

**REPORT ON FINANCIAL RESULTS FOR THE THREE-MONTH PERIOD
ENDED MARCH 31, 2007**

Phoenix Technology Income Fund is pleased to report on its financial and operating results for the three-month period ended March 31, 2007. Despite an earlier spring break-up period in Canada in 2007, Phoenix in the first quarter, realized record customer demand in its Canadian region. With the added contribution from the Traverse City operation, the United States ("US") continued to post exceptional growth. Consolidated revenue increased by 37 percent to \$30.0 million in 2007 as compared to \$21.9 million in the 2006 period. Cash flow in the 2007 period was \$8.5 million, compared to \$7.5 million in 2006. Cash distributions made in the 2007 three-month period were \$4.3 million, or \$0.195 per unit, compared to \$3.3 million or \$0.15 per unit in 2006. The cash payout ratio for the three-month period ended March 31, 2007 was 51 percent.

FINANCIAL HIGHLIGHTS

(Stated in thousands of dollars except per unit amounts, cash payout ratios and units outstanding)	Three Months Ended March 31		% Chg.
	2007 (unaudited)	2006 (unaudited)	
Operating Results			
Revenue	30,008	21,887	37
Net earnings	5,875	5,031	17
Earnings per unit – diluted	0.26	0.22	18
EBITDA	8,493	7,294	16
EBITDA per unit – diluted	0.37	0.32	16
Cash Flow			
Cash flow	8,475	7,466	14
Cash flow per unit – diluted	0.37	0.33	12
Capital expenditures	3,439	3,191	8
Cash distributions made	4,344	3,320	31
Cash distributions per unit ⁽¹⁾	0.195	0.150	30
Cash payout ratio ⁽²⁾	51%	44%	
Financial Position			
	March 31, 2007	December 31, 2006	
Working capital	20,639	19,611	5
Long-term debt ⁽³⁾	1,775	1,775	-
Unitholders' equity	60,719	58,908	3

⁽¹⁾ Cash distributions on a per unit basis paid in the period.

⁽²⁾ Phoenix defines its cash payout ratio as cash distributions made in the applicable period divided by cash flow for the same period.

⁽³⁾ Includes current portion of long-term debt.

Non-GAAP Measures

The Fund uses certain performance measures throughout this MD&A that are not recognizable under Canadian generally accepted accounting principles ("GAAP"). These performance measures include, earnings before interest, taxes, and depreciation ("EBITDA"), EBITDA per unit, cash flow or distributable cash from operations, cash flow per unit, cash distributions per unit, and maintenance capital expenditures. Management believes that these measures provide supplemental financial information that is useful in the evaluation of the Fund's operations. 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 Phoenix's performance. Phoenix's method of calculating these measures may differ from other organizations, and accordingly, these may not be comparable. Please refer to the Non-GAAP measures section.

RESULTS OF OPERATIONS

Despite the fact that the Canadian spring break-up period started much earlier in 2007, compared to 2006, Phoenix realized a record level of revenue for a first quarter. For the three-month period ended March 31, 2007 the Fund generated revenue of \$30.0 million as compared to \$21.9 million for the corresponding period in 2006, a 37 percent increase.

EBITDA for the three-month period ended March 31, 2007, again a first quarter record for the Fund, was \$8.5 million, \$0.37 per unit diluted as compared to \$7.3 million, \$0.32 per unit diluted, a 16 percent increase. Net earnings for the 2007 period was also a first quarter record for the Fund at \$5.9 million, \$0.26 per unit diluted, an increase of 17 percent from \$5.0 million, \$0.22 per unit diluted in 2006.

Cash flow, for the 2007 period was \$8.5 million, \$0.37 per unit diluted, compared to \$7.5 million, \$0.33 per unit diluted, an increase of 14 percent. During the three-month period ended March 31, 2007, the Fund made distributions of \$4.3 million to unitholders, or \$0.195 per unit. The cash payout ratio for the three-month period ended March 31, 2007, was 51 percent.

Phoenix's measurement-while-drilling ("MWD") guidance system fleet of 86 tools has not changed since December 31, 2006. In the MWD fleet there are 45 CLT systems, leaving 41 pulse systems. The US operations currently deploy 28 MWD systems, with the other 58 systems in Canada. The Fund currently has a further 2 positive pulse systems being assembled that will be field ready for US operations in the second quarter of 2007. Phoenix plans to add another 3 positive pulse MWD systems to its fleet in the second half of 2007. Further expansion will be adjusted to the level of customer demand experienced.

MWD equipment utilization, on a consolidated basis, in the three-month period ended March 31, 2007 was 36 percent as compared to 38 percent for the 2006 period. The utilization rate in 2007 was adversely impacted by an earlier break-up period in Canada and by frost laws prohibiting drilling activity in the northeastern US region. The average number of MWD systems in the Fund's full service fleet was 81 in 2007, up from 67 in 2006. Phoenix considers the maximum achievable utilization rate for its operations to be 67 percent due to downtime required for equipment repairs, rig moves and equipment mobilization. As at March 31, 2007, the Fund had five CLT systems out on lease with other horizontal and directional service providers; these are not included in the utilization ratios.

Revenue

The Fund reports its operations through two geographical areas namely, the western Canadian provinces of Alberta, Saskatchewan and British Columbia and, the Gulf Coast, Northeast and Rocky Mountain regions of the United States.

Western Canadian Revenue

There was limited horizontal and directional drilling growth within the industry in the first quarter of 2007 as compared to the corresponding 2006 period due primarily to two factors, namely; continued weaknesses in natural gas prices and the short-term outlook on such prices carried forward from the fourth quarter of 2006 into 2007 and; an earlier start to break-up was experienced in western Canada due to warm weather in mid-march of 2007. Despite this, Phoenix reported western Canadian revenue of \$19.0 million in the three-month period ended March 31, 2007 which was 21 percent higher than \$15.8 million for the comparable period. This result was a record for the Fund for the region in any quarter in the Organizations' history. The western Canadian operation was able to continue to grow its client base with 9 new accounts added in 2007. Pricing has decreased slightly in the period due to the slower level of activity that occurred in the fourth quarter of 2006. Oil well diversification has continued to aid Phoenix's growth. Approximately 32 percent of wells drilled by Phoenix were oil wells located in Alberta and Saskatchewan. In addition the Fund successfully completed 14 wells that were part of Cameco's Underground Water Flow Abatement Project's drilling program at Cigar Lake, Saskatchewan. This involved the drilling of tight proximity wells that will be used to assist with the draining of Cameco's flooded Uranium mine. Within the industry, the number of horizontal and directional wells drilled within Canada in the three-month period ended March 31, 2007, increased by only 4 percent to 2,165 wells from 2,081 in the comparable 2006 period. (Source: Daily Oil Bulletin)

United States Revenue

The horizontal and directional industry within the US realized respectable growth in the 2007 period as compared to 2006. Nevis Energy Services, Inc., wholly owned by Phoenix, increased revenue by 79 percent to \$11.0 million for the three-month period ended March 31, 2007 compared to \$6.1 million in the comparative 2006 period. This revenue growth in the first quarter of 2007 was aided by the presence of the Northeast US operations, which are headquartered in Traverse City, Michigan. This region commenced operations for Phoenix in April 2006 servicing the states of Ohio, Michigan, West Virginia, Pennsylvania and New York and has been a solid revenue contributor to Nevis since its inception. The Gulf Coast region was not as active as anticipated in 2007 due to some drilling program delays of a few clients. The Rocky Mountain region produced an increase of 150 percent in revenue in the 2007 period due to the continued focus of providing full service work to clients in that region. With the recent placement of additional sales representatives in several key locations and, with the current industry outlook, forecasted activity for Nevis for the remainder of 2007 in all three regions looks to be very favorable.

In comparison to Nevis's growth, the industry, as measured by the average number of US horizontal and directional industry rigs running on a daily basis, increased its activity by 19 percent in the first-quarter of 2007 to 722 rigs as compared to 608 rigs in the comparable 2006 period. (Source: Baker Hughes).

OPERATING COSTS AND EXPENSES

Direct costs are comprised of field and shop expenses and include current period research and development ("R&D") expenditures. Gross profit as a percentage of revenue declined in the 2007 period to 40 percent as compared to 43 percent in 2006. The US operations historically have produced a lower gross profit margin for Phoenix as compared to its Canadian operations. But in addition to this normal outcome, in the first quarter of 2007, US gross profit margins were lower than the 2006 period due in part to; the presence of significant third party downhole steering tool rentals that are unavoidable in the Northeast region and; higher mud motor repair costs resulting from the harsher operating conditions in all US regions. As the US operations continue to represent a greater proportion of consolidated revenue, the overall margin percentage has been affected.

In addition the Northeast and Rocky Mountain regions were forced to incur a greater amount of third party motor rental costs due to their high activity levels and some unique customer requirements. Due to an increased focus on research and development, R&D project funding increased to \$333,000 in 2007 as compared to \$188,000 in 2006.

The Fund's gross profit in 2007 is expected to increase once a greater proportion of its motor fleet is serviced internally. The Fund currently has motor repair facilities in Calgary, Alberta and Traverse City, Michigan and it is looking at setting up a further service facility in Houston, Texas later in the year.

SG&A costs for the three-month period ended March 31, 2007 increased by approximately \$1.1 million to \$3.0 million as compared to \$1.9 million in 2006. SG&A increased due to the addition of staff within the US that was needed to support their high level of growth. The balance of the increase is related to higher marketing related costs associated with the higher level of revenue activity.

As a result of past period capital expenditures, depreciation and amortization for the three-month period ended March 31, 2007 increased to \$1.7 million from \$1.4 million in 2006. Amortization costs related to intangible assets that were recognized on a 2005 acquisition were \$nil in 2007, compared to \$9,375 in the 2006 period.

Income Taxes

For the three-month period ended March 31, 2007 income taxes increased to \$856,000 as compared to \$819,000 in the 2006 period. The effective income tax rate for the year three-month period ended March 31, 2007 was 13 percent compared to an expected federal and provincial rate of 32.5 percent. The difference in the two rates is primarily due to the deductibility of declared cash distributions that are allowable in calculating taxable income of the Fund. As an investment trust, the Fund is subject to income taxes under the Income Tax Act only on income not distributed to its unitholders. The Fund, unlike its subsidiaries will not recognize any future tax assets or liabilities on differences between the accounting and tax basis of its assets and liabilities.

INVESTMENT

To continue to lower third party equipment rentals, the Fund invested \$3.4 million in drilling and other equipment as compared to \$3.2 million in 2006. The capital expenditure program undertaken in the first quarter of 2007 was financed entirely from cash flow from operations. Historically, the Fund has financed its capital expenditures and acquisitions through cash flow from operations, debt and equity. The 2007 capital budget remains set at \$7.9 million and this includes the additional of a further 5 MWD systems. The planned capital expenditures will be financed from cash flow from operations and by the Fund's unused credit facilities if necessary. If future growth opportunities present themselves the Fund would not hesitate in expanding this planned capital expenditure amount. Conversely, if a sustained downturn in activity did occur the Fund would modify its capital expenditure acquisition strategies accordingly.

As at March 31, 2007 the Fund had working capital of \$20.6 million that was approximately \$1.0 million higher than that reported at December 31, 2006.

OUTLOOK

In spite of the recent unsettled commodity price environment, and resulting lower Canadian drilling activity, Phoenix is pleased with its financial results for the quarter ended March 31, 2007. These financial results represent the third best quarter in the Funds history. In the first three months of 2007 Phoenix realized pricing levels that were only slightly below last year, and a material reduction in pricing in the next few months is not expected.

With our strategic objective to continually review and improve profit margins thereby increasing profitability, the Fund has embarked on a program to reduce service costs associated with its downhole mud motor fleet. Currently the fund operates over 270 motors. By year-end Phoenix will have mud motor service facilities operating in Calgary, Houston and Traverse City, Michigan. The Fund expects to realize significant savings in 2007 with full benefits arising in 2008.

Over the past few years Phoenix, through its' three US operating divisions, has realized substantial growth and management believes that this growth will continue for the balance of 2007. The recent additions of experienced marketing personal in Houston, Denver and Oklahoma City will add to the US region's additional customer base subsequently increasing revenues.

Thus far in 2007, the Canadian division has operated in an environment of lower drilling activity. Phoenix and the industry, experienced an early spring break-up period in the first quarter and management believes that the industry will not necessarily be motivated to assume high drilling levels at the conclusion of this period which is traditionally in June. Despite this, the Fund does expect to see higher drilling levels later in the third quarter of 2007 and beyond.

To help offset this negative outlook Phoenix expects its oil well drilling activity in Saskatchewan and Alberta to provide it with good utilization levels. It is expected that as soon as possible after break-up the operators in these areas will start drilling operations. The Fund will be targeting to increase its market share in these areas to increase its oil well drilling revenue.

Research and development activities are always a priority with the Fund to allow it to distance itself from its competitors. Recent successful field tests with the Company's in house developed "Inclination-at-Bit" and "Satellite System Communication" technologies should allow these projects to be commercialized in the near future. Additional technologies are also progressing, with new projects started.

Phoenix's strong operating strengths and solid financial fundamentals will provide it with future success.

Forward-Looking Statements

Certain information set forth in this MD&A, including a discussion of future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements include statements relating to Phoenix's plans, strategies, objectives, expectations, intentions, resources and business activities, which are not guarantees as to future results since there are inherent difficulties in predicting these future results. The use of any of the words: "anticipate", "expect", "project", "may", "will", "should", "believe", "estimate", "forecast", "intends" and similar expressions identify forward-looking statements. Such statements are subject to known and unknown risks and uncertainties, many of which are beyond the Fund's control. These would include the impact of the general state of the economy, oil and natural gas energy price fluctuations, industry conditions, competition from other organizations, weather conditions and the seasonal nature of business, access to third-party suppliers and contractors, changes in government regulation, access to competent employees including senior management, and currency and interest rate fluctuations. In particular, if there is a material downturn in activity levels in the oil and gas industry, there may also be a sudden impact to the Fund's level of cash flow and distributions. The Fund's assumptions used in these forward-looking statements are believed to be reasonable at the time of preparation; however, no assurance can be given that these assumptions will prove to be correct and consequently, the Fund's actual results could differ materially from those implied by or contained in any forward-looking statement. As a result, readers should be cautioned about placing any undue reliance on any forward-looking statement included in this report.

NON-GAAP MEASURES

a) The following is a reconciliation of EBITDA to net earnings:

<i>(in thousands of dollars)</i>	Three-months ended March 31,	
	2007	2006
EBITDA as reported:	\$ 8,493	\$ 7,294
Add / (deduct):		
Depreciation and amortization	(1,733)	(1,439)
Interest on long-term debt	(25)	(39)
Other interest	(4)	34
	6,731	5,850
Provision for income taxes	(856)	(819)
Net earnings	\$ 5,875	\$ 5,031

b) The following is a reconciliation of cash flow to cash flow provided by operating activities:

<i>(in thousands of dollars)</i>	Three-months ended March 31,	
	2007	2006
Cash flow	\$ 8,475	\$ 7,466
Changes in non-cash working capital	(2,994)	(3,086)
Cash flow provided by operating activities	\$ 5,481	\$ 4,380

Diluted EBITDA and cash flow per unit amounts are calculated using the treasury stock method whereby deemed proceeds on the exercise of the unit options are used to reacquire fund units at an average unit price. The calculation of EBITDA and cash flow per unit, on a dilutive basis, does not include anti-dilutive options.

PHOENIX TECHNOLOGY INCOME FUND

Phoenix is in the business of providing horizontal and directional technology and drilling services in western Canada and the United States. In addition to this core business, the Fund also rents downhole, high-performance drilling motors, drilling jars, and other ancillary equipment in western Canada. Current Loop Telemetry ("CLT") technology which was developed in Phoenix's research and development center is used to manufacture CLT guidance systems for use in the Fund's internal operations, and for short-term leases to other horizontal and directional service providers within North America. Phoenix maintains sales, service and operational centers in Calgary, Alberta; Houston, Texas; Casper, Wyoming and Traverse City, Michigan. The Fund's head office and research and development center are both located in Calgary.

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Consolidated Balance Sheets

March 31, 2007 and December 31, 2006

	31-Mar-07	31-Dec-06
ASSETS	(unaudited)	
Current assets		
Cash and cash equivalents	\$ -	\$ 1,763,191
Accounts receivable	30,090,651	30,355,422
Inventory	1,185,703	1,189,254
Prepaid expenses	845,118	1,075,697
	32,121,472	34,383,564
Drilling and other equipment	36,287,934	35,208,134
Goodwill	8,876,351	8,876,351
	\$ 77,285,757	\$ 78,468,049
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities		
Bank Indebtedness	\$ 11,173	\$ -
Accounts payable and accrued liabilities	9,836,945	12,130,147
Distributions payable	1,448,771	1,447,861
Income taxes payable	114,364	1,195,000
Current portion of long-term debt	71,000	-
	11,482,253	14,773,008
Long-term debt	1,704,000	1,775,000
Future income taxes	3,381,000	3,012,000
	16,567,253	19,560,008
Unitholders' equity		
Unitholders' capital	43,608,870	43,509,547
Contributed surplus	2,359,188	2,042,311
Comprehensive income		
Accumulated other comprehensive income	(1,751,987)	(1,615,893)
Retained earnings	16,502,433	14,972,076
	14,750,446	13,356,183
	60,718,504	58,908,041
	\$ 77,285,757	\$ 78,468,049

Consolidated Statements of Earnings

Three months ended March 31, 2007 & 2006

	2007		2006	
	(unaudited)		(unaudited)	
Revenue	\$	30,008,189	\$	21,886,914
Direct costs		18,007,040		12,482,775
Gross profit		12,001,149		9,404,139
Expenses				
Selling, general and administrative		3,036,385		1,875,934
Depreciation and amortization		1,732,972		1,438,999
Stock-based compensation		340,869		250,566
Foreign exchange loss		73,961		42,696
Interest on long-term debt		24,395		38,519
Other interest		4,281		(34,017)
Loss (gain) on disposition of drilling equipment		56,778		(58,887)
		5,269,641		3,553,810
Earnings before income taxes		6,731,508		5,850,329
Provision for income taxes				
Current		461,356		72,000
Future		395,000		747,000
		856,356		819,000
Net earnings	\$	5,875,152	\$	5,031,329
Earnings per unit - basic	\$	0.26	\$	0.23
Earnings per unit - diluted	\$	0.26	\$	0.22

Consolidated Statements of Comprehensive Income

Three months ended March 31, 2007 & 2006

	2007		2006	
	(unaudited)		(unaudited)	
Net earnings		5,875,152		5,031,329
Foreign currency adjustment		(136,094)		32,880
Comprehensive income	\$	5,739,058	\$	5,064,209

Consolidated Statements of Unitholder's Equity

Three months ended March 31, 2007 & 2006

	Unit capital		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total
	Number	Dollars				
Balance, December 31, 2006	22,274,773	\$ 43,509,547	\$ 2,042,311	\$ (1,615,893)	\$ 14,972,076	\$ 58,908,041
Issuance of unit capital	13,999	99,323	-	-	-	99,323
Stock-based compensation	-	-	316,877	-	-	316,877
Net earnings	-	-	-	-	5,875,152	5,875,152
Foreign currency adjustment	-	-	-	(136,094)	-	(136,094)
Distributions to unitholders	-	-	-	-	(4,344,795)	(4,344,795)
Balance, March 31, 2007	22,288,772	\$ 43,608,870	\$ 2,359,188	\$ (1,751,987)	\$ 16,502,433	\$ 60,718,504

Consolidated Statements of Cash Flows

Three months ended March 31, 2007 & 2006

	2007		2006
	(unaudited)		(unaudited)
Cash flows from operating activities			
Net earnings	\$ 5,875,152	\$	5,031,329
Add (deduct) items not affecting cash			
Depreciation and amortization	1,732,972		1,438,999
Future income taxes	395,000		747,000
Unrealized foreign exchange loss	73,963		56,857
Loss (gain) on disposition of drilling equipment	56,778		(58,887)
Stock-based compensation	340,869		250,566
	8,474,734		7,465,864
Change in non-cash working capital	(2,993,680)		(3,085,621)
	5,481,054		4,380,243
Cash flows from investing activities			
Proceeds on disposition of drilling equipment	489,624		224,047
Acquisition of drilling and other equipment	(3,438,998)		(3,191,401)
Change in non-cash working capital	(37,490)		263,133
	(2,986,864)		(2,704,221)
Cash flows from financing activities			
Issuance of units	75,331		56,000
Distributions to unitholders'	(4,343,885)		(3,319,518)
Repayment of long-term debt	-		(375,000)
	(4,268,554)		(3,638,518)
Decrease in cash and cash equivalents	(1,774,364)		(1,962,496)
Cash and cash equivalents, beginning of period	1,763,191		3,964,950
(Bank Indebtedness) cash and cash equivalents, end of period	\$ (11,173)	\$	2,002,454