ACT ENERGY TECHNOLOGIES

2024 ANNUAL REPORT

LETTER TO SHAREHOLDERS

To my fellow Shareholders:

"The year 2024 was a very active one for ACT, featuring both a name change and a share consolidation to better position the Company for an even brighter future in the North American directional drilling technology space. Fourth quarter results were weaker year-over-year and showed the impact of exploration and production ("E&P") client budget exhaustion on both sides of the border. Daily job counts started to decrease relatively early compared to historical trends in mid-November and did not begin ramping again until just before the new year. This temporary activity reduction is a product of capital discipline in the E&P sector and is likely a trend that will continue in the future. In addition, the Company's United States ("U.S.") client mix started to see an impact of customer consolidation resulting in reduced field spending levels for certain of these impacted customers. The full year 2024 demonstrated excellent progress in many important areas including the achievement of record revenues and Adjusted EBITDAS [(1)]. These records were attained against a market backdrop of volatile oil prices, low natural gas prices for most of the year and further declines in the U.S. land rig count.

"Beginning with Canada, the Company generated 24% growth in revenues for the full year 2024 versus 2023. Canadian revenues reached just under $200 million in 2024 as compared to $161.4 million in 2023. ACT's operating days grew approximately 20% over the course of the year against a backdrop of a much more modest 6% growth in the underlying Western Canadian active rig count [(2)]. Driving these results is ACT's extensive experience combined with a leading technology offering suited for the growing number and depth of wells drilled in multi-lateral oil plays.

"In the U.S., the Company also outperformed the underlying market in 2024, achieving just under $372 million in U.S. revenues, a modest decline of 3% versus $383.9 million in 2023 amidst a backdrop of a decline in the U.S. land rig count of 13% in 2024 versus 2023 [(2)]. A year-over-year decline in operating days of 10% was partially offset by an 8% increase in revenue per operating day as ACT continue to pursue the higher-value rotary steerable system ("RSS") market.

"As we move into 2025, ACT also has an opportunity for margin expansion as the Company commences the deployment of its own measurement-while-drilling ("MWD") units developed by Rime Downhole Technologies ("Rime") (acquired in 2023). ACT is currently on target to complete the construction of fifty MWD systems by the end of the second quarter of 2025. The provision of an in-house MWD solution for ACT's clients is very important to strengthen the durability of the Company's cash flow, replacing rented third-party systems. The deployment of tools into an operating environment for ACT's customers will happen incrementally throughout 2025 and into 2026. The Company remains intently focused on ACT's customer execution and service delivery, supporting ACT's market positioning as a strong technology performer.

"ACT's business focus remains consistent; we are committed to delivering ultra-high-performance directional drilling and related down-hole services, leveraging ACT's proprietary technologies and experienced team. This focus will allow us to deliver value to our shareholders through the cycles. To maximize returns, the Company expects to allocate capital as follows:

- Expand margins: utilize selective capital investment, primarily related to RSS and MWD, replacing rental equipment with optimized solutions.
- Return of capital: repurchase of shares through the Company's normal course issuer bid ("NCIB").
- Further strengthen its financial position: Although the Company's debt remains low, further modest reduction of debt will allow for business resiliency through the cycles allowing the Company to counter-cyclical with respect to long-term investment decisions.

"By implementing this diverse approach to capital allocation, the Company believes it will create a durable business model, focused on ensuring an effective use of capital.

"Lastly, I believe that our people remain our strongest asset, we continue to thank them for their contribution, support, and dedication as we deliver value for our Shareholders," stated Tom Connors, ACT President and Chief Executive Officer.

ANNUAL GENERAL MEETING

Shareholders are invited to attend the Annual General Meeting which will be held at 3:30 pm on May 8, 2025 at ACT Energy Technologies Ltd.'s head office, 6030 – 3 Street SE, Calgary, Alberta.

MANAGEMENT'S DISCUSSION & ANALYSIS

ACT Energy Technologies Ltd. (the "Company" or "ACT", formerly Cathedral Energy Services Ltd.), is a publicly traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "ACX", formerly "CET". The Company is primarily involved and engaged in the business of providing directional drilling services and related downhole technologies to oil and natural gas companies in Western Canada and the U.S. The Company operates under three brands, Altitude Energy Partners, Discovery Downhole Services and Rime Downhole Technologies.

This Management's Discussion & Analysis ("MD&A") for the year ended December 31, 2024 is dated March 25, 2025 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024, the Company's MD&A and audited consolidated financial statements for the year ended December 31, 2023, and Annual Information Form ("AIF") for the year ended December 31, 2024. This MD&A is intended to assist the reader in the understanding and assessment of significant changes and trends, as well as the risks and uncertainties, related to the results of the operations and

[(1)] As defined in the "Non-GAAP measures" section of this MD&A.
[(2)] Per Baker Hughes and Rig Locator.

financial position of the Company. These documents are filed on SEDAR+ (www.sedarplus.ca) and appear on the Company's website (www.actenergy.com). Tabular amounts are in '000's of Canadian dollars, unless otherwise noted.

ACT uses certain performance measures throughout this MD&A that are not defined under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). See the 'Non-GAAP Measures' section in this MD&A.

2024 KEY HIGHLIGHTS

The Company achieved the following 2024 results and highlights:

- Revenues of $571.8 million in 2024 were the highest annual revenues in the Company's history and increased 5%, compared to $545.3 million in 2023.
- Adjusted EBITDAS (1) of $93.8 million in 2024, also established a new corporate record, increasing 3% compared to $90.9 million in 2023.
- Record levels of revenues and Adjusted EBITDAS (1) achieved in 2024 despite a 9% decline in average levels of North American land drilling versus 2023 (i.e., Western Canada and U.S. land rig counts (2)).
- Canadian operating days increased 20% in 2024, compared to 2023, which was favourable in comparison to a 6% increase in the Western Canadian rig count (2). ACT remains highly active in oil plays where wells have a high multilateral count.
- U.S. operating days decreased 10% in 2024, compared to 2023, which was slightly better than the 13% decline in the U.S. land rig count (2).
- An increase in the Canadian average revenue per operating day of 3% in 2024, compared to 2023.
- An increase in the U.S. average revenue per operating day of 8% in 2024, compared to 2023, owing to an increasing focus on the higher-value parts of the market such as the use of rotary steerable tools.
- Net income of $57.9 million in 2024, compared to $10.6 million in 2023. The increase is mainly due to increased revenue and the recognition of previously unrecorded Canadian tax pools, resulting in a deferred income tax recovery of $10.2 million. Refer to the 'Income tax' section of this MD&A.
- Cash flow - operating activities of $90.2 million in 2024, compared to $70.0 million in 2023.
- Free cash flow (1) of $17.2 million in 2024, compared to Free cash flow (1) of $28.7 million in 2023.
- The Company purchased 1,144,250 common shares of ACT under its NCIB for a total amount of $7.0 million, at an average price of $6.08 per common share. Subsequent to December 31, 2024, the Company purchased 706,099 common shares for a total purchase amount of $4.3 million, at an average purchase price of $6.13 per common share.
- Loans and borrowings less cash was $50.7 million as at December 31, 2024, compared to $67.9 million as at December 31, 2023. The Company will remain focused on reducing its loans and borrowings and generating Free cash flow (1) in 2025.
- Subsequent to December 31, 2024, the Company amended and expanded its Credit Agreement with its syndicate co-lead by ATB Financial and Royal Bank of Canada. The amendment provided for an increased credit facility to approximately $124.3 million lending capacity, a lower interest rate, more flexible financial covenants, and an extended maturity date. In addition, the Company's term loans were converted to a revolving credit facility eliminating contracted debt repayments and providing the Company with additional flexibility. Refer to the 'Liquidity and capital resources' section of this MD&A for more details.
- The Company continues to see a significant opportunity for margin expansion in its U.S. directional business by using Rime supplied MWD systems to reduce its third-party rental costs. To date, seventeen Rime MWD systems have been deployed with an additional thirty-three MWD systems expected to be deployed by the end of Q2 2025. A substantial majority of the capital required to complete the build-out of these systems was spent as part of the 2024 capital plan, with minimal amounts required in 2025.
- The Company purchased ten additional RSS Orbit tools, expanding its owned U.S. fleet to twenty-six RSS tools.

(1) As defined in the 'Non-GAAP measures' section of this MD&A.
(2) Per Baker Hughes and Rig Locator.

FINANCIAL HIGHLIGHTS

Canadian dollars in 000's except for per share amounts

	Three months ended December 31, 2024	Three months ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2023
Revenues	$ 128,083	$ 145,419	$ 571,785	$ 545,297
Gross margin %	17%	20%	21%	19%
Adjusted gross margin % (1)	22%	29%	27%	27%
Adjusted EBITDAS (1)	$ 17,582	$ 27,369	$ 93,805	$ 90,884
Per share - basic (2)	$ 0.50	$ 0.79	$ 2.70	$ 2.68
Per share - diluted (2)	$ 0.45	$ 0.72	$ 2.44	$ 2.52
Adjusted EBITDAS margin % (1)	14%	19%	16%	17%
Net income	$ 14,892	$ 1,767	$ 57,907	$ 10,628
Per share - basic (2)	$ 0.43	$ 0.05	$ 1.67	$ 0.31
Per share - diluted (2)	$ 0.38	$ 0.05	$ 1.51	$ 0.29
Cash flow - operating activities	$ 20,934	$ 16,589	$ 90,177	$ 69,984
Free cash flow (1)	$ 8,065	$ 14,205	$ 17,172	$ 28,710
Weighted average common shares outstanding:				
Basic (000s) (2)	35,027	34,610	34,705	33,938
Diluted (000s) (2)	38,800	38,263	38,468	36,086

Balance,	December 31, 2024	December 31, 2023
Working capital, excluding current portion of loans and borrowings (1)	$ 84,417	$ 74,865
Total assets	$ 472,881	$ 403,733
Loans and borrowings	$ 63,527	$ 78,598
Shareholders' equity	$ 241,580	$ 179,468

(1) Refer to the 'Non-GAAP Measures' section in this MD&A.
(2) Restated to reflect the 7:1 share consolidation on July 3, 2024. Refer to the 'Share Consolidation' section in this MD&A.

NON-GAAP MEASURES

ACT uses certain performance measures throughout this MD&A that are not defined under IFRS Accounting Standards or Generally Accepted Accounting Principles ("GAAP"). These non-GAAP measures do not have a standardized meaning and may differ from that of other organizations, and accordingly, may not be comparable. Investors should be cautioned that these measures should not be construed as alternatives to IFRS Accounting Standards measures as an indicator of ACT's performance.

These measures include the Adjusted gross margin, Adjusted gross margin %, Adjusted EBITDAS, Adjusted EBITDAS margin %, Adjusted EBITDAS per diluted share, Free cash flow, Working capital and Net capital expenditures. Management believes these measures provide supplemental financial information that is useful in the evaluation of ACT's operations.

These non-GAAP measures are defined as follows:

i) **"Adjusted gross margin"** - calculated as gross margin before non-cash costs (write-down of inventory included in cost of sales, depreciation and amortization and share-based compensation); is considered a primary indicator of operating performance (see tabular calculation);

ii) **"Adjusted gross margin %"** - calculated as Adjusted gross margin divided by revenues; is considered a primary indicator of operating performance (see tabular calculation);

iii) **"Adjusted EBITDAS"** - calculated as net income before finance costs, unrealized foreign exchange gain (loss), foreign exchange gain (loss) on intercompany balances, income tax expense, depreciation and amortization, gain on settlement of lease liabilities, non-recurring costs, write-down of inventory included in cost of sales and share-based compensation; provides supplemental information to net income that is useful in evaluating the results and financing of the Company's business activities before considering certain charges (see tabular calculation);

iv) **"Adjusted EBITDAS margin %"** - calculated as Adjusted EBITDAS divided by revenues; provides supplemental information to net income that is useful in evaluating the results and financing of the Company's business activities before considering certain charges as a percentage of revenues (see tabular calculation);

v) **"Adjusted EBITDAS per basic and diluted share"** - calculated as Adjusted EBITDAS divided by the basic and diluted weighted average common shares outstanding; provides supplemental information to net income that is useful in evaluating the results and financing of the Company's business activities before considering certain charges on a per basic and diluted common share basis;

vi) **"Free cash flow"** - calculated as cash flow - operating activities prior to: i) changes in non-cash working capital, ii) income tax paid (refund) and iii) non-recurring costs less: i) property, plant and equipment ("PP&E") and intangible asset additions, excluding assets acquired in business combinations, ii) required repayments on loans and borrowings, in accordance with the Company's credit facility agreement, and iii) repayments of lease liabilities, net of finance costs, offset by proceeds on disposal of PP&E. Management uses this measure as an indication of the Company's ability to generate funds from its operations to support future capital expenditures, additional repayments of loans and borrowings or other initiatives (see tabular calculation).

The Company has deducted intangible asset additions from its Free cash flow calculation in 2024 Q1, compared to being excluded in prior periods. The change of the calculation is mainly due to increasingly more significant additions as the Company expanded its RSS tool fleet and the related licenses, as well as expected cash outflows in the future related to intangible assets as the Company expands its technology offerings.

vii) **"Working capital"** - calculated as current assets less current liabilities, excluding the current portion of loans and borrowings. Management uses this measure as an indication of the Company's financial and cash liquidity position.

viii) **"Net capital expenditures"** - calculated as the gross capital expenditures less reimbursements from customers and insurance proceeds related to equipment lost-in-hole and damaged beyond repair, net of payments to vendors for insurance coverage and third-party rental equipment lost-in-hole or damaged beyond repair - refer to the "Capital expenditures" section of this MD&A.

The following tables provide reconciliations from the IFRS Accounting Standards to non-GAAP measures included in this MD&A.

Adjusted gross margin

	Three months ended December 31, 2024	Three months ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2023
Gross margin	$ 21,585	$ 29,783	$ 121,852	$ 105,329
Add non-cash items included in cost of sales:				
Write-down of inventory included in cost of sales	355	524	782	1,501
Depreciation and amortization	6,677	11,171	30,924	41,019
Share-based compensation	145	249	610	918
Adjusted gross margin	$ 28,762	$ 41,727	$ 154,168	$ 148,767
Adjusted gross margin %	22%	29%	27%	27%

Adjusted EBITDAS

	Three months ended December 31, 2024	Three months ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2023
Net income	$ 14,892	$ 1,767	$ 57,907	$ 10,628
Add (deduct):				
Income tax (recovery) expense	(3,458)	5,617	(10,103)	9,559
Depreciation and amortization - cost of sales	6,677	11,171	30,924	41,019
Depreciation and amortization - selling, general and administrative expenses	2,670	2,289	10,109	7,596
Share-based compensation - cost of sales	145	249	610	918
Share-based compensation - selling, general and administrative expenses	605	1,004	2,565	4,183
Finance costs - loans and borrowings and exchangeable promissory notes	1,963	2,446	8,771	7,948
Finance costs - lease liabilities	308	214	899	848
Unrealized foreign exchange (gain) loss	(6,575)	69	(8,692)	(930)
Gain on settlement of lease liabilities	—	—	(391)	—
Non-recurring expenses, including inventory write-off	355	2,543	1,206	9,115
Adjusted EBITDAS	$ 17,582	$ 27,369	$ 93,805	$ 90,884
Adjusted EBITDAS margin %	14%	19%	16%	17%

Free cash flow

	Three months ended December 31, 2024	2023	Year ended December 31, 2024	2023
Cash flow - operating activities	$ 20,934	$ 16,589	$ 90,177	$ 69,984
Add (deduct):				
Income tax paid	398	4,633	4,363	5,479
Changes in non-cash operating working capital	(3,235)	4,928	2,191	12,141
Non-recurring expenses	—	2,019	424	7,614
Proceeds on disposal of property, plant and equipment	235	454	1,768	1,187
Less:				
Property, plant and equipment and intangible asset additions [(1)]	(3,959)	(8,425)	(57,450)	(46,433)
Required repayments on loans and borrowings [(2)]	(5,239)	(5,118)	(20,700)	(17,727)
Repayments of lease liabilities, net of finance costs	(1,069)	(875)	(3,601)	(3,535)
Free cash flow	$ 8,065	$ 14,205	$ 17,172	$ 28,710

(1) Property, plant and equipment additions exclude any non-cash additions.
(2) Required repayments on loans and borrowings in accordance with the credit facility agreement, which excludes discretionary debt repayments.

2023 ACQUISITION

On July 11, 2023, ACT, through a wholly-owned subsidiary, acquired Rime, a privately-held, Texas-based, engineering business that specializes in building products for the downhole MWD industry (the “Rime acquisition”) in exchange for approximately USD $41.0 million (approximately CAD $54.1 million) comprised of: i) the payment of USD $21.0 million in cash (approximately CAD $28.0 million); and ii) the issuance of principal amount of USD $20.0 million (approximately CAD $26.4 million) of subordinated exchangeable promissory notes (“EP Notes”) that are exchangeable into a maximum of 3,510,000 common shares of ACT at an issue price of CAD $7.70 per common share.

The EP Notes have a three-year term and accrue interest quarterly at a rate of 5% per annum. In accordance with International Accounting Standards (“IAS”) 32 and IFRS 13, the EP Notes were determined to be a compound instrument and, accordingly, recognized at the fair value of their respective debt component of $23.4 million and equity component of $1.2 million totaling $24.6 million. As at December 31, 2024, the carrying value of the EP Notes was $27.0 million.

In connection with the Rime acquisition, the Company entered into a three-year term credit facility (the “Credit Facility”), replacing its existing credit facility with its syndicate of lenders led by ATB Financial (“ATB”) - refer to the ‘Liquidity and capital resources’ section in this MD&A.

RESULTS OF OPERATIONS

	Three months ended December 31, 2024	2023	Year ended December 31, 2024	2023
Revenues				
United States	$ 79,300	$ 100,106	$ 371,879	$ 383,904
Canada	48,783	45,313	199,906	161,393
Total revenues	128,083	145,419	571,785	545,297
Cost of sales				
Direct costs	(99,676)	(104,216)	(418,399)	(398,031)
Depreciation and amortization	(6,677)	(11,171)	(30,924)	(41,019)
Share-based compensation	(145)	(249)	(610)	(918)
Cost of sales	(106,498)	(115,636)	(449,933)	(439,968)
Gross margin	$ 21,585	$ 29,783	$ 121,852	$ 105,329
Gross margin %	17%	20%	21%	19%
Adjusted gross margin % [(1)]	22%	29%	27%	27%

(1) Refer to the ‘Non-GAAP Measures’ section in this MD&A.

SEGMENTED INFORMATION

United States

Revenues

U.S. revenues were $79.3 million in the three months ended December 31, 2024, a decrease of $20.8 million or 21%, compared to $100.1 million for the same period in 2023. The Company realized a 22% decrease in operating days in the three months ended December 31, 2024 (2024 - 2,841 days; 2023 - 3,625 days). The decrease in operating days was due to a declining U.S. market in the three months ended December 31, 2024. The average revenue per operating day increased 1% in the three months ended December 31, 2024 (2024 - $27,913 per day; 2023 - $27,615 per day).

U.S. revenues were $371.9 million in 2024, a decrease of $12.0 million or 3%, compared to $383.9 million in 2023. The Company realized a 10% decrease in operating days (2024 - 13,337 days; 2023 - 14,858 days). The decrease is mainly related to a declining U.S. market in 2024. The average revenue per operating day increased 8% in 2024 (2024 - $27,883 per day; 2023 - $25,838 per day), mainly due to a change in job mix.

Direct costs

U.S. direct costs included in cost of sales were $62.7 million in the three months ended December 31, 2024, a decrease of $11.5 million or 15%, compared to $74.2 million for the same period in 2023. The decrease is mainly due to lower MWD third-party rental costs, mainly as a result of the Rime MWD build-out, in addition to lower labour and repair costs related to lower activity in 2024. As a percentage of revenues, direct costs increased to 79% in the three months ended December 31, 2024, compared to 74% for the same period in 2023, mainly due to higher labour and repair costs as a percentage of revenues, offset by lower third-party MWD rental costs as a percentage of revenues.

U.S. direct costs included in cost of sales were $284.0 million in 2024, a decrease of $6.4 million or 2%, compared to $290.4 million in 2023. The decrease is mainly due to lower labour due to lower activity and third-party rental costs mainly as a result of the Rime MWD build-out. The decrease was offset by higher repair and manufacturing costs. The manufacturing costs are attributable to the Rime acquisition (acquired in July 2023). As a percentage of revenues, direct costs were 76% in 2024 and 2023, mainly as a result of higher repair costs as a percentage of revenues, offset by lower third-party MWD rental costs as a percentage of revenues.

Canadian

Revenues

Canadian revenues were $48.8 million in the three months ended December 31, 2024, an increase of $3.5 million or 8%, compared to $45.3 million for the same period in 2023. The Company realized a 2% increase in operating days in the three months ended December 31, 2024 (2024 - 3,471 days; 2023 - 3,389 days). The increase in operating days is mainly attributable to higher market demand in the three months ended December 31, 2024. The average revenue per operating day increased 5% in the three months ended December 31, 2024 (2024 - $14,054 per day; 2023 - $13,371 per day). The increase in the average revenue per operating day is mainly attributed to higher proceeds from lost-in-hole reimbursements from customers and a change in job mix.

Canadian revenues were $199.9 million in 2024, an increase of $38.5 million or 24%, compared to $161.4 million in 2023. The Company realized a 20% increase in operating days in 2024 (2024 - 14,502 days; 2023 - 12,098 days). The increase in operating days is mainly attributable to higher market demand in 2024. The average revenue per operating day increased 3% (2024 - $13,785 per day; 2023 - $13,341 per day). The increase in the average revenue per operating day is mainly attributed to higher proceeds from lost-in-hole reimbursements from customers and a change in job mix.

Direct costs

Canadian direct costs included in cost of sales were $37.0 million in the three months ended December 31, 2024, an increase of $6.9 million or 23%, compared to $30.1 million for the same period in 2023. The increase is mainly due to higher labour and repair costs in the three months ended December 31, 2024. As a percentage of revenues, direct costs were 76% in the three months ended December 31, 2024, compared to 66% for the same period in 2023 mainly due to higher repair and third-party rental costs as a percentage of revenues.

Canadian direct costs included in cost of sales were $134.4 million in 2024, an increase of $26.8 million or 25%, compared to $107.6 million in 2023. The increase is mainly due to higher labour and repair costs in 2024. As a percentage of revenues, direct costs were 67% in 2024 and 2023.

CONSOLIDATED

Revenues

The Company recognized $128.1 million of revenues in the three months ended December 31, 2024, a decrease of $17.3 million or 12%, compared to $145.4 million for the same period in 2023. The decrease is due to a 10% decrease in operating days (2024 - 6,312 days; 2023 - 7,014 days), and a decrease of 2% in the average revenue per operating day (2024 - $20,292 per day; 2023 - $20,733 per day).

The Company recognized $571.8 million of revenues in 2024, an increase of $26.5 million or 5%, compared to $545.3 million in 2023. The increase is due to a 3% increase in operating days (2024 - 27,839 days; 2023 - 26,956 days) and an increase of 2% in the average revenue per operating day (2024 - $20,539 per day; 2023 - $20,229 per day).

Direct costs

The Company recognized $99.7 million of direct costs in the three months ended December 31, 2024, a decrease of $4.5 million or 4%, compared to $104.2 million for the same period in 2023. The decrease is mainly due to lower labour costs related to the decrease in operating days, and lower third-party MWD rental costs mainly related to the Rime MWD build-out.

The Company recognized $418.4 million of direct costs in 2024, an increase of $20.4 million or 5%, compared to $398.0 million in 2023. The increase is mainly due to higher repair and labour costs related to the increase in operating days, and the inclusion of manufacturing costs related to Rime (acquired in July 2023), offset by lower third-party MWD rental costs.

Direct costs as a percentage of revenues increased to 78% in the three months ended December 31, 2024, compared to 72% for the same period in 2023, mainly due to higher labour and repair costs as a percentage of revenues. Direct costs as a percentage of revenue were 73% in 2024 and 2023, as a result of higher repair costs as a percentage of revenues, offset by lower third-party MWD rental costs as a percentage of revenues.

Gross margin and adjusted gross margin

The Gross margin % decreased to 17% in the three months ended December 31, 2024, compared to 20% for the same period in 2023. The Gross margin % increased to 21% in 2024, compared to 19% in 2023.

The Adjusted gross margin % decreased to 22% in the three months ended December 31, 2024, compared to 29% for the same period in 2023. The Adjusted gross margin % was 27% in 2024 and 2023. The Company remains focused on reducing third-party MWD and motor rental costs by investing capital to build out its MWD and motor fleet.

Depreciation and amortization expense

Depreciation and amortization expense included in cost of sales decreased to $6.7 million and $30.9 million in the three months and year ended December 31, 2024, compared to $11.2 million and $41.0 million for the same periods in 2023, respectively. The decrease is mainly due to a change in depreciation methodology, as described below.

In 2024 Q1, the Company assessed its depreciation methodology related to its property, plant and equipment. As a result, the Company determined that using a straight-line method of depreciation, rather than the declining balance method, more accurately reflects the future economic benefits of the related assets. The depreciation expense included in cost of sales decreased due to the change in methodology.

Depreciation and amortization expense included in cost of sales as a percentage of revenues was 5% in the three months and year ended December 31, 2024, compared to 8% for the same periods in 2023, respectively.

Selling, general and administrative ("SG&A") expenses

	Three months ended December 31, 2024	Three months ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2023
Selling, general and administrative expenses:				
Direct costs	$ 10,559	$ 14,801	$ 54,540	$ 52,502
Depreciation and amortization	2,670	2,289	10,109	7,596
Share-based compensation	605	1,004	2,565	4,183
Selling, general and administrative expenses	$ 13,834	$ 18,094	$ 67,214	$ 64,281

The Company recognized direct costs included in SG&A expenses of $10.6 million and $54.5 million in the three months and year ended December 31, 2024, a decrease of $4.2 million and an increase of $2.0 million, compared to $14.8 million and $52.5 million for the same periods in 2023, respectively. The decrease for the three months ended December 31, 2024 is related to a lower discretionary incentive expense. The increase for 2024 is mainly related to higher promotional and information technology costs, and the inclusion of SG&A expenses related to Rime (acquired in July 2023).

Direct costs included in SG&A expenses as a percentage of revenues were 8% and 10% in the three months and year ended December 31, 2024, compared to 10% for the same periods in 2023, respectively.

Depreciation and amortization included in SG&A expenses were $2.7 million and $10.1 million in the three months and year ended December 31, 2024, compared to $2.3 million and $7.6 million for the same periods in 2023, respectively. The increases are mainly due to amortization expense related to the intangible assets acquired in the Rime transaction.

Stock-based compensation included in SG&A expenses were $0.6 million and $2.6 million in the three months and year ended December 31, 2024, compared to $1.0 million and $4.2 million for the same periods in 2023, respectively. The decrease is mainly due to certain stock options being fully vested in 2024.

Provision

	Three months ended December 31, 2024	Three months ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2023
Provision	$ —	$ 1,126	$ —	$ 5,417

The Company recognized a provision of $7.6 million, included in trade and other payables, related to a U.S. tax audit matter during the year ended December 31, 2023. A portion of the provision was recognized as an expense of $5.4 million and a portion was recognized as property, plant and equipment and inventory of $2.2 million during the year ended December 31, 2023. The carrying value of the provision included in trade and other payables increased by $0.7 million to $8.3 million due to the effects of movements in exchange rates during the year ended December 31, 2024.

In relation to a pre-closing sales tax issue related to the July 14, 2022 acquisition of Altitude, as a result of a preliminary assessment, the Company has recognized a provision of $15.5 million in Trade and other payables. Pursuant to the Equity Purchase Agreement related to the Altitude acquisition, the sellers provided the Company with an indemnity related to pre-closing tax issues, including the sales tax issue noted. Accordingly, the Company has recognized an offsetting indemnity receivable of $15.5 million in Other receivable.

The Company is also involved in various other legal claims associated with the normal course of operations. The Company believes that any liabilities that may arise pertaining to such matters would not have a material impact on its financial position.

Research and development (“R&D”) costs

	Three months ended December 31, 2024	2023	Year ended December 31, 2024	2023
Research and development costs	$ 388	$ 417	$ 2,833	$ 1,754

The Company recognized R&D costs of $0.4 million and $2.8 million in the three months and year ended December 31, 2024, compared to $0.4 million and $1.8 million for the same periods in 2023, respectively. R&D costs are salaries, benefits, purchased materials and shop supply costs related to new product development and technology.

Write-off of property, plant and equipment

	Three months ended December 31, 2024	2023	Year ended December 31, 2024	2023
Write-off of property, plant and equipment	$ 642	$ 1,128	$ 3,508	$ 4,952

The Company recognized a write-off of property, plant and equipment of $0.6 million and $3.5 million in the three months and year ended December 31, 2024, compared to $1.1 million and $5.0 million for the same periods in 2023, respectively. The write-offs related to equipment lost-in-hole and damaged beyond repair. Reimbursements on lost-in-hole equipment and damaged beyond repair are based on service agreements held with clients and are recognized as revenues.

Finance costs

	Three months ended December 31, 2024	2023	Year ended December 31, 2024	2023
Finance costs - loans and borrowings and EP Notes	$ 1,963	$ 2,446	$ 8,771	$ 7,948
Finance costs - lease liabilities	$ 308	$ 214	$ 899	$ 848

Finance costs - loans and borrowings and EP Notes were $2.0 million in the three months ended December 31, 2024, a decrease of $0.4 million, compared to $2.4 million for the same period in 2023. The decrease is mainly due to a lower outstanding balance of loans and borrowings in the three months ended December 31, 2024 compared to the same period in 2023.

Finance costs - loans and borrowings and EP Notes were $8.8 million in 2024, an increase of $0.9 million, compared to $7.9 million in 2023. The increase is mainly due to higher interest rates in 2024 and finance costs related to the Company’s EP Notes issued as part of the Rime transaction in July 2023.

In addition, the Company had finance costs - lease liabilities of $0.3 million and $0.9 million in the three months and year ended December 31, 2024, related to lease liabilities, compared to $0.2 million and $0.8 million for the same periods in 2023, respectively.

Foreign exchange

	Three months ended December 31, 2024	2023	Year ended December 31, 2024	2023
Foreign exchange gain	$ (6,757)	$ (722)	$ (8,628)	$ (768)
Foreign currency translation (gain) loss on foreign operations	$ (4,759)	$ 4,892	$ (6,063)	$ 4,301

The Company recognized a foreign exchange gain of $6.8 million in the three months ended December 31, 2024, compared to a foreign exchange gain of $0.7 million for the same period in 2023. The Company recognized a foreign exchange gain of $8.6 million in 2024, compared to a foreign exchange gain of $0.8 million in 2023. The impact of foreign exchange is due to fluctuations of the Canadian dollar relative to the USD related to foreign currency transactions and balances recognized in net income.

The Company recognized a foreign currency translation gain on foreign operations of $4.8 million in the three months ended December 31, 2024, compared to a loss of $4.9 million for the same period in 2023. The Company recognized a foreign currency translation gain on foreign operations of $6.1 million in 2024, compared to a loss of $4.3 million in 2023. The Company's foreign operations are denominated in USD and differences due to fluctuations in the foreign currency exchange rates are recorded in other comprehensive income.

Income tax recovery (expense)

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Current	(2,318)	4,163	141	8,411
Deferred	(1,140)	1,454	(10,244)	1,148
Income tax (recovery) expense	$ (3,458)	$ 5,617	$ (10,103)	$ 9,559

The Company recognized an income tax recovery of $3.5 million and $10.1 million in the three months and year ended December 31, 2024, compared to an income tax expense of $5.6 million and $9.6 million for the same periods in 2023, respectively. Income tax expense is booked based upon expected annualized rates using the statutory rates of 23% for both Canada and the U.S.

The Company recognized a portion of its Canadian tax pools in 2024 due to management's assessment and estimates that they will likely be utilized within the next twelve to eighteen months. The tax effected amount recognized was $15.3 million. The remaining tax pools remain unrecognized as at December 31, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Annually, the Company's principal source of liquidity is cash generated from its operations. In addition, the Company has the ability to fund liquidity requirements through its credit facility and the issuance of additional debt and/or equity, if available.

In order to facilitate the management of its liquidity, the Company prepares an annual budget, which is updated, as necessary, depending on varying factors, including changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updated forecasts are prepared as the fiscal year progresses with changes reviewed by the Board of Directors.

Cash flow - operating activities was $20.9 million and $90.2 million in the three months and year ended December 31, 2024, compared to $16.6 million and $70.0 million for the same periods in 2023, respectively. ACT remains focused on reducing its loans and borrowings and generating Free cash flow, as defined in the 'Non-GAAP measures' section of this MD&A. In addition, the Company will remain opportunistic in executing its NCIB and making strategic and accretive acquisitions.

At December 31, 2024, the Company had working capital, excluding current portion of loans and borrowings of $84.4 million (December 31, 2023 - $74.9 million).

Share Consolidation

On May 9, 2024, the shareholders of the Company approved the consolidation of the issued and outstanding common shares of the Company, on the basis of one post-consolidation common share for a range of five to ten pre-consolidation common shares. On June 10, 2024, the Board of Directors approved a consolidation ratio of one post-consolidation share for seven pre-consolidation common shares (the "Consolidation"). As a result, on July 3, 2024, 243,383,392 common shares issued and outstanding prior to the Consolidation were reduced to 34,769,056 common shares. No fractional common shares were issued in connection with the Consolidation, and all fractional common shares that otherwise would have been issued was rounded to the nearest whole common share. The number of shares and per share amounts in this MD&A were restated to reflect the Consolidation.

Warrants

During the year ended December 31, 2023, 2,533,127 of the April 2022 bought deal offering warrants, 82,143 of the February 2021 private placement warrants and 285,714 of the warrants related to the July 2021 Precision Drilling acquisition were exercised at $5.95 per warrant, $1.68 per warrant and $4.20 per warrant totaling $15.1 million, $0.1 million, and $1.2 million in gross cash proceeds, respectively. On April 26, 2023, the remaining 7,923 unexercised warrants from the April 2022 bought deal offering warrants expired.

Normal course issuer bid

On July 3, 2023, the Company received approval from the TSX to purchase up to 1,737,144, or 5%, of the 34,742,882 issued and outstanding common shares of the Company under the NCIB. The ability to purchase common shares under the NCIB commenced on July 17, 2023, and terminated on July 16, 2024. The actual number of common shares purchased under the NCIB, the timing of purchases and the price at which the common shares purchased were subject to management's discretion.

On July 25, 2024, the Company received approval from the TSX to purchase up to 1,902,008 common shares, or 10%, of the 19,020,083 common shares of the Company's public float under the NCIB. The ability to purchase common shares under the NCIB commenced on July 29, 2024, and will terminate no later than July 28, 2025. The actual number of common shares purchased under the NCIB, the timing of purchases and the price at which the common shares are purchased will be subject to management's discretion.

Under the TSX rules, the Company is entitled to purchase up to the greater of: 25% of the average daily trading volume of the respective class of shares; or 1,000 shares on any trading day; or a larger amount of shares per calendar week, subject to the maximum number that may be acquired under the NCIB, if the transaction meets the block purchase exception rule under TSX rules. Accordingly, unless a block purchase meets the block purchase exception under TSX rules, the Company is entitled to purchase up to 11,137 common shares on any trading day (2023 - 14,232).

During the year ended December 31, 2024, 1,144,250 (2023 - 613,557) common shares were purchased under the NCIB for a total purchase amount of $7.0 million (2023 - $3.8 million) at an average price of $6.08 (2023 - $5.74) per common share. A portion of the purchase amount reduced share capital by $6.5 million (2023 - $3.5 million), and the residual purchase amount of $0.4 million (2023 - $0.3 million) was recorded to the surplus (deficit).

In connection with the NCIB, the Company established an automatic securities purchase plan ("the Plan"). Accordingly, the Company may repurchase its common shares under the Plan on any trading day during the NCIB, including during regulatory restrictions or self-imposed trading blackout periods. The Plan commenced on July 29, 2024 and will terminate on July 28, 2025. As at December 31, 2024, the Company recognized $2.1 million as an accrued liability ($1.9 million reduced share capital, and $0.2 million was recorded to the surplus) for the maximum common shares to be purchased under the Plan.

Subsequent to December 31, 2024, the Company purchased 706,099 common shares for a total purchase amount of $4.3 million, at an average purchase price of $6.13 per common share.

Syndicated and revolving credit facilities

On July 11, 2023, in connection with the Rime acquisition, the Company entered into a three-year term credit facility, replacing its existing syndicated facility with its syndicate of lenders led by ATB. The syndicate of lenders remained unchanged with the exception of Business Development Bank of Canada joining the syndicate. The Credit Facility provided an approximate $137.0 million principal amount comprised of: i) a $59.0 million Syndicated Term Facility (replacing the existing syndicated term facility) ("CAD Syndicated Term Facility"), ii) a new USD $21.0 million term loan (CAD $27.1 million) ("USD Syndicated Term Facility"), repayable in equal quarterly installments over a five-year amortization period, iii) a $35.0 million Syndicated Operating Facility (previously $15.0 million), and iv) a $15.0 million Revolving Operating Facility (previously $10.0 million). The Credit Facility was utilized to replace and repay ACT's existing credit facility. The Credit Facility bears interest at the financial institution's prime rate plus 1.5% to 2.25% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.5% to 3.25% with interest payable monthly. The interest rate and financial covenants remained unchanged from the existing Syndicated Facility. The maturity date of the Credit Facility was extended to July 11, 2026.

On May 30, 2024, LTD and Holdco entered into a Fourth Amended and Restated Credit Agreement with its lenders ("Credit Agreement") which provided for various administrative changes and the addition of a U.S. domiciled USD Revolving Operating Facility in the amount of $10.0 million. The terms of the Credit Agreement, including payment terms, interest rate and financial covenants remained unchanged.

During the year ended December 31, 2024, the Company withdrew $10.0 million of its Syndicated Operating Facility and repaid $5.0 million, resulting in an outstanding balance of $5.0 million as at December 31, 2024. As at December 31, 2024, $30.0 million of the $35.0 million Syndicated Operating Facility remained undrawn.

During the year ended December 31, 2024, the Company repaid $1.6 million of its CAD Revolving Operating Facility. As at December 31, 2024, the $15.0 million CAD Revolving Operating Facility remained undrawn.

At December 31, 2024, the USD Revolving Operating Facility of $10.0 million was undrawn.

In addition, at December 31, 2024, the Company held its Highly Affected Sectors Credit Availability Program ("HASCAP") loan with a balance of $0.7 million.

At December 31, 2024, the Company was in compliance with all covenants, including its financial covenants, which were as follows:

- Consolidated Funded Debt to Consolidated Credit Agreement EBITDA ratio shall not exceed 2.5:1; and
- Consolidated Fixed Charge Coverage ratio shall not be less than 1.25:1.

On March 21, 2025, the Company entered into a Fifth Amended and Restated Credit Agreement with its existing syndicate of lenders co-lead by ATB and Royal Bank of Canada ("Amended Credit Agreement"). The Amended Credit Agreement provided for the following:

i. A revolving facility with an approximate principal amount of $124.3 million comprised of: i) $100.0 million Syndicated Revolving Facility ("CAD Syndicated Revolving Facility") and ii) $10.0 million revolving facility provided by ATB Financial ("ATB Revolving Facility"), and iii) USD $10.0 million (approximately CAD $14.3 million equivalent) provided by HSBC Bank USA, N.A. ("HSBC Revolving Facility"). The revolving facility replaced the Company's existing facilities (CAD Syndicated Term Facility of $59.0 million, USD Syndicated Term Facility of USD $21.0 million, Syndicated Operating Facility of $35.0 million, Revolving Operating Facility of $15.0 million and USD Revolving Operating Facility of $10.0 million). As such, the contractual repayments of the CAD Syndicated Term Facility and USD Syndicated Term Facility are no longer required;
ii. A lower amended interest rate updated to the financial institution's prime rate plus 1.0% to 1.75% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.0% to 2.75% (previously prime rate plus 1.5% to 2.25% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.5% to 3.25%);
iii. The maturity date extended from July 11, 2026 to March 21, 2028;

iv. Replaced the financial covenant of Consolidated Fixed Charge Coverage ratio (previously required to be no less than 1.25:1) with a Consolidated Interest Coverage Ratio, which is required to be no less than 3.00:1. The Consolidated Funded Debt to Consolidated Credit Agreement EBITDA ratio remained unchanged and shall not exceed 2.50:1; and

v. The syndicate of lenders remained unchanged with the exception of Royal Bank of Canada joining ATB as the syndicate co-lead.

Contractual obligations and contingencies

As at December 31, 2024, the Company's commitment to purchase property, plant and equipment is approximately $11.9 million (2023 - $8.1 million), which is expected to be incurred over the next six months.

The Company also holds six letters of credit totaling $1.8 million (2023 - $1.7 million) related to rent payments, corporate credit cards and a utilities deposit.

The Company is involved in various other legal claims associated with the normal course of operations. The Company believes that any liabilities that may arise pertaining to such matters would not have a material impact on its financial position.

The following table outlines the anticipated payments related to contractual commitments subsequent to December 31, 2024:

	Carrying amount	One year	1-2 years	3-5 years	Thereafter
Loans and borrowings - principal	$ 63,864	$ 21,556	$ 42,308	$ —	$ —
EP Notes - principal	28,778	—	28,778	—	—
Interest payments on loans and borrowings and EP Notes	6,931	4,910	2,021	—	—
Lease liabilities - undiscounted	20,161	4,124	3,740	9,064	3,233
Trade and other payables	106,242	106,242	—	—	—
Total	$ 225,976	$ 136,832	$ 76,847	$ 9,064	$ 3,233

Capital structure

As at March 25, 2025, the Company has 33,929,461 common shares, 2,831,516 stock options and EP Notes that are exchangeable into a maximum of 3,510,000 common shares outstanding.

NET CAPITAL EXPENDITURES

The following table details the Company's Net capital expenditures:

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
MWD and related equipment	$ 35	$ 4,364	$ 19,413	$ 14,218
Motors and related equipment	1,738	2,818	18,147	25,604
Shop and automotive equipment	223	151	703	2,235
Other	840	988	3,664	4,097
Gross capital expenditures	2,836	8,321	41,927	46,154
Less: net lost-in-hole equipment reimbursements	(5,062)	(5,078)	(25,277)	(20,338)
Net capital expenditures [1]	$ (2,226)	$ 3,243	$ 16,650	$ 25,816

[1] Refer to the 'Non-GAAP Measures' section in this MD&A.

During the year ended December 31, 2024, the Company had additional capitalized costs recognized as intangible assets related to RSS licenses of $13.5 million (2023 - $nil), which are not included in the Net capital expenditures in the above table.

As at December 31, 2024, property, plant and equipment included $12.3 million (2023 - $4.6 million) of directional drilling equipment not yet being depreciated as they are currently being manufactured and tested. Depreciation of the assets will commence upon the assets being fully operational.

The Company's 2025 Net capital expenditure budget, including capital costs related to RSS licenses, is expected to be approximately $30 million to $35 million (2024 - $30 million to $35 million), excluding any potential acquisitions. The Net capital expenditure budget is targeted at growing ACT's high-performance mud motors, MWD in both Canada and the U.S., and RSS in the U.S. ACT intends to fund its 2025 capital plan from cash flow - operating activities.

OUTLOOK

Despite the recent uncertainty introduced into global markets related to proposed U.S. trade policy revisions, the longer-term outlook for North American energy-related activity is positive and global demand continues to rise while geopolitical events continue to increase uncertainty around supply. In Canada, the commissioning of the Trans Mountain pipeline expansion in May 2024, followed by Liquified Natural Gas ("LNG") Canada anticipated in 2025, will provide significant tidewater and global market access for both Canadian crude and natural gas. Both projects should translate to more consistent and slightly improved activity levels for oilfield service providers over time. LNG also represents a significant area of growth for the U.S. market as upwards of 11 billion cubic feet per day of export capacity will be added from 2025 to 2028 supporting incremental growth in drilling activity and less volatility in activity related to the cyclicality of domestic gas prices. The potential growth in energy demand related to the evolving market for artificial intelligence data centers is also a developing trend that could further support natural gas related drilling activity.

With a strong start and peak job count in Canada near 65 jobs in the first quarter, activity for the year is currently expected to be similar to 2024. If uncertainty or increased costs due to trade policy persist, some potential for downside risk exists but is expected to be somewhat offset by a weaker Canadian dollar benefiting ACT's customers. With ACT's industry leading position in multi-lateral drilling, the compelling economics of multi-lateral wells is expected to support continued activity through the summer despite potential headwinds related to weaker commodity prices or market uncertainties. In recent years, the Company also has experienced improving activity levels in the traditionally slow second quarter as ACT's customers level-load their drilling programs and utilize more pad-style drilling. The Company expects to see this trend continue with modestly improved activity levels again this year over last year through the second quarter. Similar to the fourth quarter of 2024, the Company also anticipates that operator discipline will remain a factor and likely result in some degree of budget exhaustion and a potential decline in activity in the fourth quarter of this year.

In the U.S. the Company was operating in a range of 50 to 60 jobs in the first half of 2024 reducing to a range between 40 and 50 in the back half of the year. Job counts in 2025 are anticipated to continue at the same levels as those in the second half of as drilling activity remains somewhat constrained because of customer consolidation and concern over commodity price volatility. Current market conditions are likely to be short-term in nature as some optimism exists in the longer term with improving gas prices and the commencement of new Gulf Coast LNG in 2025, which may support some increase in incremental rig activity later this year or into 2026.

While unpredictable on a quarterly basis, reimbursements positively affecting Adjusted EBITDAS [(1)] for lost-in-hole and equipment damaged-beyond-repair (commonly referred to as net lost-in-hole equipment reimbursements) have historically been achieved at relatively consistent levels as a percentage of revenue over the past decade. However, during the first quarter of 2025, the Company has been experiencing an unusually low rate of net lost-in-hole equipment reimbursements, by comparison 2024 Q1 experienced an unusually high level of net lost-in-hole equipment reimbursements (2024 Q1 - $10.6 million).

While the Company feels reasonably positioned to navigate a relatively flat macroeconomic environment in North America and feels positive about the potential upside related to the deployment of ACT's own technology in the U.S. market, the Company remains cautious on the impact of tariffs and are evaluating the potential impact on ACT's business. Given ACT's supply chains are generally resident in each nation and 65% to 70% of ACT's revenues are U.S. based, the Company expects the impact will be somewhat limited but there may be certain elements of ACT's supply chain that will increase in cost. While tariffs and their potential impact may persist or prove to be short-term in nature, the underlying risk is the negative impact on the investment climate and overall consumer sentiment.

CONTROLS AND PROCEDURES

In order to ensure that information with regard to reports filed or submitted under securities legislation present fairly in all material respect the financial information of the Company, management including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures, as well as internal controls over financial reporting based upon The Committee of Sponsoring Organizations of the Treadway Commission ("2013 framework").

Disclosure controls and procedures

The Company's disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that information required to be disclosed by the Company is reported within the time periods specified under securities laws, and include controls and procedures that are designed to ensure that information is communicated to management of the Company, including the CEO and CFO, to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of the Company's DC&P (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual Financial and Interim Filings) was conducted as at December 31, 2024. Based on this evaluation, the CEO and CFO of ACT have concluded that the design and operation of the Company's DC&P were effective as at December 31, 2024.

Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. The CEO and CFO have designed or have caused such ICFR (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual Financial and Interim Filings) to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements for external purposes in accordance with IFRS Accounting Standards. In addition, the CEO and CFO directed the assessment of the design and operating effectiveness of the Company's internal controls over financial reporting as at December 31, 2024 and based upon that assessment determined that the Company's internal controls over financial reporting were, in all material respects, appropriately designed and operating effectively.

Management of the Company believes that "cost effective" DC&P and internal controls over financial reporting, no matter how well conceived or implemented, can only provide reasonable assurance, and not absolute assurance, that the objective controls and procedures are met. Because of inherent limitations, DC&P and ICFR may not prevent errors or fraud.

[(1)] Refer to the 'Non-GAAP Measures' section in this MD&A.

RISK FACTORS

The operations of ACT face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on ACT's financial condition, results of operations and cash flows. Many of these risk factors and uncertainties are outlined in the annual information form ("AIF") of ACT for the year ended December 31, 2024, which is available on SEDAR+ at www.sedarplus.ca. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect its business, financial condition, results of operations or cash flows.

GOVERNANCE

The Audit Committee of the Board of Directors has reviewed this MD&A and the related consolidated financial statements and recommended they be approved to the Board of Directors. Following a review by the Board of Directors, the MD&A and the consolidated financial statements for the year ended December 31, 2024 were approved on March 25, 2025.

SUPPLEMENTARY INFORMATION

Additional information regarding the Company, including the AIF, is available on SEDAR+ at www.sedarplus.ca.

NEW AND FUTURE ACCOUNTING STANDARDS

Changes in accounting policy

Effective January 1, 2024, IAS 1 - Presentation of Financial Statements, has been amended, resulting in changes to the classification of loans and borrowings as current or non-current. The amendment will help determine whether an entity has the right to defer settlement of a liability, that is subject to covenants, within twelve months following the reporting period. There was no material impact on the Company's financial statements for the adoption of this amended standard.

Other amended standards in the period include IFRS 7 Financial instruments: Disclosures, IFRS 16 Leases, and IAS 7 Statement of Cash Flows, none of which are expected to have a significant impact on the Company's financial statements.

Accounting standards and amendments not yet effective

Other accounting pronouncements issued, but not yet effective, included those effective in January 2026 (IAS 21 The Effects of Changes in Foreign Exchange Rates and IFRS 7 Financial Instruments: Disclosures) and those effective in January 2027 (IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures). The Company is currently in the process of assessing the impact of these standards on the financial statements..

SUMMARY OF ANNUAL RESULTS

Year ended December 31,		2024		2023		2022
Revenues (3)	$	571,785	$	545,297	$	319,013
Gross margin %		21%		19%		22%
Adjusted gross margin % (1)		27%		27%		31%
Adjusted EBITDAS (1)	$	93,805	$	90,884	$	68,187
Adjusted EBITDAS margin % (1)		16%		17%		21%
Cash flow - operating activities	$	90,177	$	69,984	$	39,881
Free cash flow (1)	$	17,172	$	28,710	$	25,612
Net income	$	57,907	$	10,628	$	18,347
Basic per share (2)	$	1.67	$	0.31	$	0.79
Diluted per share (2)	$	1.51	$	0.29	$	0.77
Weighted average shares outstanding						
Basic (000s) (2)		34,705		33,938		23,222
Diluted (000s) (2)		38,468		36,086		23,733
Working capital, excluding current portion of loans and borrowings (1)	$	84,417	$	74,865	$	60,447
Total assets	$	472,881	$	403,733	$	353,990
Loans and borrowings	$	63,527	$	78,598	$	80,535
Shareholders' equity	$	241,580	$	179,468	$	153,897

(1) Refer to the 'Non-GAAP Measures' section in this MD&A.

(2) Restated to reflect the 7:1 share consolidation on July 3, 2024. Refer to the 'Share Consolidation' section in this MD&A.

(3) Revenues for the year ended December 31, 2022 were restated. Refer to the Company's audited consolidated financial statements for the year ended December 31, 2023 for further detail.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Dec 2024	Sep 2024	Jun 2024	Mar 2024	Dec 2023	Sep 2023	Jun 2023	Mar 2023
Revenues								
Revenues - reported	$ 128,083	$ 148,449	$ 130,297	$ 164,956	$ 145,419	$ 145,591	$ 115,058	$ 127,665
Adjustment [3]	$ —	$ —	$ —	$ —	$ —	$ —	$ 6,281	$ 5,283
Revenues - adjusted	$ 128,083	$ 148,449	$ 130,297	$ 164,956	$ 145,419	$ 145,591	$ 121,339	$ 132,948
Adjusted EBITDAS [1]	$ 17,582	$ 30,169	$ 17,305	$ 28,752	$ 27,369	$ 30,106	$ 18,222	$ 15,187
Adjusted EBITDAS per share - diluted [1] [2]	$ 0.45	$ 0.78	$ 0.45	$ 0.75	$ 0.72	$ 0.79	$ 0.53	$ 0.45
Net income	$ 14,892	$ 26,175	$ 5,259	$ 11,584	$ 1,767	$ 5,650	$ 2,416	$ 794
Net income per share - diluted [2]	$ 0.38	$ 0.68	$ 0.14	$ 0.30	$ 0.05	$ 0.15	$ 0.07	$ 0.02

[1] Refer to the 'Non-GAAP Measures' section in this MD&A.
[2] Restated to reflect the 7:1 share consolidation on July 3, 2024. Refer to the 'Share Consolidation' section in this MD&A.
[3] Revenues for the year ended December 31, 2022 were restated. Refer to the Company's audited consolidated financial statements for the year ended December 31, 2023 for further detail.

A portion of the Company's operations are carried on in Western Canada where activity levels in the oilfield services industry are subject to a degree of seasonality. Operating activities in Western Canada are generally lower during “spring breakup” which normally commences in mid to late-March and continues through to May. Operating activities generally peak in the winter months from December until mid to late-March. Additionally, volatility in the weather and temperatures not only during this period, but year-round, can create additional unpredictability in operational results. Activity levels in the oil and natural gas basins in the U.S. are not subject to the same level of seasonality that occurs in the Western Canada region.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as “forward-looking statements”) within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “anticipate”, “achieve”, “believe”, “plan”, “intend”, “objective”, “continuous”, “ongoing”, “estimate”, “outlook”, “expect”, “may”, “will”, “project”, “should” or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements relating to, among other things:

- The 2025 Net capital expenditure budget and financing thereof;
- We also have an opportunity for margin expansion as we commence the deployment of the Company’s own MWD units developed by Rime (acquired in 2023).
- The Company continues to see a significant opportunity for margin expansion in its U.S. directional business by using Rime supplied MWD systems to reduce its third-party rental costs. To date, seventeen Rime MWD systems have been deployed with an additional thirty-three MWD systems expected to be deployed by the end of Q2 2025. A substantial majority of the capital required to complete the build-out of these systems was spent as part of the 2024 capital plan, with minimal amounts required in 2025.
- The provision of an in-house MWD solution for ACT’s clients is very important to strengthen the durability of the Company’s cash flow, replacing rented third-party systems.
- The deployment of tools into an operating environment for ACT’s customers will happen incrementally throughout 2025 and into 2026.
- We remain intently focused on ACT’s customer execution and service delivery, supporting ACT’s market positioning as a strong technology performer.
- ACT’s business focus remains consistent, we are committed to delivering ultra-high-performance directional drilling and related down-hole services, leveraging ACT’s proprietary technologies and experienced team. This focus will allow us to deliver value to our shareholders through the cycles. To maximize returns, we expect to allocate capital as follows:
    - Expand margins: utilize selective capital investment, primarily RSS and MWD, replacing rental equipment with optimized solutions.
    - Return of capital: repurchase of shares through the Company’s NCIB.
    - Further strengthen the Company’s financial position: Although debt remains low, further modest reduction of debt will allow for business resiliency through the cycles allowing the Company to counter-cyclical with respect to long-term investment decisions.
- By having each of this diverse approach to capital allocation, the Company believes it will create a durable business model, focused on ensuring an effective use of capital.
- The longer-term outlook for North American energy-related activity is positive and global demand continues to rise while geopolitical events continue to increase uncertainty around supply.
- In Canada, the commissioning of the Trans Mountain pipeline expansion in May 2024, followed by LNG Canada anticipated in 2025, will provide significant tidewater and global market access for both Canadian crude and natural gas.

Both projects should translate to more consistent and slightly improved activity levels for oilfield service providers over time.

- LNG also represents a significant area of growth for the U.S. market as upwards of 15 billion cubic feet per day of export capacity will be added from 2025 to 2028 supporting incremental growth in drilling activity and less volatility in activity related to the cyclicality of domestic gas prices.
- The potential growth in energy demand related to the evolving market for artificial intelligence data centers is also a developing trend that could further support natural gas related drilling activity.
- In Canada, activity for the year is currently expected to be similar to 2024, with a strong start and peak job count in Canada near 65 jobs in the first quarter.
- If uncertainty or increased costs due to trade policy persist, some potential for downside risk exists but is expected to be somewhat offset by a weaker Canadian dollar benefiting ACT's customers.
- Compelling economics of multi-lateral wells is expected to support continued activity through the summer despite potential headwinds related to weaker commodity prices or market uncertainties.
- The Company expects to experience a traditionally slow second quarter as ACT's customers level-load their drilling programs and utilize more pad-style drilling which helps them avoid road restrictions related to moving heavy equipment, with modestly improved activity levels over last year through the second quarter.
- The Company anticipates that operator discipline will remain a factor and likely result in some degree of budget exhaustion and a potential decline in activity in the fourth quarter of 2025.
- Job counts in 2025 are anticipated to continue at the same levels as those in the second half of as drilling activity remains somewhat constrained because of customer consolidation and concern over commodity price volatility.
- Current market conditions are likely to be short-term in nature as some optimism exists in the longer term with improving gas prices and the commencement of new Gulf Coast LNG in 2025, which may support some increase in incremental rig activity later this year or into 2026.
- While the Company feels reasonably positioned to navigate a relatively flat macroeconomic environment in North America and feels positive about the potential upside related to the deployment of ACT's own technology in the U.S. market, the Company remains cautious on the impact of tariffs and are evaluating the potential impact on ACT's business.
- Given ACT's supply chains are generally resident in each nation and 65% to 70% of ACT's revenues is U.S. based, the Company expects the impact will be somewhat limited but there may be certain elements of ACT's supply chain that will increase in cost.
- While tariffs and their potential impact may persist or prove to be short-term in nature, the underlying risk is the negative impact on the investment climate and overall consumer sentiment.

The Company believes the expectations reflected in such forward-looking statements are reasonable as of the date hereof but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Various material factors and assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking statements. Those material factors and assumptions are based on information currently available to the Company, including information obtained from third-party industry analysts and other third-party sources. In some instances, material assumptions and material factors are presented elsewhere in this MD&A in connection with the forward-looking statements. You are cautioned that the following list of material factors and assumptions is not exhaustive. Specific material factors and assumptions include, but are not limited to:

- the performance of ACT's business;
- impact of economic and social trends;
- oil and natural gas commodity prices and production levels;
- capital expenditure programs and other expenditures by ACT and its customers;
- the ability of ACT to attract and retain key management personnel;
- the ability of ACT to retain and hire qualified personnel;
- the ability of ACT to obtain parts, consumables, equipment, technology, and supplies in a timely manner to carry out its activities;
- the ability of ACT to maintain good working relationships with key suppliers;
- the ability of ACT to retain customers, market its services successfully to existing and new customers and reliance on major customers;
- risks associated with technology development and intellectual property rights;
- obsolescence of ACT's equipment and/or technology;
- the ability of ACT to maintain safety performance;
- the ability of ACT to obtain adequate and timely financing on acceptable terms;
- the ability of ACT to comply with the terms and conditions of its credit facility;
- the ability to obtain sufficient insurance coverage to mitigate operational risks;
- currency exchange and interest rates;
- risks associated with future foreign operations;
- the ability of ACT to integrate its transactions and the benefits of any acquisitions, dispositions and business development efforts;
- environmental risks;

- business risks resulting from weather, disasters and related to information technology;
- changes under governmental regulatory regimes including tariffs and tax, environmental, climate and other laws in Canada and the U.S.; and
- competitive risks.

Forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Company's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the risks identified in this MD&A and in the Company's Annual Information Form under the heading “Risk Factors”. Any forward-looking statements are made as of the date hereof and, except as required by law, the Company assumes no obligation to publicly update or revise such statements to reflect new information, subsequent or otherwise.

All forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Further information about the factors affecting forward-looking statements is available in the Company's current Annual Information Form that has been filed with Canadian provincial securities commissions and is available on www.sedarplus.ca and the Company's website (www.actenergy.com).

MANAGEMENT'S REPORT

The consolidated financial statements have been prepared by the management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") which is the basis for Canadian generally accepted accounting principles and, where appropriate, reflect estimates based upon management's judgment. Financial information contained elsewhere in the annual report has been prepared on a consistent basis with that in the consolidated financial statements. Additionally, management prepares the Management's Discussion and Analysis ("MD&A"). The MD&A is based on the Company's financial results prepared in accordance with IFRS Accounting Standards. The MD&A compares the audited financial results for the year ended December 31, 2024 and December 31, 2023.

Management is also responsible for a system of internal controls which is designed to provide reasonable assurance that the Company's assets are safeguarded and accounting systems provide timely, accurate financial reports.

The Audit Committee of the Board of Directors, which is comprised of three independent directors who are not employees of the Company, has reviewed in detail the consolidated financial statements with management and the external auditor. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

PricewaterhouseCoopers LLP, an independent firm of chartered professional accountants, have examined the Company's financial statements for the year ended December 31, 2024 and December 31, 2023, respectively, in accordance with Canadian generally accepted auditing standards and provided independent professional opinions. The auditors have full and unrestricted access to the Audit Committee to discuss their audits and their related findings as to the integrity of the financial reporting process.

Signed: *"Tom Connors"*
Tom Connors
President and Chief Executive Officer
ACT Energy Technologies Ltd.

Signed: "*Scott MacFarlane"*
P. Scott MacFarlane
Interim Chief Financial Officer
ACT Energy Technologies Ltd.

Independent auditor's report

To the Shareholders of ACT Energy Technologies Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ACT Energy Technologies Ltd. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
Suncor Energy Centre, 111 5th Avenue South West, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T.: +1 403 509 7500, F.: +1 403 781 1825, Fax to mail: ca_calgary_main_fax@pwc.com

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill associated with the U.S. Operations cash generating unit (CGU) *Refer to note 3 – Material accounting policies and note 7 – Intangible assets and goodwill to the consolidated financial statements.* The Company had goodwill of $43 million as at December 31, 2024, which entirely relates to the Company's U.S. Operations CGU. Goodwill is not amortized but it is tested for impairment at least annually, or more frequently, if certain indicators arise that indicate the goodwill might be impaired. An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Management estimated the recoverable amount using discounted cash flows. Key assumptions used by management in the discounted cash flow model included the discount rate and the future growth rate in net income before finance costs, income tax, depreciation and amortization applied to a two-year period. No impairment was recognized by management as a result of the 2024 impairment test.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amount of the goodwill associated with the U.S. Operations CGU, which included the following: – Tested the appropriateness and the mathematical accuracy of the discounted cash flow model. – Tested the underlying data used in the discounted cash flow model. – Tested the reasonableness of the future growth rate in net income before finance costs, income tax expense, depreciation and amortization by considering the current and past performance of the U.S. Operations CGU, management's budget as approved by the Board of Directors, as well as external market and industry data. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rate and the recoverable amount of the U.S. Operations CGU.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the goodwill balance and (ii) the significant judgement by management in determining the recoverable amount of the U.S. Operations CGU, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Reynold Tetzlaff.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 25, 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024 and 2023

Canadian dollars in '000s

Balance,	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash	$ 12,792	$ 10,731
Trade receivables (note 18)	105,872	111,846
Other receivable (note 16)	15,526	—
Current taxes receivable	2,417	—
Prepaid expenses	6,678	5,839
Inventories (note 5)	51,498	44,976
Total current assets	194,783	173,392
Property, plant and equipment (note 6)	129,243	113,853
Intangible assets (note 7)	77,352	66,366
Right-of-use assets (note 8)	15,359	10,138
Goodwill (note 7)	43,444	39,984
Deferred tax asset (note 13)	12,700	—
Total non-current assets	278,098	230,341
Total assets	$ 472,881	$ 403,733
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (note 16)	$ 106,242	$ 93,661
Current taxes payable	—	1,425
Loans and borrowings, current (note 9)	21,435	21,023
Lease liabilities, current (note 8)	4,124	3,441
Total current liabilities	131,801	119,550
Loans and borrowings, long-term (note 9)	42,092	57,575
Exchangeable promissory notes (note 4)	26,962	23,923
Lease liabilities, long-term (note 8)	16,037	12,323
Deferred tax liability (note 13)	14,409	10,894
Total non-current liabilities	99,500	104,715
Total liabilities	231,301	224,265
Shareholders' equity:		
Share capital (note 10)	195,516	197,380
Treasury shares	(469)	(709)
Exchangeable promissory notes (note 4)	1,242	1,242
Contributed surplus	17,408	17,002
Accumulated other comprehensive income	19,151	13,088
Surplus (deficit)	8,732	(48,535)
Total shareholders' equity	241,580	179,468
Total liabilities and shareholders' equity	$ 472,881	$ 403,733

Contractual obligations and contingencies (note 16)

Subsequent events (note 19)

See accompanying notes to the consolidated financial statements.

Approved by the Directors:

Signed: *"Tom Connors"*

Tom Connors

Director, President and Chief Executive Officer

Signed: *"Ian Brown"*

Ian Brown

Director and Chair of the Audit Committee

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2024 and 2023

Canadian dollars in '000s except per share amounts

	Year ended December 31, 2024	2023
Revenues (note 15)	$ 571,785	$ 545,297
Cost of sales:		
Direct costs	(418,399)	(398,031)
Depreciation and amortization	(30,924)	(41,019)
Share-based compensation	(610)	(918)
Total cost of sales	(449,933)	(439,968)
Gross margin	121,852	105,329
Selling, general and administrative expenses:		
Direct costs	(54,540)	(52,502)
Depreciation and amortization	(10,109)	(7,596)
Share-based compensation	(2,565)	(4,183)
Total selling, general and administrative expenses	(67,214)	(64,281)
Provision (note 16)	—	(5,417)
Research and development costs	(2,833)	(1,754)
Write-off of property, plant and equipment (note 6)	(3,508)	(4,952)
Gain on disposal of property, plant and equipment (note 6)	158	618
Gain on settlement of lease liabilities (note 8)	391	—
Income from operating activities	48,846	29,543
Finance costs - loans and borrowings and exchangeable promissory notes	(8,771)	(7,948)
Finance costs - lease liabilities	(899)	(848)
Foreign exchange gain	8,628	768
Acquisition and restructuring costs (note 4)	—	(1,328)
Income before income taxes	47,804	20,187
Income tax recovery (expense) (note 13):		
Current	(141)	(8,411)
Deferred	10,244	(1,148)
Income tax recovery (expense)	10,103	(9,559)
Net income	57,907	10,628
Other comprehensive income (loss)		
Foreign currency translation differences on foreign operations	6,063	(4,301)
Total comprehensive income	**$ 63,970**	**$ 6,327**
Net income per share - basic (restated - note 11)	$ 1.67	$ 0.31
Net income per share - diluted (restated - note 11)	$ 1.51	$ 0.29

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, 2024 and 2023

Canadian dollars in '000s

	Share capital	Treasury Shares	Exchangeable promissory ("EP") Notes	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance, December 31, 2022	$ 180,484	$ (959)	$ —	$ 15,854	$ 17,389	$ (58,871)	$ 153,897
Comprehensive (loss) income	—	—	—	—	(4,301)	10,628	6,327
EP Notes issued for business combination (note 4)	—	—	1,242	—	—	—	1,242
Repurchased pursuant to normal course issuer bid (note 10)	(3,501)	—	—	—	—	(292)	(3,793)
Cancelled pursuant to acquisition-related settlement	(168)	—		—	—	—	(168)
Contributed surplus on treasury shares vesting	—	250	—	(250)	—	—	—
Issued pursuant to warrant exercises	19,840	—	—	(3,433)	—	—	16,407
Issued pursuant to stock option exercises (note 10)	725	—	—	(270)	—	—	455
Share-based compensation	—	—	—	5,101	—	—	5,101
Balance, December 31, 2023	$ 197,380	$ (709)	$ 1,242	$ 17,002	$ 13,088	$ (48,535)	$ 179,468

	Share capital	Treasury shares	EP Notes	Contributed surplus	Accumulated other comprehensive income	(Deficit) Surplus	Total shareholders' equity
Balance, December 31, 2023	$ 197,380	$ (709)	$ 1,242	$ 17,002	$ 13,088	$ (48,535)	$ 179,468
Comprehensive income	—	—	—	—	6,063	57,907	63,970
Repurchased pursuant to normal course issuer bid (note 10)	(6,533)	—	—	—	—	(426)	(6,959)
Accrued purchases under the normal course issuer bid (note 10)	(1,855)	—	—	—	—	(214)	(2,069)
Contributed surplus on treasury shares vested	—	240	—	(240)	—	—	—
Issued pursuant to stock options exercised (note 10)	6,524	—	—	(2,529)	—	—	3,995
Share-based compensation	—	—	—	3,175	—	—	3,175
Balance, December 31, 2024	$ 195,516	$ (469)	$ 1,242	$ 17,408	$ 19,151	$ 8,732	$ 241,580

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2024 and 2023

Canadian dollars in ‘000s

	Year ended December 31, 2024	2023
Cash provided by (used in):		
Operating activities:		
Net income	$ 57,907	$ 10,628
Non-cash adjustments:		
Income tax (recovery) expense	(10,103)	9,559
Depreciation and amortization	41,033	48,615
Share-based compensation	3,175	5,101
Write-off of property, plant and equipment (note 6)	3,508	4,952
Gain on disposal of property, plant and equipment (note 6)	(158)	(618)
Gain on settlement of lease liabilities (note 8)	(391)	—
Write-down of inventory included in cost of sales (note 5)	782	1,501
Finance costs - loans and borrowings and exchangeable promissory notes	8,771	7,948
Finance costs - lease liabilities	899	848
Income tax paid	(4,363)	(5,479)
Unrealized foreign exchange gain	(8,692)	(930)
	92,368	82,125
Changes in non-cash operating working capital (note 14)	(2,191)	(12,141)
Cash flow - operating activities	90,177	69,984
Investing activities:		
Cash paid on acquisitions, net of cash acquired (note 4)	—	(27,426)
Property, plant and equipment additions (note 6)	(41,927)	(46,177)
Intangible asset additions (note 7)	(15,523)	(256)
Proceeds on disposal of property, plant and equipment	1,768	1,187
Changes in non-cash investing working capital (note 14)	(800)	2,730
Cash flow - investing activities	(56,482)	(69,942)
Financing activities:		
Advances of loans and borrowings, net of upfront financing fees (note 9)	10,000	28,805
Repayments on loans and borrowings (note 9)	(27,259)	(31,017)
Payments on lease liabilities, net of finance costs (note 8)	(3,601)	(3,535)
Interest paid	(8,469)	(8,205)
Common shares repurchased pursuant to normal course issuer bid	(9,028)	(3,793)
Proceeds on common share and warrant issuances, net of issuance costs	3,995	16,862
Changes in non-cash financing working capital (note 14)	2,069	—
Cash flow - financing activities	(32,293)	(883)
Effect of exchange rate on changes in cash	659	397
Change in cash	2,061	(444)
Cash, beginning of year	10,731	11,175
Cash, end of year	$ 12,792	$ 10,731

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

ACT Energy Technologies Ltd. (“LTD”), formerly Cathedral Energy Services Ltd., is a company domiciled in Canada, and along with its below noted subsidiaries, together, are referred to as the “Company” or “ACT”, formerly, “Cathedral”. The Company is a publicly traded company listed on the Toronto Stock Exchange (“TSX”) under the symbol “ACX”, formerly “CET”.

The Company completed a corporate name change, effective July 3, 2024, with no impact to the existing corporate ownership structure. The consolidated financial statements of the Company as at and for the year ended December 31, 2024 and 2023, are comprised of the following 100% owned subsidiaries:

- 2438155 Alberta Ltd.;
- LEXA Drilling Technologies Inc.;
- CET Holdco Inc. (“Holdco”);
- CET Flight Holdco, Inc. (“Flight”);
- Cathedral Energy Services Inc. (“INC”);
- Rime Downhole Technologies, LLC (“Rime”);
- Altitude Energy Holdco, LLC (“AEH”); and
- Altitude Energy Partners, LLC (“Altitude”).

The Company is primarily involved and engaged in the business of providing directional drilling services and related downhole technologies to oil and natural gas companies in Western Canada and the United States (“U.S.”). The Company operates under three brands, Altitude Energy Partners, Discovery Downhole Services and Rime Downhole Technologies.

LTD has a functional currency of Canadian dollars (“CAD”) while Holdco, Flight, INC, Rime, AEH and Altitude are incorporated in the U.S. and have a functional currency of United States dollars (“USD”).

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended December 31, 2024 and 2023 (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). The financial statements were authorized for issue by the Board of Directors on March 25, 2025.

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These financial statements are presented in CAD (tabular amounts in thousands), except for per share and warrant amounts, which is the Company’s presentation and functional currency.

Use of estimates and judgements

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

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

Areas that require management to make significant judgment and estimates in determining the amounts recognized in these financial statements include, but are not limited to the following:

Fair values

A number of ACT’s accounting policies and disclosures require the determination of fair value, for both financial and non- financial assets, liabilities and equity. Typically, fair values would be determined based on the present value of future cash flows, discounted at the market rate of interest at the reporting date. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that specific estimate.

The fair value of the share options and warrants is measured using the Black-Scholes option-pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments, the expected dividends, forfeiture rate per annum and the risk-free interest rate (based on government bonds).

Acquisition accounting

The determination of fair value is estimated based on information available at the date of acquisition and requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment, intangible assets, goodwill, lease obligations and right-of-use assets, and deferred tax assets and liabilities generally require significant judgment. Future net income will be affected as the fair value on initial recognition impacts future depreciation and amortization, asset impairment or reversal, or goodwill impairment.

The Company engaged independent third-party valuation experts to assist in estimating the fair value of the acquired goodwill and intangible assets acquired from Rime in July 2023. The income approach was used to estimate the fair value of certain intangible assets using the forecasts prepared by management. The measurement of the estimated fair value of acquired intangible assets was based on several significant assumptions, including future cash flows associated with the acquired assets and discount rate (note 4). In addition, the independent valuation experts assisted management with the fair value of the exchangeable promissory notes issued for the Rime acquisition (note 4). Changes to these assumptions could have resulted in a significant impact to the fair value of intangible assets and goodwill acquired.

Income taxes

The computation of income taxes involves many complex factors as well as the Company's interpretation of relevant tax legislation and regulations. The Company's tax-filing positions are subject to review by taxation authorities who may successfully challenge the Company's interpretation of the applicable tax legislation and regulations.

The Company determines its deferred tax asset and liabilities using temporary differences between the accounting basis and the tax basis of its assets and liabilities, which are measured using substantively enacted tax rates and laws expected to apply when these differences reverse. As a result, an estimated projection of taxable income, as well as an assumption of the ultimate recovery/settlement period for the temporary differences is required.

The Company must also determine if various tax pool amounts should be recorded as a deferred tax asset based on their availability for future use and future tax status based on management's expectations. The Company recognized a portion of its previously unrecorded Canadian tax pools in the year ended December 31, 2024 due to management's assessment that they will likely be utilized within the next twelve to eighteen months (note 13). Assumptions such as future cash flows generated by the Company's Canadian operations were estimated by management to determine the amount of tax pools recognized.

The Company also reviews all tax assessments to determine which are deemed more likely than not to result in a change in provision. As such, the provisions for current and deferred income taxes are subject to measurement uncertainty.

Contingent liabilities

Provisions are recognized in accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value as applicable. In addition, the Company performs reviews to identify onerous contracts and, where applicable, records provisions for such contracts.

During the year ended December 31, 2023, the Company recognized a provision related to a U.S. tax audit matter (note 16). The estimate was made by management using the latest information available and is subject to measurement uncertainty. The provision was assessed in 2024 based on the most recent available information. Actual results may differ from this estimate.

Impairments

Property, plant and equipment, inventory, goodwill and intangible assets are assessed for impairment when there is indication their carrying amounts may exceed the recoverable amounts. Significant judgement is required to assess when indicators of impairment exist, and impairment testing is required. The assessment of indicators of impairment is based on management's judgment of whether there are internal and external factors. These factors include future cash flows, expected industry activity levels and commodity price developments. Goodwill impairment is also tested on an annual basis.

Impairment tests are carried out at the level of the smallest group of assets that generates cash inflows from their continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The determination of a CGU is also based on management's judgment. The asset composition of a CGU can directly impact the recoverability of assets included within that CGU. Management has determined that the appropriate CGUs for the Company are the Canadian Operations and the U.S. Operations. The recoverable amounts of each CGU require estimates and assumptions that are subject to change as new information becomes available. These key estimates include of forecasted net income before interest, tax, depreciation and amortization; revenue growth rates, and pre-tax discount rates used in the cash flow analysis.

Inventory is reviewed periodically in order to determine if there are indicators of obsolescence. A detailed impairment test is performed if indicators of impairment are present. Examples of potential impairment indicators are: i) changes in the operating environment, including an industry down-turn or Company specific activity decreases; ii) lower asset demand resulting in lower inventory turn-over; or iii) emergence of significant new product lines which are expected to impact an existing product's utilization. In assessing any impairment, management considers historic use of the inventory item as well as estimates of future demand.

Credit losses

Trade accounts receivable require estimates to be made regarding the financial stability of the Company's customers and the environment in which they operate in order to assess if accounts receivable balances will be received (note 18). Credit risks for outstanding accounts receivable are assessed regularly and an allowance for doubtful accounts is recorded based upon specific customer information and experience as well as for groups of similar assets.

Current and Future Accounting Pronouncements

There were amended standards effective on January 1, 2024, including: IFRS 7 Financial instruments: Disclosures, IFRS 16 Leases, IAS 1 Presentation of Financial Statements, and IAS 7 Statement of Cash Flows. There was no material impact on the Company's financial statements for the adoption of these standards.

There are certain accounting pronouncements issued but not yet effective in the year, including those effective in January 2026 (IAS 21 The Effects of Changes in Foreign Exchange Rates and IFRS 7 Financial Instruments: Disclosures) and those effective in January 2027 (IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures). The Company is currently in the process of assessing the impact of these standards on the financial statements.

Subsequent to the July 2024, International Financial Reporting Interpretations Committee decision on segment disclosures the Company has adopted a policy of including cost of sales, selling, general and administrative expenses, finance costs - loans and borrowings and EP Notes in its operating segments disclosure (note 15). Comparative figures have been adjusted accordingly with no impact on consolidated net income, financial position or cash flows.

3. MATERIAL ACCOUNTING POLICIES

This summary of material accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements and is presented to assist the reader in interpreting the statements contained herein. These accounting policies have been applied consistently to all entities within the consolidated group.

Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company balances and transactions are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date that control is transferred to the Company. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of any previously held equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and the liabilities assumed. If the excess is negative, a bargain purchase gain is recognized immediately into net income. Transaction costs, other than those associated with the issuance of debt or equity, are recognized in net income as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and settlement is accounted for in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in net income.

When the initial accounting for a business combination has not been finalized by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting has not been finalized. These provisional amounts are adjusted based on new facts and circumstances identified during the measurement period, which does not exceed one year from the acquisition date.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least annually, or more frequently, if certain indicators arise that indicate the goodwill might be impaired. Goodwill is allocated to CGUs or group of CGUs that are expected to benefit from the acquisition.

Foreign currency

Foreign currency transactions

Foreign currency transactions are initially recorded in the Company's functional currency by applying the exchange rate which best approximates the actual foreign exchange rate of transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Company's functional currency at the foreign exchange rate at that date. All differences are recognized in the consolidated statement of comprehensive income.

Non-monetary items are not adjusted and continue to be measured at the foreign exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations are translated to the Company's functional currency at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Company's functional currency at foreign exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income and cumulative amounts have been recognized in accumulated other comprehensive income ("AOCI"). When a foreign operation is disposed of, the relevant amount in AOCI is transferred to profit or loss.

Financial instruments

Financial assets and liabilities within the scope of IFRS 9 are classified as financial instruments at amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate. The Company determines the classification of its financial instruments at initial recognition, based on trade date. All financial instruments are recognized initially at fair value. The Company's financial assets and liabilities include cash, trade receivables, trade and other payables, current taxes payable, lease liabilities, loans and borrowings and exchangeable promissory notes. All financial instruments are subsequently measured at amortized cost.

When measuring fair value of a financial instrument, fair values are categorized into three levels based on the valuation technique as follows:

- Level one – quoted prices that are available in active markets for identical financial instruments.
- Level two – observable inputs other than quoted market prices are used to value the financial instruments. Level two valuations are based on inputs which can be substantially observed or corroborated in the marketplace.
- Level three – valuations are those with inputs for the financial instruments that are not based on observable market data.

After initial recognition, interest bearing loans and borrowings and exchangeable promissory notes are subsequently measured at amortized cost using the effective interest rate ("EIR") method. The EIR amortization is included in interest expense in the consolidated statement of comprehensive income.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized. When an existing financial liability is replaced by another with the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. A new liability is recognized, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Financial instruments are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition or construction of the assets. Directly attributable costs include related software, materials and labour, among other costs that may be incurred to bring the assets to their intended use and borrowing costs on qualifying assets.

Major components of property, plant and equipment which have different useful lives are accounted for separately. The replacement cost of a component is capitalized if it is probable that the future economic benefits exist and can be reliably estimated. The carrying amount of the replaced part is derecognized. Property, plant and equipment repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated over the depreciable amount, which is the accumulated cost of an asset or component less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives.

Items of property, plant and equipment are depreciated from the date that they are installed and are available for use, or in respect of internally constructed assets, from the date that the asset is completed and available for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting period end date and adjusted if appropriate. In 2024 Q1, the Company assessed its depreciation methodology related to its property, plant and equipment. As a result, the Company determined that using a straight-line method of depreciation, rather than the declining balance method, more accurately reflects the future economic benefits of the related assets. The change in depreciation method was applied prospectively.

The estimated useful lives and depreciation rates for the year ended December 2024 and 2023 are as follows:

Year ended December 31,	2024	2023
	Straight-line method expected useful lives	Declining balance method depreciation rates
Directional drilling equipment	4 - 8 years	25% - 37%
Shop and automotive equipment	5 - 10 years	20% - 30%
Leasehold improvements	Lease term	Lease term
Office and computer equipment	5 years	20% - 55%

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in the consolidated statement of comprehensive income. Equipment lost-in-hole or damaged beyond repair is written-off in the statement of comprehensive income in the period in which the event occurs.

Intangible assets

Intangible assets which arise from the acquisition of businesses, including developed technology, customer relationships, brand name, non-compete agreements and rotary steerable system ("RSS") licenses have finite lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

Development costs incurred internally related to the design of new or substantially improved products are capitalized if they can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and ACT intends to and has sufficient resources to complete development and to use or sell the asset. The intangible asset includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Expenditures on research activities undertaken with the prospect of gaining technical knowledge or other development activities are recognized in the consolidated statement of comprehensive income as incurred.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the consolidated statement of comprehensive income as incurred.

Amortization is calculated on the cost of the asset less its residual value. Amortization is recognized in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Amortization methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

Intangible assets are amortized over the following useful lives:

- Customer relationships – six years
- Brand name – fifteen years
- Non-compete agreements – five years
- RSS licenses – eight years
- Developed technology – five to twenty years

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first in, first out cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their useable location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Impairment

Financial assets

A financial asset other than those carried at fair value through profit or loss is assessed for indicators of impairment at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery.

Non-financial assets

The carrying amounts of ACT's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's or CGUs recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows and cash outflows are allocated to CGUs. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

Goodwill is tested on an annual basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Employee benefits

Termination benefits

Termination benefits are recognized as an expense when ACT is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits because of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if ACT has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than one year after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if ACT has a present legal or constructive obligation to pay this amount because of past service provided by the employee, and the liability can be estimated reliably.

Share-based payment transactions

The fair value of share-based payment awards granted to employees, directors and consultants is recognized as an expense on the grant date, with a corresponding increase in contributed surplus, over the vesting period. The amount recognized in the statement of comprehensive income is adjusted to reflect the number of awards for which the related service conditions are expected to be met.

Share-based payment arrangements in which ACT receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions measured at fair market value.

Revenues

ACT primarily generates its revenues by providing directional drilling services which includes providing personnel and/or equipment. Services are provided based upon a price book or bid on a day rate or footage/meterage rate. The Company recognizes revenues as the services are performed in accordance with the terms of the services engagement with the customer. In addition, the Company recognizes reimbursements from customers related to equipment lost-in-hole or damaged beyond repair as revenues when the event occurs at a price contracted with the customer.

It is the Company's view that its performance obligation is providing directional drilling services on a per day or per foot/meter basis and our customers benefit from each day of drilling. The Company may also charge for mobilization/demobilization of personnel and equipment as well as materials and consumables used in the services and for equipment that is involuntarily damaged or lost-in-hole.

The Company also generates revenues through the design and manufacturing of certain directional drilling tool components as well as servicing such components for its customers. The Company recognizes revenues at the point in time as the products are delivered and the control of the product has transferred to the customer. The Company accounts for individual product revenues separately, if they are distinct, indicated by being separately identifiable from other obligations to its customers.

In cases where the customer terminates the service engagement early, the Company has an enforceable right to payment for services rendered to date. The Company's performance obligation is generally short-term in nature, ranging from a few days to multiple weeks. Customers are issued invoices upon the completion of a service with payment terms generally ranging from thirty to sixty days of the customer's receipt of an invoice.

Finance income and costs

Finance costs comprise interest expense on loans and borrowings, exchangeable promissory notes, lease liabilities, bank charges and other interest. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Any gain or loss on a substantial modification of loans and borrowings and unamortized upfront financing fees are recognized on the amendment date as finance costs. In the event that a modification is not considered substantial, as defined under IFRS 9, upfront financing fees are recognized net of the amended loans and borrowing carrying amount. The upfront financing fees are amortized as finance costs over the term of the loans and borrowings using the effective interest rate method.

Leases

Lessee

At the inception of a contract, the Company assesses whether a contract is or contains a lease. The Company then determines if the Company has the right to direct the use of the identified assets throughout the period of use. The term of the lease is defined as the non-cancellable period of the lease, plus periods in which there is reasonable certainty that the Company will exercise an option to extend or to cancel the lease.

When a lease is identified, a right-of-use asset and a lease liability are recognized at the present value of the lease payments discounted using the interest rate implicit in the lease or, if not determinable, at the Company's incremental rate of borrowing. Payments on the lease have a finance cost component, which are reported on the consolidated statement of comprehensive income.

The initial cost of right-of-use assets are adjusted for any lease incentives received and any initial direct costs. Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the assets. Right-of-use assets are presented net of accumulated depreciation and impairment losses. If a purchase option exists and is likely to be exercised, the right-of-use asset is amortized over the estimated useful life of the asset.

Management has utilized exemptions for certain low-value items and short-term leases whereby the lease term is less than one year. Lease payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive income.

Lessor

Leases, including subleases, which transfer substantially all the risks and benefits of ownership of the property to the lessee are accounted for as finance leases, while all other leases are accounted for as operating leases.

Finance leases are recorded as a net investment in a finance lease. The present value of minimum lease receivable under such arrangements are recorded as an investment in finance lease and the finance income is recognized in a manner that produces a consistent rate of return on the investment in the finance lease and is included in revenue.

Operating lease and sublease income are recognized in the consolidated statement of comprehensive income as it is earned over the term of the lease.

Income tax expense (recovery)

Current and deferred tax expense (recovery) are recognized in the consolidated statement of comprehensive income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax expense is the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax expense (recovery) is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax expense is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax expense is not recognized for differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax expense is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is also recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company only recognizes deferred tax assets to the extent that there is convincing other evidence that sufficient taxable income will be available to realize the tax pools.

Net income per share

Basic and diluted net income per share is calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted net income per share is determined by adjusting the net income attributable to shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise of the EP Notes and share options granted to employees, directors and consultants.

4. ACQUISITION

On July 11, 2023, ACT, through a wholly-owned subsidiary, acquired Rime, a privately-held, Texas-based, engineering business that specializes in building products for the downhole measurement-while-drilling ("MWD") industry (the "Rime acquisition") in exchange for approximately USD $41 million (approximately CAD $54.1 million) comprised of: i) the payment of USD $21 million in cash (approximately CAD $28 million); and ii) the issuance of principal amount of USD $20 million (approximately CAD $24.6 million) of subordinated EP Notes that are exchangeable into a maximum of 3,510,000 common shares in the capital of ACT ("EP Shares") at an issue price of CAD $7.70 per common share. In accordance with IAS 32 and IFRS 13, the EP Notes were determined to be a compound instrument and, accordingly, recognized at the fair value for its respective debt component of $23.4 million and equity component of $1.2 million totaling $24.6 million. Transaction costs of $1.0 million were incurred related to the acquisition.

The EP Notes have a three-year term and accrue interest payable quarterly at a rate of 5% per annum. Any time prior to expiry of the EP Notes, if the 20-day volume weighted average trading price of the common shares of ACT equals or exceeds CAD $7.70 per common share, ACT may cause the exchange of the EP Notes for common shares. ACT and the holders of the EP Notes may agree to an earlier exchange of the EP Notes into common shares. In addition to the statutory hold periods applicable to the EP Shares under Canadian and U.S. securities laws, the parties agreed to contractual restrictions on resale of any EP Shares as follows: 33% of the EP Shares are restricted until July 11, 2024; a further 33% of the EP Shares are restricted until July 11, 2025; and a further 34% of the EP Shares are restricted until July 11, 2026, subject to certain exceptions contained in the terms governing the EP Notes.

The fair value of the EP Notes of $24.6 million was determined by an independent valuation expert using the Monte Carlo valuation method and the geometric Brownian motion under two scenarios: 1) the issuer will convert the EP Notes when ACT's share price reaches $7.70 per common share and 2) the EP Notes are held until maturity and settled in cash. Key inputs and assumptions, such as the Company's credit spread and the volatility of the common shares, were applied in the valuation model. The EP Notes will be recognized using the amortized cost method subsequent to initial recognition. The EP Notes' carrying value at December 31, 2024 was $27.0 million (2023 - $23.9 million).

The fair values of the intangible assets were determined by a valuation expert in accordance with IFRS 13 as summarized below.

Intangible assets	Fair value		Valuation technique	Key inputs and assumptions
Developed technology	$	28,480	With and without income approach	– Forecasted revenues; – Gross margins; – Discount rate.
Customer relationships		6,890	Multi-period excess earnings method	
Brand name		290	Relief from royalty method	
Non-compete agreements		190	With and without income approach	
Total	$	35,850		

The purchase price allocation related to the acquisition was as follows:

Consideration:		
Exchangeable promissory notes	$	24,632
Cash consideration		27,954
	$	52,586
Allocation of purchase price:		
Cash	$	528
Inventory		7,119
Other net working capital		3,373
Property, plant and equipment		3,817
Right-of-use assets		492
Lease liabilities		(492)
Intangible assets		35,850
Goodwill		1,487
Deferred tax asset		412
	$	52,586

There were no material changes to the measurements of assets and liabilities acquired subsequent to the acquisition.

The accounts receivable (included in other net working capital) were recognized at their fair market value as a current asset, and were collected within twelve months of the acquisition.

The goodwill recognized is related to expected synergies with the Company's existing operations, including the use and development of components for the Company's downhole MWD product offering. The goodwill is fully deductible over fifteen years for tax purposes.

During the period from July 11, 2023 to December 31, 2023, Rime generated revenues of $9.3 million and net income of $0.2 million.

Assuming the Rime acquisition was effective on January 1, 2023, Rime generated revenues of $30.3 million and net income of $6.5 million for the year ended December 31, 2023. The estimates and judgements used to prepare these figures may not be representative of actual results.

5. INVENTORIES

The Company's inventories comprise of finished goods, raw materials and consumables. For the year ended December 31, 2024, raw materials and consumables recognized as cost of sales were $69.0 million (2023 - $50.0 million). For the year ended December 31, 2024, the Company recorded a write-down for obsolete inventory of $0.8 million (2023 – $1.5 million).

6. PROPERTY, PLANT AND EQUIPMENT

Cost	Directional drilling equipment	Shop and automotive equipment	Other	Total
Balance, December 31, 2022	$ 164,816	$ 9,265	$ 2,212	$ 176,293
Additions	39,822	2,235	4,097	46,154
Acquisitions (note 4)	3,199	79	539	3,817
Disposals and write-offs	(10,785)	(697)	—	(11,482)
Effects of movements in exchange rates	(1,448)	(143)	(108)	(1,699)
Balance, December 31, 2023	195,604	10,739	6,740	213,083
Additions	37,560	703	3,664	41,927
Disposals and write-offs	(8,438)	(821)	(845)	(10,104)
Effects of movements in exchange rates	7,468	584	621	8,673
Balance, December 31, 2024	$ 232,194	$ 11,205	$ 10,180	$ 253,579

Accumulated depreciation	Directional drilling equipment	Shop and automotive equipment	Other	Total
Balance, December 31, 2022	$ 64,376	$ 2,791	$ 596	$ 67,763
Depreciation	35,535	1,573	769	37,877
Disposals and write-offs	(5,613)	(348)	—	(5,961)
Effects of movements in exchange rates	(389)	(42)	(18)	(449)
Balance, December 31, 2023	93,909	3,974	1,347	99,230
Depreciation	24,279	1,878	1,609	27,766
Disposals and write-offs	(3,904)	(225)	(805)	(4,934)
Effects of movements in exchange rates	1,982	191	101	2,274
Balance, December 31, 2024	$ 116,266	$ 5,818	$ 2,252	$ 124,336

Net book values	Directional drilling equipment	Shop and automotive equipment	Other	Total
Balance, December 31, 2023	$ 101,695	$ 6,765	$ 5,393	$ 113,853
Balance, December 31, 2024	$ 115,928	$ 5,387	$ 7,928	$ 129,243

During the year ended December 31, 2024, the Company recognized a write-off of property, plant and equipment of $3.5 million (2023 - $5.0 million), related to equipment lost-in-hole and damaged beyond repair, and a gain on disposal of property, plant and equipment of $0.2 million (2023 - $0.6 million).

As at December 31, 2024, property, plant and equipment included $12.3 million (2023 - $4.6 million) of directional drilling equipment not yet being depreciated as they are currently being manufactured and tested. Depreciation of the assets will commence upon the assets being fully operational.

In 2024 Q1, the Company assessed its depreciation methodology related to its property, plant and equipment. As a result, the Company determined that using a straight-line method of depreciation, rather than the declining balance method, more accurately reflects the future economic benefits of the related assets. The change in depreciation method was applied prospectively. Refer to note 3 for further detail.

As a result of the change in methodology, the depreciation expense included in cost of sales decreased $5.0 million during the year ended December 31, 2024. The depreciation expense included in selling, general, and administrative expenses decreased $0.4 million during the year ended December 31, 2024, as a result of the change in methodology.

As at December 31, 2024 and 2023, management determined no indicators of impairment existed.

7. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

Cost	Customer Relationships	Brand Name	Non-Compete Agreements	RSS Licenses	Developed Technology	Total
Balance, December 31, 2022	$ 22,500	$ 7,048	$ 779	$ 8,419	$ 5,386	$ 44,132
Additions	—	—	—	—	256	256
Acquisitions (note 4)	6,890	290	190	—	28,480	35,850
Effects of movements in exchange rates	(494)	(161)	(17)	(193)	94	(771)
Balance, December 31, 2023	28,896	7,177	952	8,226	34,216	79,467
Additions	—	—	—	13,477	2,046	15,523
Effects of movements in exchange rates	2,501	621	82	1,469	2,497	7,170
Balance, December 31, 2024	$ 31,397	$ 7,798	$ 1,034	$ 23,172	$ 38,759	$ 102,160

Accumulated amortization	Customer Relationships	Brand Name	Non-Compete Agreements	RSS Licenses	Developed Technology	Total
Balance, December 31, 2022	$ 1,743	$ 219	$ 72	$ 464	$ 3,123	$ 5,621
Amortization	4,375	495	173	1,048	1,578	7,669
Effects of movements in exchange rates	(123)	(14)	(5)	(30)	(17)	(189)
Balance, December 31, 2023	5,995	700	240	1,482	4,684	13,101
Amortization	5,090	530	193	2,149	2,461	10,423
Effects of movements in exchange rates	775	87	31	231	160	1,284
Balance, December 31, 2024	$ 11,860	$ 1,317	$ 464	$ 3,862	$ 7,305	$ 24,808

Net book values	Customer Relationships	Brand Name	Non-Compete Agreements	RSS Licenses	Developed Technology	Total
Balance, December 31, 2023	$ 22,901	$ 6,477	$ 712	$ 6,744	$ 29,532	$ 66,366
Balance, December 31, 2024	$ 19,537	$ 6,481	$ 570	$ 19,310	$ 31,454	$ 77,352
Remaining amortization in years	3.7	11.8	2.8	6.7	12.7	6.9

The Company has intangible assets related to acquisitions, acquired licenses and internally developed technology. During the year ended December 31, 2024, the Company recognized $2.0 million of engineering costs related to the development of new technologies, and $13.4 million of capital costs related to RSS licenses.

Goodwill

The Company has goodwill related to acquisitions. The goodwill carrying value increased by $3.4 million due to the effects of movements in exchange rates during the year ended December 31, 2024. The goodwill carrying value was $43.4 million and $40.0 million as at December 31, 2024 and 2023, respectively.

An impairment test on goodwill was carried out as at December 31, 2024. The goodwill has been allocated entirely to the Company's U.S. operations CGU. The recoverable amount of this CGU was estimated using discounted cash flows. The fair value measurement was categorized as level three fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are as follows: future growth rate in net income before finance costs, income tax, depreciation and amortization applied to a two-year period. The discount rate was based on the Company's estimated after-tax weighted average cost of capital of 15%.

No impairment was recognized as a result of the 2024 and 2023 impairment tests.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	2024	2023
Balance, January 1,	$ 10,138	$ 12,178
Additions	7,492	1,193
Acquisitions	—	492
Derecognition	—	(97)
Impact of leasehold incentives	—	(495)
Amortization	(2,856)	(3,058)
Effects of movements in exchange rates	585	(75)
Balance, December 31,	$ 15,359	$ 10,138

Lease liabilities

	2024	2023
Balance, January 1,	$ 15,764	$ 17,880
Acquisitions	—	492
Additions	7,492	1,232
Derecognition	(391)	(54)
Interest	899	848
Payments	(4,503)	(4,420)
Effects of movements in exchange rates	900	(214)
Balance, December 31,	$ 20,161	$ 15,764
Less: current portion	(4,124)	(3,441)
Lease liabilities, long-term	$ 16,037	$ 12,323

The Company holds leases related to certain operations and office facilities. The leases have various expiry dates ranging from January 2025 to October 2032.

During the year ended December 31, 2024 the Company entered into lease agreements related to operation facilities located in Conroe and Midland, Texas. The lease terms are three and eight years, respectively. The Midland, Texas facility also has an option to purchase the facility at the end of the lease term. The Company intends to exercise the lease purchase option, and as such, the purchase option has been reflected in the lease liability. The related right-of-use asset is being amortized over forty years, which is the economic life of the underlying asset.

Subsequent to December 31, 2024, the Company amended its existing lease agreement for an office facility located in the Woodlands, Texas. The amendment included updated lease payments and extended the lease term from November 2029 to January 2036. At December 31, 2024, the Company has not yet recognized the lease liability or right-of-use asset associated with the lease amendment.

9. LOANS AND BORROWINGS

Balance,	December 31, 2024	December 31, 2023
CAD Revolving Operating Facility	$ —	$ 1,560
Syndicated Operating Facility	5,000	—
CAD Syndicated Term Facility, net of unamortized upfront financing fees	36,785	51,386
USD Syndicated Term Facility, net of unamortized upfront financing fees	21,029	24,829
HASCAP loan	713	823
Total loans and borrowings	$ 63,527	$ 78,598
Less: HASCAP loan, current	(713)	(823)
Less: CAD Syndicated Term Facility, current	(14,714)	(13,619)
Less: USD Syndicated Term Facility, current	(6,008)	(6,581)
Loans and borrowings, current	$ (21,435)	$ (21,023)
Loans and borrowings, long-term	$ 42,092	$ 57,575

Syndicated Credit Facility and Revolving Operating Facilities

On July 11, 2023, in connection with the Rime acquisition (note 4), the Company entered into a three-year term credit facility (the "Credit Facility"), replacing its existing syndicated facility with its syndicate of lenders led by ATB Financial. The syndicate of lenders remained unchanged with the exception of Business Development Bank of Canada joining the syndicate. The Credit Facility provided an approximate $137.0 million principal amount comprised of: i) a $59.0 million Syndicated Term Facility (replacing the existing syndicated term facility) ("CAD Syndicated Term Facility"), ii) a new USD $21.0 million term loan (CAD $27.1 million) ("USD Syndicated Term Facility"), repayable in equal quarterly installments over a five-year amortization period, iii) a $35.0 million Syndicated Operating Facility (previously $15.0 million), and iv) a $15.0 million Revolving Operating Facility (previously $10.0 million). The Credit Facility was utilized to replace and repay ACT's existing credit facility. The Credit Facility bears interest at the financial institution's prime rate plus 1.5% to 2.25% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.5% to 3.25% with interest payable monthly. The interest rate and financial covenants remained unchanged from the existing Syndicated Facility. The maturity date of the Credit Facility was extended to July 11, 2026.

On May 30, 2024, LTD and Holdco entered into a Fourth Amended and Restated Credit Agreement with its lenders ("Credit Agreement") which provided for various administrative changes and the addition of a USD Revolving Operating Facility in the amount of $10.0 million. The terms of the Credit Agreement, including payment terms, interest rate and financial covenants remained unchanged. Subsequent to December 31, 2024, the Company entered into a Fifth Amended and Restated Credit Agreement (note 19).

During the year ended December 31, 2024, the Company withdrew $10.0 million of its Syndicated Operating Facility and repaid $5.0 million, resulting in an outstanding balance of $5.0 million as at December 31, 2024. As at December 31, 2024, $30.0 million of the $35.0 million Syndicated Operating Facility remained undrawn.

During the year ended December 31, 2024, the Company repaid $1.6 million of its CAD Revolving Operating Facility. As at December 31, 2024, the $15.0 million CAD Revolving Operating Facility remained undrawn. At December 31, 2024, the USD Revolving Operating Facility of $10.0 million was undrawn.

During the year ended December 31, 2024, the Company made contractual repayments totaling $14.8 million related to its CAD Syndicated Term Facility, and $5.8 million related to its USD Syndicated Term Facility, reducing the carrying values to $36.8 million and $21.0 million, respectively, as at December 31, 2024. The CAD Syndicated Term Facility and the USD Syndicated Term Facility carrying values are net of unamortized upfront financing fees of $0.2 million and $0.1 million, respectively, and have outstanding principal amounts of $37.0 million and $21.1 million, as at December 31, 2024, respectively.

At December 31, 2024, the Company was in compliance with all covenants, including its financial covenants, which were as follows:

- Consolidated Funded Debt to Consolidated Credit Agreement EBITDA ratio shall not exceed 2.50:1; and
- Consolidated Fixed Charge Coverage ratio shall not be less than 1.25:1.

Highly Affected Sectors Credit Availability Program ("HASCAP")

In June 2021, the Company withdrew $1.0 million from its HASCAP loan. The HASCAP loan is subject to an interest rate of 4% and monthly principal repayments made over a ten-year period following a one-year grace period. The HASCAP Loan is secured by a general security interest over all present and after acquired personal property of the Company granted in favour of ATB. The carrying value of the HASCAP loan was $0.7 million as at December 31, 2024.

10. SHARE CAPITAL

An unlimited number of common shares and preferred shares (issuable in series) are authorized. The Company has not issued any preferred shares. The following is a summary of the issued and outstanding common shares:

	Number (000s) (Restated)		Amount
Balance, December 31, 2022	32,018	$	180,484
Repurchased under the normal course issuer bid	(614)		(3,501)
Cancelled pursuant to acquisition-related settlement	(21)		(168)
Issued pursuant to warrant exercises	2,901		16,407
Contributed surplus on warrants exercises	—		3,433
Issued pursuant to stock option exercises	238		455
Contributed surplus on stock option exercises	—		270
Balance, December 31, 2023	34,522	$	197,380
Repurchased pursuant to normal course issuer bid	(1,144)		(6,533)
Accrued purchases under the normal course issuer bid	—		(1,855)
Issued pursuant to stock option exercises	1,047		3,995
Contributed surplus on stock option exercises	—		2,529
Balance, December 31, 2024	34,425	$	195,516

Share consolidation

On May 9, 2024, the shareholders of the Company approved the consolidation of the issued and outstanding common shares of the Company, on the basis of one post-consolidation common share for a range of five to ten pre-consolidation common shares. On June 10, 2024, the Board of Directors approved a consolidation ratio of one post-consolidation share for seven pre-consolidation common shares (the "Consolidation"). As a result, on July 3, 2024, 243,383,392 common shares issued and outstanding prior to the Consolidation were reduced to 34,769,056 common shares. No fractional common shares were issued in connection with the Consolidation, and all fractional common shares that otherwise would have been issued was rounded to the nearest whole common share. The common shares, stock option units, warrant units and per common share amounts in the financial statements for the year ended December 31, 2023, and all 2024 and 2023 interim financial statements, were restated to reflect the Consolidation.

Normal course issuer bid

On July 3, 2023, the Company received approval from the TSX to purchase up to 1,737,144, or 5%, of the 34,742,882 issued and outstanding common shares of the Company under the normal course issuer bid ("NCIB"). The ability to purchase common shares under the NCIB commenced on July 17, 2023, and terminated on July 16, 2024. The actual number of common shares purchased under the NCIB, the timing of purchases and the price at which the common shares purchased were subject to management's discretion.

On July 25, 2024, the Company received approval from the TSX to purchase up to 1,902,008 common shares, or 10%, of the 19,020,083 issued and outstanding common shares of the Company under the NCIB. The ability to purchase common shares under the NCIB commenced on July 29, 2024, and will terminate no later than July 28, 2025. The actual number of common shares purchased under the NCIB, the timing of purchases and the price at which the common shares are purchased will be subject to management's discretion.

Under the TSX rules, the Company is entitled to purchase up to the greater of: 25% of the average daily trading volume of the respective class of shares; or 1,000 shares on any trading day; or a larger amount of shares per calendar week, subject to the maximum number that may be acquired under the NCIB, if the transaction meets the block purchase exception rule under TSX rules. Accordingly, unless a block purchase meets the block purchase exception under TSX rules, the Company is entitled to purchase up to 11,137 common shares on any trading day (2023 - 14,232).

During the year ended December 31, 2024, 1,144,250 (2023 - 613,557) common shares were purchased under the NCIB for a total purchase amount of $7.0 million (2023 - $3.8 million) at an average price of $6.08 (2023 - $5.74) per common share. A portion of the purchase amount reduced share capital by $6.5 million (2023 - $3.5 million) and the residual purchase amount of $0.4 million (2023 - $0.3 million) was recorded to the surplus (deficit).

In connection with the NCIB, the Company established an automatic securities purchase plan ("the Plan"). Accordingly, the Company may repurchase its common shares under the Plan on any trading day during the NCIB, including during regulatory restrictions or self-imposed trading blackout periods. The Plan commenced on July 29, 2024 and will terminate on July 28, 2025. As at December 31, 2024, the Company recognized $2.1 million as an accrued liability ($1.9 million reduced share capital, and $0.2 million was recorded to the surplus) for the maximum common shares to be purchased under the Plan.

Subsequent to December 31, 2024, the Company purchased 706,099 common shares for a total purchase amount of $4.3 million, at an average purchase price of $6.13 per common share.

Stock options

A summary of the Company's stock options during the year ended December 31, 2024 and 2023 is as follows:

	2024		2023	
	Number (000's) (Restated)	Weighted average exercise price (Restated)	Number (000's) (Restated)	Weighted average exercise price (Restated)
Balance, January 1,	3,296	$ 4.97	2,953	$ 4.27
Granted	878	6.24	978	6.16
Exercised	(1,047)	3.82	(238)	1.89
Expired or forfeited	(217)	8.66	(397)	4.13
Balance, December 31,	2,910	$ 5.71	3,296	$ 4.97
Exercisable, December 31,	1,538	$ 5.31	1,043	$ 4.20

During the year ended December 31, 2024, the Company granted 878,000 (2023 - 346,429) stock options to certain officers and employees at exercise price of $6.24 (2023 - $5.32 to $6.65) per stock option. These stock options are set to expire on August 29, 2027. The stock options granted in 2023 are set to expire on April 26, 2026, May 9, 2026, and November 20, 2026, respectively. The stock options vest in one-third tranches twelve months, eighteen months and twenty-four months from the grant date, respectively.

In addition, on August 21, 2023, the Company granted 631,795 stock options to certain employees related to the Rime acquisition at an exercise price of $6.02 per stock option. These stock options are set to expire on August 21, 2026. The stock options will vest in one-third tranches twelve months, eighteen months and twenty-four months from the grant date, respectively.

The range of exercise prices for the options outstanding as at December 31, 2024 is as follows:

	Outstanding			Exercisable		
Exercise price range (Restated)	Number of units (000's) (Restated)	Weighted average remaining life (Years)	Weighted average exercise price (Restated)	Number of units (000's) (Restated)	Weighted average remaining life (Years)	Weighted average exercise price (Restated)
$4.20 to $6.09	1,867	1.02	$ 5.33	1,408	0.81	$ 5.12
$6.24 to $8.26	1,043	2.43	$ 6.40	130	1.15	$ 7.40
Total	2,910	1.52	$ 5.71	1,538	0.83	$ 5.31

The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with the below weighted-average inputs. A forfeiture rate of 15% was used for certain stock option grants when recognizing stock-based compensation for the year ended December 31, 2024 and 2023.

Year ended December 31,	2024	2023
Weighted-average fair value at grant date	$2.71	$2.87- $3.92
Share price	$6.24	$5.32 - $6.65
Exercise price	$6.24	$5.32 - $6.65
Volatility	61%	79% - 90%
Option life	3 years	3 years
Dividends	—	—
Risk-free interest rate	3.22%	3.69% - 4.25%

Warrants

A summary of the Company's warrant activity related to acquisitions and private placements for the year ended December 31, 2024 and 2023 is as follows:

	Number (000's) (Restated)	Weighted average exercise price (Restated)
Balance, January 1, 2023	2,909	$ 5.67
Exercises of warrants	(2,901)	5.67
Expiry of warrants	(8)	5.95
Balance, December 31, 2023 and 2024	—	$ —

During the year ended December 31, 2023, 2,533,127 of the April 2022 bought deal offering warrants, 82,143 of the February 2021 private placement warrants and 285,714 of the warrants related to the July 2021 Precision Drilling acquisition were exercised at $5.95 per warrant, $1.68 per warrant and $4.20 per warrant totaling $15.1 million, $0.1 million, and $1.2 million in gross cash proceeds, respectively. On April 26, 2023, the remaining 7,923 of the April 2022 bought deal offering warrants expired.

11. NET INCOME PER SHARE

Year ended December 31,	2024	2023
Net income	$ 57,907	$ 10,628
(Restated) (000's)		
Outstanding common shares, beginning of the period	34,522	32,018
Effect of purchased common shares	(356)	(144)
Effect of common shares issued	539	2,064
Weighted average common shares (basic)	34,705	33,938
Effect of outstanding stock options and warrants	252	479
Effect of outstanding EP Notes	3,511	1,669
Weighted average common shares (diluted)	38,468	36,086
Net income per share - basic (restated - note 10)	$ 1.67	$ 0.31
Net income per share - diluted (restated - note 10)	$ 1.51	$ 0.29

During the year ended December 31, 2024, 1,042,285 stock options (2023 – 578,681 stock options and warrants) were excluded from the diluted weighted average number of common shares calculation as their effect was anti-dilutive.

12. NATURE OF EXPENSES

	Cost of sales	Selling, general and administrative	Acquisition and restructuring	Research and development costs	Total
Year ended December 31, 2023					
Depreciation and amortization	$ 41,019	$ 7,596	$ –	$ –	$ 48,615
Share-based compensation	918	4,183	–	–	5,101
Staffing costs, excluding share-based compensation	161,680	36,344	–	1,754	199,778
Repairs and maintenance	141,150	–	–	–	141,150
Equipment rentals	63,613	–	–	–	63,613
Other expenses	31,588	16,158	1,328	–	49,074
	$ 439,968	$ 64,281	$ 1,328	$ 1,754	$ 507,331
Year ended December 31, 2024					
Depreciation and amortization	$ 30,924	$ 10,109	$ –	$ –	$ 41,033
Share-based compensation	610	2,565	–	–	3,175
Staffing costs, excluding share-based compensation	171,820	35,340	–	1,918	209,078
Repairs and maintenance	152,353	–	–	–	152,353
Equipment rentals	51,636	–	–	–	51,636
Other expenses	42,590	19,200	–	915	62,705
	$ 449,933	$ 67,214	$ –	$ 2,833	$ 519,980

13. INCOME TAXES

The Company's effective tax rate is reconciled with the income taxes accrued during the year ended December 31, 2024 and 2023 as follows:

Year ended December 31,	2024	2023
Income before income taxes	$ 47,804	$ 20,187
Expected statutory tax rate	23%	23%
Effective tax rate applied to income before income tax expenses	(10,995)	(4,643)
Changes in unrecognized deferred tax assets	4,880	1,492
Effect of changes in foreign exchange	15	31
Income tax in jurisdictions with different tax rates	(282)	(645)
Non-deductible expenses	(1,901)	(3,606)
Non-taxable portion of gain on disposal of property, plant and equipment	1,465	695
Withholding taxes	—	(1,536)
Prior period provision true-up	1,619	(1,347)
Reversal of unrecognized deferred tax assets	15,302	—
	$ 10,103	$ (9,559)

The Company's deferred tax (liability) asset was comprised of the following components:

Balance, December 31,	2024	2023
Property, plant and equipment	$ (14,311)	$ (12,442)
Intangible assets	(932)	(3,222)
Goodwill	(981)	2,378
Inventory valuation allowance	106	769
Non-capital loss-carry forwards	10,664	326
Scientific research and development expenditures	3,240	—
Provision	1,238	980
Net working capital differences	—	317
Unrealized capital gains due to foreign exchange	(733)	—
	$ (1,709)	$ (10,894)
Deferred tax asset	$ 12,700	$ —
Deferred tax liability	(14,409)	(10,894)
	$ (1,709)	$ (10,894)

Deferred tax liabilities were impacted during the year ended December 31, 2024 and 2023 for the following:

	Balance, December 31, 2022	Recognized in profit	Recognized due to acquisitions	Effects of movements in foreign exchange	Balance, December 31, 2023
Property, plant and equipment	$ (13,815)	$ 1,066	$ —	$ 307	$ (12,442)
Intangible assets	(2,194)	(1,478)	412	38	(3,222)
Goodwill	(144)	2,530	—	(8)	2,378
Inventory valuation allowance	487	282	—	—	769
Non-capital loss-carry forwards	5,286	(4,812)	—	(148)	326
Provision	—	963	—	17	980
Net working capital differences	—	301	—	16	317
Total	$ (10,380)	$ (1,148)	$ 412	$ 222	$ (10,894)

	Balance, December 31, 2023	Recognized in profit	Effects of movements in foreign exchange	Balance, December 31, 2024
Property, plant and equipment	$ (12,442)	$ (808)	$ (1,061)	$ (14,311)
Intangible assets	(3,222)	2,434	(144)	(932)
Goodwill	2,378	(3,392)	33	(981)
Inventory valuation allowance	769	(666)	3	106
Non-capital loss-carry forwards	326	10,332	5	10,663
Scientific research and development expenditures	—	3,240	—	3,240
Provision	980	165	94	1,239
Net working capital differences	317	(328)	11	—
Unrealized capital gains due to foreign exchange	—	(733)	—	(733)
Total	$ (10,894)	$ 10,244	$ (1,059)	$ (1,709)

There are unrecognized deferred tax assets of $6.7 million (2023 - $26.4 million) related to the following tax attributes:

	Balance, December 31, 2024		Balance, December 31, 2023	
	Gross amount	Tax effect	Gross amount	Tax effect
Non-capital loss carry forwards	$ 25,363	$ 5,867	$ 68,678	$ 15,744
Right-of-use assets less lease liabilities	3,224	752	3,461	775
Scientific research and development expenditures	—	—	17,699	4,071
Inventory valuation allowance	305	72	235	53
Investment tax credits	N/A	—	N/A	4,925
Net capital loss carry forwards	—	—	3,761	865
	$ 28,892	$ 6,691	$ 93,834	$ 26,433

The Company recognized a portion of its previously unrecorded Canadian tax pools in the year ended December 31, 2024 due to management's assessment that they will likely be utilized within the next twelve to eighteen months. The tax effected amount recognized was $15.3 million according to management's estimates. The remaining tax pools remain unrecognized as at December 31, 2024.

The income taxes are based upon the estimated annual effective rates of 23% (2023 – 23%) for the Canadian entities and 23% (2023 – 23%) for the U.S. entities.

14. CHANGES IN NON-CASH WORKING CAPITAL

The components of changes in non-cash working capital are as follows:

Year ended December 31,	2024	2023
Trade receivables	$ 12,253	$ 5,725
Other receivables	(14,782)	—
Inventories	(457)	(13,674)
Prepaid expenses and deposits	(4,176)	(1,306)
Trade and other payables	6,240	(156)
	$ (922)	$ (9,411)
Attributable to:		
Operating activities	$ (2,191)	$ (12,141)
Investing activities	$ (800)	$ 2,730
Financing activities	$ 2,069	$ —

15. OPERATING SEGMENTS

The Company has two operating segments based on its geographic operating locations of Canada and U.S. and a non-operating segment, for joint corporate costs ("Corporate services"). The Company determines its reportable segments based on internal information regularly reviewed by management to allocate resources and assess performance. The Corporate services segment is comprised of costs which are managed on a group basis and are not allocated to the operating segments. The Corporate services segment primarily consists of selling, general and administrative expenses, foreign exchange gain (loss) and acquisition and reorganization costs.

	Year ended December 31, 2024				Year ended December 31, 2023			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Revenues	$ 371,879	$ 199,906	$ —	$ 571,785	$ 383,904	$ 161,393	$ —	$ 545,297
Depreciation and amortization - cost of sales	$ (12,834)	$ (18,090)	$ —	$ (30,924)	$ (20,142)	$ (20,877)	$ —	$ (41,019)
Cost of sales [(1)]	$ (296,833)	$ (153,100)	$ —	$ (449,933)	$ (310,539)	$ (129,429)	$ —	$ (439,968)
Depreciation and amortization - selling, general and administrative expenses	$ (9,726)	$ (383)	$ —	$ (10,109)	$ (7,058)	$ (538)	$ —	$ (7,596)
Selling, general and administrative expenses [(1)]	$ (38,999)	$ (10,849)	$ (17,366)	$ (67,214)	$ (36,871)	$ (13,002)	$ (14,410)	$ (64,281)
Finance costs - loans and borrowings and EP notes	$ (2,296)	$ (6,475)	$ —	$ (8,771)	$ (1,081)	$ (6,867)	$ —	$ (7,948)
Income (loss) before income taxes	$ 39,814	$ 35,360	$ (27,370)	$ 47,804	$ 43,306	$ 19,183	$ (42,302)	$ 20,187

[(1)] Inclusive of direct costs, deprecation and amortization, and share-based compensation.

	As at December 31, 2024				As at December 31, 2023			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Total liabilities	$ 135,037	$ 96,264	$ —	$ 231,301	$ 116,387	$ 107,878	$ —	$ 224,265
Total assets	$ 353,367	$ 119,514	$ —	$ 472,881	$ 293,953	$ 109,780	$ —	$ 403,733
Property, plant and equipment	$ 83,376	$ 45,227	$ 640	$ 129,243	$ 62,442	$ 50,947	$ 464	$ 113,853

There are no material differences in the basis of accounting or the measurement of income, assets and liabilities between the Company and reported segment information. Revenues and expenses are attributed to geographical areas based on the location in which the services are rendered. The segment presentation of assets is based on legal owner of the assets which bears the related depreciation and amortization expenses.

During the year ended December 31, 2024, approximately 12% of the Company's revenue was derived from a single customer (2023 - 8%).

16. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

As at December 31, 2024, the Company's commitment to purchase property, plant and equipment is approximately $11.9 million (December 31, 2023 - $8.1 million), which is expected to be incurred over the next six months.

The Company also holds six letters of credit totaling $1.8 million (December 31, 2023 - $1.7 million) related to rent payments, corporate credit cards and a utilities deposit.

Provision

The Company recognized a provision of $7.6 million, included in trade and other payables, related to a U.S. tax audit matter during the year ended December 31, 2023. A portion of the provision was recognized as an expense of $5.4 million and a portion was recognized as property, plant and equipment and inventory of $2.2 million during the year ended December 31, 2023. The carrying value of the provision increased by $0.7 million to $8.3 million due to the effects of movements in exchange rates during the year ended December 31, 2024. The estimate was made by management using the latest information available and is subject to measurement uncertainty. Actual results may differ from this estimate.

In relation to a pre-closing sales tax issue related to the July 14, 2022 acquisition of Altitude, as a result of a preliminary assessment, the Company has recognized a provision of $15.5 million in Trade and other payables. Pursuant to the Equity Purchase Agreement related to the Altitude acquisition, the sellers provided the Company with an indemnity related to pre-closing tax issues, including the sales tax issue noted. Accordingly, the Company has recognized an offsetting indemnity receivable of $15.5 million in Other receivable.

The Company is also involved in various other legal claims associated with the normal course of operations. The Company believes that any liabilities that may arise pertaining to such matters would not have a material impact on its financial position.

17. RELATED PARTIES

ACT has determined that the key management personnel of the Company consists of its executive officers and directors. In addition to their salaries, annual bonus and director's fees, the Company also provides non-cash benefits to directors and executive officers, including participation in the Company's share option program.

Certain executive officers have employment agreements. Upon termination without cause by the Company, they are entitled to termination benefits including: i) twelve to eighteen times their monthly salary; ii) twelve to eighteen times their average annual bonus over the past three years converted to a monthly average; and iii) health, dental, life insurance and disability coverage for twelve to fifteen months.

Key management personnel (including directors) compensation comprised of:

	Year ended December 31, 2024	2023
Short-term employee and director benefits	$ 6,020	$ 6,861
Share-based compensation	1,663	2,312
Retirement allowance	—	818
	$ 7,683	$ 9,991

Directors and executive officers of the Company own approximately 12% (2023 - 13%) of the common shares of the Company.

In relation to the September 2021 acquisition of Valiant Energy Services Ltd. ("Valiant"), Valiant and ACT entered into a Consulting Agreement. Pursuant to that Consulting Agreement, ACT recorded a performance incentive and other expense in the amount of $1.2 million during the year ended December 31, 2024 (2023 - $1.3 million). The Consulting Agreement terminates September 30, 2026 and the performance incentive has an annual maximum payment that ranges from $0.6 million to $1.2 million. As at December 31, 2024, a balance of $0.3 million was owing to Valiant.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company's financial instruments consisted of cash, trade receivables, trade and other payables, current taxes payable, loans and borrowings, lease liabilities and EP notes as at December 31, 2024. The financial instruments have been designated at their amortized cost. The financial instruments' carrying values approximate their fair values, except for loans and borrowings and EP notes. As at December 31, 2024, the loans and borrowings' carrying value was net of unamortized upfront financing fees of $0.3 million.

The Company has no financial instruments that were recorded at fair values as at December 31, 2024.

Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. Management and the Board of Directors monitor the Company's capital by assessing certain measures such as: i) the Company's loans and borrowings levels as compared to its total capitalization and ii) loans and borrowings and EP notes less cash to net income before finance costs, income tax expense, depreciation and amortization, share-based compensation, and other non-cash adjustments, of which are defined under the Company's Credit Facility (note 9). ACT intends to use any cash flow from operations generated to continue to pay down its loans and borrowings and fund the NCIB while remaining opportunistic in making strategic and accretive acquisitions.

Financial risk management

The Company's financial instruments are exposed to credit risk and market risk, including liquidity risk, foreign currency risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits and controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's trade receivables.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In assessing and monitoring credit risk, customers are grouped according to their credit risk demographic, including whether they are an individual or legal entity, geographic location, industry, aging profile, maturity and existence of past financial difficulties. Customers that are considered "high risk" are closely monitored, and future sales may be transitioned to a prepayment basis.

The Company analyzes the credit risk of each new customer individually before accepting the customer as a client. The Company's review includes external credit ratings, when available. Customers that fail to meet the Company's benchmark of creditworthiness generally are restricted to services on a prepayment basis.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due. The Company recognized $0.1 million as an allowance as at December 31, 2024 (2023 - $0.1 million) related to trade receivables expected to be uncollectible.

The aging of the trade receivables as at December 31, 2024 and 2023 was:

Balance, December 31,	2024	2023
Not past due	$ 90,729	$ 104,136
Past due 61-90 days	11,099	3,992
Past due over 91 days	4,044	3,718
Total	$ 105,872	$ 111,846

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the financial obligations that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to monitor its current cash position and estimated projected cash flow relative to the maturity of its financial obligation, under both normal and stressed conditions.

As at December 31, 2024, the Company had a cash balance of $12.8 million and undrawn loans and borrowings of $64.4 million (note 9).

The following are the contractual maturities of the Company's financial liabilities as at December 31, 2024:

Balance, December 31, 2024	Carrying amount	One year	1-2 years	3-5 years	Thereafter
Loans and borrowings - principal	$ 63,864	$ 21,556	$ 42,308	$ —	$ —
EP Notes - principal	28,778	—	28,778	—	—
Interest payments on loans and borrowings and EP Notes	6,931	4,910	2,021	—	—
Lease liabilities - undiscounted	20,161	4,124	3,740	9,064	3,233
Trade and other payables	106,242	106,242	—	—	—
Total	$ 225,976	$ 136,832	$ 76,847	$ 9,064	$ 3,233

Foreign currency risk

The Company is exposed to foreign currency risk on its working capital, loans and borrowings and lease liabilities that are denominated in a currency other than its respective entities' functional currencies. The Company's transactions are primarily denominated in CAD and USD. As at December 31, 2024, the CAD to the USD exchange rate was 1:44:1 (2023 – 1.32:1) and the average CAD to USD exchange rate during the year ended December 31, 2024 was 1.37:1 (2023 – 1.35:1).

Generally, the Company's financial instruments are denominated in the functional currencies consistent with the cash flows generated by its respective entities' underlying operations, and as a result, is relatively sheltered from foreign currency risk. As such, the Company does not utilize foreign exchange hedging instruments to mitigate its foreign currency risk.

As at December 31, 2024, the Company held a USD denominated term loan of USD $14.7 million, which is subject to quarterly payments of USD $1.1 million over its five-year amortization period. The quarterly payments were primarily funded through the Company's Canadian operations and, as such, is subject to foreign exchange fluctuations. The Company's Syndicated Operating Facility and Revolving Operating Facility may be drawn upon in CAD or USD, which has the potential for foreign currency risk. As at December 31, 2024, the USD Revolving Operating Facility had not been drawn.

The Company's EP notes are denominated in USD and are held in its U.S. subsidiary and therefore are not subject to foreign currency risk.

Interest rate risk

The Company's primary interest rate risk arises from its loans and borrowings, all of which, are primarily subject to variable rates, with the exception of its HSCAP loan (note 9) and the EP notes (note 4), which are subject to fixed interest rates.

As at December 31, 2024, the Company's Revolving Operating Facility, CAD Syndicated Term Facility and USD Syndicated Term Facility, subject to variable rates, outstanding principal amounts were $63.1 million (note 9). The HASCAP loan and EP notes (principal amount), subject to fixed interest rates, were $0.7 million and $28.8 million, respectively, as at December 31, 2024.

An increase of one percent in the Company's variable interest rate would increase finance costs by approximately $0.6 million (2023 - $0.7 million) per annum based on its outstanding loans and borrowings as at December 31, 2024.

19. SUBSEQUENT EVENTS

Amended Credit Agreement

On March 21, 2025, the Company entered into a Fifth Amended and Restated Credit Agreement with its existing syndicate of lenders co-lead by ATB Financial and Royal Bank of Canada ("Amended Credit Agreement"). The Amended Credit Agreement provided for the following:

i. A revolving facility with an approximate principal amount of $124.3 million comprised of: i) $100.0 million Syndicated Revolving Facility ("CAD Syndicated Revolving Facility") and ii) $10.0 million revolving facility provided by ATB Financial ("ATB Revolving Facility"), and iii) USD $10.0 million (approximately CAD $14.3 million equivalent) provided by HSBC Bank USA, N.A. ("HSBC Revolving Facility"). The revolving facility replaced the Company's existing facilities (CAD Syndicated Term Facility of $59.0 million, USD Syndicated Term Facility of USD $21.0 million, Syndicated Operating Facility of $35.0 million, Revolving Operating Facility of $15.0 million and USD Revolving Operating Facility of $10.0 million). As such, the contractual repayments of the CAD Syndicated Term Facility and USD Syndicated Term Facility are no longer required;
ii. A lower amended interest rate updated to the financial institution's prime rate plus 1.0% to 1.75% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.0% to 2.75% (previously prime rate plus 1.5% to 2.25% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.5% to 3.25%);
iii. The maturity date extended from July 11, 2026 to March 21, 2028;
iv. Replaced the financial covenant of Consolidated Fixed Charge Coverage ratio (previously required to be no less than 1.25:1) with a Consolidated Interest Coverage Ratio, which is required to be no less than 3.00:1. The Consolidated Funded Debt to Consolidated Credit Agreement EBITDA ratio remained unchanged and shall not exceed 2.50:1; and
v. The syndicate of lenders remained unchanged with the exception of Royal Bank of Canada joining ATB Financial as the syndicate co-lead.

As a result of the replacement of the CAD Syndicated Term Facility and USD Syndicated Term Facility by the CAD Syndicated Revolving Facility, the annual contractual repayments of approximately $20.7 million, recognized as current portion of loans and borrowings as at December 31, 2024, will be reclassified to non-current loans and borrowings subsequent to December 31, 2024.

Tariffs

In 2025, the U.S. government implemented additional tariffs on goods imported from Canada, Mexico and China. On March 6, 2025, it was announced that the implementation of tariffs on USMCA-compliant goods between the U.S. and Canada would be delayed for thirty days. At this time, the Company is unable to determine the duration and impact of tariffs affecting the movement of goods across North American borders and is actively evaluating the potential business impacts of these tariffs.

OFFICERS

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P. Scott MacFarlane, Interim Chief Financial Officer
Lee Harns, Chief Operating Officer
Tyler Clark, President, Altitude Energy Partners
Vaugn Spengler, Senior Vice President, Canadian Operations
Manoj Gopalan, President, Rime Downhole Technologies

DIRECTORS

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REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta

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Royal Bank of Canada - syndicate co-lead
National Bank of Canada (formerly Canadian Western Bank)
HSBC Bank USA, N.A.
The Toronto Dominion Bank
Business Development Bank of Canada

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