2024 Q2 INTERIM REPORT

FINANCIAL HIGHLIGHTS

(unaudited)

Canadian dollars in 000's except for otherwise noted

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Revenues [2]	$ 130,297	$ 121,339	$ 295,253	$ 254,287
Gross margin % [2]	21%	18%	21%	17%
Adjusted gross margin % [1][2]	26%	26%	27%	25%
Adjusted EBITDAS [1]	$ 17,305	$ 18,222	$ 46,054	$ 33,409
Per share - basic [3]	$ 0.50	$ 0.54	$ 1.33	$ 1.01
Per share - diluted [3]	$ 0.45	$ 0.53	$ 1.20	$ 0.98
Adjusted EBITDAS margin % [1]	13%	15%	16%	13%
Cash flow - operating activities [2]	$ 34,123	$ 16,407	$ 49,866	$ 44,267
Free cash flow (deficit) [1][2]	$ (2,997)	$ 4,969	$ 453	$ 4,143
Net income	$ 5,259	$ 2,416	$ 16,840	$ 3,210
Per share - basic [3]	$ 0.15	$ 0.07	$ 0.49	$ 0.10
Per share - diluted [3]	$ 0.14	$ 0.07	$ 0.44	$ 0.09
Weighted average shares outstanding:				
Basic (000s) [3]	34,439	34,057	34,574	33,074
Diluted (000s) [3]	38,402	34,380	38,490	34,081

Balance,	June 30, 2024	December 31, 2023
Working capital, excluding current portion of loans and borrowings [1]	$ 74,876	$ 74,865
Total assets	$ 420,371	$ 403,733
Loans and borrowings	$ 72,683	$ 78,598
Shareholders' equity	$ 200,695	$ 179,468

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

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 United States ("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 three and six months ended June 30, 2024 is dated August 12, 2024 and should be read in conjunction with the Company's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2024, the Company's MD&A and audited consolidated financial statements for the year ended December 31, 2023, and Annual Information Form for the year ended December 31, 2023 dated March 26, 2024. 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, except for 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 Q2 KEY HIGHLIGHTS

The Company achieved the following 2024 Q2 results and highlights:

- Revenues of $130.3 million in 2024 Q2, were the highest for any second quarter in the Company's history and increased 7%, compared to $121.3 million in 2023 Q2.
- Adjusted EBITDAS [(1)] of $17.3 million in 2024 Q2 decreased 5%, compared to $18.2 million in 2023 Q2. Lost-in-hole equipment net reimbursements were significantly lower in 2024 Q2, compared to 2023 Q2 and 2024 Q1 levels.
- Canadian operating days increased 28% in 2024 Q2, compared to 2023 Q2, which compares favourably to an 8% increase in the Western Canadian rig count [(2)]. ACT remains extremely active in oil plays where wells have a high multilateral count.
- U.S. operating days decreased 5% in 2024 Q2, compared to 2023 Q2, mainly due to a 17% decline of the U.S. land rig count [(2)].
- An increase in the Canadian average revenue per operating day of 7% in 2024 Q2, compared to 2023 Q2.
- An increase in the U.S. average revenue per operating day of 6% in 2024 Q2, compared to 2023 Q2, despite a decrease in operating days.
- Net income of $5.3 million in 2024 Q2, compared to $2.4 million in 2023 Q2.
- Cash flow - operating activities of $34.1 million in 2024 Q2, compared to $16.4 million in 2023 Q2, mainly attributable to the change in non-cash working capital.
- Free cash flow deficit [(1)] of $3.0 million in 2024 Q2, compared to Free cash flow [(1)] of $5.0 million in 2023 Q2.
- On May 9, 2024, the shareholders of the Company approved the consolidation of the issued and outstanding common shares of the Company. As a result, on July 3, 2024, 243,383,392 common shares issued and outstanding prior to the Consolidation (the "Consolidation") were reduced to 34,769,056 common shares (one post-consolidation common share for seven pre-consolidation common shares).
- Loans and borrowings less cash was $55.7 million as at June 30, 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)] for the remainder of 2024.
- The Company continues to see a significant opportunity for margin expansion in its U.S. directional business by using Rime Downhole Technologies ("Rime") supplied Measurement-While-Drilling ("MWD") systems to reduce its third-party rental costs. To date, ten Rime MWD systems have been deployed with an additional forty MWD systems expected to be deployed by the first half of the 2025.
- The Company purchased two additional Rotary Steerable Systems ("RSS") Orbit tools, expanding its U.S. fleet to twenty-one RSS tools.

RECLASSIFICATIONS

The Company has changed the presentation of certain figures in 2023 Q2 related to equipment lost-in-hole reimbursements collected from customers and the corresponding derecognition of the property, plant and equipment ("PP&E").

More specifically, the Company reclassified its gain on disposal of PP&E as follows: a) reclassified the proceeds on disposal of PP&E, related to lost-in-hole equipment, to revenues and b) recognized a write-off of PP&E for the net book value of the lost-in-hole equipment on the condensed consolidated statement of comprehensive income. In addition, the lost-in-hole proceeds were reclassified from the Company's cash flows - investing activities to the cash flows - operating activities on the condensed consolidated statement of cash flows.

The Company has changed its judgement regarding equipment lost-in-hole events that are contracted with its customers in that these events are now considered to be part of its ordinary business activities. The changes are reflected in the current and prior periods, as described above.

These reclassifications recognized in 2023 Q2 are summarized below:

Condensed Consolidated Statement of Comprehensive Income (Excerpt)

	Three months ended June 30, 2023			Six months ended June 30, 2023		
	Reported	Adjustment	Adjusted	Reported	Adjustment	Adjusted
Revenues:						
United States	$ 93,543	$ 4,965	$ 98,508	$ 175,865	$ 7,595	$ 183,460
Canada	21,515	1,316	22,831	66,858	3,969	70,827
Total revenues	115,058	6,281	121,339	242,723	11,564	254,287
Cost of sales	(98,720)	(1,106)	(99,826)	(209,321)	(2,445)	(211,766)
Gross margin	16,338	5,175	21,513	33,402	9,119	42,521
Write-off of PP&E	—	(745)	(745)	—	(1,721)	(1,721)
Gain (loss) on disposal of PP&E	$ 4,091	$ (4,430)	$ (339)	$ 7,135	$ (7,398)	$ (263)

(1) Non-GAAP measures' section of this MD&A.

(2) Per Baker Hughes and Rig Locator.

Condensed Consolidated Statement of Cash Flows (Excerpt)

	Three months ended June 30, 2023			Six months ended June 30, 2023		
	Reported	Adjustment	Adjusted	Reported	Adjustment	Adjusted
Cash flow provided by (used in):						
Operating activities						
Write-off of PP&E	$ —	$ 745	$ 745	$ —	$ 1,721	$ 1,721
(Gain) loss on disposal of PP&E	(4,091)	4,430	339	(7,135)	7,398	263
Cash flow - operating activities	11,232	5,175	16,407	35,148	9,119	44,267
Investing activities						
PP&E additions	$ (8,714)	$ (1,329)	$ (10,043)	$ (22,465)	$ —	$ (22,465)
Proceeds on disposal of PP&E	4,208	(3,839)	369	9,780	(9,117)	663
Cash flow - investing activities	(4,354)	(5,168)	(9,522)	(14,584)	(9,117)	(23,701)
Effect of exchange rate on changes on cash	$ (990)	$ (7)	$ (997)	$ (1,044)	$ (2)	$ (1,046)

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, depreciation, 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 on intercompany balances, income tax expense, depreciation, amortization, gain on settlement of lease liabilities, non-recurring costs, write-down of inventory 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) 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 more significant additions in the period 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. In addition, there were reclassification adjustments related to the cash flow - operating activities, proceeds on disposal of PP&E and PP&E additions, as described in the "Reclassifications" section in this MD&A.

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Gross margin [1]	$ 27,184	$ 21,513	$ 62,682	$ 42,521
Add non-cash items included in cost of sales:				
Write-down of inventory included in cost of sales	54	—	61	378
Depreciation and amortization	6,180	10,115	17,815	19,340
Share-based compensation	169	96	392	240
Adjusted gross margin	$ 33,587	$ 31,724	$ 80,950	$ 62,479
Adjusted gross margin %	26%	26%	27%	25%

(1) Refer to the "Reclassifications" section in this MD&A.

Adjusted EBITDAS

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net income	$ 5,259	$ 2,416	$ 16,840	$ 3,210
Add (deduct):				
Income tax expense	1,148	2,176	2,813	2,583
Depreciation and amortization - cost of sales	6,180	10,115	17,815	19,340
Depreciation and amortization - selling, general and administrative expenses	2,462	1,499	4,809	3,008
Share-based compensation - cost of sales	169	96	392	240
Share-based compensation - selling, general and administrative expenses	719	674	1,649	1,449
Finance costs - loans and borrowings and exchangeable promissory notes	2,419	1,486	4,884	3,216
Finance costs - lease liabilities	201	205	406	419
Unrealized foreign exchange gain on intercompany balances	(1,339)	(910)	(3,648)	(899)
Gain on settlement of lease liabilities	(391)	—	(391)	—
Non-recurring expenses, including inventory write-off	478	465	485	843
Adjusted EBITDAS	$ 17,305	$ 18,222	$ 46,054	$ 33,409
Adjusted EBITDAS margin %	13%	15%	16%	13%

Free cash flow

		Three months ended June 30,			Six months ended June 30,	
		2024		2023		2024		2023
Cash flow - operating activities [1]	$	34,123	$	16,407	$	49,866	$	44,267
Add (deduct):								
Income tax paid		3,633		817		3,793		648
Changes in non-cash operating working capital [1]		(20,282)		1,617		(5,801)		(9,987)
Non-recurring expenses		33		465		33		465
Proceeds on disposal of property, plant and equipment [1]		1,533		369		1,533		663
Less:								
Property, plant and equipment and intangible asset additions[1][2]		(15,956)		(10,065)		(36,842)		(22,609)
Required repayments on loans and borrowings[3]		(5,164)		(3,727)		(10,313)		(7,455)
Repayments of lease liabilities, net of finance costs		(917)		(914)		(1,816)		(1,849)
Free cash flow (deficit)	$	(2,997)	$	4,969	$	453	$	4,143

[1] Refer to the 'Reclassifications' section in this MD&A.
[2] Property, plant and equipment additions exclude any non-cash additions.
[3] 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 ("EP Shares") at an issue price of CAD $7.70 per common share. 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.

RESULTS OF OPERATIONS

		Three months ended June 30,				Six months ended June 30,	
		2024		2023		2024		2023
Revenues								
United States [2]	$	99,069	$	98,508	$	205,631	$	183,460
Canada [2]		31,228		22,831		89,622		70,827
Total revenues [2]		130,297		121,339		295,253		254,287
Cost of sales								
Direct costs [2]		(96,764)		(89,615)		(214,364)		(192,186)
Depreciation and amortization		(6,180)		(10,115)		(17,815)		(19,340)
Share-based compensation		(169)		(96)		(392)		(240)
Cost of sales		(103,113)		(99,826)		(232,571)		(211,766)
Gross margin [2]	$	27,184	$	21,513	$	62,682	$	42,521
Gross margin % [2]		21%		18%		21%		17%
Adjusted gross margin % [1][2]		26%		26%		27%		25%

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

SEGMENTED INFORMATION

United States

Revenues

U.S. revenues were $99.1 million in 2024 Q2, an increase of $0.6 million or 1%, compared to $98.5 million in 2023 Q2. The Company realized a 5% decrease in operating days to 3,746 days in 2024 Q2, compared to 3,963 days in 2023 Q2. The decrease in operating days was due to a declining market in 2024 Q2. The average revenue per operating day increased 6% to $26,447 per day in 2024 Q2, compared to $24,857 per day in 2023 Q2, mainly due to job mix.

U.S. revenues were $205.6 million in the six months ended June 30, 2024, an increase of $22.1 million or 12%, compared to $183.5 million for the same period in 2023. The Company realized a 2% increase in operating days to 7,416 days in the six months ended June 30, 2024, compared to 7,280 days for the same period in 2023. The increase is mainly related to the Company realizing higher activity, despite a declining market in the six months ended June 30, 2024. The average revenue per operating day increased 10% to $27,728 per day in the six months ended June 30, 2024, compared to $25,201 per day for the same period in 2023, mainly due to a change in job mix.

Direct costs

U.S. direct costs included in cost of sales were $75.1 million in 2024 Q2, an increase of $1.5 million, compared to $73.6 million in 2023 Q2. The increase is mainly due to higher repair and labour costs, offset by lower third-party rental costs. A portion of the increased labour costs is attributable to the Rime acquisition (acquired in July 2023). As a percentage of revenues, direct costs increased to 76% in 2024 Q2, compared to 75% in 2023 Q2.

U.S. direct costs included in cost of sales were $156.4 million in the six months ended June 30, 2024, an increase of $14.8 million or 10%, compared to $141.6 million for the same period in 2023. The increase is mainly due to higher repairs and labour costs, offset by lower third-party rental costs. A portion of the increased labour costs is attributable to the Rime acquisition (acquired in July 2023). As a percentage of revenues, direct costs decreased to 76% in the six months ended June 30, 2024, compared to 77% for the same period in 2023.

Canadian

Revenues

Canadian revenues were $31.2 million in 2024 Q2, an increase of $8.4 million or 37%, compared to $22.8 million in 2023 Q2. The Company realized a 28% increase in operating days to 2,130 days in 2024 Q2, compared to 1,662 days in 2023 Q2. The increase in operating days is mainly attributable to higher market demand in 2024 Q2. The average revenue per operating day increased 7% to $14,661 per day in 2024 Q2, compared to $13,737 per day in 2023 Q2. 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, including higher charges for premium tools.

Canadian revenues were $89.6 million in the six months ended June 30, 2024, an increase of $18.8 million or 27%, compared to $70.8 million for the same period in 2023. The Company realized a 22% increase in operating days to 6,504 days in the six months ended June 30, 2024, compared to 5,321 days for the same period in 2023. The increase in operating days is mainly attributable to higher market demand in the six months ended June 30, 2024. The average revenue per operating day increased 4% to $13,780 per day in the six months ended June 30, 2024, compared to $13,311 per day for the same period in 2023. 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, including higher charges for premium tools.

Direct costs

Canadian direct costs included in cost of sales were $21.7 million in 2024 Q2, an increase of $5.7 million or 36%, compared to $16.0 million in 2023 Q2. The increase is mainly due to higher labour and repair costs in 2024 Q2. As a percentage of revenues, direct costs were 70% in 2024 Q2 and 2023 Q2.

Canadian direct costs included in cost of sales were $58.0 million in the six months ended June 30, 2024, an increase of $7.4 million or 15%, compared to $50.6 million for the same period in 2023. The increase is mainly due to higher labour and repair costs, offset by lower third-party rental costs in the six months ended June 30, 2024. As a percentage of revenues, direct costs were 65% in the six months ended June 30, 2024, compared to 71% for the same period in 2023.

CONSOLIDATED

Revenues

The Company recognized $130.3 million of revenues in 2024 Q2, an increase of $9.0 million or 7%, compared to $121.3 million in 2023 Q2. The increase is due to a 4% increase in operating days (2024 - 5,876 days; 2023 - 5,625 days) and an increase of 3% in the average revenue per operating day (2024 - $22,174; 2023 - $21,571).

The Company recognized $295.3 million of revenues in the six months ended June 30, 2024, an increase of $41.0 million or 16%, compared to $254.3 million for the same period in 2023. The increase is due to a 10% increase in operating days (2024 - 13,920 days; 2023 - 12,601 days) and an increase of 5% in the average revenue per operating day (2024 - $21,211; 2023 - $20,180).

Direct costs

The Company recognized $96.8 million of direct costs in 2024 Q2, an increase of $7.2 million or 8%, compared to $89.6 million in 2023 Q2. The increase is mainly due to higher repair and labour costs related to an increase in operating days and the inclusion of manufacturing costs related to Rime (acquired in July), offset by lower third-party rental costs.

The Company recognized $214.4 million of direct costs in the six months ended June 30, 2024, an increase of $22.2 million or 12%, compared to $192.2 million for the same period in 2023. The increase is mainly due to higher repairs 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 rental costs.

Direct costs as a percentage of revenues was 74% in 2024 Q2 and 2023 Q2. Direct costs as a percentage of revenue decreased to 73% in the six months ended June 30, 2024 from 76% for the same period in 2023.

Gross margin and adjusted gross margin

The Gross margin % increased to 21% in 2024 Q2, compared to 18% in 2023 Q2. The Gross margin % increased to 21% in the six months ended June 30, 2024, compared to 17% for the same period in 2023.

The Adjusted gross margin % was 26% in 2024 Q2 and 2023 Q2. The Adjusted gross margin % increased to 27% in the six months ended June 30, 2024, compared to 25% for the same period in 2023. The increase in Adjusted gross margin for the six months ended June 30, 2024, was mainly related to decreased labour and third-party rental costs as a percentage of revenues.

Depreciation and amortization expense

Depreciation and amortization expense included in cost of sales decreased to $6.2 million and $17.8 million in 2024 Q2 and the six months ended June 30, 2024, compared to $10.1 million and $19.3 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% and 6% in 2024 Q2 and the six months ended June 30, 2024, compared to 8% for the same periods in 2023, respectively.

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

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Selling, general and administrative expenses:				
Direct costs	$ 14,808	$ 12,004	$ 30,834	$ 26,090
Depreciation and amortization	2,462	1,499	4,809	3,008
Share-based compensation	719	674	1,649	1,449
Selling, general and administrative expenses	$ 17,989	$ 14,177	$ 37,292	$ 30,547

The Company recognized direct costs included in SG&A expenses of $14.8 million and $30.8 million in 2024 Q2 and the six months ended June 30, 2024, an increase of $2.8 million and $4.7 million, compared to $12.0 million and $26.1 million for the same periods in 2023, respectively. The increase is mainly related to a higher discretionary incentive expense in 2024. In addition, a portion of the increased direct costs included in SG&A is attributable to the Rime acquisition (acquired in July 2023).

Direct costs included in SG&A expenses as a percentage of revenues were 11% and 10% in 2024 Q2 and the six months ended June 30, 2024, compared to 10% for the same periods in 2023, respectively.

Depreciation and amortization included in SG&A expenses were $2.5 million and $4.8 million in 2024 Q2 and the six months ended June 30, 2024, compared to $1.5 million and $3.0 million for the same periods in 2023, respectively, mainly due to amortization expense related to the intangible assets acquired in the Rime transaction.

Stock-based compensation included in SG&A expenses were $0.7 million and $1.6 million in 2024 Q2 and the six months ended June 30, 2024, compared to $0.7 million and $1.4 million for the same periods in 2023, respectively.

Research and development ("R&D") costs

The Company recognized R&D costs of $1.0 million and $1.6 million in 2024 Q2 and the six months ended June 30, 2024, compared to $0.5 million and $1.0 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

The Company recognized a write-off of property, plant and equipment of $0.6 million and $2.2 million in 2024 Q2 and the six months ended June 30, 2024, compared to $0.7 million and $1.7 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 damage beyond repair are based on service agreements held with clients and are recognized as revenues. Refer to the "Reclassifications" section of this MD&A.

Finance costs

Finance costs - loans and borrowings and EP Notes were $2.4 million, an increase of $0.9 million, compared to $1.5 million in 2023 Q2. Finance costs - loans and borrowings and EP Notes were $4.9 million in the six months ended June 30, 2024, an increase of $1.7 million, compared to $3.2 million for the same period in 2023. The increase is mainly due to a higher outstanding balance of loans and borrowings in 2024 Q2 compared to 2023 Q2 and higher interest rates in 2024. In addition, the increase related to higher finance costs related to the Company's EP Notes issued in 2023 Q3 in relation to the Rime acquisition.

In addition, the Company had finance costs of $0.2 million and $0.4 million in 2024 Q2 and the six months ended June 30, 2024 related to lease liabilities, which is consistent for the same periods in 2023, respectively.

Foreign exchange

The Company recognized a foreign exchange gain of $1.1 million in 2024 Q2, compared to a foreign exchange gain of $1.0 million in 2023 Q2. The Company recognized a foreign exchange gain of $3.0 million in the six months ended June 30, 2024, compared to a foreign exchange gain of $0.9 million for the same period in 2023. The impact of foreign exchange is due to fluctuations of the Canadian dollar relative to the USD related to foreign currency transactions recognized in net income.

The Company recognized a foreign currency translation gain on foreign operations of $0.7 million in 2024 Q2, compared to a loss of $3.8 million in 2023 Q2. The Company recognized a foreign currency translation gain on foreign operations of $2.2 million in the six months ended June 30, 2024, compared to a loss of $4.3 million for the same period 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

The Company recognized an income tax expense of $1.1 million and $2.8 million in 2024 Q2 and the six months ended June 30, 2024, compared to an income tax expense of $2.2 million and $2.6 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's effective tax rate in 2024 Q2 and the six months ended June 30, 2024 were 18% and 14%, respectively, which are lower than the statutory rate of 23%, mainly due to the Canadian segment income tax expense being offset by its tax pools in the period.

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 $34.1 million and $49.9 million in 2024 Q2 and the six months ended June 30, 2024, compared to $16.4 million and $44.3 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 June 30, 2024, the Company had working capital, excluding current portion of loans and borrowings of $74.9 million (December 31, 2023 - $74.9 million).

Normal course issuer bid

In the six months ended June 30, 2024, 353,100 common shares were purchased under the NCIB for a total purchase amount of $2.1 million at an average price of $5.89 per common share. A portion of the purchase amount reduced share capital by $2.0 million and the residual purchase amount of $0.1 million was recorded to the deficit.

On July 25, 2024, Company received approval from the TSX to purchase up to 1,902,008 common shares of the Company, or 10%, of the 34,769,058 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 under the NCIB, the timing of purchases and the price at which the common shares are purchased will be subject to management's discretion.

Syndicated and revolving credit facilities

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. At June 30, 2024, the USD Revolving Operating Facility was undrawn.

During the six months ended June 30, 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 June 30, 2024. As at June 30, 2024, $30.0 million of the $35.0 million Syndicated Operating Facility remained undrawn.

During the six months ended June 30, 2024, the Company repaid $1.6 million of its CAD Revolving Operating Facility. As at June 30, 2024, the $15.0 million CAD Revolving Operating Facility remained undrawn.

In addition, the Company held its Highly Affected Sectors Credit Availability Program ("HASCAP") loan with a balance of $0.8 million.

At June 30, 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.

Contractual obligations and contingencies

As at June 30, 2024, the Company's commitment to purchase property, plant and equipment is approximately $5.9 million, which is expected to be incurred in the remainder of 2024.

The Company also holds six letters of credit totaling $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 June 30, 2024:

	Carrying amount	One year	1-2 years	3-5 years	Thereafter
Loans and borrowings - principal	$ 73,150	$ 21,169	$ 20,400	$ 31,581	$ —
EP Notes - principal	27,358	—	—	27,358	—
Interest payments on loans and borrowings and EP Notes	10,473	6,061	4,314	98	—
Lease liabilities - undiscounted	14,396	4,041	3,115	6,600	640
Trade and other payables	95,077	95,077	—	—	—
Total	$ 220,454	$ 126,348	$ 27,829	$ 65,637	$ 640

Capital structure

As at August 12, 2024, the Company has 34,922,514 common shares, 2,511,985 stock options and EP Notes that are exchangeable into a maximum of 3,510,000 common shares outstanding.

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 have been 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 share units and per share amounts in this MD&A were restated to reflect the Consolidation.

NET CAPITAL EXPENDITURES

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Motors and related equipment	$ 6,738	$ 7,365	$ 13,944	$ 14,781
MWD and related equipment	6,308	90	14,219	3,273
Shop and automotive equipment	149	973	382	1,750
Other	869	1,122	1,438	2,661
Gross capital expenditures	14,064	9,550	29,983	22,465
Less: net lost-in-hole equipment reimbursements	(4,742)	(6,372)	(15,388)	(11,889)
Net capital expenditures (1)	$ 9,322	$ 3,178	$ 14,595	$ 10,576

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

In 2024 Q2 and the six months ended June 30, 2024, the Company had capitalized costs recognized as intangible assets related to RSS licenses of $1.2 million and $6.1 million (2023 - $nil), respectively.

The Company's 2024 Net capital expenditure budget, including capital costs related to RSS licenses, is expected to be approximately $30 million to $35 million (2023 - $27 million to $32 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 2024 capital plan from cash flow - operating activities.

OUTLOOK

The outlook for global energy demand remains constructive driven by general economic growth, the increasing energy requirements of emerging technology, and the continued growth and development of third world nations. Oil prices continue to trade in relatively healthy ranges despite concerns of a potential recession in North America and increased geopolitical risk that threatens supply. The multi-year shift by producers to lower leverage levels, capital discipline, and dedicated shareholder return strategies has translated to more consistent spending, directly correlating to more consistent levels of activity for oilfield service providers.

In North America, natural gas pricing currently remains very weak due to robust supply levels and lack of storage capacity. Optimism related to the growing number of U.S. and Canadian liquified natural gas ("LNG") export facilities, coming online in the next several years, provides a more positive backdrop for the longer term with the potential for increased demand and more buoyant pricing in the future.

ACT moves into the third quarter of 2024 with the strongest Q3 Canadian job count in its history. Recent increases in oil and natural gas takeaway capacity are driving year-over-year growth in underlying Western Canadian activity levels and ACT continues to outperform this baseline.

In the U.S., there are early signs of the rig count bottoming with activity constrained by weak natural gas prices and recent activity related to customer consolidation. While these headwinds are considered relatively short-term in nature, they are likely to negatively impact the pace of a potential rebound in rig counts on U.S. land in the back half of the year and potentially into 2025.

With a continued increase in well complexity and a focus on increasing production per well, ACT is well positioned to use its leading technology to help its customers maximize efficiency, which will support more consistent job counts and revenue levels, relative to the market in the quarters to come. With an internal opportunity set to support growth, we believe that the Company has some compelling drivers to further expand its business versus a flat market environment for the majority of the industry over the next twelve to eighteen months.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

ACT's DC&P have been designed to provide reasonable assurance that material information relating to ACT is made known to the CEO and the CFO by others and that information required to be disclosed by ACT in its annual filings, interim filings or other reports filed or submitted by ACT under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. Because of their inherent limitations, DC&P and ICFR may not prevent or detect all misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

No material change in the Company's DC&P and its ICFR were identified during the three and six months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

ACT has limited the scope of design of DC&P and ICFR to exclude controls, policies and procedures of Rime which was acquired on July 11, 2023, the financial performance of which is included in the unaudited condensed consolidated financial statements for the three and six months ended June 30, 2024. The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 which allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period.

The tables below presents the summary of financial information of Rime:

	Three months ended June 30, 2024	Six months ended June 30, 2024
Revenues	$ 3,778	$ 8,505
Net loss	(738)	(1,229)

	Balance, June 30, 2024
Current assets	$ 16,063
Non-current assets	54,140
Current liabilities	3,371
Non-current liabilities	501
Capital purchase commitments	5,087

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, 2023, 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 unaudited condensed 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 unaudited condensed consolidated financial statements for the three and six months ended June 30, 2024 were approved on August 12, 2024.

SUPPLEMENTARY INFORMATION

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

NEW AND FUTURE ACCOUNTING POLICIES

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, in the period include IAS 21 The Effects of Changes in Foreign Exchange Rates, and is not expected to have a significant impact on the Company's financial statements.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Jun 2024	Mar 2024	Dec 2023	Sep 2023	Jun 2023	Mar 2023	Dec 2022	Sep 2022
Revenues [2]								
Revenues - reported	$ 130,297	$ 164,956	$ 145,419	$ 145,591	$ 115,058	$ 127,665	$ 128,518	$ 107,846
Adjustment	—	—	—	—	6,281	5,283	10,630	7,337
Revenues - adjusted	$ 130,297	$ 164,956	$ 145,419	$ 145,591	$ 121,339	$ 132,948	$ 139,148	$ 115,183
Adjusted EBITDAS [1]	$ 17,305	$ 28,752	$ 27,369	$ 30,106	$ 18,222	$ 15,187	$ 30,284	$ 28,065
Adjusted EBITDAS per share - diluted [1] [3]	$ 0.45	$ 0.75	$ 0.72	$ 0.79	$ 0.53	$ 0.45	$ 0.94	$ 0.99
Net income	$ 5,259	$ 11,584	$ 1,767	$ 5,651	$ 2,416	$ 794	$ 10,270	$ 8,658
Net income per share - diluted [3]	$ 0.14	$ 0.30	$ 0.05	$ 0.15	$ 0.07	$ 0.02	$ 0.32	$ 0.30

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

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:

- Future commitments;
- The 2024 Net capital expenditure budget and financing thereof;
- The outlook for global energy demand remains constructive driven by general economic growth, the increasing energy requirements of emerging technology, and the continued growth and development of third world nations.

- Oil prices continue to trade in relatively healthy ranges despite concerns of a potential recession in North America and increased geopolitical risk that threatens supply.
- The multi-year shift by producers to lower leverage levels, capital discipline, and dedicated shareholder return strategies has translated to more consistent spending, directly correlating to more consistent levels of activity for oilfield service providers.
- Optimism related to the growing number of U.S. and Canadian LNG export facilities, coming online in the next several years, provides a more positive backdrop for the longer term with the potential for increased demand and more buoyant pricing in the future.
- ACT moves into the third quarter of 2024 with the strongest Q3 Canadian job count in its history.
- Recent increases in oil and natural gas takeaway capacity are driving year-over-year growth in underlying Western Canadian activity levels and ACT continues to outperform this baseline.
- In the U.S., there are early signs of the rig count bottoming with activity constrained by weak natural gas prices and recent activity related to customer consolidation.
- While these headwinds are considered relatively short-term in nature, they are likely to negatively impact the pace of a potential rebound in rig counts on U.S. land in the back half of the year and potentially into 2025.
- With a continued increase in well complexity and a focus on increasing production per well, ACT is well positioned to use its leading technology to help its customers maximize efficiency, which will support more consistent job counts and revenue levels, relative to the market in the quarters to come.
- With an internal opportunity set to support growth, we believe that the Company has some compelling drivers to further expand its business versus a flat market environment for the majority of the industry over the next twelve to eighteen months.

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 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).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024 and December 31, 2023
Canadian dollars in '000s
(unaudited)

As at	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash	$ 16,992	$ 10,731
Trade receivables	104,513	111,846
Prepaid expenses	4,313	5,839
Inventories	47,504	44,976
Total current assets	173,322	173,392
Property, plant and equipment (note 4)	125,936	113,853
Intangible assets (note 5)	70,402	66,366
Right-of-use assets (note 6)	9,411	10,138
Goodwill (note 5)	41,300	39,984
Total non-current assets	247,049	230,341
Total assets	$ 420,371	$ 403,733
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	$ 95,077	$ 93,661
Current taxes payable	—	1,425
Loans and borrowings, current (note 7)	21,182	21,023
Lease liabilities, current (note 6)	3,369	3,441
Total current liabilities	119,628	119,550
Loans and borrowings, long-term (note 7)	51,501	57,575
Exchangeable promissory notes	25,164	23,923
Lease liabilities, long-term (note 6)	10,977	12,323
Deferred tax liability	12,406	10,894
Total non-current liabilities	100,048	104,715
Total liabilities	219,676	224,265
Shareholders' equity:		
Share capital (note 8)	199,006	197,380
Treasury shares	(469)	(709)
Exchangeable promissory notes	1,242	1,242
Contributed surplus	17,388	17,002
Accumulated other comprehensive income	15,281	13,088
Deficit	(31,753)	(48,535)
Total shareholders' equity	200,695	179,468
Total liabilities and shareholders' equity	$ 420,371	$ 403,733

Contractual obligations and contingencies (note 11)

Subsequent event (note 12)

See accompanying notes to the unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Three and six months ended June 30, 2024 and 2023

Canadian dollars in '000s except per share amounts
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
		(Revised - note 3)		(Revised - note 3)
Revenues (note 10)	$ 130,297	$ 121,339	$ 295,253	$ 254,287
Cost of sales:				
Direct costs	(96,764)	(89,615)	(214,364)	(192,186)
Depreciation and amortization	(6,180)	(10,115)	(17,815)	(19,340)
Share-based compensation	(169)	(96)	(392)	(240)
Total cost of sales	(103,113)	(99,826)	(232,571)	(211,766)
Gross margin	27,184	21,513	62,682	42,521
Selling, general and administrative expenses:				
Direct costs	(14,808)	(12,004)	(30,834)	(26,090)
Depreciation and amortization	(2,462)	(1,499)	(4,809)	(3,008)
Share-based compensation	(719)	(674)	(1,649)	(1,449)
Total selling, general and administrative expenses	(17,989)	(14,177)	(37,292)	(30,547)
Research and development costs	(1,029)	(458)	(1,640)	(1,010)
Write-off of property, plant and equipment (note 4)	(613)	(745)	(2,248)	(1,721)
Gain (loss) on disposal of property, plant and equipment	20	(339)	20	(263)
Gain on settlement of lease liabilities (note 6)	391	—	391	—
Income from operating activities	7,964	5,794	21,913	8,980
Finance costs - loans and borrowings and exchangeable promissory notes	(2,419)	(1,486)	(4,884)	(3,216)
Finance costs - lease liabilities	(201)	(205)	(406)	(419)
Foreign exchange gain	1,063	954	3,030	913
Acquisition and restructuring costs	—	(465)	—	(465)
Income before income taxes	6,407	4,592	19,653	5,793
Income tax expenses:				
Current	(202)	(525)	(1,655)	(561)
Deferred	(946)	(1,651)	(1,158)	(2,022)
Income tax expenses	(1,148)	(2,176)	(2,813)	(2,583)
Net income	5,259	2,416	16,840	3,210
Other comprehensive income (loss)				
Foreign currency translation differences on foreign operations	738	(3,826)	2,193	(4,251)
Total comprehensive income (loss)	**$ 5,997**	**$ (1,410)**	**$ 19,033**	**$ (1,041)**
Net income per share - basic (restated - note 9)	$ 0.15	$ 0.07	$ 0.49	$ 0.10
Net income per share - diluted (restated - note 9)	$ 0.14	$ 0.07	$ 0.44	$ 0.09

See accompanying notes to the unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Six months ended June 30, 2024 and 2023

Canadian dollars in '000s
(unaudited)

	Share capital	Treasury shares	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	—	—	—	(4,251)	3,210	(1,041)
Contributed surplus on treasury shares vested	—	250	(250)	—	—	—
Issued pursuant to warrant exercises	18,186	—	(2,976)	—	—	15,210
Issued pursuant to stock options exercised	253	—	(94)	—	—	159
Share-based compensation	—	—	1,689	—	—	1,689
Balance, June 30, 2023	$ 198,923	$ (709)	$ 14,223	$ 13,138	$ (55,661)	$ 169,914

	Share capital	Treasury shares	Exchangeable promissory ("EP") notes	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance, December 31, 2023	$ 197,380	$ (709)	$ 1,242	$ 17,002	$ 13,088	$ (48,535)	$ 179,468
Comprehensive income	—	—	—	—	2,193	16,840	19,033
Repurchased pursuant to normal course issuer bid (note 8)	(2,019)	—	—	—	—	(58)	(2,077)
Contributed surplus on treasury shares vested	—	240	—	(240)	—	—	—
Issued pursuant to stock options exercised	3,645	—	—	(1,415)	—	—	2,230
Share-based compensation	—	—	—	2,041	—	—	2,041
Balance, June 30, 2024	$ 199,006	$ (469)	$ 1,242	$ 17,388	$ 15,281	$ (31,753)	$ 200,695

See accompanying notes to the unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three and six months ended June 30, 2024 and 2023
Canadian dollars in ‘000s
(unaudited)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
		(revised - note 3)		(revised - note 3)
Cash provided by (used in):				
Operating activities:				
Net income	$ 5,259	$ 2,416	$ 16,840	$ 3,210
Non-cash adjustments:				
Income tax expenses	1,148	2,176	2,813	2,583
Depreciation and amortization	8,642	11,614	22,624	22,348
Share-based compensation	888	770	2,041	1,689
Write-off of property, plant and equipment	613	745	2,248	1,721
(Gain) loss on disposal of property, plant and equipment	(20)	339	(20)	263
Gain on settlement of lease liabilities	(391)	—	(391)	—
Write-down of inventory included in cost of sales	54	—	61	378
Finance costs - loans and borrowings and exchangeable promissory notes	2,419	1,486	4,884	3,216
Finance costs - lease liabilities	201	205	406	419
Income tax paid	(3,633)	(817)	(3,793)	(648)
Unrealized foreign exchange gain on intercompany balances	(1,339)	(910)	(3,648)	(899)
	13,841	18,024	44,065	34,280
Changes in non-cash operating working capital	20,282	(1,617)	5,801	9,987
Cash flow - operating activities	34,123	16,407	49,866	44,267
Investing activities:				
Property, plant and equipment additions	(14,064)	(10,043)	(29,983)	(22,465)
Intangible asset additions	(1,892)	(22)	(6,859)	(144)
Proceeds on disposal of property, plant and equipment	1,533	369	1,533	663
Changes in non-cash investing working capital	1,231	174	3,989	(1,755)
Cash flow - investing activities	(13,192)	(9,522)	(31,320)	(23,701)
Financing activities:				
Advances of loans and borrowings, net of upfront financing fees	—	—	10,000	—
Repayments on loans and borrowings	(10,159)	(16,727)	(16,868)	(20,455)
Payments on lease liabilities, net of finance costs	(917)	(914)	(1,816)	(1,849)
Interest paid	(2,316)	(1,691)	(4,689)	(3,635)
Common shares repurchased pursuant to normal course issuer bid	—	—	(2,077)	—
Proceeds on common share and warrant issuances, net of issuance costs	2,007	14,479	2,230	15,367
Cash flow - financing activities	(11,385)	(4,853)	(13,220)	(10,572)
Effect of exchange rate on changes on cash	481	(997)	935	(1,046)
Change in cash	10,027	1,035	6,261	8,948
Cash, beginning of period	6,965	19,088	10,731	11,175
Cash, end of period	$ 16,992	$ 20,123	$ 16,992	$ 20,123

See accompanying notes to the unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED 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 unaudited condensed consolidated financial statements of the Company as at and for the six months ended June 30, 2024 are comprised of the following 100% owned subsidiaries:

- 2438155 Alberta Ltd.;
- LEXA Drilling Technologies Inc. (“LEXA”);
- 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

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). Accordingly, certain information and note disclosures normally included in the annual financial statements, prepared in accordance with IFRS, have been omitted or condensed.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023.

The Company completed a share consolidation of its outstanding common shares on the basis of one post-consolidation common share for every seven pre-consolidation common shares, effective July 3, 2024. As a result, all common shares and per-share amounts disclosed herein reflect the post-share consolidation shares unless otherwise specified.

Except for a change in depreciation methodology as noted below, these unaudited condensed consolidated financial statements were prepared using accounting policies and methods of their application consistent with those used in the preparation of the Company’s consolidated audited annual financial statements for the year ended December 31, 2023.

The unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on August 12, 2024.

These unaudited condensed consolidated financial statements for the three and six months ended June 30, 2024 are presented in CAD (tabular amounts in thousands), except for per share amounts, which is the Company’s presentation and functional currency.

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant judgements made by management in applying the Company’s accounting policies and the information used in assessing uncertainty have not changed significantly since December 31, 2023, except for a change in depreciation methodology as described in note 4.

Significant estimates and judgements used in the preparation of these unaudited condensed consolidated financial statements remained unchanged from those disclosed in the Company’s consolidated audited annual financial statements for the year ended December 31, 2023.

Future Accounting Pronouncements

There were new 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 period, including IAS 21 The Effects of Changes in Foreign Exchange Rates. This amended standard is not expected to have a significant impact on the Company's financial statements.

3. RECLASSIFICATIONS

The Company has changed the presentation of certain figures in the three and six months ended June 30, 2023, related to equipment lost-in-hole reimbursements collected from customers and the corresponding derecognition of the property, plant and equipment ("PP&E").

More specifically, the Company reclassified its gain on disposal of PP&E as follows: a) reclassified the proceeds on disposal of PP&E to revenues and b) recognized a write-off of PP&E for the net book value of the lost-in-hole equipment on the condensed consolidated statement of comprehensive income. In addition, proceeds on disposal of property, plant and equipment were reclassified from the Company's cash flows - investing activities to the cash flows - operating activities on the condensed consolidated statement of cash flows.

The Company has changed its judgement regarding equipment lost-in-hole events that are contracted with its customers in that these events are now considered to be part of its ordinary business activities. The changes are reflected in the current and prior periods, as described above.

These reclassifications recognized in the three and six months ended June 30, 2023 are summarized below:

Condensed Consolidated Statement of Comprehensive Income (Excerpt)

	Three months ended June 30, 2023			Six months ended June 30, 2023		
	Reported	Adjustment	Adjusted	Reported	Adjustment	Adjusted
Revenues:						
United States	$ 93,543	$ 4,965	$ 98,508	$ 175,865	$ 7,595	$ 183,460
Canada	21,515	1,316	22,831	66,858	3,969	70,827
Total revenues	115,058	6,281	121,339	242,723	11,564	254,287
Cost of sales	(98,720)	(1,106)	(99,826)	(209,321)	(2,445)	(211,766)
Gross margin	16,338	5,175	21,513	33,402	9,119	42,521
Write-off of property, plant and equipment	—	(745)	(745)	—	(1,721)	(1,721)
Gain (loss) on disposal of property, plant and equipment	$ 4,091	$ (4,430)	$ (339)	$ 7,135	$ (7,398)	$ (263)

Condensed Consolidated Statement of Cash Flows (Excerpt)

	Three months ended June 30, 2023			Six months ended June 30, 2023		
	Reported	Adjustment	Adjusted	Reported	Adjustment	Adjusted
Cash flow provided by (used in):						
Operating activities						
Write-off of property, plant and equipment	$ —	$ 745	$ 745	$ —	$ 1,721	$ 1,721
(Gain) loss on disposal of property, plant and equipment	(4,091)	4,430	339	(7,135)	7,398	263
Cash flow - operating activities	11,232	5,175	16,407	35,148	9,119	44,267
Investing activities						
Property, plant and equipment additions	(8,714)	(1,329)	(10,043)	(22,465)	—	(22,465)
Proceeds on disposal of property, plant and equipment	4,208	(3,839)	369	9,780	(9,117)	663
Cash flow - investing activities	(4,354)	(5,168)	(9,522)	(14,584)	(9,117)	(23,701)
Effect of exchange rate on changes on cash	$ (990)	$ (7)	$ (997)	$ (1,044)	$ (2)	$ (1,046)

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Directional drilling equipment	Shop and automotive equipment	Other	Total
Balance, December 31, 2023	$ 195,604	$ 10,739	$ 6,740	$ 213,083
Additions	28,163	382	1,438	29,983
Disposals and write-offs	(5,540)	(656)	(126)	(6,322)
Effects of movements in exchange rates	2,469	232	192	2,893
Balance, June 30, 2024	$ 220,696	$ 10,697	$ 8,244	$ 239,637

Accumulated depreciation	Directional drilling equipment	Shop and automotive equipment	Other	Total
Balance, December 31, 2023	$ 93,909	$ 3,974	$ 1,347	$ 99,230
Depreciation	14,291	1,245	747	16,283
Disposals and write-offs	(2,349)	(168)	(41)	(2,558)
Effects of movements in exchange rates	650	64	32	746
Balance, June 30, 2024	$ 106,501	$ 5,115	$ 2,085	$ 113,701

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, June 30, 2024	$ 114,195	$ 5,582	$ 6,159	$ 125,936

During the three and six months ended June 30, 2024, the Company recognized a write-off of property, plant and equipment of $0.6 million and $2.2 million (2023 - $0.7 million and $1.7 million), respectively, related to equipment lost-in-hole and damaged beyond repair.

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.

As a result of the change in methodology, the depreciation expense included in cost of sales decreased $3.0 million and increased $0.1 million during the three and six months ended June 30, 2024, respectively. The depreciation expense included in selling, general, and administrative expenses decreased $0.1 million and $0.1 million during the three and six months ended June 30, 2024, respectively, as a result of the change in methodology.

The estimated impact on the depreciation expense included in cost of sales and selling, general, and administrative expenses is a decrease of $4.8 million and $0.1 million, respectively, during the year ended December 31, 2024.

The depreciation rates applied under the declining balance method in prior years and the estimated useful lives applied under the straight-line method prospectively are as follows:

	Declining balance method Depreciation rates	Straight-line method Expected lives
Drilling directional equipment	25% - 37%	4 - 8 years
Shop and automotive equipment	20% - 30%	5 - 10 years
Leasehold improvements (1)	20%	Lease term
Office and computer equipment (1)	20% - 55%	5 years

(1) Included in the “Other” property, plant and equipment category.

5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

Cost	Customer Relationships	Brand Name	Non-Compete Agreements	RSS Licenses	Developed Technology	Total
Balance, December 31, 2023	$ 28,896	$ 7,177	$ 952	$ 8,226	$ 34,216	$ 79,467
Additions	—	—	—	6,092	767	6,859
Effects of movements in exchange rates	951	236	31	308	942	2,468
Balance, June 30, 2024	$ 29,847	$ 7,413	$ 983	$ 14,626	$ 35,925	$ 88,794

Accumulated amortization	Customer Relationships	Brand Name	Non-Compete Agreements	RSS Licenses	Developed Technology	Total
Balance, December 31, 2023	$ 5,995	$ 700	$ 240	$ 1,482	$ 4,684	$ 13,101
Amortization	2,524	263	96	820	1,252	4,955
Effects of movements in exchange rates	215	25	9	54	33	336
Balance, June 30, 2024	$ 8,734	$ 988	$ 345	$ 2,356	$ 5,969	$ 18,392

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, June 30, 2024	$ 21,113	$ 6,425	$ 638	$ 12,270	$ 29,956	$ 70,402
Remaining amortization in years	4.2	12.3	3.3	7.4	12.1	7.1

Goodwill

The Company has goodwill related to acquisitions. The goodwill carrying value increased by $1.3 million due to the effects of movements in exchange rates during the six months ended June 30, 2024. The goodwill carrying value was $41.3 million and $40.0 million as at June 30, 2024 and December 31, 2023, respectively.

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

Balance, December 31, 2023	$ 10,138
Additions	545
Amortization	(1,388)
Effects of movements in exchange rates	116
Balance, June 30, 2024	$ 9,411

Lease liabilities

Balance, December 31, 2023	$ 15,764
Additions	545
Derecognition	(391)
Interest	406
Payments	(2,222)
Effects of movements in exchange rates	244
Balance, June 30, 2024	$ 14,346
Less: current portion	(3,369)
Lease liabilities, long-term	$ 10,977

The Company holds leases related to certain operations and office facilities. During the six months ended June 30, 2024 the Company entered into a lease agreement related to an operation facility in Conroe, Texas with a lease term of three years. The leases have various expiry dates ranging from January 2025 to March 2030.

7. LOANS AND BORROWINGS

Balance,	June 30, 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	44,092	51,386
USD Syndicated Term Facility, net of unamortized upfront financing fees	22,822	24,829
HASCAP loan	769	823
Total loans and borrowings	$ 72,683	$ 78,598
Less: HASCAP loan, current	(769)	(823)
Less: CAD Syndicated Term Facility, current	(13,451)	(13,619)
Less: USD Syndicated Term Facility, current	(6,962)	(6,581)
Loans and borrowings, current	$ (21,182)	$ (21,023)
Loans and borrowings, long-term	$ 51,501	$ 57,575

Syndicated and Revolving Operating Facilities

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. At June 30, 2024, the USD Revolving Operating Facility was undrawn.

During the six months ended June 30, 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 June 30, 2024. As at June 30, 2024, $30.0 million of the $35.0 million Syndicated Operating Facility remained undrawn.

During the six months ended June 30, 2024, the Company repaid $1.6 million of its CAD Revolving Operating Facility. As at June 30, 2024, the $15.0 million CAD Revolving Operating Facility remained undrawn.

Syndicated Term Facilities

During the six months ended June 30, 2024, the Company made contractual repayments totaling $7.4 million related to its CAD Syndicated Term Facility, and $2.9 million related to its USD Syndicated Term Facility, reducing the carrying values to $44.1 million and $22.8 million, respectively, as at June 30, 2024. The CAD Syndicated Term Facility and the USD Syndicated Term Facility carrying values are net of unamortized upfront financing fees of $0.3 million and $0.2 million, respectively, as at June 30, 2024.

At June 30, 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.

8. 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, 2023	34,522	$ 197,380
Repurchased pursuant to normal course issuer bid	(353)	(2,019)
Issued pursuant to stock option exercises	600	2,230
Contributed surplus on options exercised	—	1,415
Balance, June 30, 2024	34,769	$ 199,006

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 have been 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, and per share amounts in the financial statements for the year ended December 31, 2023, and all 2023 interim financial statements, were restated to reflect the Consolidation.

Normal course issuer bid

During the six months ended June 30, 2024, 353,100 (2023 - nil) common shares were purchased under the Normal Course Issuer Bid ("NCIB") for a total purchase amount of $2.1 million at an average price of $5.89 per common share. A portion of the purchase amount reduced share capital by $2.0 million and the residual purchase amount of $0.1 million was recorded to the deficit.

In connection with the NCIB, the Company has established an automatic securities purchase plan ("the Plan") for the common shares. 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. There was no active Plan in place as at June 30, 2024.

On July 25, 2024, the Company received approval from the TSX to purchase additional common shares of the Company under its NCIB (note 12).

Stock options

A summary of the Company's stock options during the six months ended June 30, 2024 is as follows:

	Number (000's) (Restated)	Weighted average exercise price (Restated)
Balance, December 31, 2023	3,296	$ 4.97
Exercised	(600)	3.72
Expired or forfeited	(17)	—
Balance, June 30, 2024	2,679	$ 5.29
Exercisable, June 30, 2024	1,179	$ 4.95

The range of exercise prices for the options outstanding as at June 30, 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)
$3.22 to $3.50	190	0.15	$ 3.47	190	0.15	$ 3.47
$4.20 to $6.09	2,169	1.47	$ 5.20	862	1.13	$ 4.93
$6.65 to $8.26	320	1.76	$ 6.95	127	1.71	$ 7.16
Total	2,679	1.40	$ 5.29	1,179	1.02	$ 4.95

9. NET INCOME PER SHARE

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Net income	$ 5,259	$ 2,416	$ 16,840	$ 3,210
(Restated) (000's)				
Outstanding common shares, beginning of the period	34,248	32,183	34,522	32,018
Effect of purchased common shares	—	—	(188)	—
Effect of common shares issued	191	1,874	240	1,056
Weighted average common shares (basic)	34,439	34,057	34,574	33,074
Effect of outstanding stock options and warrants	452	323	405	1,007
Effect of outstanding EP Notes	3,511	—	3,511	—
Weighted average common shares (diluted)	38,402	34,380	38,490	34,081
Net income per share - basic (restated - note 8)	$ 0.15	$ 0.07	$ 0.49	$ 0.10
Net income per share - diluted (restated - note 8)	$ 0.14	$ 0.07	$ 0.44	$ 0.09

During the three and six months ended June 30, 2024, 321,429 stock options (2023 – 2,246,367 and 578,681 stock options and warrants), respectively, were excluded from the diluted weighted average number of common shares calculation as their effect was anti-dilutive.

10. 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 gains (loss), finance costs and acquisition and reorganization costs.

	Three months ended June 30, 2024				Three months ended June 30, 2023			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Revenues (note 3)	$ 99,069	$ 31,228	$ —	$ 130,297	$ 98,508	$ 22,831	$ —	$ 121,339
Income (loss) before income taxes	$ 7,714	$ 3,899	$ (5,206)	$ 6,407	$ 10,943	$ (1,732)	$ (4,619)	$ 4,592

	Six months ended June 30, 2024				Six months ended June 30, 2023			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Revenues (note 3)	$ 205,631	$ 89,622	$ —	$ 295,253	$ 183,460	$ 70,827	$ —	$ 254,287
Income (loss) before income taxes	$ 16,455	$ 13,540	$ (10,342)	$ 19,653	$ 14,432	$ 2,607	$ (11,246)	$ 5,793

	As at June 30, 2024				As at December 31, 2023			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Total liabilities	$ 123,599	$ 96,077	$ —	$ 219,676	$ 116,387	$ 107,878	$ —	$ 224,265
Total assets	$ 322,933	$ 97,438	$ —	$ 420,371	$ 293,953	$ 109,780	$ —	$ 403,733
Property, plant and equipment	$ 80,564	$ 44,813	$ 559	$ 125,936	$ 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.

11. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

As at June 30, 2024, the Company's commitment to purchase property, plant and equipment is approximately $5.9 million (December 31, 2023 - $8.1 million), which is expected to be incurred over the remainder of 2024.

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

Provision

The Company has recognized a provision of $7.6 million, included in trade and other payables, related to a U.S. tax audit matter. 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 estimate was made by management using the latest information available and is subject to measurement uncertainty. Actual results may differ from this estimate.

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.

12. SUBSEQUENT EVENTS

On July 3, 2024, the Company completed a corporate name change and share consolidation of the Company’s common shares. Please refer to notes 2, 8 and 9 for changes associated with this transaction.

On July 25, 2024, Company received approval from the TSX to purchase up to 1,902,008 common shares of the Company, or 10%, of the 34,769,058 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 under the NCIB, the timing of purchases and the price at which the common shares are purchased will be subject to management’s discretion.