



## 2025 Q2 INTERIM REPORT

ACT Energy Technologies Ltd. ("ACT" or the "Company")'s management's Discussion & Analysis ("MD&A") for the three and six months ended June 30, 2025 is dated August 8, 2025 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and six months ended June 30, 2025, audited consolidated financial statements and MD&A for the year ended December 31, 2024, and Annual Information Form ("AIF") for the year ended December 31, 2024. This MD&A is intended to assist the reader in the understanding and assessment of significant changes and trends, as well as the risks and uncertainties, related to the results of the operations and financial position of the Company. These documents are filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)) and appear on the Company's website ([www.actenergy.com](http://www.actenergy.com)). Tabular amounts are in '000's of Canadian dollars, unless otherwise noted.

This MD&A contains forward-looking statements within the meaning of applicable securities laws. For a full disclosure of the forward-looking information and statements and the risks to which they are subject, see the 'Forward Looking Statements' section in this MD&A. Information is prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Certain figures have been reclassified to conform to the current period presentation in this MD&A. ACT uses certain performance measures and other industry definitions throughout this MD&A that are not defined under IFRS Accounting Standards, including Adjusted gross margin, Adjusted gross margin percentage, Adjusted EBITDAS, Adjusted EBITDAS margin percentage, Free cash flow, Working capital and Net capital expenditures. See the 'Non-GAAP Measures' and 'Supplementary Financial Measures and Other Definitions' sections in this MD&A.

## MANAGEMENT'S DISCUSSION & ANALYSIS

ACT Energy Technologies Ltd., is a publicly traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "ACX". 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 ("Rime").

### 2025 Q2 FINANCIAL RESULTS

- Revenues of \$112.0 million in 2025 Q2, a decrease of 14%, compared to \$130.3 million in 2024 Q2, with the decline primarily attributable to lower U.S. operating days.
- Adjusted EBITDAS <sup>(1)</sup> of \$14.8 million in 2025 Q2 decreased 14%, compared to \$17.3 million in 2024 Q2, primarily attributable to lower revenues, offset by lower direct costs related to lower third-party rental costs as a result of the Rime measurement-while-drilling ("MWD") build-out.
- Net loss of \$10.0 million in 2025 Q2, compared to net income of \$5.3 million in 2024 Q2. The net loss was mainly due to: i) unrealized foreign exchange loss of \$6.5 million mainly related to the translation of intercompany balances, and ii) a provision of \$4.8 million related to a sales tax issue (refer to the 'Provision' section in this MD&A for more details) and iii) lower revenues.
- Cash flow - operating activities of \$26.0 million in 2025 Q2, compared to \$34.1 million in 2024 Q2.
- Free cash flow <sup>(1)</sup> of \$2.7 million in 2025 Q2, compared to Free cash flow deficit <sup>(1)</sup> of \$1.8 million in 2024 Q2.
- The Company completed its normal course issuer bid ("NCIB"), purchasing 1,110,858 common shares of ACT during the first six months of 2025 for a total amount of \$6.3 million, at an average price of \$5.69 per common share.
- Loans and borrowings less cash was \$38.1 million as at June 30, 2025, compared to \$50.7 million as at December 31, 2024.
- The Company's liquidity position remained strong with \$62.2 million of undrawn capacity on the Company's amended Credit Agreement and a cash balance of \$24.0 million (December 31, 2024 - \$55.0 million and \$12.8 million, respectively).

### 2025 Q2 OPERATIONAL RESULTS

- Canadian operating days in 2025 Q2 were consistent compared to 2024 Q2.
- U.S. operating days decreased 24% in 2025 Q2, compared to 2024 Q2. The decrease in operating days in 2025 Q2 was mainly as a result of customer consolidation and a competitive U.S. market given tariff and general macro uncertainties causing customers to remain more cautious with their spending.
- A decrease in the Canadian average revenues per operating day of 3% in 2025 Q2, compared to 2024 Q2, was primarily due to lower lost-in-hole revenues <sup>(1)</sup>.
- An increase in the U.S. average revenues per operating day of 9% in 2025 Q2, compared to 2024 Q2, was primarily due to higher lost-in-hole revenues <sup>(1)</sup>.
- Improved U.S. gross margins by 5% in 2025 Q2, compared to 2024 Q2, from the reduction of third-party rental costs by utilizing Rime supplied MWD systems. Further durability of gross margins is expected as more MWD systems are deployed.

<sup>(1)</sup> As defined in the 'Non-GAAP measures' section of this MD&A.

To date, twenty-nine Rime MWD systems have been deployed with an additional twenty-one MWD systems expected to be deployed by the end of 2025 Q3. A substantial majority of the inventory required to build-out these systems was spent in 2024, with minimal purchases required in 2025.

## FINANCIAL HIGHLIGHTS

(unaudited)

(stated in thousands of Canadian dollars, except net income per common share amounts)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Revenues	\$ 112,010	\$ 130,297	\$ 247,367	\$ 295,253
Gross margin percentage	22%	21%	22%	22%
Adjusted gross margin percentage <sup>(1)</sup>	29%	26%	28%	28%
Adjusted EBITDAS <sup>(1)</sup>	\$ 14,824	\$ 17,305	\$ 34,523	\$ 46,054
Adjusted EBITDAS margin percentage <sup>(1)</sup>	13%	13%	14%	16%
Net (loss) income	\$ (9,959)	\$ 5,259	\$ (2,711)	\$ 16,840
Per common share - basic <sup>(2)</sup>	\$ (0.30)	\$ 0.15	\$ (0.08)	\$ 0.49
Per common share - diluted <sup>(2)</sup>	\$ (0.30)	\$ 0.14	\$ (0.08)	\$ 0.44
Cash flow - operating activities	\$ 26,029	\$ 34,123	\$ 44,714	\$ 49,866
Free cash flow (deficit) <sup>(1)</sup>	\$ 2,726	\$ (1,799)	\$ 10,601	\$ 4,409
Weighted average common shares outstanding:				
Basic (000s) <sup>(2)</sup>	33,626	34,439	33,892	34,574
Diluted (000s) <sup>(2)</sup>	33,626	38,402	33,892	38,490
Balance (stated in thousands of Canadian dollars)			June 30, 2025	December 31, 2024
Working capital, excluding current portion of loans and borrowings <sup>(1)</sup>		\$ 73,698	\$ 84,417	
Total assets		\$ 455,490	\$ 472,881	
Loans and borrowings		\$ 62,145	\$ 63,527	
Shareholders' equity		\$ 234,119	\$ 241,580	

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

<sup>(2)</sup> Restated to reflect the 7:1 common share consolidation on July 3, 2024. Refer to the 'Common share consolidation' section in this MD&A.

## RESULTS OF OPERATIONS

### Financial

(stated in thousands of Canadian dollars, except percentages)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<b>Revenues</b>				
United States	\$ 82,068	\$ 99,069	\$ 163,684	\$ 205,631
Canada	29,942	31,228	83,683	89,622
Total revenues	112,010	130,297	247,367	295,253
<b>Cost of sales</b>				
Direct costs	(79,559)	(96,165)	(177,432)	(213,173)
Depreciation and amortization	(7,448)	(6,180)	(14,796)	(17,815)
Share-based compensation	(129)	(169)	(260)	(392)
Cost of sales	(87,136)	(102,514)	(192,488)	(231,380)
Gross margin	\$ 24,874	\$ 27,783	\$ 54,879	\$ 63,873
Gross margin percentage	22%	21%	22%	22%
Adjusted gross margin percentage <sup>(1)</sup>	29%	26%	28%	28%

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

## Operational

(stated in Canadian dollars, except operating days and average industry land rig counts)	Three months ended June 30,			Six months ended June 30,		
	2025	2024	% Change	2025	2024	% Change
<b>Operating days <sup>(1)</sup></b>						
United States	2,838	3,746	(24%)	5,878	7,416	(21%)
Canada	2,107	2,130	(1%)	6,361	6,504	(2%)
	4,945	5,876	(16%)	12,239	13,920	(12%)
<b>Industry land rig count <sup>(2)</sup></b>						
United States	556	583	(5%)	564	593	(5%)
Canada	138	139	(1%)	172	168	2%
<b>Average revenues per operating day <sup>(1)</sup></b>						
United States	\$ 28,918	\$ 26,447	9%	\$ 27,847	\$ 27,728	—%
Canada	\$ 14,211	\$ 14,661	(3%)	\$ 13,156	\$ 13,780	(5%)
	\$ 22,651	\$ 22,174	2%	\$ 20,211	\$ 21,211	(5%)
Net lost-in-hole equipment reimbursements <sup>(3)</sup>	\$ 6,841	\$ 4,742	44%	\$ 7,957	\$ 15,388	(100%)

<sup>(1)</sup> Per 'Supplementary financial measures and other definitions' section in this MD&A.

<sup>(2)</sup> Per Baker Hughes and Rig Locator.

<sup>(3)</sup> Refer to the 'Non-GAAP Measures' section in this MD&A.

## Summary

The Company improved gross margin and Adjusted gross margin percentages <sup>(1)</sup> despite a 16% and 12% decline in the Company's operating days in 2025 Q2 and the six months ended June 30, 2025, compared to prior periods, respectively. The decline in operating days was offset by increased lost-in-hole revenues <sup>(1)</sup> in 2025 Q2. There was a significant reduction of lost-in-hole revenues <sup>(1)</sup> in 2025 Q1 contributing significantly to the decline in the Company's revenues in the six months ended June 30, 2025, compared to the prior period.

The Company has improved the resiliency of gross margins through replacement of third-party rental equipment with owned equipment, primarily focused on Rime MWD systems. Typically, decreased revenue of 14% and 16% in 2025 Q2 and the six months ended June 30, 2025, respectively, would result in the Company's fixed components of direct costs negatively impacting margin percentages.

## SEGMENTED INFORMATION

### United States

#### Revenues

U.S. revenues were \$82.1 million in 2025 Q2, a decrease of \$17.0 million or 17%, compared to \$99.1 million in 2024 Q2. The Company experienced a 24% decrease in operating days in 2025 Q2 (2025 - 2,838 days; 2024 - 3,746 days). The Company's activity declines exceeded the 5% decrease in the average U.S. land rig count mainly as a result of consolidation by some of the Company's customers. In addition, the Company felt the impact of the increasingly competitive U.S. market given the general market uncertainty contributing to commodity price volatility. The average revenues per operating day <sup>(2)</sup> increased 9% in 2025 Q2 (2025 - \$28,918 per day; 2024 - \$26,447 per day). The increase in average revenues per operating day <sup>(2)</sup> is mainly due to higher lost-in-hole revenues <sup>(1)</sup>.

U.S. revenues were \$163.7 million in the six months ended June 30, 2025, a decrease of \$41.9 million or 20%, compared to \$205.6 million for the same period in 2024. The Company experienced a 21% decrease in operating days in the six months ended June 30, 2025 (2025 - 5,878 days; 2024 - 7,416 days). The Company's activity declines exceeded the 5% decrease in the average U.S. land rig count mainly as a result of consolidation by some of the Company's customers. In addition, the Company felt the impact of the increasingly competitive U.S. market given the general market uncertainty contributing to commodity price volatility. The average revenues per operating day <sup>(2)</sup> relatively consistent in the six months ended June 30, 2025 (2025 - \$27,847 per day; 2024 - \$27,728 per day). The unusually low lost-in-hole revenues <sup>(1)</sup> the Company experienced in 2025 Q1 was partially offset by higher lost-in-hole revenues <sup>(1)</sup> in 2025 Q2, although lost-in-hole revenues <sup>(1)</sup> remained lower in the six months ended June 30, 2025, compared to the same period in 2024. Lost-in-hole activity has historically been relatively consistent as a percentage of operating revenues.

#### Direct costs

U.S. direct costs included in cost of sales were \$58.1 million in 2025 Q2, a decrease of \$16.4 million or 22%, compared to \$74.5 million in 2024 Q2. The decrease is mainly due to lower MWD third-party rental costs, resulting from the Rime MWD build-out and lower labour and repair costs related to lower activity and cost reduction initiatives in 2025 Q2. As a result, direct costs as a percentage of revenues were 71% in 2025 Q2, compared to 75% in 2024 Q2. In addition, direct costs as a percentage of revenues were lower due to higher lost-in-hole revenues <sup>(1)</sup> in 2025 Q2.

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

<sup>(2)</sup> Per 'Supplementary financial measures and other definitions' section in this MD&A.

U.S. direct costs included in cost of sales were \$120.2 million in the six months ended June 30, 2025, a decrease of \$35.0 million or 23%, compared to \$155.2 million for the same period in 2024. The decrease is mainly due to lower MWD third-party rental costs, resulting from the Rime MWD build-out and lower labour and repair costs related to lower activity and cost reduction initiatives in the six months ended June 30, 2025. As a result, direct costs as a percentage of revenues were 73% in the six months ended June 30, 2025, compared to 75% for the same period in 2024. Lower direct costs as a percentage of revenues were offset by the effect of lower lost-in-hole revenues <sup>(1)</sup> in the six months ended June 30, 2025, compared to the same period in 2024.

## Canadian

### Revenues

Canadian revenues were \$29.9 million in 2025 Q2, a decrease of \$1.3 million or 4%, compared to \$31.2 million in 2024 Q2, with the decline primarily attributable to lower lost-in-hole revenues <sup>(1)</sup>, as activity was consistent with 2024 Q2. The average revenues per operating day <sup>(2)</sup> decreased 3% in 2025 Q2 (2025 - \$14,211 per day; 2024 - \$14,661 per day). The decrease in the average revenues per operating day <sup>(2)</sup> is mainly attributed to lower lost-in-hole revenues <sup>(1)</sup>.

Canadian revenues were \$83.7 million in the six months ended June 30, 2025, a decrease of \$5.9 million or 7%, compared to \$89.6 million for the same period in 2024, with the decline primarily attributable to lower lost-in-hole revenues <sup>(1)</sup> and a 2% decrease in operating days in the six months ended June 30, 2025 (2025 - 6,361 days; 2024 - 6,504 days). Despite an increase in the Western Canada average land rig count of 2%, ACT had a slight decline in activity during the six months ended June 30, 2025, relative to the comparative period, primarily attributable to lower activity in oil plays where ACT is more prevalent. The average revenues per operating day <sup>(2)</sup> decreased 5% in the six months ended June 30, 2025 (2025 - \$13,156 per day; 2024 - \$13,780 per day). The decrease in the average revenues per operating day <sup>(2)</sup> is mainly attributed to lower lost-in-hole revenues <sup>(1)</sup>. In the six months ended June 30, 2025, the Company experienced an unusually low rate of lost-in-hole activity compared to the same period in 2024 (\$7.3 million), which was conversely unusually high. Over longer periods of time, lost-in-hole activity has historically been relatively consistent as a percentage of operating revenues.

### Direct costs

Canadian direct costs included in cost of sales were \$21.5 million in 2025 Q2, a decrease of \$0.2 million or 1%, compared to \$21.7 million in 2024 Q2. The decrease is mainly due to lower repair costs in 2025 Q2 as a result of lower activity, offset by higher labour and third-party rental costs related to deployment of new rotary steerable system ("RSS") tools. As a percentage of revenues, direct costs were 72% in 2025 Q2, compared to 70% in 2024 Q2. The effect of lower lost-in-hole revenues <sup>(1)</sup> in 2025 Q2, relative to 2024 Q2, is the primary factor in direct costs being higher as a percentage of revenues in 2025 Q2.

Canadian direct costs included in cost of sales were \$57.2 million in the six months ended June 30, 2025, a decrease of \$0.8 million or 1%, compared to \$58.0 million for the same period in 2024. The decrease is mainly due to lower repair costs in the six months ended June 30, 2025 as a result of lower activity, offset by higher labour and third-party rental costs related to RSS tools. As a percentage of revenues, direct costs were 68% in the six months ended June 30, 2025, compared to 65% for the same period in 2024. The effect of minimal lost-in-hole revenues <sup>(1)</sup> in the six months ended June 30, 2025, compared to the same period in 2024, is the primary factor in direct costs being higher as a percentage of revenues.

## CONSOLIDATED

### Revenues

The Company recognized \$112.0 million of revenues in 2025 Q2, a decrease of \$18.3 million or 14%, compared to \$130.3 million in 2024 Q2. The decrease is due to a 16% decrease in operating days (2025 - 4,945 days; 2024 - 5,876 days). The decrease was offset by a 2% increase in the average revenues per operating day <sup>(1)</sup> resulting from higher lost-in-hole revenues <sup>(1)</sup> compared to 2024 Q2 (2025 - \$22,651; 2024 - \$22,174).

The Company recognized \$247.4 million of revenues in the six months ended June 30, 2025, a decrease of \$47.9 million or 16%, compared to \$295.3 million for the same period in 2024. The decrease is due to a 12% decrease in operating days (2025 - 12,239 days; 2024 - 13,920 days), and a 5% decrease in the average revenues per operating day <sup>(1)</sup> resulting from very low levels of lost-in-hole revenue <sup>(1)</sup> in the six months ended June 30, 2025 (2025 - \$20,211; 2024 - \$21,211).

### Direct Costs

The Company recognized \$79.6 million of direct costs in 2025 Q2, a decrease of \$16.7 million or 17%, compared to \$96.2 million in 2024 Q2. The decrease is mainly due to lower labour and repair costs related to the decrease in operating days and cost reduction initiatives, and lower third-party MWD rental costs mainly related to the Rime MWD build-out.

The Company recognized \$177.4 million of direct costs in the six months ended June 30, 2025, a decrease of \$35.7 million or 17%, compared to \$213.2 million for the same period in 2024. The decrease is mainly due to lower labour and repair costs related to the decrease in operating days, and lower third-party MWD rental costs mainly related to the Rime MWD build-out.

Direct costs as a percentage of revenues decreased to 71% in 2025 Q2, compared to 74% in 2024 Q2. Lost-in-hole revenues <sup>(1)</sup> was higher in 2025 Q2, relative to the comparative period, and since lost-in-hole activity typically has little to no related costs, direct costs as a percentage of revenue was lower in 2025 Q2 compared to 2024 Q2. Direct costs as a percentage of revenues remained consistent at 72% for the six months ended June 30, 2025 and 2024.

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

<sup>(2)</sup> Per 'Supplementary financial measures and other definitions' section in this MD&A.

## Gross margin and Adjusted gross margin

The gross margin percentage was 22% in 2025 Q2, compared to 21% in 2024 Q2. The gross margin percentage was consistent at 22% in the six months ended June 30, 2025 and 2024. The Adjusted gross margin percentage<sup>(1)</sup> increased to 29% in 2025 Q2, compared to 26% in 2024 Q2. The adjusted gross margin percentage was consistent at 28% in the six months ended June 30, 2025 and 2024. Despite a 14% and 16% decrease in revenues in 2025 Q2 and the six months ended June 30, 2025, respectively, the gross margin percentage and Adjusted gross margin percentage were relatively consistent. The Company remains focused on reducing third-party MWD rental costs by investing capital to build out its MWD fleet.

## Depreciation and amortization expense

Depreciation and amortization expense included in cost of sales increased to \$7.4 million in 2025 Q2, compared to \$6.2 million in 2024 Q2 mainly due to a higher portion of the MWD build-out being depreciated. Depreciation and amortization expense included in cost of sales decreased to \$14.8 million in the six months ended June 30, 2025, compared to \$17.8 million for the same period in 2024. The decrease is mainly due to a change in depreciation methodology affecting the prior period.

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

(stated in thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Selling, general and administrative expenses:				
Direct costs	\$ 14,937	\$ 14,808	\$ 31,370	\$ 30,834
Depreciation and amortization	2,730	2,462	5,556	4,809
Share-based compensation	968	719	1,509	1,649
Selling, general and administrative expenses	\$ 18,635	\$ 17,989	\$ 38,435	\$ 37,292

The Company recognized direct costs included in SG&A expenses of \$14.9 million and \$31.4 million in 2025 Q2 and the six months ended June 30, 2025, compared to \$14.8 million and \$30.8 million for the same periods in 2024, respectively. The increase is mainly related to the effects of foreign currency translation of U.S. overhead costs and other minor increases. As a result of SG&A being more fixed cost in nature against lower revenues, direct costs included in SG&A expenses as a percentage of revenues were 13% in 2025 Q2 and the six months ended June 30, 2025, compared to 11% and 10% for the same periods in 2024, respectively.

Depreciation and amortization included in SG&A expenses were \$2.7 million and \$5.6 million in 2025 Q2 and the six months ended June 30, 2025, compared to \$2.5 million and \$4.8 million for the same periods in 2024, respectively. The increases are mainly due to amortization expense associated with RSS licenses acquired in the latter part of 2024.

Stock-based compensation included in SG&A expenses were \$1.0 million and \$1.5 million in 2025 Q2 and the six months ended June 30, 2025, compared to \$0.7 million and \$1.6 million for the same periods in 2024, respectively. The decrease is mainly due to certain stock options being fully vested in 2024, offset by the impact of the restricted shares granted in the period.

## Provision

(stated in thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Provision	\$ 4,846	\$ —	\$ 4,846	\$ —

In 2025 Q2, the Company received additional information related to a historical sales and use tax audit period. As a result, the Company has recognized an additional provision of \$4.8 million. As at June 30, 2025, the Company has accrued a total provision of \$12.0 million related to the post-closing period related to the acquisition of Altitude in July 2022.

In relation to a pre-closing sales tax issue related to the July 14, 2022 acquisition of Altitude, as a result of a preliminary assessment, the Company has recognized a provision of \$14.7 million in Trade and other payables. Pursuant to the Equity Purchase Agreement related to the Altitude acquisition, the sellers provided the Company with an indemnity related to pre-closing tax issues, including the sales tax issue noted. Accordingly, the Company has recognized an offsetting indemnity receivable of \$14.7 million in Other receivable. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of this provision.

## Research and development (“R&D”) costs

(stated in thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Research and development costs	\$ 1,220	\$ 1,628	\$ 2,584	\$ 2,831

The Company recognized R&D costs of \$1.2 million and \$2.6 million in 2025 Q2 and the six months ended June 30, 2025, compared to \$1.6 million and \$2.8 million for the same periods in 2024, respectively. R&D costs are salaries, benefits, purchased materials and shop supply costs related to new product development and technology and sustaining engineering.

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



## Write-off of property, plant and equipment

(stated in thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Write-off of property, plant and equipment	\$ 1,207	\$ 613	\$ 1,386	\$ 2,248

The Company recognized a write-off of property, plant and equipment of \$1.2 million and \$1.4 million in 2025 Q2 and the six months ended June 30, 2025, compared to \$0.6 million and \$2.2 million for the same periods in 2024, respectively. The write-offs related to equipment lost-in-hole and damaged beyond repair. Lost-in-hole equipment and damaged beyond repair reimbursements from customers are based on service agreements held with clients and are recognized as revenues.

## Finance costs

(stated in thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Finance costs - loans and borrowings and exchangeable promissory notes	\$ 1,284	\$ 2,419	\$ 3,519	\$ 4,884
Finance costs - lease liabilities	\$ 260	\$ 201	\$ 541	\$ 406

Finance costs - loans and borrowings and exchangeable promissory notes were \$1.3 million, a decrease of \$1.1 million, compared to \$2.4 million in 2024 Q2. Finance costs - loans and borrowings and exchangeable promissory notes were \$3.5 million in the six months ended June 30, 2025, a decrease of \$1.4 million, compared to \$4.9 million for the same period in 2024. The decrease is mainly due to a lower outstanding balance of loans and borrowings in 2025 Q2 compared to 2024 Q2 and a lower interest rate as a result of the Company's refinancing completed in 2025 Q1 (refer to the 'Syndicated and revolving credit facilities' section of this MD&A).

In addition, the Company had finance costs - lease liabilities of \$0.3 million and \$0.5 million in 2025 Q2 and the six months ended June 30, 2025, related to lease liabilities, compared to \$0.2 million and \$0.4 million for the same periods in 2024, respectively.

## Foreign exchange

(stated in thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Foreign exchange (loss) gain	\$ (6,575)	\$ 1,063	\$ (6,825)	\$ 3,030
Foreign currency translation (loss) gain on foreign operations	\$ (4,045)	\$ 738	\$ (4,124)	\$ 2,193

The Company recognized a foreign exchange loss of \$6.6 million and \$6.8 million in 2025 Q2 and the six months ended June 30, 2025, compared to a foreign exchange gain of \$1.1 million and \$3.0 million for the same periods, respectively, due to the impact of a 6% decrease in the Canadian dollar exchange rate from \$1.44 at March 31, 2025 to \$1.36 at June 30, 2025 on the revaluation of the Company's USD denominated balances (2025 Q2 - foreign exchange gain of \$1.1 million) and intercompany loans issued by the parent company to its self-sustaining foreign subsidiaries (2025 Q2 - foreign exchange loss of \$7.7 million). The offsetting foreign exchange gain on intercompany loans held by the subsidiaries is recognized as part of the translation of foreign operations within other comprehensive income, as described below.

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. The Company recognized a foreign currency translation loss on foreign operations of \$4.0 million in 2025 Q2, compared to a gain of \$0.7 million in 2024 Q2. The Company recognized a foreign currency translation loss of \$4.1 million in the six months ended June 30, 2025, compared to a gain of \$2.2 million for the same period in 2024.

## Income tax expense (recovery)

(stated in thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Current	\$ 107	\$ 202	\$ 181	\$ 1,655
Deferred	877	946	(392)	1,158
Income tax expense (recovery)	\$ 984	\$ 1,148	\$ (211)	\$ 2,813

The Company recognized an income tax expense of \$1.0 million and an income tax recovery of \$0.2 million in 2025 Q2 and the six months ended June 30, 2025, compared to an income tax expense of \$1.1 million and \$2.8 million for the same periods in 2024, respectively. Income tax expense (recovery) is recognized based upon expected annualized rates using the statutory rates of 23% for both Canada and the U.S. adjusted for key items that will effect the Company's actual tax for 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 \$26.0 million and \$44.7 million in 2025 Q2 and the six months ended June 30, 2025, compared to \$34.1 million and \$49.9 million for the same periods in 2024, 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, 2025, the Company had working capital, excluding current portion of loans and borrowings of \$73.7 million (December 31, 2024 - \$84.4 million).

### Common share consolidation

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

### Normal course issuer bid

During the six months ended June 30, 2025, 1,110,858 (2024 - 353,100) common shares were purchased under the NCIB for a total purchase amount of \$6.3 million (2024 - \$2.1 million) at an average price of \$5.69 (2024 - \$5.89) per common share. A portion of the purchase amount reduced share capital by \$6.0 million (2024 - \$2.0 million) and the residual purchase amount of \$0.3 million (2024 - \$0.1 million) was recorded to the surplus.

On August 7, 2025, the Company received approval from the TSX to purchase up to 2,034,285 common shares of the Company, or 10% of the 20,342,855 issued and outstanding common shares of the Company under the NCIB. The ability to purchase common shares under the NCIB will commence on August 11, 2025, and will terminate no later than August 10, 2026. 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 March 21, 2025, the Company entered into a Fifth Amended and Restated Credit Agreement with its existing syndicate of lenders co-lead by ATB Financial and Royal Bank of Canada ("Amended Credit Agreement"). The Amended Credit Agreement provided for the following:

- i. A revolving facility with an approximate principal amount of \$124.3 million comprised of: i) \$100.0 million Syndicated Revolving Facility ("CAD Syndicated Revolving Facility") and ii) \$10.0 million revolving facility provided by ATB Financial ("ATB Revolving Facility"), and iii) USD \$10.0 million (approximately CAD \$14.3 million equivalent) provided by HSBC Bank USA, N.A. ("HSBC Revolving Facility"). The revolving facility replaced the Company's existing facilities (CAD Syndicated Term Facility of \$59.0 million, USD Syndicated Term Facility of USD \$21.0 million, Syndicated Operating Facility of \$35.0 million, Revolving Operating Facility of \$15.0 million and USD Revolving Operating Facility of \$10.0 million). As such, the contractual repayments of the CAD Syndicated Term Facility and USD Syndicated Term Facility are no longer required;
- ii. A lower amended interest rate updated to the financial institution's prime rate plus 1.0% to 1.75% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.0% to 2.75% (previously prime rate plus 1.5% to 2.25% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.5% to 3.25%);
- iii. The maturity date extended from July 11, 2026 to March 21, 2028;
- iv. Replaced the financial covenant of Consolidated Fixed Charge Coverage ratio (previously required to be no less than 1.25:1) with a Consolidated Interest Coverage Ratio, which is required to be no less than 3.0:1. The Consolidated Funded Debt to Consolidated Credit Agreement EBITDA ratio remained unchanged and shall not exceed 2.5:1; and
- v. The syndicate of lenders remained unchanged with the exception of Royal Bank of Canada joining ATB Financial as the syndicate co-lead.

As at June 30, 2025, \$62.2 million of the \$123.6 million Revolving Facility remained undrawn. Subsequent to June 30, 2025, the Company repaid \$6.6 million of its CAD Syndicated Revolving Facility.

At June 30, 2025, 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 2.5:1.0 (calculated - 1.0); and
- Consolidated Interest Coverage ratio shall not be less than 3.0 :1.0 (calculated - 10.8).

### Contractual obligations and contingencies

As at June 30, 2025, the Company's commitment to capital is approximately \$7.8 million (December 31, 2024 - \$11.9 million), which is expected to be incurred over the next six months.

The Company holds six letters of credit totaling \$1.7 million (December 31, 2024 - \$1.8 million) related to rent payments, corporate credit cards and a utilities deposit.

The Company is involved in various other legal claims and tax audits 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. Refer to the 'Provision' section in this MD&A for more details.

The following table outlines the anticipated payments related to contractual commitments subsequent to June 30, 2025:

<i>(stated in thousands of Canadian dollars)</i>	Carrying amount	One year	1-2 years	3-5 years	Thereafter
Loans and borrowings - principal	\$ 62,712	\$ 657	\$ —	\$ 62,055	\$ —
Exchangeable promissory ("EP") notes - principal	27,286	—	27,286	—	—
Interest payments on loans and borrowings and EP notes	14,043	6,056	4,719	3,268	—
Lease liabilities - undiscounted	20,065	3,862	3,597	7,814	4,792
Trade and other payables	99,797	99,797	—	—	—
<b>Total</b>	<b>\$ 223,903</b>	<b>\$ 110,372</b>	<b>\$ 35,602</b>	<b>\$ 73,137</b>	<b>\$ 4,792</b>

### Capital structure

As at August 8, 2025, the Company has 33,934,977 common shares, 2,618,958 stock options, and EP Notes, that are exchangeable into a maximum of 3,510,000 common shares outstanding.

### NET CAPITAL EXPENDITURES

The following table details the Company's Net capital expenditures <sup>(1)</sup>:

<i>(stated in thousands of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
MWD and related equipment	\$ 2,345	\$ 6,308	\$ 17,200	\$ 14,219
Motors and related equipment	3,271	6,738	11,256	13,944
Shop and automotive equipment	859	149	915	382
Other	879	869	1,532	1,438
Gross capital expenditures	7,354	14,064	30,903	29,983
Less: net lost-in-hole equipment reimbursements	(6,841)	(4,742)	(7,958)	(15,388)
<b>Net capital expenditures <sup>(1)</sup></b>	<b>\$ 513</b>	<b>\$ 9,322</b>	<b>\$ 22,945</b>	<b>\$ 14,595</b>

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

Equipment additions totaling \$30.9 million included \$7.6 million of items previously purchased and held in inventory for the Rime MWD system build-out in 2025 Q1.

As at June 30, 2025, property, plant and equipment included \$14.3 million (2024 - \$12.4 million) of MWD 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.

Given the current market uncertainty, partly as a result of the enacted and proposed U.S. tariffs, the Company's 2025 Net capital expenditure budget will be dynamic and adjusted to reflect management's expectation of future activity levels. Currently, the Company's target Net capital expenditures <sup>(1)</sup> budget is anticipated to relate to necessary sustaining capital expenditures that will enhance realized gross margin percentage levels, including growing ACT's high-performance mud motors, MWD in both Canada and the U.S., and selective RSS deployments. ACT intends to fund its 2025 capital plan from cash flow - operating activities.

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



## OUTLOOK

General uncertainty related to commodity prices, trade, and potential tariffs, are resulting in restrained levels of drilling activity and a more cautious spending environment. Despite the cautious environment, Canadian activity levels appear to be somewhat resilient and the rig count in the U.S. seems to be nearing a bottom, with some potential for increases in the back half of this year. We remain positive on the longer-term outlook for energy fundamentals due to general economic growth, increasing demand from emerging economies, and significant opportunities related to growth in power demand.

In Canada, stronger customer balance sheets, reasonably constructive commodity price levels, and additional takeaway capacity for both oil and gas continue to support consistent levels of drilling activity. The first LNG Canada natural gas volumes have now shipped from Kitimat, British Columbia and the expansion of the Trans Mountain Pipeline supports heavy oil production, both of which should be positive for drilling activity in the long term. Currently, our Canadian job count is in the low-50 job count range supported by our strong presence in multi-lateral drilling markets. Given relatively strong drilling economics for multi-lateral drilling projects, activity levels are anticipated to be resilient in these areas with continued plans for growth through this cycle and into the future. We expect our Canadian activity levels to be similar or slightly less than 2024 levels of activity as some of our customers have deferred spending plans to later this year due to market uncertainty.

In the U.S., the continued slow decline of industry oil drilling levels has caused our U.S. job run-rate to pull back to the mid-30 jobs per day versus the range of 40 to 50 jobs per day we saw one year ago. While activity levels are lower year-over-year, we still see a significant opportunity for margin recapture as we replace third party rentals with our own MWD technology. We expect to build on the initial success of the product rollout thus far and continue to increase levels of customer adoption through the back half of this year and into next year. The rig counts in the U.S. appear to be approaching a bottom as improved year-over-year natural gas prices are expected to result in increased gas rig counts in the back half of this year. Further, ongoing major additions to U.S. LNG export capacity in the coming two to three years and extreme growth in data center build-out should motivate continued strength in U.S. natural gas demand, pricing and gas drilling levels.

Overall, we remain bullish on longer-term global energy demand and believe that pursuing strong directional drilling market positions in the both the U.S. and Canada remains the best way to capture this opportunity.

## 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 Accounting Standards.

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 June 30, 2025, 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, 2024, which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and appear on the Company’s website ([www.actenergy.com](http://www.actenergy.com)). 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, 2025, were approved on August 8, 2025.

## SUPPLEMENTARY INFORMATION

Additional information regarding the Company, including the AIF, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## CURRENT AND FUTURE ACCOUNTING STANDARDS

### Changes in accounting policy

Effective January 1, 2025, IAS 21 - The Effects of Changes in Foreign Exchange Rates, has been amended to provide clarification on when and how to estimate a spot rate. There was no material impact on the Company's financial statements for the adoption of this amended standard.

### Accounting standards and amendments not yet effective

Other accounting pronouncements issued, but not yet effective, included those effective in January 2026 (IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments) and those effective in January 2027 (IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures). The Company is currently in the process of assessing the impact of these standards on the financial statements.

## SUMMARY OF QUARTERLY RESULTS

<i>(stated in thousands of Canadian dollars, except net income per share)</i>	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Revenues	\$ 112,010	\$ 135,357	\$ 128,083	\$ 148,449	\$ 130,297	\$ 164,956	\$ 145,419	\$ 145,591
Gross margin	\$ 24,874	\$ 30,005	\$ 22,207	\$ 38,177	\$ 27,783	\$ 36,090	\$ 29,783	\$ 33,025
Gross margin %	22%	22%	17%	25%	21%	22%	20%	23%
Adjusted gross margin <sup>(1)</sup>	\$ 32,490	\$ 37,484	\$ 29,384	\$ 45,048	\$ 34,186	\$ 47,955	\$ 41,727	\$ 44,561
Adjusted gross margin % <sup>(1)</sup>	29%	28%	22%	30%	26%	29%	29%	31%
Adjusted EBITDAS <sup>(1)</sup>	\$ 14,824	\$ 19,699	\$ 17,582	\$ 30,169	\$ 17,305	\$ 28,752	\$ 27,369	\$ 30,106
Adjusted EBITDAS % <sup>(1)</sup>	13%	15%	14%	20%	13%	17%	19%	21%
Net (loss) income	\$ (9,959)	\$ 7,248	\$ 14,892	\$ 26,175	\$ 5,259	\$ 11,584	\$ 1,767	\$ 5,650
Net (loss) income per share - diluted <sup>(2)</sup>	\$ (0.30)	\$ 0.19	\$ 0.38	\$ 0.68	\$ 0.14	\$ 0.30	\$ 0.05	\$ 0.15
Cash flow - operating activities	\$ 26,029	\$ 18,685	\$ 20,934	\$ 19,377	\$ 34,123	\$ 15,746	\$ 16,589	\$ 9,128
Weighted average common shares outstanding:								
Basic (000s) <sup>(2)</sup>	33,626	34,160	35,027	34,965	34,439	34,383	34,610	34,939
Diluted (000s) <sup>(2)</sup>	33,626	37,867	38,800	38,772	38,402	38,495	38,263	38,207

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

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

	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Operating days <sup>(1)</sup>								
United States	2,838	3,040	2,841	3,080	3,746	3,670	3,625	3,953
Canada	2,107	4,254	3,471	4,527	2,130	4,374	3,389	3,388
	4,945	7,294	6,312	7,607	5,876	8,044	7,014	7,341
Industry land rig count <sup>(2)</sup>								
United States	556	572	569	565	583	602	601	630
Canada	138	205	171	190	139	197	160	169
Net lost-in-hole equipment reimbursements <sup>(3)</sup>	\$ 6,841	\$ 1,117	\$ 5,062	\$ 4,827	\$ 4,742	\$ 10,646	\$ 5,078	\$ 7,399

<sup>(1)</sup> Per 'Supplementary financial measures and other definitions' section of this MD&A.

<sup>(2)</sup> Per Baker Hughes and Rig Locator.

<sup>(3)</sup> 'Non-GAAP measures' section of 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.

## 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 percentage, Adjusted EBITDAS, Adjusted EBITDAS margin percentage, Free cash flow, Working capital and Net capital expenditures. Management believes these measures provide supplemental financial information that is useful in the evaluation of ACT's operations.

These non-GAAP measures are defined as follows:

- i) **"Adjusted gross margin"** - calculated as gross margin before non-cash costs (write-down of inventory included in cost of sales, depreciation and amortization and share-based compensation); is a supplemental measure of changes in financial performance that are closely related to the Company's core operating activities, by excluding certain non-cash costs that might otherwise distort trends in overall profitability (see tabular calculation);
- ii) **"Adjusted gross margin percentage"** - calculated as Adjusted gross margin divided by revenues; is considered a primary indicator of operating performance (see tabular calculation);
- iii) **"Adjusted EBITDAS"** - calculated as net income before finance costs, unrealized foreign exchange gain (loss), foreign exchange gain (loss) on intercompany balances, income tax expense, depreciation and amortization, gain on settlement of lease liabilities, non-recurring costs, write-down of inventory included in cost of sales and equity-settled share-based compensation; provides supplemental information to net income that is useful in evaluating the results from our principal business activities prior to consideration of how our activities are financed, foreign exchange components and other charges like depreciation (see tabular calculation);
- iv) **"Adjusted EBITDAS margin percentage"** - 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) **"Free cash flow"** - calculated as cash flow - operating activities prior to: i) changes in non-cash working capital, ii) and income tax (refund) payment less: i) cash flow - investing activities (updated from property, plant and equipment ("PP&E") and intangible asset additions, excluding assets acquired in business combinations), ii) required repayments on loans and borrowings, in accordance with the Company's credit facility agreement, and iii) repayments of lease liabilities, net of finance costs, offset by proceeds on disposal of PP&E. This is a useful supplemental measure of the Company's ability to generate funds from operations available for future capital expenditures, discretionary debt repayments, or other strategic initiatives (see tabular calculation).

Free cash flow was updated from prior periods to deduct cash flow - investing activities (updated from PP&E and intangible asset additions, excluding assets acquired in business combinations) to include changes in non-cash investing working capital in the calculation to account for non-cash movements in the period;
- vi) **"Net capital expenditures"** - calculated as the gross capital expenditures less net lost-in-hole equipment reimbursements, as defined below - refer to the "Net capital expenditures" section of this MD&A for tabular calculation;
  - 1. **"Lost-in-hole revenues"** - represent reimbursements received from customers and insurance proceeds related to directional drilling equipment that is lost in-hole or damaged beyond repair. Management considers lost-in-hole revenues to be supplemental information that assists in understanding fluctuations in the Company's reported revenues under IFRS Accounting Standards. Although lost-in-hole revenues tend to remain relatively consistent over longer periods, they can vary significantly from period to period, causing fluctuations in the Company's financial results;
  - 2. **"Net lost-in-hole equipment reimbursements"** - represent lost-in-hole revenues, as defined above, less outflows associated with vendor payments for insurance coverage and third-party rental equipment replacement, following equipment loss-in-hole or damage beyond repair; and
- 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.

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,	
(stated in thousands of Canadian dollars)	2025	2024	2025	2024
Gross margin	\$ 24,874	\$ 27,783	\$ 54,879	\$ 63,873
Add non-cash items included in cost of sales:				
Write-down of inventory included in cost of sales	39	54	39	61
Depreciation and amortization	7,448	6,180	14,796	17,815
Share-based compensation	129	169	260	392
Adjusted gross margin	\$ 32,490	\$ 34,186	\$ 69,974	\$ 82,141
Adjusted gross margin percentage	29%	26%	28%	28%

## Adjusted EBITDAS

	Three months ended June 30,		Six months ended June 30,	
(stated in thousands of Canadian dollars, except percentages)	2025	2024	2025	2024
Net (loss) income	\$ (9,959)	\$ 5,259	\$ (2,711)	\$ 16,840
Add (deduct):				
Income tax expense (recovery)	984	1,148	(211)	2,813
Depreciation and amortization - cost of sales	7,448	6,180	14,796	17,815
Depreciation and amortization - selling, general and administrative expenses	2,730	2,462	5,556	4,809
Equity settled share-based compensation - cost of sales	129	169	260	392
Equity settled share-based compensation - selling, general and administrative expenses	536	719	1,077	1,649
Finance costs - loans and borrowings and exchangeable promissory notes	1,284	2,419	3,519	4,884
Finance costs - lease liabilities	260	201	541	406
Unrealized foreign exchange loss (gain)	6,527	(1,339)	6,811	(3,648)
Provision	4,846	—	4,846	—
Gain on settlement of lease liabilities	—	(391)	—	(391)
Non-recurring expenses, including inventory write-off	39	478	39	485
Adjusted EBITDAS	\$ 14,824	\$ 17,305	\$ 34,523	\$ 46,054
Adjusted EBITDAS margin percentage	13%	13%	14%	16%

## Free cash flow

	Three months ended June 30,		Six months ended June 30,	
(stated in thousands of Canadian dollars)	2025	2024	2025	2024
Cash flow - operating activities	\$ 26,029	\$ 34,123	\$ 44,714	\$ 49,866
Add (deduct):				
Income tax payment	439	3,633	384	3,793
Changes in non-cash operating working capital	(10,183)	(20,282)	(9,092)	(5,801)
Less:				
Cash flow - investing activities	(12,588)	(13,192)	(23,397)	(31,320)
Required repayments on loans and borrowings <sup>(1)</sup>	—	(5,164)	—	(10,313)
Repayments of lease liabilities, net of finance costs	(971)	(917)	(2,008)	(1,816)
Free cash flow (deficit)	\$ 2,726	\$ (1,799)	\$ 10,601	\$ 4,409

<sup>(1)</sup> Required repayments on loans and borrowings in accordance with the credit facility agreement, which excludes discretionary debt repayments.

## SUPPLEMENTARY FINANCIAL MEASURES AND OTHER DEFINITIONS

- i) **“Average revenues per operating day”** - is a supplemental operational metric calculated by dividing revenues, either for a specific geographic segment or on a consolidated basis as reported under IFRS Accounting Standards, by the corresponding number of operating days for that segment or on a consolidated basis. Management uses revenues per operating day to assess pricing strength, service intensity, and comparative financial performance against different periods and across different geographic markets;
- ii) **“Job count”** - sometimes referred to as daily jobs, refers to the number of drilling rigs our directional equipment is available for operation on those specific drilling rigs;

- iii) **“MWD”** - Measurement-while-drilling is a down-hole tool used in oil, natural gas and geothermal wells that provides real-time drilling data to the directional driller enabling more precise placement and optimized drilling operations.
- iv) **“Operating days”** - are defined as the total number of calendar days during which directional drilling services were actively provided to a customer at a rig site, excluding any days where personnel or equipment were on location but not engaged in active drilling operations (such as standby, rig move days, or other non-operational periods, regardless of whether partial revenues were recognized); and

## COMMON INDUSTRY TERMS

- i) **“LNG”** - natural gas is typically transported via pipeline with customer demand limited to regions with access to these pipelines. Through liquefaction, larger volumes of natural gas can be economically exported by sea to new markets;
- ii) **“RSS”** - Rotary steerable system which is a high-technological drilling tool that simultaneously steers and rotates the drill bit without manual intervention enabling for more accurate drilling, especially in curved or horizontal wells.

## FORWARD LOOKING STATEMENTS

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

- The 2025 Net capital expenditure budget and financing thereof;
- Given the current market uncertainty, partly as a result of the enacted and proposed U.S. tariffs, the Company’s 2025 Net capital expenditure budget will be dynamic and adjusted to reflect management’s expectation of future activity levels.
- Currently, the Company’s target Net capital expenditures budget is anticipated to relate to necessary sustaining capital expenditures that will enhance realized gross margin percentage levels, including growing ACT’s high-performance mud motors, MWD in both Canada and the U.S., and selective RSS deployments. ACT intends to fund its 2025 capital plan from cash flow - operating activities.
- General uncertainty related to commodity prices, trade, and potential tariffs, are resulting in restrained levels of drilling activity and a more cautious spending environment. Despite the cautious environment, Canadian activity levels appear to be somewhat resilient and the rig count in the U.S. seems to be nearing a bottom, with some potential for increases in the back half of this year.
- ACT remains positive on the longer-term outlook for energy fundamentals due to general economic growth, increasing demand from emerging economies, and significant opportunities related to growth in power demand.
- In Canada, stronger customer balance sheets, reasonably constructive commodity price levels, and additional takeaway capacity for both oil and gas continue to support consistent levels of drilling activity.
- The first LNG Canada natural gas volumes have now shipped from Kitimat, British Columbia. and the expansion of the Trans Mountain Pipeline supports heavy oil production, both of which should be positive for drilling activity in the long term.
- ACT’s Canadian job count is in the low-50 job count range supported by our strong presence in multi-lateral drilling markets.
- Given relatively strong drilling economics for multi-lateral drilling projects, activity levels are anticipated to be resilient in these areas with continued plans for growth through this cycle and into the future.
- ACT expects its Canadian activity levels to be similar or slightly less than 2024 levels of activity as some of its customers have deferred spending plans to later this year due to market uncertainty.
- At the end of 2025 Q2, the Company saw improved U.S gross margins by the reduction of third-party rental costs by utilizing Rime supplied MWD systems. Further durability of gross margins is expected as more MWD systems are deployed. To date, twenty-nine Rime MWD systems have been deployed with an additional twenty-one MWD systems expected to be deployed by the end of 2025 Q3. A substantial majority of the inventory required to build-out these systems was spent in 2024, with minimal purchases required in 2025.
- The Company remains focused on reducing third-party MWD rental costs by investing capital to build out its MWD fleet.
- ACT expects to build on the initial success of the product rollout thus far and continue to increase levels of customer adoption through the back half of this year and into next year.
- Rig counts in the U.S. appear to be approaching a bottom as improved year-over-year natural gas prices are expected to result in increased gas rig counts in the back half of this year.
- Ongoing major additions to U.S. LNG export capacity in the coming two to three years and extreme growth in data center build-out should motivate continued strength in U.S. natural gas demand, pricing and gas drilling levels.
- ACT remains bullish on longer-term global energy demand and believes that pursuing strong directional drilling market positions in the both the U.S. and Canada remains the best way to capture this opportunity.

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



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

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

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

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2025 and December 31, 2024

Canadian dollars in '000s  
(unaudited)

	June 30, 2025	December 31, 2024
Balance,		
<b>Assets</b>		
Current assets:		
Cash	\$ 24,048	\$ 12,792
Trade receivables	85,430	105,872
Other receivable (note 11)	14,721	15,526
Current taxes receivable	2,487	2,417
Prepaid expenses	5,185	6,678
Inventories	45,554	51,498
Total current assets	177,425	194,783
Property, plant and equipment (note 3)	139,798	129,243
Intangible assets (note 4)	68,443	77,352
Right-of-use assets (note 5)	15,932	15,359
Goodwill (note 4)	41,192	43,444
Deferred tax asset (note 9)	12,700	12,700
Total non-current assets	278,065	278,098
Total assets	\$ 455,490	\$ 472,881
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Trade and other payables (note 11)	\$ 99,797	\$ 106,242
Loans and borrowings, current (note 6)	657	21,435
Lease liabilities, current (note 5)	3,930	4,124
Total current liabilities	104,384	131,801
Loans and borrowings, long-term (note 6)	61,488	42,092
Exchangeable promissory notes	26,064	26,962
Lease liabilities, long-term (note 5)	16,135	16,037
Deferred tax liability (note 9)	13,300	14,409
Total non-current liabilities	116,987	99,500
Total liabilities	221,371	231,301
Shareholders' equity:		
Share capital (note 7)	195,123	195,516
Treasury shares	(229)	(469)
Exchangeable promissory notes	1,242	1,242
Contributed surplus	17,024	17,408
Accumulated other comprehensive income	15,027	19,151
Surplus	5,932	8,732
Total shareholders' equity	234,119	241,580
Total liabilities and shareholders' equity	\$ 455,490	\$ 472,881

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 (LOSS) INCOME

Three and six months ended June 30, 2025 and 2024

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

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Revenues (note 10)	\$ 112,010	\$ 130,297	\$ 247,367	\$ 295,253
Cost of sales:				
Direct costs	(79,559)	(96,165)	(177,432)	(213,173)
Depreciation and amortization (note 10)	(7,448)	(6,180)	(14,796)	(17,815)
Share-based compensation	(129)	(169)	(260)	(392)
Total cost of sales (note 10)	(87,136)	(102,514)	(192,488)	(231,380)
Gross margin	24,874	27,783	54,879	63,873
Selling, general and administrative expenses:				
Direct costs	(14,937)	(14,808)	(31,370)	(30,834)
Depreciation and amortization (note 10)	(2,730)	(2,462)	(5,556)	(4,809)
Share-based compensation	(968)	(719)	(1,509)	(1,649)
Total selling, general and administrative expenses (note 10)	(18,635)	(17,989)	(38,435)	(37,292)
Provision (note 11)	(4,846)	—	(4,846)	—
Research and development costs	(1,220)	(1,628)	(2,584)	(2,831)
Write-off of property, plant and equipment (note 3)	(1,207)	(613)	(1,386)	(2,248)
Gain on disposal of property, plant and equipment (note 3)	178	20	335	20
Gain on settlement of lease liabilities	—	391	—	391
(Loss) income from operating activities	(856)	7,964	7,963	21,913
Finance costs - loans and borrowings and exchangeable promissory notes	(1,284)	(2,419)	(3,519)	(4,884)
Finance costs - lease liabilities	(260)	(201)	(541)	(406)
Foreign exchange (loss) gain	(6,575)	1,063	(6,825)	3,030
(Loss) income before income taxes	(8,975)	6,407	(2,922)	19,653
Income tax (expense) recovery:				
Current	(107)	(202)	(181)	(1,655)
Deferred (note 9)	(877)	(946)	392	(1,158)
Income tax (expense) recovery	(984)	(1,148)	211	(2,813)
Net (loss) income	(9,959)	5,259	(2,711)	16,840
Other comprehensive (loss) income				
Foreign currency translation differences on foreign operations	(4,045)	738	(4,124)	2,193
<b>Total comprehensive (loss) income</b>	<b>\$ (14,004)</b>	<b>\$ 5,997</b>	<b>\$ (6,835)</b>	<b>\$ 19,033</b>
Net (loss) income per share - basic (restated - note 8)	\$ (0.30)	\$ 0.15	\$ (0.08)	\$ 0.49
Net (loss) income per share - diluted (restated - note 8)	\$ (0.30)	\$ 0.14	\$ (0.08)	\$ 0.44

See accompanying notes to the unaudited condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Six months ended June 30, 2025 and 2024

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, 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	(2,019)	—	—	—	—	(58)	(2,077)
Contributed surplus on treasury shares vesting	—	240	—	(240)	—	—	—
Issued pursuant to stock option exercises	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

	Share capital	Treasury shares	EP Notes	Contributed surplus	Accumulated other comprehensive income	Surplus	Total shareholders' equity
Balance, December 31, 2024	\$ 195,516	\$ (469)	\$ 1,242	\$ 17,408	\$ 19,151	\$ 8,732	\$ 241,580
Comprehensive loss	—	—	—	—	(4,124)	(2,711)	(6,835)
Repurchased pursuant to normal course issuer bid (note 7)	(6,021)	—	—	—	—	(303)	(6,324)
Accrued purchases under the normal course issuer bid (note 7)	1,854	—	—	—	—	214	2,068
Contributed surplus on treasury shares vested	—	240	—	(240)	—	—	—
Issued pursuant to stock options exercised (note 7)	3,774	—	—	(1,483)	—	—	2,291
Share-based compensation	—	—	—	1,339	—	—	1,339
Balance, June 30, 2025	\$ 195,123	\$ (229)	\$ 1,242	\$ 17,024	\$ 15,027	\$ 5,932	\$ 234,119

See accompanying notes to the unaudited condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three and six months ended June 30, 2025 and 2024

Canadian dollars in '000s  
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<b>Cash provided by (used in):</b>				
<b>Operating activities:</b>				
Net (loss) income	\$ (9,959)	\$ 5,259	\$ (2,711)	\$ 16,840
Non-cash adjustments:				
Income tax expense	984	1,148	(211)	2,813
Depreciation and amortization	10,178	8,642	20,352	22,624
Share-based compensation	1,097	888	1,769	2,041
Write-off of property, plant and equipment (note 3)	1,207	613	1,386	2,248
Gain on disposal of property, plant and equipment (note 3)	(178)	(20)	(335)	(20)
Gain on settlement of lease liabilities	—	(391)	—	(391)
Provision (note 11)	4,846	—	4,846	—
Write-down of inventory included in cost of sales	39	54	39	61
Finance costs - loans and borrowings and exchangeable promissory notes	1,284	2,419	3,519	4,884
Finance costs - lease liabilities	260	201	541	406
Income tax payment	(439)	(3,633)	(384)	(3,793)
Unrealized foreign exchange loss (gain)	6,527	(1,339)	6,811	(3,648)
	15,846	13,841	35,622	44,065
Changes in non-cash operating working capital	10,183	20,282	9,092	5,801
Cash flow - operating activities	26,029	34,123	44,714	49,866
<b>Investing activities:</b>				
Property, plant and equipment additions (note 3)	(7,354)	(14,064)	(30,903)	(29,983)
Intangible asset additions (note 4)	(158)	(1,892)	(346)	(6,859)
Proceeds on disposal of property, plant and equipment	115	1,533	323	1,533
Changes in non-cash investing working capital	(5,191)	1,231	7,529	3,989
Cash flow - investing activities	(12,588)	(13,192)	(23,397)	(31,320)
<b>Financing activities:</b>				
Advances of loans and borrowings, net of upfront financing fees	—	—	(335)	10,000
Repayments on loans and borrowings	(24)	(10,159)	(52)	(16,868)
Payments on lease liabilities, net of finance costs (note 5)	(971)	(917)	(2,008)	(1,816)
Interest paid	(1,239)	(2,316)	(3,438)	(4,689)
Common shares repurchased pursuant to normal course issuer bid	(1,803)	—	(4,255)	(2,077)
Proceeds on common share issuances, net of issuance costs (note 7)	2,090	2,007	2,291	2,230
Changes in non-cash financing working capital	—	—	(2,069)	—
Cash flow - financing activities	(1,947)	(11,385)	(9,866)	(13,220)
Effect of exchange rate on changes in cash	(395)	481	(195)	935
Change in cash	11,099	10,027	11,256	6,261
Cash, beginning of period	12,949	6,965	12,792	10,731
Cash, end of period	\$ 24,048	\$ 16,992	\$ 24,048	\$ 16,992

See accompanying notes to the unaudited condensed consolidated financial statements.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

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

The unaudited condensed consolidated financial statements of the Company as at and for the three and six months ended June 30, 2025 and 2024, are comprised of the following 100% owned subsidiaries:

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

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

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

## 2. BASIS OF PREPARATION

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 Accounting Standards, 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, 2024. Certain figures in the comparative period have been reclassified for comparability with the current period presentation.

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 (note 7) and per-share amounts (note 8) disclosed herein reflect the post-share consolidation shares unless otherwise specified.

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, 2024.

The unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on August 8, 2025.

These unaudited condensed consolidated financial statements for the three and six months ended June 30, 2025, 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, 2024.

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, 2024.

The impacts of geopolitical and macroeconomic events, including tariffs imposed between Canada and the United States and regional conflicts, particularly in oil-producing areas, may materially affect energy markets, interest rates, inflation rates, and supply chains, leading to increased volatility and uncertainty. Management has incorporated known facts and circumstances into the preparation of its estimates to the extent reasonably possible; however, actual results may differ from these estimates, and such differences could be material.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Current and Future Accounting Pronouncements

Effective January 1, 2025, IAS 21 - The Effects of Changes in Foreign Exchange Rates, has been amended to provide clarification on when and how to estimate a spot rate. There was no material impact on the Company's financial statements for the adoption of this amended standard.

There are certain accounting pronouncements issued but not yet effective in the year, including those effective in January 2026 (IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments) and those effective in January 2027 (IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures). The Company is currently in the process of assessing the impact of these standards on the financial statements.

## 3. PROPERTY, PLANT AND EQUIPMENT

<b>Cost</b>		Directional drilling equipment		Shop and automotive equipment		Other		Total
Balance, December 31, 2024	\$	232,194	\$	11,205	\$	10,180	\$	253,579
Additions		28,456		915		1,532		30,903
Disposals and write-offs		(3,229)		(475)		(29)		(3,733)
Effects of movements in exchange rates		(6,609)		(378)		(494)		(7,481)
Balance, June 30, 2025	\$	250,812	\$	11,267	\$	11,189	\$	273,268

<b>Accumulated depreciation</b>		Directional drilling equipment		Shop and automotive equipment		Other		Total
Balance, December 31, 2024	\$	116,266	\$	5,818	\$	2,252	\$	124,336
Depreciation		11,784		670		897		13,351
Disposals and write-offs		(1,929)		(397)		(17)		(2,343)
Effects of movements in exchange rates		(1,618)		(152)		(104)		(1,874)
Balance, June 30, 2025	\$	124,503	\$	5,939	\$	3,028	\$	133,470

<b>Net book values</b>		Directional drilling equipment		Shop and automotive equipment		Other		Total
Balance, December 31, 2024	\$	115,928	\$	5,387	\$	7,928	\$	129,243
Balance, June 30, 2025	\$	126,309	\$	5,328	\$	8,161	\$	139,798

During the three and six months ended June 30, 2025, the Company recognized a write-off of property, plant and equipment of \$1.2 million and \$1.4 million (2024 - \$0.6 million and \$2.2 million), respectively, related to equipment lost-in-hole and damaged beyond repair, and a gain on disposal of property, plant and equipment of \$0.2 million and \$0.3 million (2024 - nil), respectively.

As at June 30, 2025, property, plant and equipment included \$14.3 million (December 31, 2024 - \$12.3 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.

## 4. INTANGIBLE ASSETS AND GOODWILL

### Intangible assets

<b>Cost</b>		Customer Relationships		Brand Name		Non- Compete Agreements		Technology Licenses		Developed Technology		Total
Balance, December 31, 2024	\$	31,397	\$	7,798	\$	1,034	\$	23,172	\$	38,759	\$	102,160
Additions		—		—		—		—		346		346
Effects of movements in exchange rates		(1,628)		(404)		(54)		(1,201)		(1,712)		(4,999)
Balance, June 30, 2025	\$	29,769	\$	7,394	\$	980	\$	21,971	\$	37,393	\$	97,507

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Accumulated amortization		Customer Relationships		Brand Name	Non-Compete Agreements		RSS Licenses		Developed Technology		Total	
Balance, December 31, 2024	\$	11,860	\$	1,317	\$	464	\$	3,862	\$	7,305	\$	24,808
Amortization		2,619		273		100		1,419		1,067		5,478
Effects of movements in exchange rates		(700)		(77)		(27)		(246)		(172)		(1,222)
Balance, June 30, 2025	\$	13,779	\$	1,513	\$	537	\$	5,035	\$	8,200	\$	29,064

Net book values	Customer Relationships		Brand Name	Non-Compete Agreements	RSS Licenses	Developed Technology	Total					
Balance, December 31, 2024	\$	19,537	\$	6,481	\$	19,310	\$	31,454	\$	77,352		
Balance, June 30, 2025	\$	15,990	\$	5,881	\$	443	\$	16,936	\$	29,193	\$	68,443
Remaining amortization in years		3.2		11.1		2.3		6.1		14.2		6.5

## Goodwill

The Company has goodwill related to acquisitions. The goodwill carrying value fluctuates due to the effects of movements in exchange rates. The goodwill carrying value was \$41.2 million as at June 30, 2025 and \$43.4 million as at December 31, 2024.

## 5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### Right-of-use assets

Balance, December 31, 2024	\$	15,359
Additions		2,731
Amortization		(1,519)
Effects of movements in exchange rates		(639)
Balance, June 30, 2025	\$	15,932

### Lease liabilities

Balance, December 31, 2024	\$	20,161
Additions		2,731
Interest		541
Payments		(2,549)
Effects of movements in exchange rates		(819)
Balance, June 30, 2025	\$	20,065
Less: current portion		(3,930)
Lease liabilities, long-term	\$	16,135

The Company holds leases related to certain operations and office facilities. The leases have various expiry dates ranging from November 2025 to June 2035.

During the six months ended June 30, 2025, the Company amended its existing lease agreement for an office facility located in the Woodlands, Texas. The amendment included updated lease payments and extended the lease term from November 2029 to June 2035.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. LOANS AND BORROWINGS

	June 30, 2025	December 31, 2024
Balance,		
Syndicated Revolving Facility, net of unamortized upfront financing fees	\$ 61,488	\$ —
Syndicated Operating Facility	—	5,000
CAD Syndicated Term Facility, net of unamortized upfront financing fees	—	36,785
USD Syndicated Term Facility, net of unamortized upfront financing fees	—	21,029
HASCAP loan	657	713
Total loans and borrowings	\$ 62,145	\$ 63,527
Less: HASCAP loan, current	(657)	(713)
Less: CAD Syndicated Term Facility, current	—	(14,714)
Less: USD Syndicated Term Facility, current	—	(6,008)
Loans and borrowings, current	\$ (657)	\$ (21,435)
Loans and borrowings, long-term	\$ 61,488	\$ 42,092

### Syndicated Credit Facility and Revolving Operating Facilities

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

- A revolving facility with an approximate principal amount of \$124.3 million comprised of: i) \$100.0 million Syndicated Revolving Facility ("CAD Syndicated Revolving Facility") and ii) \$10.0 million revolving facility provided by ATB Financial ("ATB Revolving Facility"), and iii) USD \$10.0 million (approximately CAD \$14.3 million equivalent) provided by HSBC Bank USA, N.A. ("HSBC Revolving Facility"). The revolving facility replaced the Company's existing facilities (CAD Syndicated Term Facility of \$59.0 million, USD Syndicated Term Facility of USD \$21.0 million, Syndicated Operating Facility of \$35.0 million, Revolving Operating Facility of \$15.0 million and USD Revolving Operating Facility of \$10.0 million). As such, the contractual repayments of the CAD Syndicated Term Facility and USD Syndicated Term Facility are no longer required;
- A lower amended interest rate updated to the financial institution's prime rate plus 1.0% to 1.75% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.0% to 2.75% (previously prime rate plus 1.5% to 2.25% or Canadian Overnight Repo Rate Average rate / Secured Overnight Financing Rate plus 2.5% to 3.25%);
- The maturity date extended from July 11, 2026 to March 21, 2028;
- Replaced the financial covenant of Consolidated Fixed Charge Coverage ratio (previously required to be no less than 1.25:1) with a Consolidated Interest Coverage Ratio, which is required to be no less than 3.0:1. The Consolidated Funded Debt to Consolidated Credit Agreement EBITDA ratio remained unchanged and shall not exceed 2.5:1; and
- The syndicate of lenders remained unchanged with the exception of Royal Bank of Canada joining ATB Financial as the syndicate co-lead.

As at June 30, 2025, \$62.2 million of the \$123.6 million Revolving Facility remained undrawn. Subsequent to June 30, 2025, the Company repaid \$6.6 million of its CAD Syndicated Revolving Facility.

As at June 30, 2025, 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 Interest Coverage ratio shall not be less than 3.0:1.

## 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, 2024	34,425	\$ 195,516
Repurchased pursuant to normal course issuer bid	(1,111)	(6,021)
Accrued purchases under the normal course issuer bid	—	1,854
Issued pursuant to stock option exercises	545	2,291
Contributed surplus on stock option exercises	—	1,483
Balance, June 30, 2025	33,859	\$ 195,123

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Normal course issuer bid

During the six months ended June 30, 2025, 1,110,858 (2024 - 353,100) common shares were purchased under the normal course issuer bid ("NCIB") for a total purchase amount of \$6.3 million (2024 - \$2.1 million) at an average price of \$5.69 (2024 - \$5.89) per common share. A portion of the purchase amount reduced share capital by \$6.0 million (2024 - \$2.0 million) and the residual purchase amount of \$0.3 million (2024 - \$0.1 million) was recorded to the surplus.

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. There was no active plan in place as at June 30, 2025.

On August 7, 2025, 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, 2025 is as follows:

	Number (000's) (Restated)	Weighted average exercise price (Restated)
Balance, December 31, 2024	2,910	\$ 5.71
Granted	478	\$ 4.72
Exercised	(545)	\$ 4.20
Expired or forfeited	(65)	\$ 5.62
Balance, June 30, 2025	2,778	\$ 5.84
Exercisable, June 30, 2025	1,209	\$ 5.97

During the six months ended June 30, 2025, the Company granted 477,767 stock options to certain employees and directors at an exercise price of \$4.72 per stock option. The stock options are set to expire on April 7, 2028. The stock options vest in 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 stock options outstanding as at June 30, 2025 is as follows:

Exercise price range (Restated)	Outstanding			Exercisable		
	Number of units (000's) (Restated)	Weighted average remaining life (Years)	Weighted average exercise price (Restated)	Number of units (000's) (Restated)	Weighted average remaining life (Years)	Weighted average exercise price (Restated)
\$4.20 to \$6.09	1,753	1.30	\$ 5.51	1,045	0.66	\$ 5.77
\$6.24 to \$8.26	1,025	1.93	\$ 6.40	164	0.69	\$ 7.24
Total	2,778	1.53	\$ 5.84	1,209	0.66	\$ 5.97

## Restricted shares

A summary of the Company's restricted shares during the six months ended June 30, 2025 is as follows:

	Number (000's)
Balance, December 31, 2024	—
Granted	2,092
Balance, June 30, 2025	2,092

During the six months ended June 30, 2025, the Company granted 2,091,675 restricted shares to certain employees and directors. The restricted shares will vest in one-third tranches six months, eighteen months and thirty months from the grant date, respectively. The restricted shares are expected to be settled in cash. As at June 30, 2025, the Company has recognized \$0.4 million liability and stock-based compensation expense related to the restricted shares amortized in the period, which were valued at the Company's common share price at the period end date. The restricted shares will be revalued each reporting period based on the period end common share price.



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## 8. NET (LOSS) INCOME PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Net (loss) income	\$ (9,959)	\$ 5,259	\$ (2,711)	\$ 16,840
<i>(Restated) (000's)</i>				
Outstanding common shares, beginning of the period	33,730	34,248	34,424	34,522
Effect of purchased common shares	(164)	—	(596)	(188)
Effect of common shares issued	60	191	64	240
Weighted average common shares (basic)	33,626	34,439	33,892	34,574
Effect of outstanding stock options	—	452	—	405
Effect of outstanding EP Notes	—	3,511	—	3,511
Weighted average common shares (diluted)	33,626	38,402	33,892	38,490
Net (loss) income per share - basic (restated - note 7)	\$ (0.30)	\$ 0.15	\$ (0.08)	\$ 0.49
Net (loss) income per share - diluted (restated - note 7)	\$ (0.30)	\$ 0.14	\$ (0.08)	\$ 0.44

During the three and six months ended June 30, 2025, the dilutive impact of stock options and EP Notes on common shares is excluded from the calculation of net loss per share, as their effect is anti-dilutive. During the three and six months ended June 30, 2024, 321,429 stock options were anti-dilutive.

## 9. DEFERRED TAXES

The remaining amount of unrecognized Canadian and U.S. tax pools as at June 30, 2025 are estimated to be \$36.9 million and \$9.1 million, respectively. In determining the amount of current and deferred income tax expense, including recognition of previously unrecognized tax pools, the Company relies on estimates and assumptions which involve judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

## 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 gain (loss) and acquisition and reorganization costs.

	Three months ended June 30, 2025				Three months ended June 30, 2024			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Revenues	\$ 82,068	\$ 29,942	\$ —	\$ 112,010	\$ 99,069	\$ 31,228	\$ —	\$ 130,297
Depreciation and amortization - cost of sales	\$ (4,924)	\$ (2,524)	\$ —	\$ (7,448)	\$ (3,110)	\$ (3,070)	\$ —	\$ (6,180)
Cost of sales <sup>(1)</sup>	\$ (63,000)	\$ (24,136)	\$ —	\$ (87,136)	\$ (78,194)	\$ (24,919)	\$ —	\$ (103,113)
Depreciation and amortization - selling, general and administrative expenses	\$ (2,611)	\$ (119)	\$ —	\$ (2,730)	\$ (2,343)	\$ (119)	\$ —	\$ (2,462)
Selling, general and administrative expenses <sup>(1)</sup>	\$ (2,566)	\$ (7,212)	\$ (8,857)	\$ (18,635)	\$ (8,828)	\$ (2,570)	\$ (6,591)	\$ (17,989)
Finance costs - loans and borrowings and EP notes	\$ (650)	\$ (634)	\$ —	\$ (1,284)	\$ (583)	\$ (1,836)	\$ —	\$ (2,419)
Income (loss) before income taxes	\$ 712	\$ 2,832	\$ (12,519)	\$ (8,975)	\$ 7,714	\$ 3,899	\$ (5,206)	\$ 6,407

<sup>(1)</sup> Inclusive of direct costs, depreciation and amortization, and share-based compensation.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Six months ended June 30, 2025				Six months ended June 30, 2024			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Revenues	\$ 163,684	\$ 83,683	\$ —	\$ 247,367	\$ 205,631	\$ 89,622	\$ —	\$ 295,253
Depreciation and amortization - cost of sales	\$ (9,847)	\$ (4,949)	\$ —	\$ (14,796)	\$ (6,018)	\$ (11,797)	\$ —	\$ (17,815)
Cost of sales <sup>(1)</sup>	\$ (130,066)	\$ (62,422)	\$ —	\$ (192,488)	\$ (162,411)	\$ (70,160)	\$ —	\$ (232,571)
Depreciation and amortization - selling, general and administrative expenses	\$ (5,318)	\$ (238)	\$ —	\$ (5,556)	\$ (4,570)	\$ (239)	\$ —	\$ (4,809)
Selling, general and administrative expenses <sup>(1)</sup>	\$ (12,015)	\$ (14,067)	\$ (12,353)	\$ (38,435)	\$ (20,401)	\$ (6,252)	\$ (10,639)	\$ (37,292)
Finance costs - loans and borrowings and EP notes	\$ (1,211)	\$ (2,308)	\$ —	\$ (3,519)	\$ (1,149)	\$ (3,735)	\$ —	\$ (4,884)
Income (loss) before income taxes	\$ 116	\$ 16,103	\$ (19,141)	\$ (2,922)	\$ 16,455	\$ 13,540	\$ (10,342)	\$ 19,653

<sup>(1)</sup> Inclusive of direct costs, depreciation and amortization, and share-based compensation.

	As at June 30, 2025				As at December 31, 2024			
	U.S.	Canada	Corporate services	Total	U.S.	Canada	Corporate services	Total
Total liabilities	\$ 137,485	\$ 83,886	\$ —	\$ 221,371	\$ 135,037	\$ 96,264	\$ —	\$ 231,301
Total assets	\$ 219,627	\$ 235,863	\$ —	\$ 455,490	\$ 353,367	\$ 119,514	\$ —	\$ 472,881
Property, plant and equipment	\$ 102,883	\$ 36,320	\$ 595	\$ 139,798	\$ 83,376	\$ 45,227	\$ 640	\$ 129,243

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, 2025, the Company's commitment to capital is approximately \$7.8 million (December 31, 2024 - \$11.9 million), which is expected to be incurred over the next six months.

The Company holds six letters of credit totaling \$1.7 million (December 31, 2024 - \$1.8 million) related to rent payments, corporate credit cards and a utilities deposit.

### Provision

During the three and six months ended June 30, 2025, the Company received additional information related to a historical sales and use tax audit period. As a result, the Company has recognized an additional provision of \$4.8 million. As at June 30, 2025, the Company has accrued a total provision of \$12.0 million related to the post-closing period related to the July 14, 2022 acquisition of Altitude.

In relation to a pre-closing sales tax issue related to the July 14, 2022 acquisition of Altitude, as a result of a preliminary assessment, the Company has recognized a provision of \$14.7 million in Trade and other payables. Pursuant to the Equity Purchase Agreement related to the Altitude acquisition, the sellers provided the Company with an indemnity related to pre-closing tax issues, including the sales tax issue noted. Accordingly, the Company has recognized an offsetting indemnity receivable of \$14.7 million in Other receivable. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of this provision.

The Company is also involved in various other legal claims and tax audits 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.

### Tariffs

In 2025, the U.S. government implemented additional tariffs on goods imported from Canada, Mexico and China; however, it appears that the possibility of high tariffs has receded with the recent U.S. announcement of framework agreements with certain nations such as Japan and the European Union and ongoing discussions with others, including Canada. At this time, the Company is unable to determine the duration and impact of tariffs affecting the movement of goods across North American borders and is actively evaluating the potential business impacts of these tariffs.

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## **12. SUBSEQUENT EVENT**

On August 7, 2025, the Company received approval from the TSX to purchase up to 2,034,285 common shares of the Company, or 10% of the 20,342,855 issued and outstanding common shares of the Company under the NCIB. The ability to purchase common shares under the NCIB commenced on August 11, 2025, and will terminate no later than August 10, 2026. 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.