



## PHOENIX TECHNOLOGY INCOME FUND



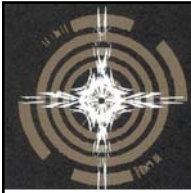
Presented by:  
John Hooks, President & CEO  
January, 2006



RELIABLE DATA. PRECISE DRILLING. MAXIMUM RETURNS

## Forward-Looking Statements

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



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## Corporate Profile



Our vision is to be the first-choice provider of innovative drilling technologies and services for oil and natural gas producers in Canada and the United States.

Our core values of integrity, teamwork, passion for excellence, customer focus and social and environmental responsibility guide our actions.

Our performance values of efficiency, accountability and strong corporate governance translate into competitive operational and financial results.



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## Phoenix is Dedicated to Provide...

### RELIABLE DATA.

The oil & gas industry demands reliable and accurate data to ensure precision drilling. Along with conventional systems, Phoenix-developed technologies lead the sector for speed, accuracy and reliability.

### ADVANCED TECHNOLOGIES.

Phoenix operates a dedicated facility for the research & development of advanced technologies and data transmission systems for oil & natural gas drilling.

### MAXIMUM RETURNS.

Phoenix is positioned to provide unitholders with stable distributions and a potential appreciation in its unit price.



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## Recent History



- ❖ Commenced operations in the USA through the acquisition of Nevis Energy Services Ltd. in November of 2002.
- ❖ Phoenix reorganized into an Income Fund in July of 2004, paying distributions of \$0.48 per year.
- ❖ The US Operations expands operations into Casper Wyoming.
- ❖ Phoenix increased its distributions to \$0.54 per year in in June 2005.
- ❖ Phoenix increased its distributions to \$0.60 per year in November 2005.



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## 2005 Highlights

- ❖ In the first three quarters of 2005 Phoenix recorded record revenue.
- ❖ Purchased the directional drilling assets of Wellco Energy for \$5.0 million in September of 2005.
- ❖ Expanded job capacity in 2005 by adding 23 kits to our fleet bringing Phoenix's job capacity to 73.
- ❖ Phoenix increased its distributions twice in 2005 from \$0.48 to \$0.54 to \$0.60 per year.



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## Acquisitions

September 2005 →

Wellco Energy's Directional Assets

March 2004 →

Radius Directional Services Ltd.

November 2002 →

Nevis Energy Services Ltd.

December 1999 →

Canatech Directional Drilling Systems Ltd.



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## Operating Divisions



PHOENIX  
TECHNOLOGY INCOME FUND



**PHOENIX**  
DIRECTIONAL SERVICES LTD.  
Drilling Services,  
R&D, CLT  
Manufacturing &  
Downhole Tool Rentals

Calgary, Alberta  
Canada



**NEVIS**  
ENERGY SERVICES INC.  
Directional &  
Horizontal Drilling  
Services

Houston, Texas &  
Casper, Wyoming  
USA



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## Market Data PHX.UN

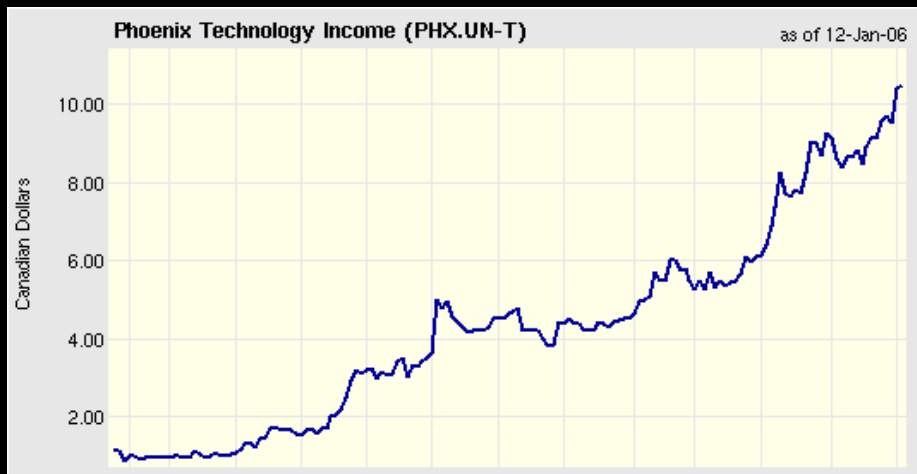
As of January 12, 2006

Exchange	Toronto Stock Exchange
Shares Outstanding	22.1 million
Share Price	\$10.50 unit
52 Week High / Low	\$10.79 / \$4.55
Current Distributions	\$0.05 month / \$0.60 year
Market Capitalization	\$232 million
Trading Average (for month of December)	71,350 / day
Insiders Position	39%
Yield	5.71%



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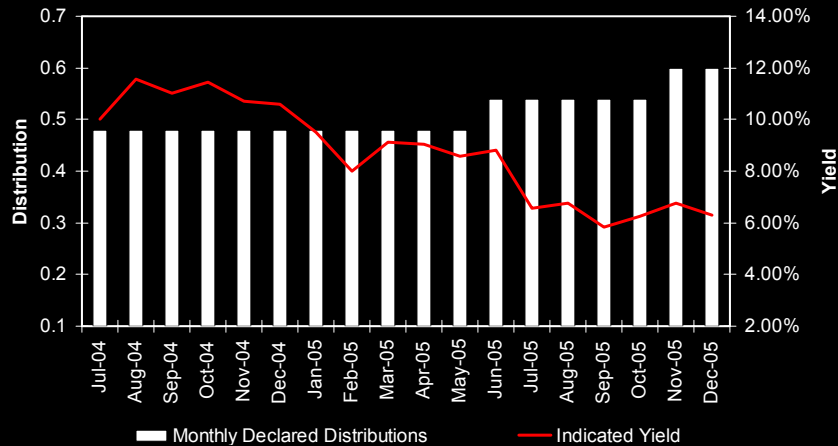
## Three Year Share Price Graph





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## Monthly Declared Distribution & Indicated Yield



\* Yield is calculated using the month end closing unit price



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## Horizontal & Directional Drilling



- ❖ 40 positive and negative pulse Measurement While Drilling “MWD” Systems.
- ❖ 33 Electromagnetic (“EM”) Phoenix developed Current Loop Telemetry (“CLT”) Systems.
- ❖ Approximately 230 Downhole Positive Displacement Drilling Motors.



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## Guidance Fleet

### MWD Systems

#### QDT

- Positive pulse
- Wireline retrievable
- LWD expandable
- Downlinking capability

#### CLT/EM

- High speed data transmission
- Lower operating costs
- Operates in formations that conventional tools cannot

#### HV CLT/EM

- 20 volts output
- Developed for underbalanced applications
- Greater depth capacity

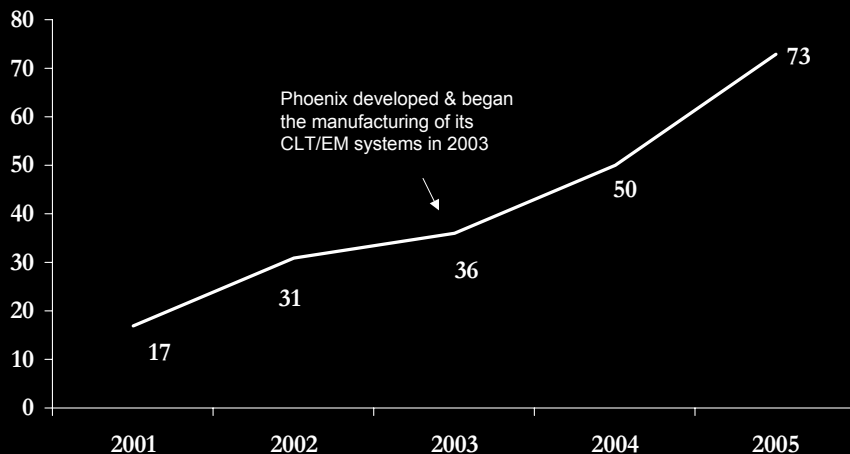
#### Geolink

- Negative / positive pulse
- Low maintenance costs
- LWD expandable
- Designed as a stand alone system



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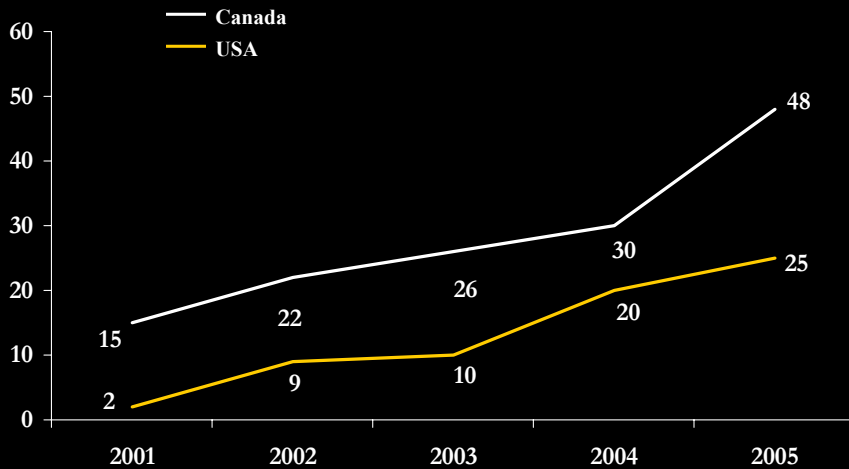
## MWD Operating Systems





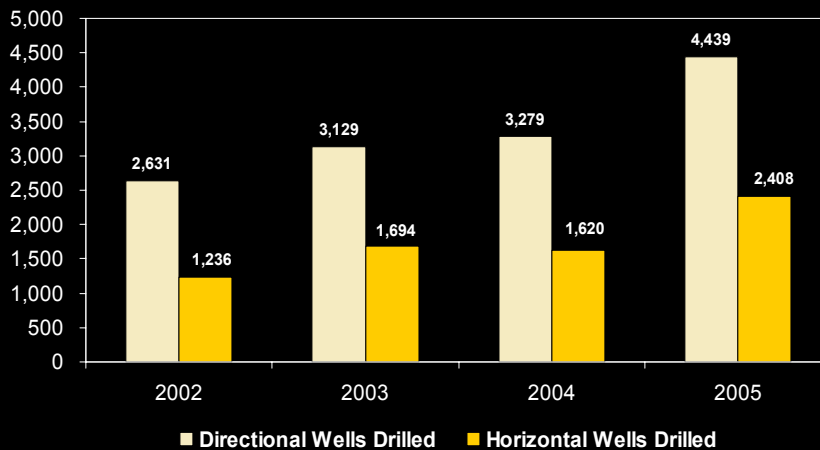
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## MWD Operating Systems by Territory



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## Canadian Horizontal & Directional Wells Drilled



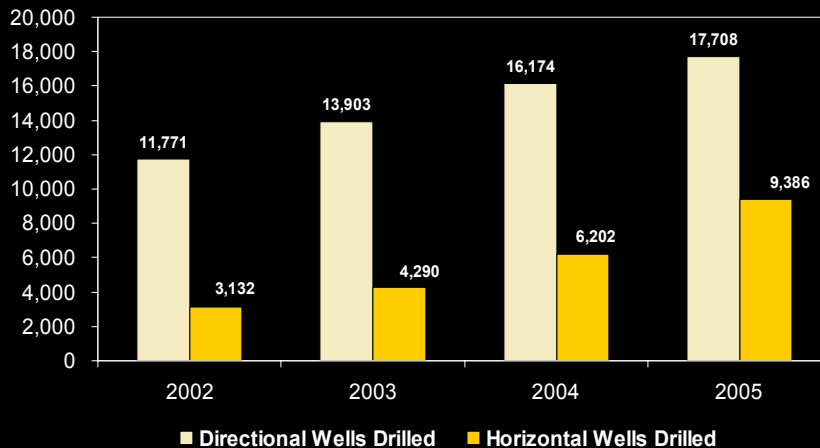
Source: Daily Oil Bulletin





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## US Horizontal & Directional Rig Count



Source: Baker Hughes



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## Phoenix Advantage

- ❖ Past and present horizontal drilling experience, and operator's demand for alternative technology, will give Phoenix increased opportunities.
- ❖ Company developed Current Loop Telemetry System ("CLT") provides the required EM high speed data transmission.
- ❖ Phoenix's new High Volt CLT/EM tool is now commercial and drilling underbalanced drilling projects.
- ❖ Phoenix's Research & Development department is developing near bit sensor ("Inclination-at-Bit") for SAGD applications.



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## Financial Highlights

Three Months Ended September 30  
(Stated in 000's of dollars except per share amounts and shares outstanding)

Operating Results	Q3 2005	Q3 2004
Revenue	\$ 20,064	\$ 10,453
Net earnings	4,687	1,294
Earnings per unit - diluted	0.22	0.07
EBITDA	6,890	1,768
EBITDA per unit - diluted	0.33	0.09
Cash Flow		
Cash flow	\$ 6,596	\$ 2,118
Cash flow per unit - diluted	0.32	0.11
Cash distributions made	2,807	2,232
Cash distributions per unit	0.135	0.12
Cash payout ratio	43%	105%

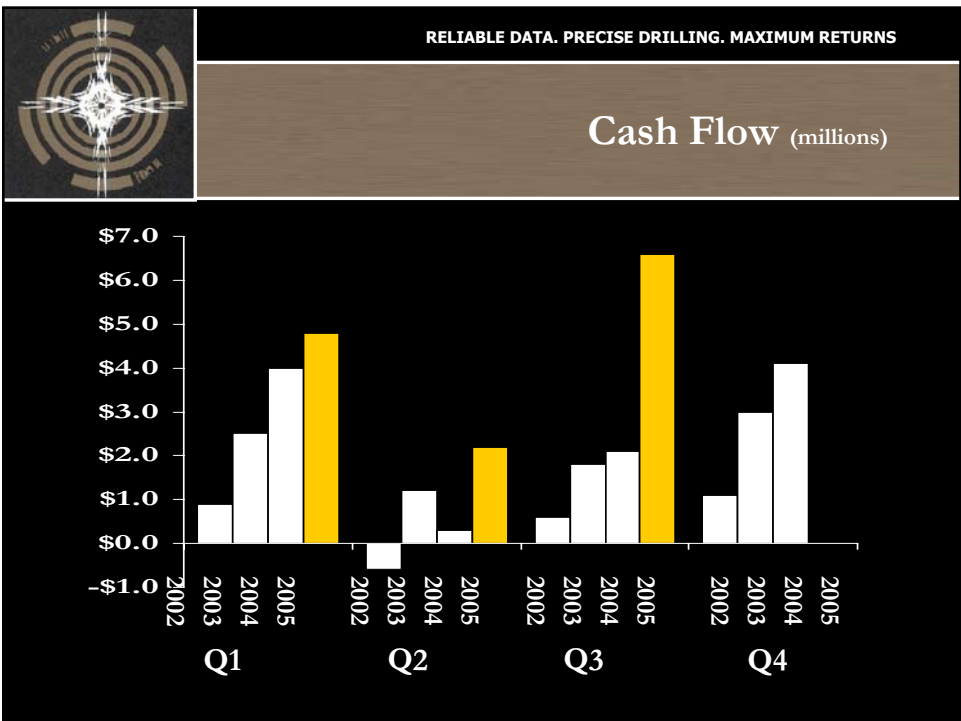
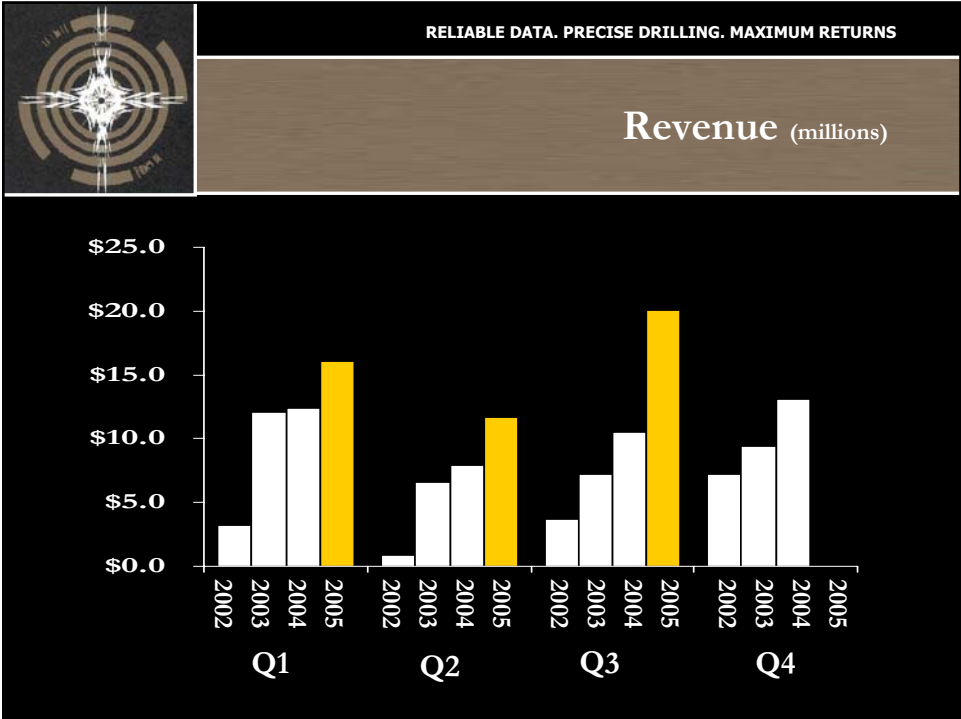


RELIABLE DATA. PRECISE DRILLING. MAXIMUM RETURNS

## Financial Highlights

Nine Months Ended September 30  
(Stated in 000's of dollars except per share amounts and shares outstanding)

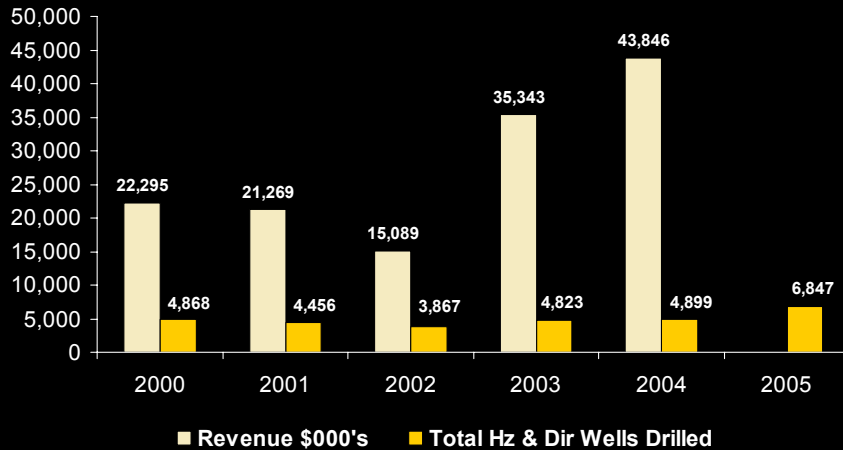
Operating Results	2005	2004
Revenue	\$ 47,837	\$ 30,783
Net earnings	9,252	4,292
Earnings per unit - diluted	0.44	0.23
EBITDA	14,012	7,550
EBITDA per unit - diluted	0.67	0.41
Cash Flow		
Cash flow	\$ 13,580	\$ 6,421
Cash flow per unit - diluted	0.65	0.35
Cash distributions made	7,752	2,232
Cash distributions per unit	0.375	0.12
Cash payout ratio	57%	35%
Financial Position		
Assets	\$ 58,994	\$ 52,554
Working capital	11,914	12,213
Long-term debt	2,150	3,275
Unitholders' equity	41,143	39,426
Fund units outstanding	20,832,350	20,599,855





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## Revenue vs. Total Horizontal & Directional Wells Drilled



Source: Daily Oil Bulletin



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## Revenue & Utilization

2005 YTD Q3 Revenue	2005 Q3 Average Number of Systems	2005 Q3 Average Revenue per system
\$ 47,837,000	53	\$902,600 / system

Utilization	2004	2005
Avg. # Systems	44	56
Utilization	39%	41%

Note: Phoenix calculates 65% as 100% Utilization.



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## Emerging Markets

- ❖ **Underbalanced Market**
  - Currently two suppliers
- ❖ **Steam Assisted Gravity Drainage (“SAGD”)**
  - Currently 2-3 Suppliers
- ❖ **Coalbed Methane (“CBM”)**
  - Phoenix experience derived from US operations
- ❖ **US Operations**
  - Presently deploy 25 MWD operating systems from a fleet of only 4 two years ago
  - New Casper, Wyoming division.



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## Additional Upside

- ❖ In 2005 28,600 wells were licensed.
- ❖ Phoenix expects that approximately 25% of these wells utilized horizontal / directional drilling.
- ❖ Potential high equipment utilization through longer duration wells.
- ❖ Horizontal and Directional sector price / day rate increases.



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## Board of Directors



- ❖ James K. Gray, O.C.
- ❖ J.G. (Jeff) Lawson
- ❖ Randolph M. Charron
- ❖ Elson J. McDougald
- ❖ J. Cameron Bailey
- ❖ John M. Hooks



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## Key Personnel

- ❖ John Hooks - President, CEO & Director
- ❖ Cameron M. Ritchie, Sr. VP Finance & CFO
- ❖ Dan Blanchard, VP Operations
- ❖ Mike Buker, VP Sales & Marketing
- ❖ Myron A. Tetreault, General Counsel & Corporate Secretary



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## Locations



### **Head Office**

Suite 630, 435 - 4th Ave SW  
Calgary, Alberta T2P 3A8

### **Canadian Operations and R&D**

11560 - 42nd Street SE  
Calgary, Alberta T2Z 4E1

### **US Operations**

1724-B Townhurst Drive  
Houston, Texas 77043

- and -

2394 North Clover  
Casper, Wyoming 82601