



Q2 2025

Management's Discussion & Analysis

Management's Discussion and Analysis

Second Quarter Report for the three and six-month periods ended June 30, 2025 and 2024

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 2025 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 2025 second quarter report, and the Corporation's 2024 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 2024 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 5, 2025.

PHX Energy's Interim Financial Report for the three and six-month periods ended June 30, 2025 and 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting. The MD&A and Interim Financial Report were reviewed by PHX Energy's Audit Committee and approved by PHX Energy's Board of Directors (the "Board") on August 5, 2025.

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, 2025, PHX Energy generated consolidated revenue of \$167.7 million, which is 9 percent higher than the \$154.2 million generated in the second quarter of 2024, and the highest level of second quarter revenue on record. Consolidated revenue in the 2025-quarter included \$12.8 million of motor rental revenue and \$1 million of revenue generated from the sale of motor equipment and parts (2024 - \$10 million and \$1.1 million, respectively).
- In the second quarter of 2025, adjusted EBITDA⁽¹⁾ was \$27.4 million, 16 percent of consolidated revenue⁽¹⁾, a decrease of 9 percent from the \$30 million, 19 percent of consolidated revenue, in the same 2024-quarter. Included in the 2025-quarter's adjusted EBITDA is \$1.2 million in cash-settled share-based compensation expense (2024 - \$1.4 million). Adjusted EBITDA excluding cash-settled share-based compensation expense⁽¹⁾ in the second quarter of 2025 was \$28.5 million, 17 percent of consolidated revenue⁽¹⁾ (2024 - \$31.5 million, 20 percent of consolidated revenue). Profitability in the 2025 three-month period was negatively affected by higher equipment parts and repair services costs that resulted from additional tariffs implemented late in the first quarter of 2025. In addition, adjusted EBITDA in the 2025-quarter included provision for inventory obsolescence of \$1.4 million (2024 - \$0.2 million). The provision for inventory obsolescence in the 2025-quarter mainly related to a discontinued line of motors.

⁽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.

- Earnings in the 2025 three-month period were \$8.5 million, \$0.17 per share, as compared to \$12.9 million, \$0.26 per share, in the same 2024-period. Earnings in the 2025-period included depreciation and amortization expenses on drilling and other equipment of \$12.6 million (pre-tax) which is a 13 percent increase when compared to the \$11.1 million (pre-tax) in the corresponding 2024-quarter. This increase is the result of fixed asset additions throughout 2024 and in the first half of 2025.
- In the 2025-quarter, PHX Energy's US division's revenue was \$128.1 million, 10 percent higher than the \$116 million generated in the second quarter of 2024. In comparison, the average number of active horizontal and directional rigs per day in the US industry declined by 5 percent quarter-over-quarter. US division revenue in the 2025-quarter represented 76 percent of consolidated revenue (2024 – 75 percent).
- PHX Energy's Canadian division reported \$39.6 million of quarterly revenue, 4 percent higher compared to \$38.2 million in the 2024-quarter and the highest level of second-quarter Canadian revenue on record. In comparison, in the 2025 three-month period, Canadian industry drilling days declined by 6 percent compared to the same 2024-period.
- For the three-month period ended June 30, 2025, the Corporation generated excess cash flow⁽²⁾ of \$9.3 million, after deducting net capital expenditures⁽²⁾ of \$9.9 million (2024 - \$3.5 million and \$19.4 million, respectively).
- On June 13, 2025, the Corporation declared a dividend of \$0.20 per share or \$9.1 million, paid on July 15, 2025 to shareholders of record on June 30, 2025.
- In the 2025 three-month period, 100,000 common shares were purchased by the Corporation and cancelled for \$0.9 million under the current Normal Course Issuer Bid ("NCIB"). Subsequent to June 30, 2025, the Corporation purchased a further 279,000 common shares for \$2.3 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.
- As at June 30, 2025, the Corporation had working capital⁽²⁾ of \$92.8 million and net debt⁽²⁾ of \$31 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,		
	2025	2024	% Change	2025	2024	% Change
Operating Results						
Revenue	167,670	154,230	9	361,374	320,353	13
Earnings	8,522	12,913	(34)	28,682	30,366	(6)
Earnings per share – diluted	0.17	0.26	(35)	0.62	0.64	(3)
Adjusted EBITDA ⁽¹⁾	27,356	30,049	(9)	68,043	65,082	5
Adjusted EBITDA per share – diluted ⁽¹⁾	0.59	0.62	(5)	1.46	1.37	7
Adjusted EBITDA as a percentage of revenue ⁽¹⁾	16%	19%		19%	20%	
Cash Flow						
Cash flows from operating activities	10,489	39,317	(73)	21,409	50,484	(58)
Funds from operations ⁽²⁾	20,595	24,313	(15)	53,957	50,453	7
Funds from operations per share – diluted ⁽³⁾	0.45	0.50	(10)	1.16	1.06	9
Dividends paid per share ⁽³⁾	0.20	0.20	-	0.40	0.40	-
Dividends paid	9,112	9,498	(4)	18,214	18,951	(4)
Capital expenditures ⁽³⁾	20,748	26,780	(23)	45,441	56,420	(19)
Excess cash flow ⁽²⁾	9,322	3,546	163	27,485	10,976	150
Financial Position				Jun 30 '25	Dec 31 '24	
Working capital ⁽²⁾				92,823	84,545	10
Net debt ⁽²⁾				31,043	2,664	n.m.
Shareholders' equity				221,840	222,205	-
Common shares outstanding				45,456,773	45,506,773	-

n.m. – not meaningful

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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 may be 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 2025, our operations continued to be resilient in the weaker industry environment. We expect to continue to generate strong activity and revenue in the second half of 2025 relative to the market conditions, mainly through our continued focus on differentiating ourselves as a premium Rotary Steerable Systems ("RSS") provider.

- RSS remains a key driver for our success and at the forefront of our strategy and capital investment priorities. We are the largest independent provider of RSS tools in North America and were the first to own both PowerDrive Orbit and iCruise. Today, there are only a handful of directional providers who can offer both of these industry leading technologies. Additionally, our proprietary Real-Time RSS Communication technology further enhances our competitive advantage in this market.
- In Canada the promising growth that resulted from establishing a fleet of owned RSS tools at the start of 2025 is expected to continue through the remainder of the year and onward. Similarly, we believe the fleet expansion and versatility in the US will continue to support further market penetration and produce stronger revenue in a declining rig count environment.
- Our increased motor rental activity levels in both Canada and the US are contributing to our stronger revenue, and like RSS, are helping to offset downward pressure on margins. In prior quarters we dedicated further resources to this line of business, and we foresee the resulting momentum continuing in upcoming quarters.
- Given the broader global economic instability, the softer market is expected through 2025, and we anticipate that our results and profitability may continue to be impacted by factors such as tariffs and lower commodity prices resulting from OPEC+ strategy on oil output. Although we anticipate the impact to be generally in line with what we have already seen in the most recent quarter, we will watch industry indicators and adjust plans accordingly.
- There are bright spots in both the US and Canadian industries with regards to the potential for additional natural gas focused drilling rigs being added in the short to medium term, as liquified natural gas ("LNG") exports are increasing in both countries. We believe we will be able to expand our client base to include Operators focused on natural gas and capitalize on the additional industry activity.
- We remain focused on rewarding shareholders through an industry leading and sustainable dividend, and a share buyback program that has resulted in 28 percent of outstanding shares being purchased and cancelled since 2017. As part of this commitment, we intend to apply to the TSX to renew our NCIB to allow us the continued opportunity to reduce our common shares outstanding to enhance our per share metrics in a softer stock market.

Although industry forecasts predict potential volatility in the short term, we still believe we will maintain our strong operational and financial position, and the high level of shareholder rewards we have delivered under our Return of Capital Strategy ("ROCS").

Michael Buker, President & CEO

August 5, 2025

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 also supplies technology to the Middle East regions.

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

Financial Results

In the second quarter of 2025, PHX Energy generated consolidated revenue of \$167.7 million which is 9 percent higher than the \$154.2 million generated in the same period of 2024.

During the 2025 three-month period, despite weaker industry drilling activity in the US, the Corporation's US division achieved revenue growth through increased Rotary Steerable Systems ("RSS") and motor rental activities. For the three-month period ended June 30, 2025, the Corporation's US division's revenue grew by 10 percent to \$128.1 million compared to \$116 million in the same 2024-period. The US industry's rig count declined by 5 percent quarter-over-quarter. In comparison, PHX Energy's US operating days⁽³⁾ saw an increase of 8 percent to 4,486 days from 4,146 in the 2024-quarter. RSS activity represented 24 percent of the division's operating days in the 2025-quarter, up from 19 percent in the same quarter of 2024. The US division's average revenue per day⁽³⁾ for directional drilling services was generally flat quarter-over-quarter. In the 2025 three-month period, the Corporation's US motor rental division's revenue grew by 24 percent to \$12 million from \$9.6 million in the same 2024-period. In the 2025-quarter, the US division generated \$1 million of revenue from motor equipment and parts sold (2024-quarter - \$1.1 million). Revenue from the Corporation's US division in the 2025-quarter represented 76 percent of consolidated revenue (2024 – 75 percent).

For the three-month period ended June 30, 2025, the Corporation's Canadian division generated revenue of \$39.6 million, a 4 percent increase from \$38.2 million in the same 2024-period. The Canadian segment recorded 2,362 operating days in the 2025-quarter, a 12 percent decrease from the 2,682 operating days realized in the comparable 2024-quarter. In comparison, the Canadian industry drilling activity decreased by 6 percent quarter-over-quarter. Average revenue per day⁽³⁾ realized by the Canadian division improved by 16 percent to \$16,409 in the 2025-quarter, as compared to \$14,116 in the corresponding 2024-quarter. This improvement was largely driven by the Corporation's successful expansion of its RSS activity in the region. During the 2025-quarter, RSS activity represented 13 percent of the segment's operating days, up from 6 percent in the same 2024-quarter. The Corporation's Canadian motor rental division generated \$0.8 million of revenue in the 2025-period (2024 - \$0.4 million).

In the 2025 three-month period, earnings were \$8.5 million (2024 - \$12.9 million), adjusted EBITDA⁽¹⁾ was \$27.4 million (2024 - \$30 million), and adjusted EBITDA as a percentage of consolidated revenue⁽¹⁾ was 16 percent (2024 – 19 percent). Earnings in the 2025-period included depreciation and amortization expenses on drilling and other equipment of \$12.6 million (pre-tax) which increased by 13 percent as compared to \$11.1 million (pre-tax) in the corresponding 2024-quarter. This increase is the result of fixed asset additions throughout 2024 and in the first half of 2025. Included in the 2025 three-month period adjusted

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EBITDA is cash-settled share-based compensation expense of \$1.2 million (2024 - \$1.4 million). For the three-month period ended June 30, 2025, adjusted EBITDA excluding cash-settled share-based compensation expense was \$28.5 million (2024 - \$31.5 million). Profitability in the 2025 three-month period was negatively affected by increased equipment parts and repair services costs that resulted from additional tariffs implemented late in the first quarter of 2025. In addition, adjusted EBITDA in the 2025-quarter included provision for inventory obsolescence of \$1.4 million (2024 - \$0.2 million). The provision for inventory obsolescence in the 2025-quarter mainly related to a discontinued line of motors.

As at June 30, 2025, the Corporation had working capital⁽²⁾ of \$92.8 million and net debt⁽²⁾ of \$31 million. The Corporation also has CAD \$53.1 million and USD \$20 million available to be drawn from its credit facilities.

Dividends and ROCS

On June 13, 2025, the Corporation declared a dividend of \$0.20 per share payable to shareholders of record on June 30, 2025. An aggregate of \$9.1 million was paid on July 15, 2025.

The Corporation remains committed to enhancing shareholder returns through its Return of Capital Strategy ("ROCS") which targets up to 70 percent of annual excess cash flow to be used for shareholder returns and includes multiple options including the dividend program and the NCIB. For the three-month period ended June 30, 2025, excess cash flow increased primarily due to lower net capital expenditures⁽²⁾. The Corporation continued to prioritize shareholder returns while protecting its financial position and in the second quarter, maintained its current level of dividends, paying \$9.1 million in dividends to shareholders, and repurchased and cancelled 100,000 common shares for \$0.9 million under the current NCIB. During the first half of 2025 less than 70 percent of excess cash flow was distributed for shareholder returns under ROCS and the Corporation will target the level of excess cash flow to be used for shareholder returns to stay within the 70 percent threshold for the rest of the 2025-year, particularly given the uncertainty related to economic and industry conditions in light of weak commodity prices and global trade policies.

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(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2025	2024	2025	2024
Excess cash flow	9,322	3,546	27,485	10,976
70% of excess cash flow	6,525	2,482	19,240	7,683
Deduct:				
Dividends paid to shareholders	(9,112)	(9,498)	(18,214)	(18,951)
Repurchase of shares under the NCIB	(911)	(3,143)	(911)	(3,143)
Remaining distributable balance under ROCS	(3,498)	(10,159)	115	(14,411)

Normal Course Issuer Bid

During the third quarter of 2024, the TSX approved the renewal of PHX Energy's NCIB to purchase for cancellation, from time-to-time, up to a maximum of 3,363,845 common shares, representing 10 percent of the Corporation's public float of Common Shares as at August 7, 2024. The NCIB commenced on August 16, 2024 and will terminate on August 15, 2025. Purchases of common shares are to be made on the open market through the facilities of the TSX and through other alternative Canadian trading platforms. The price which PHX Energy is to pay for any common shares purchased is to be at the prevailing market price at the time of such purchase.

Pursuant to the current NCIB, 100,000 common shares were purchased by the Corporation and cancelled for \$0.9 million in the six-month period ended June 30, 2025 (2024 – 358,300 common shares purchased and cancelled for \$3.1 million). Subsequent to June 30, 2025, the Corporation purchased and cancelled 279,000 common shares for \$2.3 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 as a tool to further reward shareholders under ROCS.

Capital Spending

For the three-month period ended June 30, 2025, the Corporation spent \$20.7 million in capital expenditures, of which \$12.4 million was spent on growing the Corporation's fleet of drilling equipment, \$6.4 million was spent to replace retired assets, and \$2 million was spent to replace equipment lost downhole during drilling operations. With proceeds on disposition of drilling and other equipment of \$10.9 million, the Corporation's net capital expenditures⁽²⁾ for the 2025-period were \$9.9 million. Capital expenditures in the 2025-quarter were primarily directed towards Velocity Real-Time systems ("Velocity"), Atlas High

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Performance motors (“Atlas”), and RSS, both PowerDrive Orbit and iCruise. 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,	
	2025	2024	2025	2024
Growth capital expenditures	12,386	24,513	27,991	48,737
Maintenance capital expenditures from asset retirements	6,363	2,029	14,200	6,170
Maintenance capital expenditures to replace downhole equipment losses	2,000	238	3,250	1,513
Total capital expenditures	20,749	26,780	45,441	56,420
Deduct:				
Proceeds on disposition of drilling equipment	(10,886)	(7,409)	(21,805)	(19,710)
Net capital expenditures	9,863	19,371	23,636	36,710

As at June 30, 2025, the Corporation had capital commitments to purchase drilling and other equipment for \$21 million, \$18.8 million of which is growth capital allocated as follows: \$6.4 million for Velocity systems, \$5.2 million for RSS systems, \$4.4 million for performance drilling motors, and \$2.8 million for other equipment. Equipment on order is largely expected to be delivered before the end of 2025.

The approved capital expenditure budget for the 2025-year, excluding proceeds on disposition of drilling equipment, is \$65 million. Of the total expenditures, \$47 million is anticipated to be spent on growth and the remainder is anticipated to be spent to maintain capacity in the fleet of drilling and other equipment and replace equipment lost downhole during drilling operations.

The Corporation currently possesses approximately 921 Atlas motors, comprised of various configurations including its 5.25", 5.76", 6.63", 7.12", 7.25", 8.12", 9.00", and 12.00" Atlas motors, and 133 Velocity systems. The Corporation also possesses the largest independent RSS fleet in North America with 101 RSS tools and was the first of a few competitors to have a fleet comprised of both the PowerDrive Orbit and iCruise systems.

Results of Operations

Three and Six-Month periods ended June 30, 2025

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,		
	2025	2024	% Change	2025	2024	% Change
Directional drilling services	153,902	143,084	8	333,262	298,142	12
Motor rental	12,801	10,012	28	24,507	18,258	34
Sale of motor equipment and parts	967	1,134	(15)	3,605	3,953	(9)
Total revenue	167,670	154,230	9	361,374	320,353	13

For the three-month period ended June 30, 2025, PHX Energy generated consolidated revenue of \$167.7 million, which is 9 percent higher than the \$154.2 million generated in the second quarter of 2024, and the highest level of second quarter revenue on record. For the six-month period ended June 30, 2025, the Corporation generated consolidated revenue of \$361.4 million, a 13 percent increase as compared to the same 2024-period which generated consolidated revenue of \$320.4 million.

In the second quarter of 2025, as a result of the declining oil prices, the US industry rig count continued to soften. The US rig count averaged 558 horizontal and directional rigs operating per day in the second quarter, which is 3 percent lower than the daily average of 575 in the first quarter of 2025 and 5 percent lower compared to the same quarter in 2024. In Canada, industry horizontal and directional drilling activity (as measured by drilling days) was 10,826 days in the 2025-quarter, a 6 percent decrease from 11,483 days in the same 2024-quarter. In comparison, the Corporation's consolidated operating days were flat at 6,848 days in the 2025-quarter as compared to 6,828 days in the 2024-quarter. For the six-month period ended June 30, 2025, consolidated operating days increased by 4 percent to 15,448 from 14,853 days in the corresponding 2024-period. In both 2025-periods, the continued strong demand for RSS and the increased capacity in the Corporation's RSS fleet helped shelter PHX Energy's consolidated activity from the impacts of the slower industry environment.

In both the three and six-month periods of 2025, average consolidated revenue per day⁽³⁾ for directional drilling services period-over-period improved by 7 percent to \$22,476 (2024 – \$20,957) and \$21,574 (2024 - \$20,074), respectively. The increase was mainly driven by higher RSS activity in both Canada and the US and increased deployment of the Corporation's proprietary Real Time RSS Communications technologies. In addition, PHX Energy's US activity increased as a portion of its consolidated

activity and as a result, a greater percentage of consolidated activity was at the higher average revenue per day for directional drilling services in the US.

In the 2025 three and six-month periods, revenue generated by PHX Energy's Atlas motor rental division increased by 28 percent to \$12.8 million (2024 - \$10 million) and 34 percent to \$24.5 million (2024 - \$18.3 million), respectively. Throughout the first half of 2025, the Corporation's US motor rental division successfully grew its client base through increased marketing efforts and additional resources dedicated to support the division.

For the three and six-month periods ended June 30, 2025, revenue of \$1 million and \$3.6 million, respectively, was generated from the sale of motor equipment and parts (2024 - \$1.1 million and \$4 million, respectively). Due to the sporadic and cyclical nature of the customers' ordering frequency, it is expected that revenue from this line of business will fluctuate between periods.

Operating Costs and Expenses

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Direct costs	143,444	126,456	13	296,859	255,500	16
Depreciation & amortization drilling and other equipment (included in direct costs)	12,613	11,142	13	25,182	21,461	17
Depreciation & amortization right-of-use asset (included in direct costs)	864	857	1	1,751	1,706	3
Gross profit as a percentage of revenue excluding depreciation & amortization ⁽¹⁾	22%	26%		25%	27%	

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. For the three-month period ended June 30, 2025, direct costs increased by 13 percent to \$143.4 million from \$126.5 million in the same 2024-period. For the six-month period ended June 30, 2025, direct costs increased 16 percent to \$296.9 million from \$255.5 million.

In the 2025 three and six-month periods, the Corporation's depreciation and amortization on drilling and other equipment increased by 13 percent and 17 percent, respectively, mainly as a result of the additions to fixed assets throughout 2024 and in the first half of 2025. Apart from depreciation and amortization expenses on drilling and other equipment, higher direct costs in both periods primarily resulted from greater equipment repair expenses from increased overall activity, particularly related

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to RSS and motor rentals. In addition, the increase in direct costs in both periods is partly attributable to rising costs of equipment parts and repair services that largely resulted from additional tariffs implemented late in the first quarter of 2025. Direct costs in the second quarter of 2025 also included provision for inventory obsolescence of \$1.4 million (2024 - \$0.2 million). The provision for inventory obsolescence in the 2025-quarter mainly related to a discontinued line of motors.

For the three and six-month periods ended June 30, 2025, gross profit as a percentage of revenue excluding depreciation and amortization⁽¹⁾ declined to 22 percent and 25 percent respectively, compared to 26 percent and 27 percent in the corresponding 2024-periods. Rising equipment servicing costs and higher provision for inventory obsolescence largely contributed to the decrease in profitability in both 2025-periods. The negative impacts of rising equipment servicing costs and provision for inventory obsolescence were partially offset by lower RSS-related equipment rentals that were displaced through increased capacity in PHX Energy's RSS fleet.

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Selling, general and administrative ("SG&A") costs	16,685	13,824	21	35,815	34,841	3
Cash-settled share-based compensation (included in SG&A costs)	1,189	1,403	(15)	3,849	7,113	(46)
Equity-settled share-based compensation (included in SG&A costs)	151	181	(17)	240	281	(15)
SG&A costs excluding share-based compensation as a percentage of revenue ⁽¹⁾	9%	8%		9%	9%	

For the three-month period ended June 30, 2025, SG&A costs were \$16.7 million, a 21 percent increase as compared to \$13.8 million in the corresponding 2024-period. For the six-month period ended June 30, 2025, SG&A costs were \$35.8 million, a 3 percent increase as compared to \$34.8 million in the corresponding 2024-period. Higher SG&A costs in both 2025-periods were primarily due to rising personnel-related costs that were partially offset by decreases in cash-settled share-based compensation expense.

Cash-settled share-based compensation relates to the Corporation's retention awards and is measured at fair value. For the three-month period ended June 30, 2025, the related compensation expense recognized by PHX Energy was \$1.2 million (2024 - \$1.4 million). For the six-month period ended June 30, 2025, the related compensation expense recognized by PHX Energy was \$3.8 million (2024 - \$7.1 million). Changes in cash-settled share-based compensation expense in the 2025-periods were mainly driven by fluctuations in the Corporation's share price and the number of awards granted in the period. There were 1,362,640 retention awards outstanding as at June 30, 2025 (2024 - 1,563,114). SG&A costs excluding share-based

⁽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.

compensation as a percentage of revenue⁽¹⁾ were generally flat period-over-period at 9 percent in both the 2025 periods (2024 – 8 percent and 9 percent, respectively).

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Research and development expense	1,607	1,409	14	3,387	2,612	30

For the three and six-month periods ended June 30, 2025, PHX Energy spent \$1.6 million and \$3.4 million on research and development (“R&D”) expenditures, an increase of 14 and 30 percent as compared to \$1.4 million and \$ 2.6 million spent in the corresponding 2024-periods. Higher R&D expenditures in the 2025-periods are mainly attributable to increased personnel related costs and greater prototype and equipment parts expenses that were required to support key large-scale projects during the period.

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Finance expense	703	467	51	1,309	801	63
Finance expense lease liabilities	483	531	(9)	989	1,072	(8)

Finance expenses mainly relate to interest charges on the Corporation’s credit facilities. For the three and six-month periods ended June 30, 2025, finance expense increased to \$0.7 million and \$1.3 million, respectively (2024 - \$0.5 million and \$0.8 million). The increase in finance expenses in both 2025-periods was primarily due to higher drawings on the credit facilities in the periods.

Finance expense lease liabilities relate to interest expense incurred on lease liabilities. For the three and six-month periods ended June 30, 2025, finance expense lease liabilities remained relatively consistent at \$0.5 million and \$1 million, respectively (2024 - \$0.5 million and \$1 million) as no new significant leases were entered into in the period.

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2025	2024	2025	2024
Net gain on disposition of drilling equipment	7,651	5,401	15,512	14,287
Foreign exchange losses	(200)	(159)	(415)	(288)
Other income	7,451	5,242	15,097	13,999

⁽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, 2025, the Corporation recognized other income of \$7.5 million and \$15.1 million, respectively (2024 - \$5.2 million and \$14 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 2025-periods, more instances of high dollar valued downhole equipment losses occurred as compared to the corresponding 2024-periods, resulting in higher levels of net gain on disposition of drilling equipment recognized.

Foreign exchange losses of \$0.2 million and \$0.4 million in the three and six-month periods of 2025 (2024 – \$0.2 million and \$0.3 million), were primarily due to the revaluation and settlement of CAD-denominated intercompany payables in the US.

(Stated in thousands of dollars except percentages)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2025	2024	2025	2024
Provision for income taxes	3,677	3,872	9,430	9,160
Effective tax rates ⁽³⁾	30%	23%	25%	23%

For the three and six-month periods ended June 30, 2025, the Corporation reported a provision for income tax of \$3.7 million (2024 – \$3.9 million) and \$9.4 million (2024 – \$9.2 million), respectively. In the 2025 three-month period, PHX Energy's effective tax rate⁽³⁾ of 30 percent is higher than the combined US federal and state corporate income tax rate of 24.5 percent and the combined Canadian federal and provincial corporate income tax rate of 23 percent mainly due to prior year related income tax adjustments and non-deductible expenses. In the 2025 six-month period, PHX Energy's effective tax rate⁽³⁾ of 25 percent is relatively in line with the combined US federal and state corporate income tax rate of 24.5 percent and the combined Canadian federal and provincial corporate income tax rate of 23 percent.

On July 4, 2025, the US Administration passed into law H.R.1 – One Big Beautiful Bill Act ("the Bill"), which included changes to current corporate tax laws in the US. As the enactment date is after the current interim reporting period, the impact of the changes to the tax laws were not reflected as at June 30, 2025. The newly enacted legislation impacts the classification between current and deferred taxes in the US segment. The Bill is not anticipated to have a material impact at this time, however the Corporation will continue to evaluate future 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.

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. 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,		
	2025	2024	% Change	2025	2024	% Change
Directional drilling services	115,153	105,226	9	237,641	208,632	14
Motor rental	11,961	9,630	24	22,975	17,555	31
Sale of motor equipment and parts	967	1,134	(15)	3,605	3,953	(9)
Total revenue	128,081	115,990	10	264,221	230,140	15
Direct costs	107,701	93,013	16	216,997	181,817	19
Gross profit	20,380	22,977	(11)	47,224	48,323	(2)
Expenses:						
Selling, general and administrative expenses	7,626	7,660	-	15,463	15,335	1
Research and development expenses	-	-	-	-	-	-
Finance expense	-	-	-	-	-	-
Finance expense lease liability	178	212	(16)	374	430	(13)
Other income	(7,093)	(4,441)	60	(11,737)	(11,073)	6
Reportable segment profit before income taxes	19,669	19,546	1	43,124	43,631	(1)

For the three and six-month periods ended June 30, 2025, PHX Energy's US division generated revenue of \$128.1 million and \$264.2 million, respectively, an increase of 10 and 15 percent as compared to \$116 million and \$230.1 million in the corresponding 2024-periods.

In the second quarter of 2025, low oil prices persisted causing further softening in US industry activity. Despite the uncertain market conditions, PHX Energy had anticipated that the demand for RSS technologies would remain strong and strategically focused on growing its RSS fleet and Real Time Communication technologies throughout the first half of 2025. This added RSS capacity helped shelter PHX Energy's US division's revenue and activity from the negative impacts of weaker rig count and the resulting pricing pressures in both 2025-periods.

For the three-month period ended June 30, 2025, US operating days⁽³⁾ were 4,486, an 8 percent increase compared to 4,146 days in the 2024-quarter. In comparison, in the second quarter of 2025, the average number of active horizontal and directional rigs per day in the US industry declined by 5 percent to 558 compared to an average of 586 rigs per day in the 2024-quarter. The US division's RSS activity represented 24 percent of its operating days, an increase compared to 19 percent in the 2024-quarter. For the three-month period ended June 30, 2025, the US division's average revenue per day⁽³⁾ for directional drilling services was generally flat at \$25,670 (2024 - \$25,383). A relatively weaker US dollar impacted the average revenue per day in the 2025 three-month period. Omitting the impact of foreign exchange, the average revenue per day for directional drilling services increased by 3 percent in the 2025-quarter. This increase was mainly driven by stronger RSS activity, partially offset by the pricing pressures that resulted from weaker industry conditions.

For the six-month period ended June 30, 2025, US operating days⁽³⁾ were 9,035, a 9 percent increase compared to 8,313 days in the corresponding 2024-period. In comparison, the average number of active horizontal and directional rigs per day in the US industry declined by 5 percent period-over-period. RSS activity increased to 23 percent of operating days in the first half of 2025 from 19 percent in the same 2024-period. For the six-month period ended June 30, 2025, the US division's average revenue per day improved by 5 percent to \$26,304 from \$25,097 in the corresponding 2024-period. Omitting the impact of foreign exchange, the average revenue per day for directional drilling services increased by 4 percent in the first half of 2025. This improvement was largely driven by higher RSS activity and increased deployment of the Corporation's proprietary Real Time RSS Communications technologies.

Horizontal and directional drilling continued to represent the majority of rigs running on a daily basis during the second quarter of 2025. During the 2025-quarter, Phoenix USA was active in the Permian, Eagleford, Scoop/Stack, Haynesville, DJ, Uinta, Fayetteville, and Marcellus basins. Additionally, Phoenix USA was involved with gas storage projects in Louisiana and Texas.

For the three and six-month periods ended June 30, 2025, US motor rental revenue increased by 24 and 31 percent, respectively, to \$12 million and \$23 million (2024 - \$9.6 million and \$17.6 million). Throughout the first half of 2025, the Corporation's US motor rental division successfully grew its client base through increased marketing efforts and additional resources dedicated to support the division.

In the 2025 three and six-month periods, PHX Energy's US operations generated \$1 million and \$3.6 million of revenue from the sale of motors and parts compared to \$1.1 million and \$4 million in the corresponding 2024-periods. Due to the sporadic and cyclical nature of the customers' ordering frequency, it is expected that revenue from this line of business will fluctuate between 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.

For the three and six-month periods ended June 30, 2025, the US segment's reportable segment income before tax was relatively flat at \$19.7 million and \$43.1 million, respectively (2024 - \$19.5 million and \$43.6 million, respectively). In both 2025 three and six-month periods, the increase in revenue that was mainly driven by stronger RSS activity was offset by higher direct costs that mainly resulted from rising costs of equipment parts and repair services. The lower gross profit margins in both 2025-periods however were offset by higher other income generated from downhole equipment losses, which resulted in the similar reportable segment income before tax period-over period.

Canada

(Stated in thousands of dollars)

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2025	2024	% Change	2025	2024	% Change
Directional drilling services	38,749	37,858	2	95,621	89,510	7
Motor rental	840	382	120	1,532	703	118
Total revenue	39,589	38,240	4	97,153	90,213	8
Direct costs	35,743	33,443	7	79,862	73,683	8
Gross profit	3,846	4,797	(20)	17,291	16,530	5
Expenses:						
Selling, general and administrative expenses	3,588	3,340	7	7,786	7,476	4
Research and development expenses	-	-	-	-	-	-
Finance expense	-	-	-	-	-	-
Finance expense lease liability	287	300	(4)	576	603	(4)
Other income	(358)	(801)	(55)	(3,360)	(2,926)	15
Reportable segment profit before income taxes	329	1,958	(83)	12,289	11,377	8

For the three and six-month periods ended June 30, 2025, PHX Energy's Canadian operations generated revenue of \$39.6 million and \$97.2 million, respectively, an increase of 4 and 8 percent as compared to \$38.2 million and \$90.2 million in the corresponding 2024-periods. The revenue achieved by the Canadian segment in the second quarter of 2025 is highest level of second-quarter Canadian revenue on record. In both 2025-periods, the Canadian segment's growth in revenue primarily resulted from the expansion of the Canadian division's RSS fleet and continued growth in the segment's market presence as an RSS provider.

In the 2025 three-month period, PHX Energy's Canadian operating days decreased by 12 percent to 2,362 days from 2,682 days in the same 2024-quarter and its RSS operating days accounted for 13 percent of its activity in the 2025-period (2024 - 6 percent). In comparison, industry horizontal and directional drilling activity, as measured by drilling days, decreased by 6 percent to 10,826 in the second quarter of 2025 from 11,483 in the 2024-quarter. During the 2025-quarter, the Corporation

was active in the Duvernay, Montney, Glauconite, Frobisher, Cardium, Viking, Bakken, Torquay, Colony, Ellerslie, Charlie Lake, Cummings, Sparky, Clearwater, and Scallion basins.

In the 2025 six-month period, PHX Energy's Canadian segment's operating days⁽³⁾ decreased slightly by 2 percent to 6,413 days from 6,540 days in the same 2024-period and its RSS operating days accounted for 9 percent of its activity in the 2025-period (2024 - 5 percent). In comparison, industry horizontal and directional drilling activity, as measured by drilling days, decreased by 2 percent to 28,265 in the first half of 2025 from 28,863 in the same 2024-period.

The Canadian division's average revenue per day⁽³⁾ for directional drilling services increased by 16 and 9 percent in the three and six-month periods ended June 30, 2025, to \$16,409 and \$14,911, respectively, as compared to \$14,116 and \$13,688 in the corresponding 2024-periods. The increases were mainly driven by the growth in RSS activity.

PHX Energy's Canadian reportable segment profit decreased by 83 percent to \$0.3 million in the 2025-quarter from \$2 million in the 2024-quarter. The decrease in profitability in the 2025-quarter was mainly due to increased direct costs and SG&A expenses in the Canadian segment and fewer instances of downhole equipment losses that resulted in lower other income. For the six-month period ended June 30, 2025, PHX Energy's Canadian reportable segment profit increased by 8 percent to \$12.3 million from \$11.4 million in the comparable 2024-period. Improved profitability in the 2025 six-month period was mainly attributable to increased activity in the Canadian segment's high-margin RSS revenue stream, displacement of RSS-related equipment rentals, and higher other income which mainly resulted from more instances of downhole equipment losses.

Liquidity

(Stated in thousands of dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2025	2024	2025	2024
Cash flows from operating activities	10,489	39,317	21,409	50,484
Funds from operations ⁽²⁾	20,595	24,313	53,957	50,453

	Jun. 30, '25	Dec. 31, '24
Working capital ⁽²⁾	92,823	84,545
Net debt ⁽²⁾	31,043	2,664

⁽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.

For the three and six-month periods ended June 30, 2025, cash flow from operating activities decreased to \$10.5 million and \$21.4 million, respectively (2024 - \$39.3 million and \$50.5 million). Lower levels of earnings, significantly higher income taxes paid, and the change in non-cash working capital (use of cash) impacted cash flows from operating activities negatively in both 2025-periods.

For the three-month period ended June 30, 2025, funds from operations⁽²⁾ were \$20.6 million, as compared to \$24.3 million in the comparable 2024-period. The decrease in funds from operations primarily resulted from lower earnings in the 2025 three-month period. For the six-month period ended June 30, 2025, funds from operations increased to \$54 million from \$50.5 million in the same 2024-period. The increase in funds from operations was mainly driven by higher revenue and activity.

As at June 30, 2025, the Corporation had working capital⁽²⁾ of \$92.8 million, an increase of \$8.3 million from the \$84.5 million reported at December 31, 2024. The increase in working capital at June 30, 2025 was primarily due to the lower levels of trade and other payables at the end of the 2025-period. Net debt⁽²⁾ as at June 30, 2025 was \$31 million as compared to \$2.7 million at the end of 2024. The increase in net debt was due to higher levels of drawings that were used to fund acquisitions of drilling and other equipment in the first half of 2025.

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 targets up to 70 percent of annual 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, among other factors. 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, 2025, dividend payments of \$9.1 million were financed from the Corporation's cash flows from operating activities (2024 - \$9.5 million). On June 13, 2025, the Corporation declared a dividend of \$0.20 per common share payable to shareholders of record on June 30, 2025. An aggregate of \$9.1 million was paid on July 15, 2025.

⁽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.

During the third quarter of 2024, the TSX approved the renewal of PHX Energy's NCIB to purchase for cancellation, from time-to-time, up to a maximum of 3,363,845 common shares, representing 10 percent of the Corporation's public float of Common Shares as at August 7, 2024. The NCIB commenced on August 16, 2024 and will terminate on August 15, 2025. Purchases of common shares are to be made on the open market through the facilities of the TSX and through other alternative Canadian trading platforms. The price which PHX Energy is to pay for any common shares purchased is to be at the prevailing market price at the time of such purchase.

Pursuant to the current NCIB, 100,000 common shares were purchased and cancelled by the Corporation for \$0.9 million in the six-month period ended June 30, 2025. (2024 - 358,300 common shares were purchased and cancelled for \$3.1 million). Subsequent to June 30, 2025, the Corporation purchased and cancelled 279,000 common shares for \$2.3 million including incremental transaction costs. There are 1.9 million shares remaining for purchase prior to its expiry in August of this year.

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.

Investing Activities

Net cash used in investing activities for the three-month period ended June 30, 2025 was \$17.9 million as compared to \$27.7 million in the corresponding 2024-period. During the second quarter of 2025, the Corporation spent \$12.4 million (2024 - \$24.5 million) to grow the Corporation's fleet of drilling equipment, \$6.4 million (2024 - \$2 million) was used to maintain capacity in the Corporation's fleet of drilling and other equipment, and \$2 million (2024 - \$0.2 million) was spent to replace equipment lost downhole during drilling operations. With proceeds on disposition of drilling and other equipment of \$10.9 million (2024 - \$7.4 million), the Corporation's net capital expenditures for the 2025-period were \$9.9 million (2024 - \$19.4 million).

The 2025-quarter capital expenditures comprised of:

- \$8.7 million in MWD systems and spare components;
- \$4.9 million in RSS;
- \$4.9 million in downhole performance drilling motors; and
- \$2.2 million in machinery and equipment and other assets.

The capital expenditure program undertaken in the year was primarily financed from proceeds on disposition of drilling equipment, cash flows from operating activities, and the Corporation's credit facilities when required.

The change in non-cash working capital balances of \$6.1 million (use of cash) for the three-month period ended June 30, 2025, relates to the net change in the Corporation's trade payables that are associated with the acquisition of capital assets (2024 - \$8.3 million).

Financing Activities

For the three-month period ended June 30, 2025, net cash from financing activities was \$4.7 million as compared to \$11.3 million net cash used for financing activities in the same 2024-period. In the 2025-quarter:

- dividends of \$9.1 million were paid to shareholders;
- 100,000 shares were purchased and cancelled under the NCIB for \$0.9 million;
- payments of \$0.9 million were made towards lease liabilities; and
- \$15.7 million net drawings were made from the Corporation's syndicated credit facility.

Capital Resources

As of June 30, 2025, the Corporation had CAD \$41.7 million drawn on its Canadian credit facilities, nothing drawn on its US operating facility, and a cash balance of \$10.7 million. As at June 30, 2025, the Corporation had CAD \$53.1 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, 2025, 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. In May 2025, the Board approved an increase to the 2025 capital expenditure budget from \$55 million to \$65 million. Of the total expenditures, \$47 million is anticipated to be spent on

growth and the remainder is anticipated to be spent to maintain capacity in the 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, threat of trade wars, and financial market volatility persists in 2025, 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, 2025, the Corporation has entered into commitments to purchase drilling and other equipment for \$21 million (2024 - \$18.6 million); delivery is largely expected to occur before the end of 2025.

Off-Balance Sheet Arrangements

The Corporation had no material off-balance sheet arrangements as at June 30, 2025 and 2024.

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 condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The Corporation's material accounting policies are described in its annual audited consolidated financial statements for the year ended December 31, 2024.

The preparation of the condensed consolidated interim financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board 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.

In preparing the 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, 2024.

Changes in 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, 2024.

Business Risk Factors

Business risk factors applicable to the Corporation can be found in the “*Business Risk Factors*” section of the MD&A in PHX Energy's 2024 Annual Report as well as in the Corporation's most recent Annual Information Form under the heading “*Risk Factors*”, which was filed under the Corporation's profile on SEDAR+ (www.sedarplus.ca).

Global Trade and Supply Chain Risks Update

Since coming into office in January this year, the US Administration has announced and implemented various tariffs against Canada and other nations, including China. The effective dates of some of these new tariffs have been postponed and some of the new tariffs have come into effect briefly, before being subsequently paused. In response to the new US tariffs, the Canadian government as well as the governments of other nations have announced and/or implemented retaliatory tariffs. These new tariffs and any changes to these tariffs or imposition of any additional tariffs, taxes or import or export restrictions or prohibitions, could have material impacts on global economies, the Canadian and US oil and natural gas industries, interest and inflation rates, and the Corporation's supply chains. The resulting higher levels of volatility and uncertainty could result in actual results being different from management's current estimates and those differences could be material.

The Corporation leverages certain market advantages and internal capabilities in its Canadian and US operations as part of its servicing, manufacturing and procurement processes that could be specifically impacted in an adverse manner. As a result, current and future tariffs, as well as the risk that tariffs imposed by the US on other countries including China has the potential

to trigger an even broader global trade war, could have a material adverse impact on oil and gas industry activity levels in general, as well as a direct impact on the Corporation's own cost structure and supply chain.

The Corporation's supply chain and procurement team has been proactively tracking tariff developments and implementing strategies to reduce their potential impact. These strategies include, but are not limited to, negotiating with existing suppliers, diversifying both domestic and international supply sources, and accelerating cross-border shipments of equipment and inventory needed for US operations ahead of tariff implementation dates. While the Corporation believes these measures will help lessen the effects of tariffs, prolonged enforcement of significant tariffs could still have a material impact on its operations and financial results.

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 GAAP, 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, 2025 to June 30, 2025 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

	As at August 5, 2025
Common shares outstanding, excluding shares held in trust	45,177,771
Common shares held in trust ⁽ⁱ⁾	3,301
Total common shares outstanding	45,181,072
Dilutive securities:	
Options	1,131,667
Corporation shares – diluted	46,312,739

⁽ⁱ⁾ Common Shares held in trust by an independent trustee for the potential future settlement of retention awards granted to eligible participant's under the Corporation's Retention Award Plan

Summary of Quarterly Results

(Stated in thousands of dollars except per share amounts)

	Jun-25	Mar-25	Dec-24	Sep-24	Jun-24	Mar-24	Dec-23	Sep-23
Revenue	167,670	193,704	178,676	160,634	154,230	166,123	165,332	169,368
Earnings	8,522	20,159	14,098	10,160	12,913	17,454	33,134	24,921
Earnings per share - basic	0.19	0.44	0.31	0.22	0.27	0.37	0.69	0.50
Earnings per share - diluted	0.17	0.44	0.30	0.22	0.26	0.37	0.68	0.50
Dividends paid	9,112	9,102	9,183	9,437	9,498	9,453	7,277	7,621
Cash and cash equivalents	10,696	13,971	14,163	14,203	13,798	13,380	16,433	14,845
Loans and borrowings	41,739	26,145	16,827	19,171	9,649	7,547	7,564	18,302

Trends in revenue, earnings, and cash flows are directly affected by industry directional drilling activity levels that change as a result of world demand for natural gas and oil commodities and fluctuations in oil and natural gas prices. In the second quarter of 2025, due to the declining trend in oil prices, both US industry rig count and Canadian industry horizontal and directional drilling activity (as measured by drilling days) softened decreasing by 5 percent and 6 percent, respectively, compared to the same 2024-quarter. With increased capacity in its premium technology fleet and continued strong demand for the Corporation's unique technology offering, particularly RSS, both the US and Canadian divisions generated gains in revenue in the 2025 three-month period.

In general, activity levels in western Canada vary considerably due to seasonal weather patterns. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring break-up" has a direct impact on the Corporation's Canadian activity levels. As a result, late March through May is typically the slowest time for activity in Canada, as such, the operating results of the Corporation vary on a quarterly basis. The Corporation's activity levels in the US are not impacted at the same level during this Canadian spring break-up period. US revenue represented 76 percent of consolidated revenue in the 2025 three-month period (2024 – 75 percent).

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,	
	2025	2024	2025	2024
Earnings:	8,522	12,913	28,682	30,366
Add:				
Depreciation and amortization drilling and other equipment	12,613	11,142	25,182	21,461
Depreciation and amortization right-of-use asset	864	857	1,751	1,706
Provision for income taxes	3,677	3,872	9,430	9,160
Finance expense	703	467	1,309	801
Finance expense lease liability	483	531	989	1,072
Equity-settled share-based payments	151	181	240	281
Unrealized foreign exchange loss (gain)	343	86	460	235
Adjusted EBITDA	27,356	30,049	68,043	65,082

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.

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,	
	2025	2024	2025	2024
Earnings:	8,522	12,913	28,682	30,366
Add:				
Depreciation and amortization drilling and other equipment	12,613	11,142	25,182	21,461
Depreciation and amortization right-of-use asset	864	857	1,751	1,706
Provision for income taxes	3,677	3,872	9,430	9,160
Finance expense	703	467	1,309	801
Finance expense lease liability	483	531	989	1,072
Equity-settled share-based payments	151	181	240	281
Unrealized foreign exchange loss	343	86	460	234
Cash-settled share-based compensation expense	1,189	1,403	3,849	7,113
Adjusted EBITDA excluding cash-settled share-based compensation expense	28,545	31,452	71,892	72,194

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,	
	2025	2024	2025	2024
Revenue	167,670	154,230	361,374	320,353
Direct costs	143,444	126,456	296,859	255,500
Gross profit	24,226	27,774	64,515	64,853
Depreciation & amortization drilling and other equipment (included in direct costs)	12,613	11,142	25,182	21,461
Depreciation & amortization right-of-use asset (included in direct costs)	864	857	1,751	1,706
	37,703	39,773	91,448	88,020
Gross profit as a percentage of revenue excluding depreciation & amortization	22%	26%	25%	27%

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,	
	2025	2024	2025	2024
SG&A Costs	16,685	13,824	35,815	34,841
Deduct:				
Share-based compensation (included in SG&A)	1,340	1,584	4,089	7,394
	15,345	12,240	31,726	27,447
Revenue	167,670	154,230	361,374	320,353
SG&A costs excluding share-based compensation as a percentage of revenue	9%	8%	9%	9%

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,	
	2025	2024	2025	2024
Cash flows from operating activities	10,489	39,317	21,409	50,484
Add (deduct):				
Changes in non-cash working capital	4,342	(15,832)	20,914	(1,248)
Interest paid	512	283	896	488
Income taxes paid	5,252	545	10,738	729
Funds from operations	20,595	24,313	53,957	50,453

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,	
	2025	2024	2025	2024
Cash flows from operating activities	10,489	39,317	21,409	50,484
Add (deduct):				
Changes in non-cash working capital	4,342	(15,832)	20,914	(1,248)
Interest paid	512	283	896	488
Income taxes paid	5,252	545	10,738	729
Cash payment on leases	(1,410)	(1,396)	(2,836)	(2,767)
	19,185	22,917	51,121	47,686
Proceeds on disposition of drilling equipment	10,886	7,409	21,805	19,710
Maintenance capital expenditures to replace downhole equipment losses and asset retirements	(8,363)	(2,267)	(17,450)	(7,683)
Net proceeds	2,523	5,142	4,355	12,027
Growth capital expenditures	(12,386)	(24,513)	(27,991)	(48,737)
Excess cash flow	9,322	3,546	27,485	10,976

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, 2025	December 31, 2024
Current assets	210,187	214,017
Deduct:		
Current liabilities	(117,364)	(129,472)
Working capital	92,823	84,545

d) Net Debt (Net Cash)

Net debt is defined as the Corporation's loans and borrowings less cash. 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 to net debt:

(Stated in thousands of dollars)

	June 30, 2025	December 31, 2024
Loans and borrowings	41,739	16,827
Deduct:		
Cash	(10,696)	(14,163)
Net debt (Net cash)	31,043	2,664

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 capital expenditures 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,	
	2025	2024	2025	2024
Growth capital expenditures	12,386	24,513	27,991	48,737
Maintenance capital expenditures from asset retirements	6,363	2,029	14,200	6,170
Maintenance capital expenditures to replace downhole equipment losses	2,000	238	3,250	1,513
Total capital expenditures	20,749	26,780	45,441	56,420
Deduct:				
Proceeds on disposition of drilling equipment	(10,886)	(7,409)	(21,805)	(19,710)
Net capital expenditures	9,863	19,371	23,636	36,710

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,	
	2025	2024	2025	2024
Excess cash flow	9,322	3,546	27,485	10,976
70% of excess cash flow	6,525	2,482	19,240	7,683
Deduct:				
Dividends paid to shareholders	(9,112)	(9,498)	(18,214)	(18,951)
Repurchase of shares under the NCIB	(911)	(3,143)	(911)	(3,143)
Remaining Distributable Balance under ROCS	(3,498)	(10,159)	115	(14,411)

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.

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 Interim Statements of Cash Flows and Note 6(a) in the Notes to the 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", "targets" 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 its NCIB, particular during this times of market weaknesses ;
- The Corporation will target the level of excess cash flow to be used for shareholder returns to stay within the 70 percent threshold for the rest of the 2025-year, particularly given the uncertainty related to economic and industry conditions in light of weak commodity prices and global trade policies.
- 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 as a tool to further reward shareholders under ROCS.
- The anticipated 2025 capital expenditure budget of \$65 million and the anticipated portion to be spent on growth and to maintain capacity in the fleet of drilling and other equipment and replace equipment lost downhole during drilling operations.
- The planned capital 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 expectation that that equipment on order as part of the capital commitments as at June 30, 2025 will be delivered before the end of 2025.
- That H.R.1 – One Big Beautiful Bill Act , which was enacted on July 4, 2025, is not anticipated to have a material impact at this time, however the Corporation will continue to evaluate.
- The potential material adverse effect on the Canadian and US economy, the Canadian and US oil and natural gas industry and the Corporation and its results that new tariffs (those already implemented and those that are currently

paused, if they come into effect in the future), and any changes to these tariffs or imposition of any additional tariffs, taxes or import or export restrictions or prohibitions, could have.

- The anticipated effectiveness of the Corporation's supply chain and procurement strategies in helping to mitigate the impact of new and existing tariffs. Although the Corporation believes such strategies will somewhat mitigate the impact of tariffs, if significant tariffs affecting the Corporation are implemented for a prolonged period their impact on the Corporation's operations and results may be material to the Corporation.
- The potential adverse affects on industry activity and the Corporation related to the persistence of weak commodity prices.
- The expected and potentially fluctuating revenue from the Atlas sales division, due to the sporadic and cyclical nature of the customers' ordering frequency.
- The amount expected to be allocated towards replacing equipment lost downhole could increase, should more downhole equipment losses occur throughout the year.

The above are stated under the headings: "Financial Results", "Dividends and ROCS", "Normal Course Issuer Bid", "Capital Spending", "Segmented Information", "Liquidity", "Cash Requirements for Capital Expenditures" and "Business Risk Factors". In addition, all information contained under the headings "Dividends and ROCS", "Global Trade and Supply Chain Update", "Cash Flow, Dividends, and ROCS", and "Outlook" 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 2025 and in the future; that future business, regulatory and industry conditions will be within the parameters expected by the Corporation; that there will be no significant adverse tariff events including intentional tariff wars that could have a significant impact on the markets in which the Corporation operates; 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 trade wars, 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.

Corporate Information

Board of Directors

John Hooks

Michael Buker

Randolph ("Randy") M. Charron

Myron Tétreault

Karen David-Green

Lawrence Hibbard

Terry Freeman

Officers

John Hooks

Executive Board Chair

Michael Buker

President and CEO

Cameron Ritchie

Sr. Vice President Finance and CFO

Corporate Secretary

Craig Brown

Chief Technology Officer

Jeffery Shafer

Chief Operating Officer

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