2020, PHX Energy reinstated its quarterly dividend program. In November 2022, PHX Energy's Board approved a refinement of its shareholder return strategy in the form of ROCS which will potentially allow up to 70 percent of 2024 excess cash flow⁽²⁾ to be used for shareholder returns, including the base dividend program, share buy backs and potential special dividends. The Board will continually review the dividend program and its ROCS and take into consideration, without limitation, the Corporation's financial performance, forecasted activity levels and the industry outlook. The actual amount of future quarterly dividends, if any, remains subject to the approval of and declaration by the Board. The Board reviews the Corporation's dividend policy in conjunction with their review of quarterly financial and operating results. The Corporation's ability to maintain the current level of dividends to its shareholders is dependent upon the realization of cash flow from operating activities, among other considerations, and if the Corporation does not meet its budgeted cash flow from operating activities, dividends to shareholders may be reduced or suspended entirely.

For the three-month period ended June 30, 2024, dividend payments of \$9.5 million (2023 - \$7.7 million) were financed from the Corporation's cash flows from operating activities. On June 14, 2024, the Corporation declared a dividend of \$0.20 per common share, which is 33 percent higher than the dividend declared on June 15, 2023. An aggregate of \$9.4 million was paid on July 15, 2024 to shareholders of record at the close of business on June 28, 2024.

During the third quarter of 2023, the TSX approved the renewal of PHX Energy's NCIB to purchase for cancellation, from time-to-time, up to a maximum of 3,552,810 common shares, representing 10 percent of the Corporation's public float of Common Shares as at August 2, 2023. The NCIB commenced on August 16, 2023 and will terminate on August 15, 2024. 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, 358,300 common shares were purchased by the Corporation for \$3.1 million and cancelled in the second quarter of 2024 (2023 – 267,800 common shares, \$1.6 million cash). Subsequent to June 30, 2024, the Corporation purchased 710,821 common shares for \$7 million.

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

⁽²⁾ Capital management 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 and Other Financial Measures section of this MD&A.

Investing Activities

Net cash used in investing activities for the three-month period ended June 30, 2024 was \$27.7 million as compared to \$5.7 million in the 2023-period. During the second quarter of 2024, the Corporation spent \$24.5 million (2023 - \$4.9 million) to grow the Corporation's fleet of drilling equipment, \$2 million (2023 - \$3.9 million) was used to maintain capacity in the Corporation's fleet of drilling and other equipment, and \$0.2 million was used to replace equipment lost downhole during drilling operations (2023 - \$3.3 million). With proceeds on disposition of drilling and other equipment of \$7.4 million (2023 - \$8.6 million), the Corporation's net capital expenditures⁽²⁾ for the 2024-quarter were \$19.4 million (2023 - \$3.5 million).

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Growth capital expenditures ⁽³⁾	24,513	4,931	48,737	14,885
Maintenance capital expenditures ⁽³⁾ from asset retirements	2,029	3,860	6,170	8,718
Maintenance capital expenditures ⁽³⁾ from downhole equipment losses	238	3,281	1,513	7,051
	26,780	12,072	56,420	30,654
Deduct:				
Proceeds on disposition of drilling equipment	(7,409)	(8,589)	(19,710)	(21,007)
Net capital expenditures ⁽²⁾	19,371	3,483	36,710	9,647

The 2024-period capital expenditures comprised of:

- \$11.6 million in downhole performance drilling motors;
- \$7.8 million in RSS;
- \$6.3 million in MWD systems and spare components; and
- \$1.1 million in machinery and equipment and other assets.

The change in non-cash working capital balances of \$8.3 million (use of cash) for the three-month period ended June 30, 2024, relates to the net change in the Corporation's trade payables that are associated with the acquisition of capital assets. This compares to \$2.2 million (use of cash) for the three-month period ended June 30, 2023.

⁽²⁾ Capital management 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 and Other Financial Measures section of this MD&A.

⁽³⁾ Supplementary financial 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 and Other Financial Measures section of this MD&A.

Financing Activities

For the three-month period ended June 30, 2024, net cash used in financing activities was \$11.3 million as compared to \$12 million in the 2023-period. In the 2024-period:

- dividends of \$9.5 million were paid to shareholders;
- 358,300 shares were repurchased and cancelled under the NCIB for \$3.1 million;
- payments of \$0.9 million were made towards lease liabilities;
- \$2.1 million net drawings were made from the Corporation's syndicated credit facility; and
- 50,000 common shares were issued from treasury for proceeds of \$0.1 million upon the exercise of share options.

Capital Resources

As of June 30, 2024, the Corporation had CAD \$9.7 million drawn on its Canadian credit facilities, nothing drawn on its US operating facility, and a cash balance of \$13.8 million. As at June 30, 2024, the Corporation had CAD \$85 million and USD \$20 million available from its credit facilities. The credit facilities are secured by substantially all of the Corporation's assets and mature in December 2026.

As at June 30, 2024, the Corporation was in compliance with all its financial covenants. Under the syndicated credit agreement, in any given period, the Corporation's distributions (as defined therein) cannot exceed its maximum aggregate amount of distributions limit as defined in the Corporation's syndicated credit agreement. Distributions include, without limitation, dividends declared and paid, cash used for common shares purchased by the independent trustee in the open market and held in trust for potential settlement of outstanding retention awards, as well as cash used for common shares repurchased and cancelled under the NCIB.

Cash Requirements for Capital Expenditures

Historically, the Corporation has financed its capital expenditures and acquisitions through cash flows from operating activities, proceeds on disposition of drilling equipment, debt and equity. With \$5 million carried over from the 2023 capital expenditure budget and the previously announced preliminary 2024 capital expenditure program of \$70 million, PHX Energy anticipates spending \$75 million of capital expenditures in 2024. Of the total expenditures, \$62.8 million is targeted to be spent on growth and \$12.2 million is expected to be allocated to maintain capacity in the existing fleet of drilling and other equipment and

replace equipment lost downhole during drilling operations. The amount expected to be allocated towards replacing equipment lost downhole could increase should more downhole equipment losses occur throughout the year.

These planned expenditures are expected to be financed from cash flow from operating activities, proceeds on disposition of drilling equipment, cash and cash equivalents, and the Corporation's credit facilities, if necessary. However, if a sustained period of market uncertainty and financial market volatility persists in 2024, the Corporation's activity levels, cash flows and access to credit may be negatively impacted, and the expenditure level would be reduced accordingly where possible. Conversely, if future growth opportunities present themselves, the Corporation would look at expanding this planned capital expenditure amount.

As at June 30, 2024, the Corporation has commitments to purchase drilling and other equipment for \$18.6 million. The majority of deliveries are expected to occur throughout the remainder of the 2024-year.

Off-Balance Sheet Arrangements

The Corporation had no material off-balance sheet arrangements as at June 30, 2024 and 2023.

Proposed Transactions

The Corporation regularly reviews and evaluates possible strategic material business or asset acquisitions or capital asset divestitures in the normal course of its operations.

Critical Accounting Estimates and Judgments

The consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Corporation's significant accounting policies are described in its annual audited consolidated financial statements for the year ended December 31, 2023.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing the condensed consolidated interim financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty have not changed significantly since December 31, 2023.

Changes in Material Accounting Policies

The condensed consolidated interim financial statements have been prepared utilizing the same material accounting policies and methods as the consolidated financial statements of the Corporation for the year ended December 31, 2023.

In the first quarter of 2024, management determined that the previously disclosed international segment no longer met the definition of a reportable segment. The international segment was formerly comprised of PHX Energy's Russia and Albania divisions. The Russian division was disposed of on June 30, 2022. As a result of the internal realignment, the results of the Albania division are no longer regularly reviewed by the Corporation's chief operating decision makers. The results of the Albania division also do not exceed the quantitative thresholds in IFRS 8, Operating Segments. Accordingly, the results of the international segment are no longer presented separately and are included within the Canada segment. The comparative segment disclosures have been restated to align with the reportable segment presentation adopted in the current periods.

Business Risk Factors

The business risk factors applicable to the Corporation have not materially changed since December 31, 2023. Refer to the "Business Risk Factors" section of the MD&A in PHX Energy's 2023 Annual Report as well as in the Corporation's most recent Annual Information Form under the heading "*Risk Factors*", which is available under the Corporation's profile at www.sedarplus.ca.

Corporate Governance

This MD&A has been prepared by the management of PHX Energy and it has been reviewed and approved by the Audit Committee and the Board of the Corporation. Additional information relating to the Corporation's Corporate Governance can

be found in the Corporation's AIF and in its Information Circular in respect of its annual meeting of Shareholders, each of which are annually filed on SEDAR+ at www.sedarplus.ca.

Disclosure Controls and Procedures

The Corporation's Chief Executive Officer and Chief Financial Officer (the "Certifying Officers") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to the Corporation's management, including the Certifying Officers, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

The Corporation's Certifying Officers have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR"), as defined in NI 52-109, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Corporation. ICFR includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the annual financial statements or interim financial reports.

The control framework used to design and evaluate the Corporation's ICFR is "Internal Control - Integrated Framework (2013)" published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

There were no changes in the Corporation's ICFR that occurred during the period from April 1, 2024 to June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

While the Certifying Officers believe that the Corporation's ICFR provide a reasonable level of assurance and are effective, they do not expect that the ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Outstanding Corporation Share Data

<i>(In thousands of shares)</i>	As at August 6, 2024
Total common shares outstanding	46,532,783
Dilutive securities:	
Options	991,667
Corporation shares – diluted	47,524,450

Summary of Quarterly Results

(Stated in thousands of dollars except per share amounts)

	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
Revenue	154,230	166,123	165,332	169,368	155,618	166,022	157,758	142,418
Earnings	12,913	17,454	33,134	24,921	18,108	22,417	20,333	13,475
Earnings per share – basic	0.27	0.37	0.69	0.50	0.35	0.44	0.40	0.27
Earnings per share – diluted	0.26	0.37	0.68	0.50	0.35	0.42	0.39	0.27
Dividends paid	9,498	9,453	7,277	7,621	7,656	7,636	5,078	3,797
Cash and cash equivalents	13,798	13,380	16,433	14,845	20,080	15,502	18,247	27,024
Loans and borrowings	9,649	7,547	7,564	18,302	27,685	29,847	22,731	24,000

Non-GAAP and Other Financial Measures

Non-GAAP Financial Measures and Ratios

a) **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 and other write-offs, equity-settled 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 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 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 earnings to adjusted EBITDA:

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Earnings:	12,913	18,108	30,366	40,526
Add:				
Depreciation and amortization drilling and other equipment	11,142	9,621	21,461	18,938
Depreciation and amortization right-of-use asset	857	827	1,706	1,235
Provision for income taxes	3,872	4,797	9,160	8,338
Finance expense	467	709	801	1,376
Finance expense lease liability	531	564	1,072	1,140
Equity-settled share-based payments	181	186	281	287
Unrealized foreign exchange loss (gain)	86	(10)	234	(36)
Adjusted EBITDA	30,049	34,802	65,081	71,804

b) Adjusted EBITDA Per Share - Diluted

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 - dilutive is based on the adjusted EBITDA as reported in the table above divided by the diluted number of shares outstanding at the period end.

c) Adjusted EBITDA as a Percentage of Revenue

Adjusted EBITDA as a percentage of revenue is calculated by dividing the adjusted EBITDA as reported in the table above by revenue as stated on the Condensed Consolidated Interim Statements of Comprehensive Earnings.

d) Adjusted EBITDA Excluding Cash-settled Share-based Compensation Expense

Adjusted EBITDA excluding cash-settled share-based compensation expense is calculated by adding cash-settled share-based compensation expense to adjusted EBITDA as described above. Management believes that this measure provides supplemental information to earnings that is useful in evaluating the results of the Corporation's principal business activities before considering certain charges, how it was financed, how it was taxed in various countries, and without the impact of cash-settled share-based compensation expense that is affected by fluctuations in the Corporation's share price.

The following is a reconciliation of earnings to adjusted EBITDA excluding cash-settled share-based compensation expense:

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Earnings:	12,913	18,108	30,366	40,526
Add:				
Depreciation and amortization drilling and other equipment	11,142	9,621	21,461	18,938
Depreciation and amortization right-of-use asset	857	827	1,706	1,235
Provision for income taxes	3,872	4,797	9,160	8,338
Finance expense	467	709	801	1,376
Finance expense lease liability	531	564	1,072	1,140
Equity-settled share-based payments	181	186	281	287
Unrealized foreign exchange loss (gain)	86	(10)	234	(36)
Cash-settled share-based compensation expense	1,403	2,556	7,113	3,930
Adjusted EBITDA excluding cash-settled share-based compensation expense	31,452	37,358	72,194	75,734

e) Adjusted EBITDA Excluding Cash-settled Share-based Compensation Expense as a Percentage of Revenue

Adjusted EBITDA excluding cash-settled share-based compensation expense as a percentage of revenue is calculated by dividing adjusted EBITDA excluding cash-settled share-based compensation expense as reported above by revenue as stated on the Condensed Consolidated Interim Statements of Comprehensive Earnings.

f) Gross Profit as a Percentage of Revenue Excluding Depreciation & Amortization

Gross profit as a percentage of revenue excluding depreciation & amortization is defined as the Corporation's gross profit excluding depreciation and amortization divided by revenue and is used to assess operational profitability. This Non-GAAP ratio does not have a standardized meaning and is not a financial measure recognized under GAAP. PHX Energy's method of calculating gross profit as a percentage of revenue 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 revenue, direct costs, depreciation and amortization, and gross profit to gross profit as a percentage of revenue excluding depreciation and amortization:

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Revenue	154,230	155,618	320,353	321,641
Direct costs	126,456	119,870	255,500	251,858
Gross profit	27,774	35,748	64,853	69,783
Depreciation & amortization drilling and other equipment (included in direct costs)	11,142	9,621	21,461	18,938
Depreciation & amortization right-of-use asset (included in direct costs)	857	827	1,706	1,235
	39,773	46,196	88,020	89,956
Gross profit as a percentage of revenue excluding depreciation & amortization	26%	30%	27%	28%

g) SG&A Costs Excluding Share-Based Compensation as a Percentage of Revenue

SG&A costs excluding share-based compensation as a percentage of revenue is defined as the Corporation's SG&A costs excluding share-based compensation divided by revenue and is used to assess the impact of administrative costs excluding the effect of share price volatility. This Non-GAAP ratio does not have a standardized meaning and is not a financial measure recognized under GAAP. PHX Energy's method of calculating SG&A costs excluding share-based compensation as a percentage of revenue 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 SG&A costs, share-based compensation, and revenue to SG&A costs excluding share-based compensation as a percentage of revenue:

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
SG&A Costs	13,824	15,522	34,841	31,078
Deduct:				
Share-based compensation (included in SG&A)	1,584	2,742	7,394	4,217
	12,240	12,780	27,447	26,861
Revenue	154,230	155,618	320,353	321,641
SG&A costs excluding share-based compensation as a percentage of revenue	8%	8%	9%	8%

Capital Management Measures

a) 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 financial 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,	
	2024	2023	2024	2023
Cash flows from operating activities	39,317	22,633	50,484	26,341
Add (deduct):				
Changes in non-cash working capital	(15,832)	5,770	(1,248)	28,152
Interest paid	283	521	488	1,034
Income taxes paid	545	1,324	729	1,458
Funds from operations	24,313	30,248	50,453	56,985

b) Excess Cash Flow

Excess cash flow is defined as funds from operations (as defined above) less cash payment on leases, growth capital expenditures, and maintenance capital expenditures from downhole equipment losses and asset retirements, and increased by proceeds on disposition of drilling equipment. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses excess cash flow as an indication of the Corporation's ability to generate funds from its operations to support operations and grow 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 excess 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 cash flows from operating activities to excess cash flow:

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Cash flows from operating activities	39,317	22,633	50,484	26,341
Add (deduct):				
Changes in non-cash working capital	(15,832)	5,770	(1,248)	28,152
Interest paid	283	521	488	1,034
Income taxes paid	545	1,324	729	1,458
Cash payment on leases	(1,396)	(1,257)	(2,767)	(2,595)
	22,917	28,991	47,686	54,390
Proceeds on disposition of drilling equipment	7,409	8,589	19,710	21,007
Maintenance capital expenditures to replace downhole equipment losses and asset retirements	(2,267)	(7,141)	(7,683)	(15,769)
Net proceeds	5,142	1,448	12,027	5,238
Growth capital expenditures	(24,513)	(4,931)	(48,737)	(14,885)
Excess cash flow	3,546	25,508	10,976	44,743

c) Working Capital

Working capital is defined as the Corporation's current assets less its current liabilities and is used to assess the Corporation's short-term liquidity. This financial 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.

The following is a reconciliation of current assets and current liabilities to working capital:

(Stated in thousands of dollars)

	June 30, 2024	December 31, 2023
Current assets	196,435	207,040
Deduct:		
Current liabilities	(121,383)	(113,125)
Working capital	75,052	93,915

d) Net Debt (Net Cash)

Net debt is defined as the Corporation's loans and borrowings less cash and cash equivalents. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses net debt to provide insight as to the Corporation's ability to meet obligations as at the reporting date. PHX Energy's method of calculating net debt 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 loans and borrowings and cash and cash equivalents to net debt:

(Stated in thousands of dollars)

	June 30, 2024	December 31, 2023
Loans and borrowings	9,649	7,564
Deduct:		
Cash and cash equivalents	(13,798)	(16,433)
Net debt (Net cash)	(4,149)	(8,869)

e) Net Capital Expenditures

Net capital expenditures is comprised of total additions to drilling and other long-term assets, as determined in accordance with IFRS, less total proceeds from disposition of drilling equipment, as determined in accordance with IFRS. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses net capital expenditures to provide insight as to the Corporation's ability to meet obligations as at the reporting date. PHX Energy's method of calculating net debt 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 additions to drilling and other equipment and proceeds from disposition of drilling equipment to net capital expenditures:

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Growth capital expenditures	24,513	4,931	48,737	14,885
Maintenance capital expenditures from asset retirements	2,029	3,860	6,170	8,718
Maintenance capital expenditures from downhole equipment losses	238	3,281	1,513	7,051
	26,780	12,072	56,420	30,654
Deduct:				
Proceeds on disposition of drilling equipment	(7,409)	(8,589)	(19,710)	(21,007)
Net capital expenditures	19,371	3,483	36,710	9,647

f) Remaining Distributable Balance under ROCS

Remaining distributable balance under ROCS is comprised of 70% of excess cash flow as defined above less repurchases of shares under the Normal Course Issuer Bids in effect during the period and less the dividends paid to shareholders during the period. This financial measure does not have a standardized meaning and is not a financial measure recognized under GAAP. Management uses the remaining distributable balance under ROCS to provide insight as to the Corporation's ROCS strategy as at the reporting date. PHX Energy's method of calculating remaining distributable balance under ROCS 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 excess cash flow as defined above to remaining distributable balance under ROCS:

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Excess cash flow	3,546	25,508	10,976	44,743
70% of excess cash flow	2,482	17,856	7,683	31,320
Deduct:				
Dividends paid to shareholders	(9,498)	(7,656)	(18,951)	(15,292)
Repurchase of shares under the NCIB	(3,143)	(1,579)	(3,143)	(1,579)
Remaining Distributable Balance under ROCS	(10,159)	8,621	(14,411)	14,449

Supplementary Financial Measures

“Average consolidated revenue per day” is comprised of consolidated revenue, as determined in accordance with IFRS, divided by the Corporation's consolidated number of operating days. Operating days is defined under the “Definitions” section below.

“Average revenue per operating day” is comprised of revenue, as determined in accordance with IFRS, divided by the number of operating days.

“Dividends paid per share” is comprised of dividends paid, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

“Dividends declared per share” is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

“Effective tax rate” is comprised of provision for or recovery of income tax, as determined in accordance with IFRS, divided by earnings before income taxes, as determined in accordance with IFRS.

“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 - diluted is based on the funds from operations as reported in the table above divided by the diluted number of shares outstanding at period end.

Definitions

“Operating days” throughout this document, it is referring to the billable days on which PHX Energy is providing services to the client at the rig site.

“Capital expenditures” equate to the Corporation's total acquisition of drilling and other equipment as stated on the Condensed Consolidated Statements of Cash Flows and Note 6(a) in the Notes to the Condensed Consolidated Financial Statements.

“Growth capital expenditures” are capital expenditures that were used to expand capacity in the Corporation's fleet of drilling equipment.

“Maintenance capital expenditures” are capital expenditures that were used to maintain capacity in the Corporation's fleet of drilling equipment and replace equipment that were lost downhole during drilling operations.

Cautionary Statement Regarding Forward-Looking Information and Statements

This MD&A 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 MD&A 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 MD&A should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this MD&A.

In particular, forward-looking information and statements contained in this MD&A include, without limitation:

- The Corporation's intent to preserve balance sheet strength and continue to reward shareholders, including through its dividend program, the ROCS program and NCIB, including intentions with respect to purchases thereunder and the effects of repurchases under the NCIB.
- The Corporation's intention to make an application to the TSX for renewal of its NCIB for a further one-year term and, subject to TSX approval, the intention to continue the current strategy of leveraging the NCIB to its fullest as a tool to further reward shareholders under ROCS.
- The expectation that future cash flow will compensate for the negative balance of the remaining distributable balance under ROCS in the quarter and that the remaining distributable balance under ROCS will be positive in the later half of the year.
- The expectation that the majority of equipment on order as at June 30, 2024 will be delivered within the current year.

- The approved capital expenditure budget for the 2024-year, excluding proceeds on disposition of drilling equipment, is \$75 million, which includes \$5 million of carryover from the 2023 budget. Of the total expenditures, \$62.8 million is expected to be allocated to growth capital and the remaining \$12.2 million is expected to be allocated towards maintenance of the existing fleet of drilling and other equipment and replacement of equipment lost downhole during drilling operations.
- The planned expenditures are expected to be financed from cash flow from operating activities, proceeds on disposition of drilling equipment, cash and cash equivalents, and the Corporation's credit facilities, if necessary.

The above are stated under the headings: "Financial Results", "Dividends and ROCS", "Capital Spending", "Liquidity", and "Cash Requirements for Capital Expenditures". In addition, all information contained under the headings "Outlook", "Critical Accounting Estimates and Judgements", and "Business Risk Factors" sections of this MD&A may contain forward-looking statements.

In addition to other material factors, expectations and assumptions which may be identified in this MD&A and other continuous disclosure documents of the Corporation referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, without limitation, that: the Corporation will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions and the accuracy of the Corporation's market outlook expectations for 2024 and in the future; that future business, regulatory and industry conditions will be within the parameters expected by the Corporation, anticipated financial performance, business prospects, impact of competition, strategies, the general stability of the economic and political environment in which the Corporation operates; the potential impact of pandemics, the Russian-Ukrainian war, Middle-East conflict and other world events on the global economy, specifically trade, manufacturing, supply chain, inflation 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, and inflationary pressures including the potential for further interest rate hikes by global central banks and the impact on financing charges and foreign exchange and the anticipated global economic response to concerted interest rate hikes; 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.sedarplus.ca) or at the Corporation's website. The forward-looking statements and information contained in this MD&A 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.

Condensed Consolidated Interim Statements of Financial Position

(Stated in thousands of dollars, unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash	\$ 13,798	\$ 16,433
Trade and other receivables	114,756	121,334
Inventories	63,727	63,173
Prepaid expenses	4,154	2,409
Current tax assets	-	3,691
Total current assets	196,435	207,040
Non-current assets:		
Drilling and other long-term assets (Note 6)	162,063	128,263
Right-of-use assets	26,014	27,056
Intangible assets	13,292	14,200
Investments (Note 10)	2,171	3,001
Other long-term assets	1,332	1,284
Deferred tax assets	8,066	4,650
Total non-current assets	212,938	178,454
Total assets	\$ 409,373	\$ 385,494
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade and other payables	\$ 103,086	\$ 100,438
Dividends payable (Note 8d)	9,437	9,453
Lease liability	3,386	3,234
Current tax liability	5,474	-
Total current liabilities	121,383	113,125
Non-current liabilities:		
Lease liability	32,884	33,972
Loans and borrowings (Note 7)	9,649	7,564
Deferred tax liability	19,927	16,822
Other (Note 8c)	1,659	4,042
Total non-current liabilities	64,119	62,400
Equity:		
Share capital (Note 8a)	220,633	222,653
Contributed surplus	7,147	7,168
Deficit	(34,264)	(45,695)
Accumulated other comprehensive income	30,355	25,843
Total equity	223,871	209,969
Total liabilities and equity	\$ 409,373	\$ 385,494

See accompanying notes to unaudited condensed consolidated interim financial statements, commitments (Note 6b)

Condensed Consolidated Interim Statements of Comprehensive Earnings

(Stated in thousands of dollars except earnings per share, unaudited)

	Three-month periods ended		Six-month periods ended	
	2024	June 30, 2023	2024	June 30, 2023
Revenue (Note 4)	\$ 154,230	\$ 155,618	\$ 320,353	\$ 321,641
Direct costs	126,456	119,870	255,500	251,858
Gross profit	27,774	35,748	64,853	69,783
Expenses:				
Selling, general and administrative expenses	13,824	15,523	34,841	31,078
Research and development expenses	1,409	1,314	2,612	2,571
Finance expense	467	709	801	1,376
Finance expense lease liability	531	564	1,072	1,140
Other income (Note 9)	(5,242)	(5,267)	(13,999)	(15,246)
	10,989	12,843	25,327	20,919
Earnings before income taxes	16,785	22,905	39,526	48,864
Provision for income taxes				
Current	8,067	5,251	10,053	7,975
Deferred	(4,195)	(454)	(893)	363
	3,872	4,797	9,160	8,338
Net earnings	12,913	18,108	30,366	40,526
Other comprehensive income				
Foreign currency translation, net of tax	1,769	(4,522)	5,342	(4,629)
Equity investment loss through AOCI (Note 10)	(830)	-	(830)	-
Total comprehensive earnings	\$ 13,852	\$ 13,586	\$ 34,878	\$ 35,897
Earnings per share – basic	\$ 0.27	\$ 0.35	\$ 0.64	\$ 0.79
Earnings per share – diluted	\$ 0.26	\$ 0.35	\$ 0.64	\$ 0.77

See accompanying notes to unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

(Stated in thousands of dollars except share capital numbers, unaudited)

Six-month period ended June 30, 2024	Share Capital		Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
	Number	Amount (\$)				
Balance, December 31, 2023	47,260,472	\$ 222,653	\$ 7,168	\$ 25,843	\$ (45,695)	\$ 209,969
Issuance of share capital on exercise of options	277,533	821	-	-	-	821
Common shares repurchased and cancelled	(358,300)	(3,143)	-	-	-	(3,143)
Share-based payments	-	-	281	-	-	281
Fair value of options exercised	-	302	(302)	-	-	-
Net earnings	-	-	-	-	30,366	30,366
Foreign currency translation, net of tax	-	-	-	5,342	-	5,342
Equity investment loss through AOCI (Note 10)	-	-	-	(830)	-	(830)
Dividends	-	-	-	-	(18,935)	(18,935)
Balance, June 30, 2024	47,179,705	\$ 220,633	\$ 7,147	\$ 30,355	\$ (34,264)	\$ 223,871
Six-month period ended June 30, 2023	Share Capital		Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
	Number	Amount (\$)				
Balance, December 31, 2022	50,896,175	\$ 251,345	\$ 7,044	\$ 30,610	\$ (112,120)	\$ 176,879
Issuance of share capital on exercise of options	165,000	349	-	-	-	349
Issuance of share capital from trust on settlement of retention awards	121,763	955	-	-	-	955
Common shares repurchased and cancelled	(267,800)	(1,579)	-	-	-	(1,579)
Common shares purchased and held in trust	(114,000)	(612)	-	-	-	(612)
Share-based payments	-	-	287	-	-	287
Fair value of options exercised	-	142	(142)	-	-	-
Net earnings	-	-	-	-	40,526	40,526
Foreign currency translation, net of tax	-	-	-	(4,629)	-	(4,629)
Dividends	-	-	-	-	(15,426)	(15,426)
Balance, June 30, 2023	50,801,138	\$ 250,600	\$ 7,189	\$ 25,981	\$ (87,020)	\$ 196,750

See accompanying notes to unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(Stated in thousands of dollars, unaudited)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Cash flows from operating activities:				
Earnings	\$ 12,913	\$ 18,108	\$ 30,366	\$ 40,526
Adjustments for:				
Depreciation and amortization	11,142	9,621	21,461	18,938
Depreciation and amortization right-of-use asset	857	827	1,706	1,235
Provision for income taxes	3,872	4,797	9,160	8,338
Unrealized foreign exchange (gain) loss	86	(10)	234	(36)
Net gain on disposition of drilling equipment (Note 9)	(5,401)	(5,593)	(14,287)	(15,549)
Equity-settled share-based payments	181	186	281	287
Finance expense	467	709	801	1,376
Finance expense lease liability	531	564	1,072	1,140
Provision for bad debts	-	1,223	-	1,223
Provision for inventory obsolescence	196	379	731	648
Interest paid on lease liability	(531)	(564)	(1,072)	(1,140)
Interest paid	(283)	(521)	(488)	(1,034)
Income taxes paid	(545)	(1,324)	(729)	(1,458)
Change in non-cash working capital	15,832	(5,770)	1,248	(28,152)
Net cash from operating activities	39,317	22,632	50,484	26,342
Cash flows from investing activities:				
Proceeds on disposition of drilling equipment	7,409	8,589	19,710	21,007
Acquisition of drilling and other equipment	(26,780)	(12,071)	(56,420)	(30,654)
Change in non-cash working capital	(8,287)	(2,194)	4,182	(1,053)
Net cash used in investing activities	(27,658)	(5,676)	(32,528)	(10,700)
Cash flows from financing activities:				
Dividends paid to shareholders	(9,498)	(7,656)	(18,951)	(15,292)
Repurchase of shares under the NCIB	(3,143)	(1,579)	(3,143)	(1,579)
Payments of lease liability	(865)	(693)	(1,695)	(1,455)
Net proceeds from (net repayment of) loans and borrowings	2,060	(2,157)	2,000	5,168
Proceeds from exercise of options	110	83	821	349
Purchase of shares held in trust	-	-	-	(612)
Net cash used in financing activities	(11,336)	(12,002)	(20,968)	(13,421)
Net increase (decrease) in cash	323	4,954	(3,012)	2,221
Cash, beginning of period	13,380	15,502	16,433	18,247
Effect of movements in exchange rates on cash held	95	(376)	377	(388)
Cash, end of period	\$ 13,798	\$ 20,080	\$ 13,798	\$ 20,080

See accompanying notes to unaudited condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements **For the three and six-month periods ended June 30, 2024 and 2023**

1. Reporting Entity

PHX Energy Services Corp. (“PHX Energy” or the “Corporation”) is a publicly-traded Corporation listed on the Toronto Stock Exchange (“TSX”) under the symbol “PHX”. The Corporation’s registered office is at Suite 1600, 215 – 9th Avenue SW Calgary, Alberta, Canada.

The Corporation, through its subsidiaries, provides horizontal and directional drilling services, rents performance drilling motors, and sells motor equipment and parts to oil and natural gas exploration and development companies in Canada, United States, Albania, and the Middle East regions. The Corporation also develops and manufactures technologies that are made available for internal operational use.

The condensed consolidated interim financial statements include the accounts of the Corporation and its wholly owned subsidiaries.

2. Basis of Preparation

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Corporation as at and for the year ended December 31, 2023.

These condensed consolidated interim financial statements were authorized by the Board of Directors on August 6, 2024.

b) Basis of Measurement

The condensed consolidated interim financial statements have been prepared on a going concern basis using the historical cost basis except for liabilities for cash-settled share-based payment arrangements and investments, which are measured at fair value.

c) Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in thousands of Canadian dollars (“CAD”), which is the Corporation’s functional currency, unless otherwise stated.

d) Use of Estimates and Judgments

The preparation of the condensed consolidated interim financial statements in conformity with accounting standards as issued by IFRS requires management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the estimates and judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty have not changed significantly since December 31, 2023.

3. Material Accounting Policies

These condensed consolidated interim financial statements have been prepared utilizing the same material accounting policies and methods as the consolidated financial statements of the Corporation for the year ended December 31, 2023.

Management has determined that the previously disclosed international segment no longer meets the definition of a reportable segment. The international segment was formerly comprised of PHX Energy’s Russia and Albania divisions. The Russian division was disposed of on June 30, 2022. As a result of the internal realignment, the results of the Albania division are no longer regularly reviewed by the Corporation’s chief operating decision makers. The results of the Albania division also do not exceed the quantitative thresholds in IFRS 8, Operating Segments. Accordingly, the results of the international segment are no longer presented separately and are included within the Canada segment. The comparative segment disclosures have been restated to align with the reportable segment presentation adopted in the current period.

4. Revenue

The Corporation generates revenue primarily from the provision of directional drilling services to clients. Other sources of revenue include rental of performance drilling motors and sale of motor equipment and parts.

<i>(Stated in thousands of dollars)</i>	Canada		United States		Total	
Three-month periods ended June 30,	2024	2023	2024	2023	2024	2023
Directional drilling services	37,858	30,192	105,226	109,564	143,084	139,756
Motor rental	382	472	9,630	12,169	10,012	12,641
Sale of motor equipment and parts	-	-	1,134	3,221	1,134	3,221
Total revenue	38,240	30,664	115,990	124,954	154,230	155,618

<i>(Stated in thousands of dollars)</i>	Canada		United States		Total	
Six-month periods ended June 30,	2024	2023	2024	2023	2024	2023
Directional drilling services	89,510	69,919	208,632	224,310	298,142	294,229
Motor rental	703	1,101	17,555	22,401	18,258	23,502
Sale of motor equipment and parts	-	-	3,953	3,910	3,953	3,910
Total revenue	90,213	71,020	230,140	250,621	320,353	321,641

5. Operating Segments

The Corporation provides directional and horizontal oil and natural gas well drilling services. PHX Energy's reportable segments have been aligned as follows:

Information about reportable segments

<i>(Stated in thousands of dollars)</i>	Canada		United States		Total	
Three-month periods ended June 30,	2024	2023	2024	2023	2024	2023
Total revenue	38,240	30,664	115,990	124,954	154,230	155,618
Reportable segment profit before income taxes	2,549	2,167	14,223	24,037	16,772	26,204

<i>(Stated in thousands of dollars)</i>	Canada		United States		Total	
Six-month periods ended June 30,	2024	2023	2024	2023	2024	2023
Total revenue	90,213	71,020	230,140	250,621	320,353	321,641
Reportable segment profit before income taxes	11,223	10,462	30,818	39,959	42,041	50,421

<i>(Stated in thousands of dollars)</i>	Canada ⁽ⁱ⁾		United States ⁽ⁱ⁾		Total	
As at June 30,	2024	2023	2024	2023	2024	2023
Segment non-current assets	76,639	62,738	136,299	105,510	212,938	168,248
Total Assets	143,292	127,468	266,081	252,813	409,373	380,281

⁽ⁱ⁾June 30, 2024 includes USD \$0.8 million of assets physically located in the Middle East region (2023 – USD \$1.1 million).

⁽ⁱⁱ⁾June 30, 2024 includes CAD \$1.5 million of assets physically located in Albania (2023 – CAD \$1.3 million).

Reconciliation of reportable segment profit and other material items

<i>(Stated in thousands of dollars)</i>	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Reportable segment profit before income taxes	16,772	26,204	42,041	50,421
Corporate:				
Selling, general and administrative expenses	2,822	5,979	12,029	11,716
Research and development expenses	1,409	1,314	2,612	2,571
Finance expense	467	709	801	1,376
Finance expense lease liability	531	564	1,072	1,140
Other income	(5,242)	(5,267)	(13,999)	(15,246)
Earnings before income taxes	16,785	22,905	39,526	48,864

6. Drilling and Other Long-Term Assets

a) Acquisitions and Disposals

During the six-month period ended June 30, 2024, the Corporation acquired assets with a cost of \$56.4 million (2023 - \$30.7 million).

Assets with a carrying amount of \$5.4 million (2023 - \$5.5 million) were disposed of as a result of tools lost down hole and scrapped assets, resulting in a net gain on disposition of \$14.3 million (2023 - \$15.5 million), which is included in other income (see Note 9) in the condensed consolidated interim statement of comprehensive income.

b) Capital Commitments

As at June 30, 2024, the Corporation has entered into commitments to purchase drilling and other equipment for \$18.6 million; the majority of deliveries are expected to occur within the 2024-year.

7. Loans and Borrowings

a) Terms and Covenants

(Stated in thousands of dollars)

	Currency	Amount of Facility	Date of Maturity	Currency	Carrying Amount at June 30, 2024	Currency	Carrying Amount at December 31, 2023
Operating Facility	CAD	15,000	December 12, 2026	CAD	-	CAD	-
Syndicated Facility	CAD	80,000	December 12, 2026	CAD	9,649	CAD	7,564
Total CAD Facility	CAD	95,000		CAD	9,649	CAD	7,564
US Operating Facility	USD	20,000	December 12, 2026	USD	-	USD	-
Total USD Facility	USD	20,000		USD	-	USD	-

The carrying amount of loans and borrowings is presented net of borrowing costs amounting to \$0.4 million at June 30, 2024. Under the syndicated loan agreement, the Corporation is required to maintain certain financial covenants. As at June 30, 2024 the Corporation was in compliance with all of its financial covenants as follows:

Ratio	Covenant	June 30, 2024
Debt to covenant EBITDA	< 3.0x	0.07
Interest coverage ratio	> 3.0x	75.03

⁽ⁱ⁾Definitions for these terms are included in the credit agreement filed on SEDAR

Under the syndicated credit agreement, in any given period, the Corporation's distributions (as defined therein) cannot exceed its maximum aggregate amount of distributions limit as defined in the Corporation's syndicated credit agreement. Distributions include, without limitation, dividends declared and paid, cash used for common shares purchased by the independent trustee in the open market and held in trust for potential settlement of outstanding retention awards, as well as cash used for common shares repurchased and cancelled.

The facilities bear interest based primarily on the Corporation's debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio, as defined in the credit agreement. Interest on the operating facility is at the bank's prime rate plus one percent. Interest on the syndicated facility is at the Canadian Overnight Repo Rate Average ("CORRA") plus two percent.

As at June 30, 2024 the Corporation has CAD \$85 million and USD \$20 million available to be drawn from its credit facilities with a borrowing base limited to \$187.5 million. The credit facilities are secured by substantially all of the Corporation's assets.

8. Share Capital

a) Authorized and Issued Shares

The Corporation is authorized to issue an unlimited number of shares.

<i>(Stated in thousands of dollars except common shares outstanding)</i>	Number		Amount
Balance as at January 1, 2023	50,896,175	\$	251,345
Common shares repurchased and cancelled	(4,032,600)		(30,366)
Common shares repurchased and held in trust	(114,000)		(612)
Issued shares pursuant to retention awards plan	121,763		955
Issued shares pursuant to share option plan	389,134		1,331
Balance as at December 31, 2023	47,260,472	\$	222,653
Common shares repurchased and cancelled	(358,300)		(3,143)
Issued shares pursuant to share option plan	277,533		1,123
Balance as at June 30, 2024	47,179,705	\$	220,633

b) Share Option Program (Equity-Settled)

PHX Energy has a share option program that entitles key management personnel and other employees to purchase common shares in the Corporation. Grants under the plan vest as to one-third 6 months from the grant date, one-third 18 months from grant date and one-third 30 months from grant date. In accordance with these programs, options are exercisable using the five-day weighted-average trading price of the common shares ending immediately prior to the date of grant, or in the case of a US option holder, the trading price of the common shares ending immediately prior to the date of grant. The options have a term of five years.

Summary of option grants in 2024

Number	Exercise Price	Expiration Date	Fair Value
150,000	\$ 9.17	March 7, 2029	\$ 1.78
125,000	9.23	March 7, 2029	1.64
275,000			

The Corporation values all of its share options using the Black-Scholes model. The Corporation's determination of fair value of options on the date of grant is affected by the Corporation's share price as well as assumptions regarding a number of variables. For the options granted during 2024 these variables include, but are not limited to, the Corporation's expected share price volatility over the term of the options of 41 percent, forfeiture rate of nil, dividend yield of 8.66 percent and a risk-free interest rate of 4.13 percent. The amounts computed according to the Black-Scholes model method may not be indicative of the actual values realized upon the exercise of these options by the holders.

Total compensation expense related to stock options recognized for the three and six-month periods ended June 30, 2024 were \$0.2 million and \$0.3 million, respectively (2023 - \$0.2 million and \$0.3 million, respectively).

A summary of the status of the plan as at June 30, 2024 is presented below:

	June 30, 2024		December 31, 2023	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding, beginning of period	994,200	\$ 4.80	1,133,334	\$ 3.31
Granted	275,000	9.20	250,000	7.91
Exercised	(277,533)	2.96	(389,134)	2.48
Outstanding, end of period	991,667	6.53	994,200	4.80
Options exercisable, end of period	466,662	4.54	744,195	3.95

The weighted-average share price at the date of exercise for share options exercised for the six-month period ended June 30, 2024 was \$8.84 (2023 - \$7.48).

The range of exercise prices for options outstanding at June 30, 2024 are as follows:

Options Outstanding			Options Exercisable	
Number	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
50,000	0.68 yrs	2.19	50,000	2.19
100,000	1.68 yrs	2.74	100,000	2.74
100,000	1.68 yrs	2.64	100,000	2.64
150,000	2.68 yrs	6.08	99,999	6.08
66,667	2.68 yrs	6.16	33,333	6.16
150,000	3.69 yrs	7.96	49,998	7.96
100,000	3.69 yrs	7.83	33,332	7.83
150,000	4.69 yrs	9.17	-	9.17
125,000	4.69 yrs	9.23	-	9.23
991,667	3.19 yrs	\$ 6.53	466,662	\$ 4.54

c) Retention Award Plan (Cash-Settled)

The retention award plan has two types of awards: Restricted Awards (“RAs”) and Performance Awards (“PAs”) and results in eligible participants, as approved by the Board, receiving cash or common shares in relation to the value of a specified number of underlying notional retention awards. Under the previous RAP, if common shares are used to settle awards, an additional multiplier to the award value of 1.25 times is applied. Effective February 28, 2023, the Board approved an amendment to the RAP whereby if the Corporation elects to settle awards in common shares, the additional multiplier will no longer be applied. This amended plan applies to grants after February 28, 2023.

Common shares acquired by an independent trustee in the open market are held in trust for the potential settlement of RA and PA 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, 2024, the independent trustee did not purchase common shares (2023 – 114,000 common shares, \$0.6 million) and released no common shares (2023 – 121,763 common shares) to settle retention award obligations (2023 - \$1 million). As at June 30, 2024, the Corporation held 3,301 common shares in trust (2023 – 3,301). The Corporation continues to account for its retention award plan as cash-settled share-based compensation.

RAs vest evenly over a period of three years. Upon vesting and subsequent exercise, the holder is entitled to receive a cash payment or common shares based on the fair value of the underlying shares determined using the five-day weighted-average trading price of the shares ending immediately prior to the exercise date plus accrued re-invested dividends.

PAs vesting and subsequent exercise is similar to RAs, except a payout multiplier is applied to the final payout. The payout multiplier is linked solely to total shareholder return on the Corporation's common shares relative to returns on securities of members of the Corporation's peer comparison group over the applicable vesting period and can range from a payout of zero percent to 200 percent. For the six-month period ended June 30, 2024, 236,112 PAs were granted (2023 – 268,825), 1,051,655 PAs settled at a weighted-average payout multiplier of 155 percent (2023 – 1,159,523), no PAs were forfeited (2023 - nil). As at June 30, 2024, 589,289 PAs were outstanding (2023 – 828,133).

The Corporation recorded a total of \$7.1 million compensation expense relating to these plans for the six-month period ended June 30, 2024 (2023 – \$3.9 million). The expense is included in selling, general and administrative expense and has a corresponding liability of \$5.6 million in trade and other payables for the current portion and \$1.7 million included in other liabilities for the long-term portion which had vesting dates after June 30, 2025 (2023 - \$5.3 million and \$1.5 million). There were 1,563,114 RAs and PAs outstanding as at June 30, 2024 (2023 – 2,100,746). The closing share price on June 30, 2024 of PHX stock was \$9.07.

A summary of the status of the plan as at June 30, 2024 is presented below:

	June 30, 2024	December 31, 2023
RAs and PAs outstanding, beginning of period	2,160,151	2,845,191
Granted	583,078	744,643
Settled	(1,180,115)	(1,429,683)
RAs and PAs outstanding, end of period	1,563,114	2,160,151

d) Dividends

On June 14, 2024, the Corporation declared a dividend of \$0.20 per share or \$9.4 million payable on July 15, 2024.

e) Normal Course Issuer Bid

During the third quarter of 2023, the TSX approved the renewal of PHX Energy's Normal Course Issuer Bid ("NCIB") to purchase for cancellation, from time-to-time, up to a maximum of 3,552,810 common shares, representing 10 percent of the Corporation's public float of Common Shares as at August 2, 2023. The NCIB commenced on August 16, 2023 and will terminate on August 15, 2024. 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, 358,300 common shares were purchased by the Corporation for \$3.1 million and cancelled in the six-month period ended June 30, 2024 (2023 – 267,800 shares, \$1.6 million).

Subsequent to June 30, 2024, the Corporation purchased 710,821 common shares for \$7 million.

9. Other Income

<i>(Stated in thousands of dollars)</i>	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2024	2023	2024	2023
Net gain on disposition of drilling equipment	5,401	5,593	14,287	15,549
Foreign exchange (loss) gain	(159)	897	(288)	920
Bad debts	-	(1,223)	-	(1,223)
Other income	5,242	5,267	13,999	15,246

10. Fair Values of Financial Instruments

The Corporation has designated its trade and other payables, dividends payable, and loans and borrowings as non-derivative financial liabilities carried at amortized cost. Cash and cash equivalents and trade and other receivables are designated as non-derivative financial assets measured at amortized cost. The Corporation's carrying values of these items, excluding loans and borrowings, approximates their fair value due to the relatively short periods to maturity of the

instruments. Loans and borrowings bears interest at a floating market rate indicative of current spreads and accordingly the fair value approximate the carrying value.

Equity investments in a company are designated as non-derivative financial assets measured at Fair Value Through Other Comprehensive Income ("FVOCI") as the investment is not held-for-trading and fair value changes are not reflective of the Corporation's operations. The investment asset is carried at fair value on the consolidated statement of financial position. Fair value is considered level three under the fair value hierarchy and requires management to assess information available, which may include private placements, available financial statement information and other available market data.

On July 16, 2024, 3.5 million warrants held by PHX Energy in DEEP Earth Energy Production Corp. ("DEEP") expired. The fair value of the warrants was assessed by management at June 30, 2024 considering that PHX Energy did not intend to exercise the warrants for additional equity in DEEP at the time. As a result of the assessment, a loss on revaluation of investments of \$0.8 million was recognized through other comprehensive income which represents the fair value assigned to the expired warrants.

Corporate Information

Board of Directors

John Hooks
Randolph ("Randy") M. Charron
Myron Tétreault
Karen David-Green
Lawrence Hibbard
Roger Thomas
Terry Freeman

Officers

John Hooks
CEO
Michael Buker
President
Cameron Ritchie
Sr. Vice President Finance and CFO
Corporate Secretary
Craig Brown
Sr. Vice President Engineering and
Technology
Jeffery Shafer
Sr. Vice President Sales and Marketing
Garrett Wright
Phoenix Technology Services USA Inc.
Vice President US Operations
David Raines
Phoenix Technology Services USA Inc.
Vice President US Sales & Marketing

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

Bankers

Royal Bank of Canada
HSBC USA N.A.

Transfer Agent

Odyssey Trust Company
Calgary, Alberta