2024 Q3 INTERIM REPORT

FINANCIAL HIGHLIGHTS

(unaudited)

Canadian dollars in 000's except for otherwise noted

	Three months ended September 30, 2024	2023	Nine months ended September 30, 2024	2023
Revenues	$ 148,449	$ 145,591	$ 443,702	$ 399,878
Gross margin %	25%	23%	23%	19%
Adjusted gross margin % [1]	30%	31%	28%	27%
Adjusted EBITDAS [1]	$ 30,169	$ 30,106	$ 76,223	$ 63,515
Per share - basic [2]	$ 0.86	$ 0.86	$ 2.19	$ 1.88
Per share - diluted [2]	$ 0.78	$ 0.79	$ 1.98	$ 1.81
Adjusted EBITDAS margin % [1]	20%	21%	17%	16%
Cash flow - operating activities	$ 19,377	$ 9,128	$ 69,243	$ 53,395
Free cash flow [1]	$ 8,654	$ 6,085	$ 9,107	$ 10,372
Net income	$ 26,175	$ 5,650	$ 43,015	$ 8,861
Per share - basic [2]	$ 0.75	$ 0.16	$ 1.24	$ 0.26
Per share - diluted [2]	$ 0.68	$ 0.15	$ 1.12	$ 0.25
Weighted average shares outstanding:				
Basic (000s) [2]	34,965	34,939	34,770	33,711
Diluted (000s) [2]	38,772	38,207	38,559	35,137

Balance,	September 30, 2024	December 31, 2023
Working capital, excluding current portion of loans and borrowings [1]	$ 78,766	$ 74,865
Total assets	$ 442,592	$ 403,733
Loans and borrowings	$ 67,343	$ 78,598
Shareholders' equity	$ 225,825	$ 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.

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 nine months ended September 30, 2024 is dated November 7, 2024 and should be read in conjunction with the Company's unaudited condensed consolidated financial statements for the three and nine months ended September 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 Q3 KEY HIGHLIGHTS

The Company achieved the following 2024 Q3 results and highlights:

- Revenues of $148.4 million in 2024 Q3, were the highest for any third quarter in the Company's history and increased 2%, compared to $145.6 million in 2023 Q3.
- Adjusted EBITDAS [(1)] of $30.2 million in 2024 Q3 was comparable to $30.1 million in 2023 Q3. Lost-in-hole equipment net reimbursements were lower in 2024 Q3, compared to 2023 Q3.
- Canadian operating days increased 34% in 2024 Q3, compared to 2023 Q3, which was favourable to a 12% 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 22% in 2024 Q3, compared to 2023 Q3, mainly due to a 10% decline in the U.S. land rig count [(2)].
- An increase in the Canadian average revenue per operating day of 2% in 2024 Q3, compared to 2023 Q3.
- An increase in the U.S. average revenue per operating day of 11% in 2024 Q3, compared to 2023 Q3.
- Net income of $26.2 million in 2024 Q3, compared to $5.7 million in 2023 Q3. The increase is mainly due to the recognition of previously unrecorded Canadian tax pools, resulting in a deferred income tax recovery of $11.1 million. Refer to the 'Income tax' section of this MD&A.
- Cash flow - operating activities of $19.4 million in 2024 Q3, compared to $9.1 million in 2023 Q3, mainly attributable to the change in non-cash working capital.
- Free cash flow [(1)] of $8.7 million in 2024 Q3, compared to Free cash flow [(1)] of $6.1 million in 2023 Q3.
- The Company purchased 506,800 common shares of ACT under its Normal Course Issuer Bid ("NCIB") for a total amount of $3.0 million, at an average price of $5.91 per common share. As at September 30, 2024, the Company recognized $1.1 million as an accrued liability for the maximum common shares to be purchased under the plan. Subsequent to September 30, 2024, the Company purchased 179,800 common shares for a total purchase amount of $1.1 million, at an average purchase price of $6.04 per common share.
- Loans and borrowings less cash was $49.9 million as at September 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 2025.
- The Company purchased five additional Rotary Steerable Systems ("RSS") Orbit tools, expanding its U.S. fleet to twenty-six RSS tools.

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

[(1)] Non-GAAP measures' section of this MD&A.
[(2)] Per Baker Hughes and Rig Locator.

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.

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 September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Gross margin	$ 37,585	$ 33,025	$ 100,267	$ 75,546
Add non-cash items included in cost of sales:				
Write-down of inventory included in cost of sales	366	599	427	977
Depreciation and amortization	6,432	10,508	24,247	29,848
Share-based compensation	73	429	465	669
Adjusted gross margin	$ 44,456	$ 44,561	$ 125,406	$ 107,040
Adjusted gross margin %	30%	31%	28%	27%

Adjusted EBITDAS

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net income	$ 26,175	$ 5,650	$ 43,015	$ 8,861
Add (deduct):				
Income tax expense	(9,458)	1,359	(6,645)	3,942
Depreciation and amortization - cost of sales	6,432	10,508	24,247	29,848
Depreciation and amortization - selling, general and administrative expenses	2,630	2,299	7,439	5,307
Share-based compensation - cost of sales	73	429	465	669
Share-based compensation - selling, general and administrative expenses	311	1,731	1,960	3,179
Finance costs - loans and borrowings and exchangeable promissory notes	1,924	2,286	6,808	5,502
Finance costs - lease liabilities	185	215	591	634
Unrealized foreign exchange loss (gain) on intercompany balances	1,531	(100)	(2,117)	(999)
Gain on settlement of lease liabilities	—	—	(391)	—
Non-recurring expenses, including inventory write-off	366	5,729	851	6,572
Adjusted EBITDAS	$ 30,169	$ 30,106	$ 76,223	$ 63,515
Adjusted EBITDAS margin %	20%	21%	17%	16%

Free cash flow

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Cash flow - operating activities	$ 19,377	$ 9,128	$ 69,243	$ 53,395
Add (deduct):				
Income tax paid	172	198	3,965	846
Changes in non-cash operating working capital	11,227	17,200	5,426	7,213
Non-recurring expenses	391	839	424	1,304
Proceeds on disposal of property, plant and equipment	—	70	1,533	733
Less:				
Property, plant and equipment and intangible asset additions[1]	(16,649)	(15,385)	(53,491)	(37,850)
Required repayments on loans and borrowings[2]	(5,148)	(5,154)	(15,461)	(12,609)
Repayments of lease liabilities, net of finance costs	(716)	(811)	(2,532)	(2,660)
Free cash flow	$ 8,654	$ 6,085	$ 9,107	$ 10,372

(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.

RESULTS OF OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenues				
United States	$ 86,948	$ 100,338	$ 292,579	$ 283,798
Canada	61,501	45,253	151,123	116,080
Total revenues	148,449	145,591	443,702	399,878
Cost of sales				
Direct costs	(104,359)	(101,629)	(318,723)	(293,815)
Depreciation and amortization	(6,432)	(10,508)	(24,247)	(29,848)
Share-based compensation	(73)	(429)	(465)	(669)
Cost of sales	(110,864)	(112,566)	(343,435)	(324,332)
Gross margin	$ 37,585	$ 33,025	$ 100,267	$ 75,546
Gross margin %	25%	23%	23%	19%
Adjusted gross margin % [1]	30%	31%	28%	27%

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

SEGMENTED INFORMATION

United States

Revenues

U.S. revenues were $86.9 million in 2024 Q3, a decrease of $13.4 million or 13%, compared to $100.3 million in 2023 Q3. The Company realized a 22% decrease in operating days to 3,080 days in 2024 Q3, compared to 3,953 days in 2023 Q3. The decrease in operating days was due to a declining market in 2024 Q3. The average revenue per operating day increased 11% to $28,230 per day in 2024 Q3, compared to $25,383 per day in 2023 Q3, mainly due to job mix.

U.S. revenues were $292.6 million in the nine months ended September 30, 2024, an increase of $8.8 million or 3%, compared to $283.8 million for the same period in 2023. The Company realized a 7% decrease in operating days to 10,496 days in the nine months ended September 30, 2024, compared to 11,233 days for the same period in 2023. The decrease is mainly related to a declining market in the nine months ended September 30, 2024. The average revenue per operating day increased 10% to $27,875 per day in the nine months ended September 30, 2024, compared to $25,265 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 $64.9 million in 2024 Q3, a decrease of $9.8 million or 13%, compared to $74.7 million in 2023 Q3. The decrease is mainly due to lower third-party rental and labour costs. As a percentage of revenues, direct costs increased to 75% in 2024 Q3, compared to 74% in 2023 Q3 mainly due to higher labour and repair costs as a percentage of revenues.

U.S. direct costs included in cost of sales were $221.3 million in the nine months ended September 30, 2024, an increase of $5.1 million or 2%, compared to $216.2 million for the same period in 2023. The increase is mainly due to higher repairs and manufacturing costs, offset by third-party rental costs. The manufacturing costs are attributable to the Rime acquisition (acquired in July 2023). As a percentage of revenues, direct costs were 76% in both the nine months ended September 30, 2024 and 2023 as a result of higher repair costs, offset by lower labour and rental costs as a percentage of revenues.

Canadian

Revenues

Canadian revenues were $61.5 million in 2024 Q3, an increase of $16.2 million or 36%, compared to $45.3 million in 2023 Q3. The Company realized a 34% increase in operating days to 4,527 days in 2024 Q3, compared to 3,388 days in 2023 Q3. The increase in operating days is mainly attributable to higher market demand in 2024 Q3. The average revenue per operating day increased 2% to $13,585 per day in 2024 Q3, compared to $13,357 per day in 2023 Q3. 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 $151.1 million in the nine months ended September 30, 2024, an increase of $35.0 million or 30%, compared to $116.1 million for the same period in 2023. The Company realized a 27% increase in operating days to 11,031 days in the nine months ended September 30, 2024, compared to 8,709 days for the same period in 2023. The increase in operating days is mainly attributable to higher market demand in the nine months ended September 30, 2024. The average revenue per operating day increased 3% to $13,700 per day in the nine months ended September 30, 2024, compared to $13,329 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 $39.5 million in 2024 Q3, an increase of $12.5 million or 46%, compared to $27.0 million in 2023 Q3. The increase is mainly due to higher labour, repair, and third-party rental costs in 2024 Q3. As a percentage of revenues, direct costs were 64% in 2024 Q3, compared to 60% in 2023 Q3 mainly due to higher rental costs as a percentage of revenues.

Canadian direct costs included in cost of sales were $97.4 million in the nine months ended September 30, 2024, an increase of $19.8 million or 26%, compared to $77.6 million for the same period in 2023. The increase is mainly due to higher labour, repair, and third-party rental costs in the nine months ended September 30, 2024. As a percentage of revenues, direct costs were 64% in the nine months ended September 30, 2024, compared to 67% for the same period in 2023 mainly due to lower labour and repair costs as a percentage of revenues.

CONSOLIDATED

Revenues

The Company recognized $148.4 million of revenues in 2024 Q3, an increase of $2.8 million or 2%, compared to $145.6 million in 2023 Q3. The increase is due to a 4% increase in operating days (2024 - 7,607 days; 2023 - 7,341 days), offset by a decrease of 2% in the average revenue per operating day (2024 - $19,515; 2023 - $19,833). The decrease in the average revenue per operating day is mainly due to lower lost-in-hole reimbursements from the Company’s customers.

The Company recognized $443.7 million of revenues in the nine months ended September 30, 2024, an increase of $43.8 million or 11%, compared to $399.9 million for the same period in 2023. The increase is due to an 8% increase in operating days (2024 - 21,527 days; 2023 - 19,942 days) and an increase of 3% in the average revenue per operating day (2024 - $20,611; 2023 - $20,052).

Direct costs

The Company recognized $104.4 million of direct costs in 2024 Q3, an increase of $2.8 million or 3%, compared to $101.6 million in 2023 Q3. The increase is mainly due to higher repair and labour costs related to an increase in operating days, offset by lower third-party rental costs.

The Company recognized $318.7 million of direct costs in the nine months ended September 30, 2024, an increase of $24.9 million or 8%, compared to $293.8 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 70% in 2024 Q3, which is comparable to 2023 Q3. Direct costs as a percentage of revenue decreased to 72% in the nine months ended September 30, 2024, from 73% for the same period in 2023, mainly due to decreased labour and third-party rental costs as a percentage of revenues.

Gross margin and adjusted gross margin

The Gross margin % increased to 25% in 2024 Q3, compared to 23% in 2023 Q3. The Gross margin % increased to 23% in the nine months ended September 30, 2024, compared to 19% for the same period in 2023.

The Adjusted gross margin % decreased to 30% in 2024 Q3, compared to 31% in 2023 Q3. The Adjusted gross margin % increased to 28% in the nine months ended September 30, 2024, compared to 27% for the same period in 2023.

Depreciation and amortization expense

Depreciation and amortization expense included in cost of sales decreased to $6.4 million and $24.2 million in 2024 Q3 and the nine months ended September 30, 2024, compared to $10.5 million and $29.8 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 4% and 5% in 2024 Q3 and the nine months ended September 30, 2024, compared to 7% for the same periods in 2023, respectively.

Selling, general and administrative (“SG&A”) expenses

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Selling, general and administrative expenses:				
Direct costs	$ 13,147	$ 11,611	$ 43,981	$ 37,701
Depreciation and amortization	2,630	2,299	7,439	5,307
Share-based compensation	311	1,731	1,960	3,179
Selling, general and administrative expenses	$ 16,088	$ 15,641	$ 53,380	$ 46,187

The Company recognized direct costs included in SG&A expenses of $13.1 million and $44.0 million in 2024 Q3 and the nine months ended September 30, 2024, an increase of $1.5 million and $6.3 million, compared to $11.6 million and $37.7 million for the same periods in 2023, respectively. The increase is mainly related to higher professional services and promotional costs in 2024. In addition, a portion of the increased direct costs included in SG&A for the nine months ended September 30, 2024 is attributable to the acquisition of Rime.

Direct costs included in SG&A expenses as a percentage of revenues were 9% and 10% in 2024 Q3 and the nine months ended September 30, 2024, compared to 8% and 9% for the same periods in 2023, respectively.

Depreciation and amortization included in SG&A expenses were $2.6 million and $7.4 million in 2024 Q3 and the nine months ended September 30, 2024, compared to $2.3 million and $5.3 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 $0.3 million and $2.0 million in 2024 Q3 and the nine months ended September 30, 2024, compared to $1.7 million and $3.2 million for the same periods in 2023, respectively. The decrease is mainly due to certain stock options being fully vested in 2024.

Research and development (“R&D”) costs

The Company recognized R&D costs of $0.8 million and $2.4 million in 2024 Q3 and the nine months ended September 30, 2024, compared to $0.4 million and $1.4 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 $2.9 million in 2024 Q3 and the nine months ended September 30, 2024, compared to $1.6 million and $3.9 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

Finance costs - loans and borrowings and EP Notes were $1.9 million in 2024 Q3, a decrease of $0.4 million, compared to $2.3 million in 2023 Q3. The decrease is mainly due to a lower outstanding balance of loans and borrowings in 2024 Q3 compared to 2023 Q3. Finance costs - loans and borrowings and EP Notes were $6.8 million in the nine months ended September 30, 2024, an increase of $1.3 million, compared to $5.5 million for the same period 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 of $0.2 million and $0.6 million in 2024 Q3 and the nine months ended September 30, 2024 related to lease liabilities, which is consistent with the same periods in 2023, respectively.

Foreign exchange

The Company recognized a foreign exchange loss of $1.3 million in 2024 Q3, compared to a foreign exchange loss of $0.8 million in 2023 Q3. The Company recognized a foreign exchange gain of $1.8 million in the nine months ended September 30, 2024, compared to a foreign exchange gain of $0.1 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 loss on foreign operations of $0.9 million in 2024 Q3, compared to a gain of $4.8 million in 2023 Q3. The Company recognized a foreign currency translation gain on foreign operations of $1.3 million in the nine months ended September 30, 2024, compared to a gain of $0.6 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 $9.5 million and $6.6 million in 2024 Q3 and the nine months ended September 30, 2024, compared to an income tax expense of $1.4 million and $3.9 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 Q3 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 $11.1 million. The remaining tax pools remain unrecognized as at September 30, 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 $19.4 million and $69.2 million in 2024 Q3 and the nine months ended September 30, 2024, compared to $9.1 million and $53.4 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 September 30, 2024, the Company had working capital, excluding current portion of loans and borrowings of $78.8 million (December 31, 2023 - $74.9 million).

Normal course issuer bid

During the nine months ended September 30, 2024, 506,800 (2023 - 347,843) common shares were purchased under the NCIB for a total purchase amount of $3.0 million (2023 - $2.2 million) at an average price of $5.91 (2023 - $5.74) per common share. A portion of the purchase amount reduced share capital by $2.9 million (2023 - $2.0 million), and the residual purchase amount of $0.1 million (2023 - $0.2 million) was recorded to the 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 September 30, 2024, the Company recognized $1.1 million as an accrued liability ($1.0 million reduced share capital, and $0.1 million was recorded to the deficit) for the maximum common shares to be purchased under the Plan. Subsequent to September 30, 2024, the Company purchased 179,800 common shares for a total purchase amount o $1.1 million, at an average purchase price of $6.04 per common share.

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 September 30, 2024, the USD Revolving Operating Facility was undrawn.

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

During the nine months ended September 30, 2024, the Company repaid $1.6 million of its CAD Revolving Operating Facility. As at September 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 $0.7 million.

At September 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 September 30, 2024, the Company's commitment to purchase property, plant and equipment is approximately $4.0 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 September 30, 2024:

	Carrying amount	One year	1-2 years	3-5 years	Thereafter
Loans and borrowings - principal	$ 67,743	$ 21,141	$ 46,602	$ —	$ —
EP Notes - principal	27,050	—	27,050	—	—
Interest payments on loans and borrowings and EP Notes	12,320	5,924	6,396	—	—
Lease liabilities - undiscounted	13,734	3,955	2,922	6,443	414
Trade and other payables	97,698	97,698	—	—	—
Total	$ 218,545	$ 128,718	$ 82,970	$ 6,443	$ 414

Capital structure

As at November 7, 2024, the Company has 34,876,425 common shares, 3,010,817 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 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 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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Motors and related equipment	$ 2,465	$ 8,005	$ 16,409	$ 22,786
MWD and related equipment	5,159	6,581	19,378	9,854
Shop and automotive equipment	98	335	480	2,084
Other	1,386	481	2,824	3,126
Gross capital expenditures	9,108	15,402	39,091	37,850
Less: net lost-in-hole equipment reimbursements	(4,827)	(7,399)	(20,215)	(19,288)
Net capital expenditures [1]	$ 4,281	$ 8,003	$ 18,876	$ 18,562

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

In 2024 Q3 and the nine months ended September 30, 2024, the Company had capitalized costs recognized as intangible assets related to RSS licenses of $7.4 million and $13.5 million (2023 - $nil), respectively.

As at September 30, 2024, property, plant and equipment included $13.6 million (December 31, 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 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 robust in the coming years due to rising intensity of energy use in developing countries and the prospect of a soft landing for economic growth among industrialized nations as central banks co-ordinate to bring interest rates down. The rising prominence of natural gas as the transition fuel for power generation in the decades to come is also supportive even before any additional demand caused by growth in AI-driven datacenters.

In the short term, oil markets continue to be impacted by a number of factors. Bearish factors include a relatively weak Chinese economy and the possibility of OPEC adding more oil production to the market in 2025. Bullish factors include continued solid global gross domestic product growth as noted, low U.S. oil and product inventories in relation to five-year averages and ongoing Middle Eastern tensions that could affect oil supply. The U.S. election is also adding uncertainty as it relates to possible changes to U.S. energy policy. On the whole, WTI oil prices have trended lower by roughly U.S. $10 per barrel since the release of our second quarter results in August 2024, which has caused a slow drift downward in U.S. land drilling levels. By contrast, U.S. natural gas prices have improved over the last three months as the market awaits the beginning of the North American winter heating season as well as the start-up of exports from a number of new U.S. liquified natural gas ("LNG") projects in 2025 and 2026.

Owing to higher levels of uncertainty in both oil and natural gas markets, ACT is seeing varying impact on its job counts in Canada and the U.S. in the fourth quarter of 2024. In Canada, ACT continues to run at levels close to those achieved in the record-setting third quarter. ACT's Canadian exploration and production ("E&P") clients have done an excellent job at repairing balance sheets to withstand oil and gas price volatility and have also been helped by a continued weakening of the Canadian dollar, which increases their realized pricing. We remain very constructive on Canada in the years to come and are encouraged by reports that testing continues with respect to bringing the major LNG Canada project online sometime in 2025. With relatively steady levels of activity forecasted for the Canadian market it is also important to note the fourth quarter is likely to be impacted by budget exhaustion and holiday seasonality in early-to-mid- December.

ACT's U.S. job count has softened modestly in the fourth quarter, in keeping with the continued softness in underlying U.S. rig activity. ACT continues to increase its presence in the premium part of the directional drilling market by way of adding RSS systems to its fleet. Maximizing available revenue per operating day is our immediate focus as well as beginning the margin recapture process as we introduce our new MWD systems to clients. Holiday seasonality also starts to become a factor in late November with the U.S. Thanksgiving holiday. Lower benchmark U.S. oil and gas prices to date in the fourth quarter may also accelerate the timing of the typical end-of-year budget exhaustion process.

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 months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

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 nine months ended September 30, 2024 were approved on November 7, 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 IFRS 18 Presentation and Disclosure in Financial Statements. The Company is currently in the process of assessing the impact of these standards on the financial statements.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Sep 2024	Jun 2024	Mar 2024	Dec 2023	Sep 2023	Jun 2023	Mar 2023	Dec 2022
Revenues								
Revenues - reported	148,449	$ 130,297	$ 164,956	$ 145,419	$ 145,591	$ 115,058	$ 127,665	$ 128,518
Adjustment [3]	$ —	$ —	$ —	$ —	$ —	$ 6,281	$ 5,283	$ 10,630
Revenues - adjusted	$ 148,449	$ 130,297	$ 164,956	$ 145,419	$ 145,591	$ 121,339	$ 132,948	$ 139,148
Adjusted EBITDAS [1]	30,169	$ 17,305	$ 28,752	$ 27,369	$ 30,106	$ 18,222	$ 15,187	$ 30,284
Adjusted EBITDAS per share - diluted [1] [2]	$ 0.78	$ 0.45	$ 0.75	$ 0.72	$ 0.79	$ 0.53	$ 0.45	$ 0.94
Net income	26,175	$ 5,259	$ 11,584	$ 1,767	$ 5,650	$ 2,416	$ 794	$ 10,270
Net income per share - diluted [2]	0.68	$ 0.14	$ 0.30	$ 0.05	$ 0.15	$ 0.07	$ 0.02	$ 0.32

[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] 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 yearround, 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;
- We believe our positioning and focus on the higher value, high-performance rotary steerable market in the U.S. and the multi-lateral drilling market in Canada helped propel the company to strong and consistent financial performance in the quarter despite these challenges.
- The benefits of ACT's size and scale strategy continues to produce sound results by leveraging leading technology and exceptional service delivery in the North American directional drilling industry.
- The successful deployment of a sizable MWD fleet management remains the top priority and focus for management in 2024 and 2025, with the potential to further expand our business, improve our margins and EBITDA profile, while generating very attractive returns on our investment.
- The MWD buildout is expected to provide increased resiliency through expanded margins in a weaker macro environment and position the Company with more flexibility to further pay down debt and potentially initiate return of capital strategy in 2025.
- The execution of the plan remains on track with delivery of completed MWD tools beginning in 2024 Q4 and continuing into the first half of 2025.
- With a significant portion of our revenue in our U.S. business going to third parties to rent essential technology, there is a substantial opportunity to recapture margins even if we are only able to achieve relatively moderate levels of operational success in 2025.
- Management believes that buying shares at current share price levels represents good value and a sensible use of capital. In addition, we strengthened our balance sheet with reduced debt levels and increased our cash balance which will continue to be a focus into 2025.
- With a constructive outlook in our Canadian business, improving outlook in the longer-term for the U.S., market, improving EBITDA and cash flow profiles, and a clear strategy, I am confident we can deliver higher returns for our shareholders and increasing value for our customers as we go forward.
- The outlook for global energy demand remains robust in the coming years due to rising intensity of energy use in developing countries and the prospect of a soft landing for economic growth among industrialized nations as central banks co-ordinate to bring interest rates down.
- The rising prominence of natural gas as the transition fuel for power generation in the decades to come is also supportive even before any additional demand caused by growth in AI-driven datacenters.
- Bearish factors include a relatively weak Chinese economy and the possibility of OPEC adding more oil production to the market in 2025.
- Bullish factors include continued solid global gross domestic product growth as noted, low U.S. oil and product inventories in relation to five-year averages and ongoing Middle Eastern tensions that could affect oil supply.
- By contrast, U.S. natural gas prices have improved over the last three months as the market awaits the beginning of the North American winter heating season as well as the start-up of exports from a number of new U.S. liquified natural gas projects in 2025 and 2026.
- Owing to higher levels of uncertainty in both oil and natural gas markets, ACT is seeing varying impact on its job counts in Canada and the U.S. in the fourth quarter of 2024.
- In Canada, ACT continues to run at levels close to those achieved in the record-setting third quarter.
- We remain very constructive on Canada in the years to come and are encouraged by reports that testing continues with respect to bringing the major LNG Canada project online sometime in 2025.
- With relatively steady levels of activity forecasted for the Canadian market it is also important to note the fourth quarter is likely to be impacted by budget exhaustion and holiday seasonality in early-to-mid-December.
- ACT's U.S. job count has softened modestly in the fourth quarter, in keeping with the continued softness in underlying U.S. rig activity.
- Maximizing available revenue per operating day is our immediate focus as well as beginning the margin recapture process as we introduce our new MWD systems to clients.
- Holiday seasonality also starts to become a factor in late November with the U.S. Thanksgiving holiday.

- Lower benchmark U.S. oil and gas prices to date in the fourth quarter may also accelerate the timing of the typical end-of-year budget exhaustion process.

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

As at		September 30, 2024		December 31, 2023
Assets				
Current assets:				
Cash	$	17,492	$	10,731
Trade receivables		110,520		111,846
Prepaid expenses		4,376		5,839
Inventories		47,410		44,976
Total current assets		179,798		173,392
Property, plant and equipment (note 3)		127,800		113,853
Intangible assets (note 4)		74,433		66,366
Right-of-use assets (note 5)		8,667		10,138
Goodwill (note 4)		40,835		39,984
Deferred tax asset (note 9)		11,059		—
Total non-current assets		262,794		230,341
Total assets	$	442,592	$	403,733
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade and other payables	$	97,698	$	93,661
Current taxes payable		—		1,425
Loans and borrowings, current (note 6)		21,089		21,023
Lease liabilities, current (note 5)		3,334		3,441
Total current liabilities		122,121		119,550
Loans and borrowings, long-term (note 6)		46,254		57,575
Exchangeable promissory notes		25,110		23,923
Lease liabilities, long-term (note 5)		10,217		12,323
Deferred tax liability (note 9)		13,065		10,894
Total non-current liabilities		94,646		104,715
Total liabilities		216,767		224,265
Shareholders' equity:				
Share capital (note 7)		199,471		197,380
Treasury shares		(469)		(709)
Exchangeable promissory notes		1,242		1,242
Contributed surplus		16,854		17,002
Accumulated other comprehensive income		14,392		13,088
Deficit		(5,665)		(48,535)
Total shareholders' equity		225,825		179,468
Total liabilities and shareholders' equity	$	442,592	$	403,733

Contractual obligations and contingencies (note 11)

See accompanying notes to the unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three and nine months ended September 30, 2024 and 2023
Canadian dollars in '000s except per share amounts
(unaudited)

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenues (note 10)	$ 148,449	$ 145,591	$ 443,702	$ 399,878
Cost of sales:				
Direct costs	(104,359)	(101,629)	(318,723)	(293,815)
Depreciation and amortization	(6,432)	(10,508)	(24,247)	(29,848)
Share-based compensation	(73)	(429)	(465)	(669)
Total cost of sales	(110,864)	(112,566)	(343,435)	(324,332)
Gross margin	37,585	33,025	100,267	75,546
Selling, general and administrative expenses:				
Direct costs	(13,147)	(11,611)	(43,981)	(37,701)
Depreciation and amortization	(2,630)	(2,299)	(7,439)	(5,307)
Share-based compensation	(311)	(1,731)	(1,960)	(3,179)
Total selling, general and administrative expenses	(16,088)	(15,641)	(53,380)	(46,187)
Provision (note 11)	—	(4,291)	—	(4,291)
Research and development costs	(805)	(427)	(2,445)	(1,437)
Write-off of property, plant and equipment (note 3)	(618)	(1,555)	(2,866)	(3,924)
Gain on disposal of property, plant and equipment	11	5	31	390
Gain on settlement of lease liabilities (note 5)	—	—	391	—
Income from operating activities	20,085	11,116	41,998	20,097
Finance costs - loans and borrowings and exchangeable promissory notes	(1,924)	(2,286)	(6,808)	(5,502)
Finance costs - lease liabilities	(185)	(215)	(591)	(634)
Foreign exchange (loss) gain	(1,259)	(767)	1,771	146
Acquisition and restructuring costs	—	(839)	—	(1,304)
Income before income taxes	16,717	7,009	36,370	12,803
Income tax recovery (expenses):				
Current	(804)	(3,687)	(2,459)	(4,248)
Deferred (note 9)	10,262	2,328	9,104	306
Income tax recovery (expenses)	9,458	(1,359)	6,645	(3,942)
Net income	26,175	5,650	43,015	8,861
Other comprehensive (loss) income				
Foreign currency translation differences on foreign operations	(889)	4,842	1,304	591
Total comprehensive income	**$ 25,286**	**$ 10,492**	**$ 44,319**	**$ 9,452**
Net income per share - basic (restated - note 8)	$ 0.75	$ 0.16	$ 1.24	$ 0.26
Net income per share - diluted (restated - note 8)	$ 0.68	$ 0.15	$ 1.12	$ 0.25

See accompanying notes to the unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Nine months ended September 30, 2024 and 2023
Canadian dollars in '000s
(unaudited)

	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 income	—	—	—	—	591	8,861	9,452
EP notes issued for business combination	—	—	1,274	—	—	—	1,274
Repurchased pursuant to normal course issuer bid	(1,987)	—	—	—	—	(303)	(2,290)
Accrued purchases under the normal course issuer bid	(1,669)	—	—	—	—	—	(1,669)
Contributed surplus on treasury shares vesting	—	250	—	(250)	—	—	—
Issued pursuant to warrant exercises	19,843	—	—	(3,433)	—	—	16,410
Issued pursuant to stock option exercises	673	—	—	(251)	—	—	422
Share-based compensation	—	—	—	3,848	—	—	3,848
Balance, September 30, 2023	$ 197,344	$ (709)	$ 1,274	$ 15,768	$ 17,980	$ (50,313)	$ 181,344

	Share capital	Treasury shares	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	—	—	—	—	1,304	43,015	44,319
Repurchased pursuant to normal course issuer bid (note 7)	(2,899)	—	—	—	—	(94)	(2,993)
Accrued purchases under the normal course issuer bid (note 7)	(1,033)	—	—	—	—	(51)	(1,084)
Contributed surplus on treasury shares vested	—	240	—	(240)	—	—	—
Issued pursuant to stock options exercised	6,023	—	—	(2,333)	—	—	3,690
Share-based compensation	—	—	—	2,425	—	—	2,425
Balance, September 30, 2024	$ 199,471	$ (469)	$ 1,242	$ 16,854	$ 14,392	$ (5,665)	$ 225,825

See accompanying notes to the unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three and nine months ended September 30, 2024 and 2023
Canadian dollars in '000s
(unaudited)

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cash provided by (used in):				
Operating activities:				
Net income	$ 26,175	$ 5,650	$ 43,015	$ 8,861
Non-cash adjustments:				
Income tax expenses	(9,458)	1,359	(6,645)	3,942
Depreciation and amortization	9,062	12,807	31,686	35,155
Share-based compensation	384	2,160	2,425	3,848
Write-off of property, plant and equipment	618	1,555	2,866	3,924
Gain on disposal of property, plant and equipment	(11)	(5)	(31)	(390)
Gain on settlement of lease liabilities	—	—	(391)	—
Write-down of inventory included in cost of sales	366	599	427	977
Finance costs - loans and borrowings and exchangeable promissory notes	1,924	2,286	6,808	5,502
Finance costs - lease liabilities	185	215	591	634
Income tax refund (paid)	(172)	(198)	(3,965)	(846)
Unrealized foreign exchange loss (gain) on foreign currency balances	1,531	(100)	(2,117)	(999)
	30,604	26,328	74,669	60,608
Changes in non-cash operating working capital	(11,227)	(17,200)	(5,426)	(7,213)
Cash flow - operating activities	19,377	9,128	69,243	53,395
Investing activities:				
Cash paid on acquisitions, net of cash acquired	—	(27,426)	—	(27,426)
Property, plant and equipment additions	(9,108)	(15,385)	(39,091)	(37,850)
Intangible asset additions	(7,541)	(14)	(14,400)	(158)
Proceeds on disposal of property, plant and equipment	—	70	1,533	733
Changes in non-cash investing working capital	5,508	4,023	9,497	2,268
Cash flow - investing activities	(11,141)	(38,732)	(42,461)	(62,433)
Financing activities:				
Advances of loans and borrowings, net of upfront financing fees	—	27,298	10,000	27,298
Repayments on loans and borrowings	(5,148)	(5,471)	(22,016)	(25,926)
Payments on lease liabilities, net of finance costs	(716)	(811)	(2,532)	(2,660)
Interest paid	(1,812)	(2,500)	(6,501)	(6,136)
Common shares repurchased pursuant to normal course issuer bid	(2,000)	(3,955)	(4,077)	(3,955)
Proceeds on common share and warrant issuances, net of issuance costs	1,460	1,465	3,690	16,832
Changes in non-cash financing working capital	1084	1,765	1,084	1,765
Cash flow - financing activities	(7,132)	17,791	(20,352)	7,218
Effect of exchange rate on changes on cash	(604)	2,862	331	1,817
Change in cash	500	(8,951)	6,761	(3)
Cash, beginning of period	16,992	20,123	10,731	11,175
Cash, end of period	$ 17,492	$ 11,172	$ 17,492	$ 11,172

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 three and nine months ended September 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 November 7, 2024.

These unaudited condensed consolidated financial statements for the three and nine months ended September 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 3.

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, except for change in depreciation rates as noted in note 3.

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, and IFRS 18 Presentation and Disclosure in Financial Statements. The Company is currently in the process of assessing the impact of these standards on the financial statements.

3. 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	35,787	480	2,824	39,091
Disposals and write-offs	(6,575)	(656)	(181)	(7,412)
Effects of movements in exchange rates	1,389	155	105	1,649
Balance, September 30, 2024	$ 226,205	$ 10,718	$ 9,488	$ 246,411

Accumulated depreciation	Directional drilling equipment	Shop and automotive equipment	Other	Total
Balance, December 31, 2023	$ 93,909	$ 3,974	$ 1,347	$ 99,230
Depreciation	19,232	1,561	1,146	21,939
Disposals and write-offs	(2,767)	(168)	(49)	(2,984)
Effects of movements in exchange rates	377	38	11	426
Balance, September 30, 2024	$ 110,751	$ 5,405	$ 2,455	$ 118,611

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, September 30, 2024	$ 115,454	$ 5,313	$ 7,033	$ 127,800

During the three and nine months ended September 30, 2024, the Company recognized a write-off of property, plant and equipment of $0.6 million and $2.9 million (2023 - $1.6 million and $3.9 million), respectively, related to equipment lost-in-hole and damaged beyond repair.

As at September 30, 2024, property, plant and equipment included $13.6 million (December 31, 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.

As a result of the change in methodology, the depreciation expense included in cost of sales decreased $2.5 million and $2.4 million during the three and nine months ended September 30, 2024, respectively. The depreciation expense included in selling, general, and administrative expenses decreased $0.1 million and $0.3 million during the three and nine months ended September 30, 2024, 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 $0.4 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	Straight-line method
	Depreciation rates	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.

4. 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	—	—	—	13,477	923	14,400
Effects of movements in exchange rates	615	153	20	78	608	1,474
Balance, September 30, 2024	$ 29,511	$ 7,330	$ 972	$ 21,781	$ 35,747	$ 95,341

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	3,791	394	144	1,445	1,878	7,652
Effects of movements in exchange rates	106	13	4	22	10	155
Balance, September 30, 2024	$ 9,892	$ 1,107	$ 388	$ 2,949	$ 6,572	$ 20,908

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, September 30, 2024	$ 19,619	$ 6,223	$ 584	$ 18,832	$ 29,175	$ 74,433
Remaining amortization in years	3.9	11.9	3.1	11.3	11.9	7.6

Goodwill

The Company has goodwill related to acquisitions. The goodwill carrying value increased by $0.8 million due to the effects of movements in exchange rates during the nine months ended September 30, 2024. The goodwill carrying value was $40.8 million and $40.0 million as at September 30, 2024 and December 31, 2023, respectively.

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

Balance, December 31, 2023	$ 10,138
Additions	545
Amortization	(2,095)
Effects of movements in exchange rates	79
Balance, September 30, 2024	$ 8,667

Lease liabilities

Balance, December 31, 2023	$ 15,764
Additions	545
Derecognition	(391)
Interest	591
Payments	(3,123)
Effects of movements in exchange rates	165
Balance, September 30, 2024	$ 13,551
Less: current portion	(3,334)
Lease liabilities, long-term	$ 10,217

The Company holds leases related to certain operations and office facilities. During the nine months ended September 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.

6. LOANS AND BORROWINGS

Balance,	September 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	40,438	51,386
USD Syndicated Term Facility, net of unamortized upfront financing fees	21,165	24,829
HASCAP loan	740	823
Total loans and borrowings	$ 67,343	$ 78,598
Less: HASCAP loan, current	(740)	(823)
Less: CAD Syndicated Term Facility, current	(14,705)	(13,619)
Less: USD Syndicated Term Facility, current	(5,644)	(6,581)
Loans and borrowings, current	$ (21,089)	$ (21,023)
Loans and borrowings, long-term	$ 46,254	$ 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 September 30, 2024, the USD Revolving Operating Facility was undrawn.

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

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

Syndicated Term Facilities

During the nine months ended September 30, 2024, the Company made contractual repayments totaling $11.1 million related to its CAD Syndicated Term Facility, and $4.3 million related to its USD Syndicated Term Facility, reducing the carrying values to $40.4 million and $21.2 million, respectively, as at September 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 $0.1 million, respectively, as at September 30, 2024.

At September 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.

7. 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	(507)	(2,899)
Accrued purchases under the normal course issuer bid	—	(1,033)
Issued pursuant to stock option exercises	970	3,690
Contributed surplus on stock option exercises	—	2,333
Balance, September 30, 2024	34,985	$ 199,471

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, 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 nine months ended September 30, 2024, 506,800 (2023 - 347,843) common shares were purchased under the NCIB for a total purchase amount of $3.0 million (2023 - $2.2 million) at an average price of $5.91 (2023 - $5.74) per common share. A portion of the purchase amount reduced share capital by $2.9 million (2023 - $2.0 million) and the residual purchase amount of $0.1 million (2023 - $0.2 million) was recorded to the 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 September 30, 2024, the Company recognized $1.1 million as an accrued liability ($1.0 million reduced share capital, and $0.1 million was recorded to the deficit) for the maximum common shares to be purchased under the Plan. Subsequent to September 30, 2024, the Company purchased 179,800 common shares for a total purchase amount of $1.1 million, at an average purchase price of $6.04 per common share.

Stock options

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

	Number (000's) (Restated)	Weighted average exercise price (Restated)
Balance, December 31, 2023	3,296	$ 4.97
Granted	878	6.24
Exercised	(970)	3.80
Expired or forfeited	(147)	3.92
Balance, September 30, 2024	3,057	$ 5.68
Exercisable, September 30, 2024	1,452	$ 5.13

During the nine months ended September 30, 2024, the Company granted 878,000 stock options to certain officers and employees at an exercise price of $6.24 per stock option. The stock options are set to expire on August 29, 2027, and 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 September 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)
$1.89 to $3.22	18	0.17	$ 3.22	18	0.17	$ 3.22
$4.20 to $6.09	1,944	1.25	$ 5.29	1,306	1.05	$ 4.94
$6.24 to $8.26	1,095	2.63	$ 6.41	128	1.46	$ 7.16
Total	3,057	1.71	$ 5.68	1,452	0.99	$ 5.13

8. NET INCOME PER SHARE

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net income	$ 26,175	$ 5,650	$ 43,015	$ 8,861
(Restated) (000's)				
Outstanding common shares, beginning of the period	34,769	34,743	34,522	32,018
Effect of purchased common shares	(15)	(46)	(203)	(16)
Effect of common shares issued	211	242	451	1,709
Weighted average common shares (basic)	34,965	34,939	34,770	33,711
Effect of outstanding stock options and warrants	296	176	278	380
Effect of outstanding EP Notes	3,511	3,092	3,511	1,046
Weighted average common shares (diluted)	38,772	38,207	38,559	35,137
Net income per share - basic (restated - note 7)	$ 0.75	$ 0.16	$ 1.24	$ 0.26
Net income per share - diluted (restated - note 7)	$ 0.68	$ 0.15	$ 1.12	$ 0.25

During the three and nine months ended September 30, 2024, 1,094,677 stock options (2023 – 2,209,462 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.

9. DEFERRED TAXES

The Company recognized a portion of its previously unrecorded Canadian tax pools in 2024 Q3 due to management's assessment that they will likely be utilized within the next twelve to eighteen months. The tax effected amount recognized was $11.1 million according to management's estimates. The remaining tax pools remain unrecognized as at September 30, 2024.

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 September 30, 2024				Three months ended September 30, 2023			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Revenues	$ 86,948	$ 61,501	$ —	$ 148,449	$ 100,338	$ 45,253	$ —	$ 145,591
Cost of Sales [(1)]	$ (68,205)	$ (42,659)	$ —	$ (110,864)	$ (79,943)	$ (32,623)	$ —	$ (112,566)
Selling, general and administrative expenses [(2)]	$ (5,144)	$ (5,434)	$ (5,510)	$ (16,088)	$ (5,783)	$ (5,111)	$ (4,747)	$ (15,641)
Finance costs - loans and borrowings and EP notes	$ —	$ —	$ (1,924)	$ (1,924)	$ —	$ —	$ (2,286)	$ (2,286)
Income (loss) before income taxes	$ 7,010	$ 15,791	$ (6,084)	$ 16,717	$ 4,411	$ 9,631	$ (7,033)	$ 7,009

(1) During the three months ended September 30, 2024 and 2023, $3.1 million and $5.3 million of depreciation and amortization included in cost of sales related to Canada and $3.3 million and $5.2 million related to the U.S. segment, respectively.

(2) During the three months ended September 30, 2024 and 2023, $0.2 million and $0.1 million of depreciation and amortization included in selling,general and administrative expenses related to Canada and $2.4 million and $2.2 million related to the U.S. segment, respectively.

	Nine months ended September 30, 2024				Nine months ended September 30, 2023			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Revenues	$ 292,579	$ 151,123	$ —	$ 443,702	$ 283,798	$ 116,080	$ —	$ 399,878
Cost of Sales [(1)]	$ (230,615)	$ (112,820)	$ —	$ (343,435)	$ (230,637)	$ (93,695)	$ —	$ (324,332)
Selling, general and administrative expenses [(2)]	$ (19,578)	$ (19,502)	$ (14,300)	$ (53,380)	$ (16,271)	$ (18,025)	$ (11,891)	$ (46,187)
Finance costs - loans and borrowings and EP notes	$ —	$ —	$ (6,808)	$ (6,808)	$ —	$ —	$ (5,502)	$ (5,502)
Income (loss) before income taxes	$ 23,041	$ 29,331	$ (16,002)	$ 36,370	$ 17,958	$ 12,238	$ (17,393)	$ 12,803

(1) During the nine months ended September 30, 2024 and 2023, $14.9 million and $15.5 million of depreciation and amortization included in cost of sales related to Canada and $9.3 million and $14.3 million related to the U.S. segment, respectively.
(2) During the nine months ended September 30, 2024 and 2023, $0.4 million and $0.4 million of depreciation and amortization included in selling, general and administrative expenses related to Canada and $7.0 million and $4.9 million related to the U.S. segment, respectively.

	As at September 30, 2024				As at December 31, 2023			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Total liabilities	$ 116,565	$ 100,202	$ —	$ 216,767	$ 116,387	$ 107,878	$ —	$ 224,265
Total assets	$ 317,629	$ 124,963	$ —	$ 442,592	$ 293,953	$ 109,780	$ —	$ 403,733
Property, plant and equipment	$ 82,609	$ 44,578	$ 613	$ 127,800	$ 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.

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 segment disclosure. Comparative figures have been adjusted accordingly with no impact on consolidated net income, financial position or cash flows.

11. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

As at September 30, 2024, the Company's commitment to purchase property, plant and equipment is approximately $4.0 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.