



MANAGEMENT'S DISCUSSION AND ANALYSIS



For the three and nine months ended September 30, 2023

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") has been prepared by management as of November 2, 2023, and is a review of the financial condition and results of operations of Pason Systems Inc. ("Pason" or the "Company") based on International Financial Reporting Standards ("IFRS") and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements and related notes for the three and nine months ended September 30, 2023, the Consolidated Financial Statements for the twelve months ended December 31, 2022 and 2021, accompanying notes, and Pason's Annual Information Form dated March 15, 2023.

The Company uses certain non-GAAP measures to provide readers with additional information regarding the Company's operating performance, ability to generate funds to finance its operations, fund its research and development, capital expenditure program, and pay dividends. These non-GAAP measures are defined under Non-GAAP Financial Measures.

Certain information regarding the Company contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements. For further information, please refer to Forward Looking Information.

All financial measures presented in this report are expressed in Canadian dollars unless otherwise indicated.

Company Profile

Pason is a leading global provider of specialized data management systems for oil and gas drilling. Pason's solutions, which include data acquisition, wellsite reporting, automation, remote communications, web-based information management, and data analytics enable collaboration between the drilling rig and the office. Pason services major oil and gas basins with a local presence in the following countries: United States, Canada, Argentina, Australia, Brazil, Colombia, Dubai, Ecuador, Mexico, Peru and Saudi Arabia. The Company has an over 40-year track record of distinctive technology and service capabilities offering end-to-end data management solutions enabling secure access to critical drilling operations information and decision making in real time.

Through Pason's subsidiary, Energy Toolbase ("ETB"), the Company also provides products and services for the solar power and energy storage industry. ETB's solutions enable project developers to model, control, and monitor economics and performance of solar energy and storage projects.

For a complete description of services provided by the Company, please refer to the headings 'General Development of the Business' and 'General Description of Business' in Pason's Annual Information Form dated March 15, 2023.

Highlights

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue	93,094	92,502	1	276,014	240,578	15
Adjusted EBITDA ⁽¹⁾	42,281	46,231	(9)	132,578	110,566	20
As a % of revenue	45.4	50.0	(460) bps	48.0	46.0	200 bps
Funds flow from operations	40,233	35,968	12	117,017	88,914	32
Per share – basic	0.50	0.44	15	1.45	1.08	34
Per share – diluted	0.50	0.43	16	1.45	1.07	35
Cash from operating activities	31,698	30,743	3	107,621	84,472	27
Net capital expenditures ⁽²⁾	6,682	6,696	nmf	29,907	17,708	69
Free cash flow ⁽¹⁾	25,016	24,047	4	77,714	66,764	16
Cash dividends declared (per share)	0.12	0.08	50	0.36	0.24	50
Net income	27,399	33,739	(19)	87,815	69,732	26
Net income attributable to Pason	27,732	34,246	(19)	89,044	71,359	25
Per share – basic	0.35	0.42	(17)	1.10	0.87	27
Per share – diluted	0.35	0.41	(17)	1.10	0.86	27

(1) Non-GAAP financial measures are defined under Non-GAAP Financial Measures.

(2) Includes additions to property, plant, and equipment and development costs, net of proceeds on disposal from Pason's Condensed Consolidated Interim Statement of Cash Flows.

As at	September 30, 2023	December 31, 2022	Change
(CDN 000s)	(\$)	(\$)	(%)
Cash and cash equivalents	138,359	132,057	5
Short-term investments	40,035	40,377	(1)
Total Cash ⁽¹⁾	178,394	172,434	3
Working capital	221,310	213,899	3
Total interest bearing debt	—	—	—
Shares outstanding end of period (#)	79,766,501	81,526,954	(2)

(1) Total Cash is defined as total cash and cash equivalents and short-term investments from Pason's Condensed Consolidated Interim Balance Sheets.

Pason's financial results for the three and nine months ended September 30, 2023 reflect the Company's strong competitive positioning, prudent balance sheet, and continued ability to outpace underlying industry activity.

Pason generated \$93.1 million of revenue during the three months ended September 30, 2023, a 1% increase from the three months ended September 30, 2022. While industry activity levels in North America, the Company's largest end market, decreased by 14% year over year, the Company was able to grow Revenue per Industry Day by 12% in that same period, posting a new record quarterly level. In addition, the Company's Solar Energy & Storage business unit generated its highest level of quarterly revenue to date, with \$5.6 million recognized in the third quarter of 2023, a 293% increase from the \$1.4 million generated in the third quarter of 2022. With this revenue, Pason generated \$42.3 million in Adjusted EBITDA, or 45.4% of revenue in the third quarter of 2023, compared to \$46.2 million in the third quarter of 2022, or 50.0% of revenue. A comparison of Adjusted EBITDA margin year over year reflects the Company's mostly fixed cost base for its drilling related business units, which is currently sized for higher levels of activity than seen in the third quarter of 2023.

Similarly, the Company recorded net income attributable to Pason of \$27.7 million (\$0.35 per share) in the third quarter of 2023, compared to net income attributable to Pason of \$34.2 million (\$0.42 per share) recorded in the corresponding period in 2022. The year over year decline is driven by the lower level of Adjusted EBITDA seen in the third quarter of 2023 as described above, along with higher levels of depreciation expense with increased capital expenditures in recent quarters, and higher stock based

compensation expense as a result of current quarter share price changes on the Company's cash settled stock based compensation plans.

Pason's balance sheet remains strong, with no interest bearing debt and \$178.4 million in Total Cash as at September 30, 2023, compared to \$172.4 million at December 31, 2022. During the third quarter of 2023, Pason generated \$31.7 million in cash from operating activities and \$25.0 million in Free Cash Flow, both representing slight increases from the levels generated in the 2022 comparative period while the Company continued to make required investments in working capital and capital expenditures.

In the third quarter of 2023, Pason returned \$15.6 million to shareholders through the Company's quarterly dividend of \$9.6 million and \$6.0 million in share repurchases. Also in the third quarter of 2023, the Company approved and funded \$5.0 million of the available preferred share subscriptions for its non-controlling investment in Intelligent Wellhead Systems Inc. ("IWS"). Subsequent to September 30, 2023, the Company approved the final \$5.0 million of the remaining available preferred share subscriptions.

President's Message

Pason's third quarter 2023 financial and operational results again demonstrated the company's ability to outpace underlying drilling industry activity. Consolidated revenue in the quarter increased modestly from the same period in 2022, while North American land drilling activity decreased by 14%. Growing customer demand for data to be used in their automation and analytics efforts continue to support Pason's dominant market share position and drive increases in Revenue per Industry Day.

Consolidated revenue totaled \$93.1 million in the third quarter. Our North American business unit generated Revenue per Industry Day of \$975, a 12% increase from the third quarter of 2022, driven by higher product adoption and improved price realization. Our International business unit also posted strong results in the quarter, with revenue up 14% before the impacts of hyperinflationary accounting related to our Argentinian operations. The majority of our operating costs are fixed in nature and reflect the investments we continue to make in our field service, support functions and technology development with a view toward expected medium-term activity levels.

Energy Toolbase, which participates in the solar and energy storage markets, had an excellent quarter with revenue of \$5.6 million, compared to \$1.4 million the same period in 2022, primarily as a result of increased number of control system deliveries in the quarter. We continue to see strong growth in our pipeline of control systems opportunities, though the timing of bookings and deliveries can fluctuate meaningfully between quarters.

Net capital expenditures of \$6.7 million and free cash flow of \$25.0 million in the third quarter were both similar to the third quarter of 2022. Net income attributable to Pason decreased 19% year-over-year to \$27.7 million, reflecting higher depreciation and amortization expense as a result of higher levels of capital expenditures in recent quarters.

For the nine-month period ended September 30, consolidated revenue of \$276.0 million represented a 15% year-over-year increase, while North American land drilling activity was unchanged over the same period. Adjusted EBITDA of \$132.6 million was up 20% year-over-year, while free cash flow of \$77.7 million and net income attributable to Pason of \$89.0 million represented 16% and 25% increases, respectively.

We allocate capital in three important areas: (1) supporting and strengthening our core, drilling-related business; (2) investing in growth opportunities beyond the core; and (3) returning capital to shareholders.

In the first nine months of 2023, net capital expenditures were \$30.0 million; our expectation of full year capital expenditures of approximately \$45 million in 2023 is unchanged and we expect our 2024 capital program will be at a similar level. During the third quarter, we funded an additional \$5 million of growth capital for Intelligent Wellhead Systems under our previously announced preferred share financing

agreement, with the final \$5 million tranche funded subsequent to the end of the quarter. In the nine month period ended September 30, we returned \$51.9 million to shareholders, with \$29.0 million paid in dividends and \$22.9 million in share repurchases.

Our balance sheet allows us to withstand slowdowns in industry activity while making growth-related investments. As at September 30, 2023, we had cash and short-term investments of \$178.4 million and positive working capital of \$221.3 million.

We expect North American land rig counts to plateau near current levels in the near term before beginning to steadily increase. Oil prices have held above US\$80 per barrel as supply measures and geopolitical tensions come into greater focus. With production, crude oil and product inventories and the inventory of drilled but uncompleted wells ("DUCs") all below pre-pandemic levels, any efforts to increase supply will require additional drilling activity.

Pason remains well equipped to deliver exceptional operational and financial results, and to capitalize on increasing levels of drilling activity.

A handwritten signature in black ink, appearing to read 'Jon Faber', written in a cursive style.

Jon Faber
President and Chief Executive Officer
November 2, 2023

Discussion of Operations

Overall Performance

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Drilling Data	48,762	49,814	(2)	149,622	129,444	16
Mud Management and Safety	25,332	25,805	(2)	76,455	66,677	15
Communications	4,479	5,644	(21)	13,294	14,083	(6)
Drilling Intelligence	6,106	6,791	(10)	17,343	17,253	1
Analytics and Other	8,415	4,448	89	19,300	13,121	47
Total revenue	93,094	92,502	1	276,014	240,578	15
Operating expenses						
Rental services	31,830	29,135	9	90,418	80,582	12
Local administration	3,485	3,215	8	10,306	9,240	12
Depreciation and amortization	6,988	4,433	58	19,419	15,443	26
	42,303	36,783	15	120,143	105,265	14
Gross profit	50,791	55,719	(9)	155,871	135,313	15
Other expenses						
Research and development	10,368	9,879	5	30,855	28,017	10
Corporate services	4,109	3,911	5	12,289	11,350	8
Stock-based compensation expense	5,082	2,032	150	6,986	10,101	(31)
Other income	(3,523)	(5,324)	(34)	(9,710)	(7,887)	23
	16,036	10,498	53	40,420	41,581	(3)
Income before income taxes	34,755	45,221	(23)	115,451	93,732	23
Income tax provision	7,356	11,482	(36)	27,636	24,000	15
Net income	27,399	33,739	(19)	87,815	69,732	26
Adjusted EBITDA ⁽¹⁾	42,281	46,231	(9)	132,578	110,566	20

(1) Non-GAAP financial measures are defined under Non-GAAP Financial Measures

The Company reports on three strategic business units: The North American (Canada and the United States) and International (Latin America, including Mexico, Offshore, the Eastern Hemisphere, and the Middle East) business units, all of which offer technology services to the oil and gas industry, and the Solar and Energy Storage business unit, which provides technology services to solar and energy storage developers.

North American Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Drilling Data	39,646	40,418	(2)	122,427	106,104	15
Mud Management and Safety	21,930	22,467	(2)	66,401	58,412	14
Communications	3,679	4,776	(23)	10,876	12,234	(11)
Drilling Intelligence	5,674	6,265	(9)	16,090	16,067	—
Analytics and Other	1,234	1,319	(6)	3,462	4,065	(15)
Total revenue	72,163	75,245	(4)	219,256	196,882	11
Rental services and local administration	22,866	22,422	2	68,718	63,240	9
Depreciation and amortization	6,380	3,867	65	17,257	13,717	26
Segment gross profit	42,917	48,956	(12)	133,281	119,925	11
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue per Industry Day	975	871	12	935	837	12

Industry activity in North America declined by 14% compared to the prior year comparative period, primarily driven by a decline in US rig counts. Despite this, Pason's Revenue per Industry Day in the third quarter of 2023 of \$975 was a new quarterly record for the Company and a 12% increase from the comparative 2022 period. Revenue per Industry Day in the current quarter continues to represent strong product adoption and improved pricing for the Company's products and technologies. As a result, improvements in Revenue per Industry Day largely offset the decline in industry activity, and revenue only fell by 4% year over year, from \$75.2 million in the third quarter of 2022 to \$72.2 million in the third quarter of 2023. Total revenue and Revenue per Industry Day for the North American business unit also benefited from a stronger US dollar in the current quarter, in comparison to the prior year comparative period.

As certain regions within the North American segment experience fluctuations in activity levels due to seasonality, Pason expects Revenue per Industry Day and revenue categories to fluctuate with the relative revenue levels associated within the North American regions.

Rental services and local administration increased 2% in the third quarter of 2023 over the 2022 comparative period. The increase in operating costs is primarily attributable to inflationary effects on the Company's fixed cost base, which was put in place to service higher levels of activity seen throughout the second half of 2022 and beginning of 2023. This primarily includes costs associated with the Company's field service presence throughout North America, as well as support functions.

Depreciation and amortization increased by 65% in the third quarter of 2023 over the 2022 comparative period. The increase is primarily due to higher capital expenditures in recent quarters.

Segment gross profit was \$42.9 million during the third quarter of 2023 compared to \$49.0 million in the comparative period of 2022, with lower levels of revenue in the current quarter over the business unit's mostly fixed cost base, which is in place to support higher levels of activity than seen in the third quarter of 2023.

On a year to date basis, revenue of \$219.3 million and segment gross profit of \$133.3 million represent improvements from the prior year's comparative results driven by strong operating leverage with a 12% increase in Revenue per Industry Day, and the higher activity levels seen in the first quarter of 2023.

International Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Drilling Data	9,116	9,396	(3)	27,195	23,340	17
Mud Management and Safety	3,402	3,338	2	10,054	8,265	22
Communications	800	868	(8)	2,418	1,849	31
Drilling Intelligence	432	526	(18)	1,253	1,186	6
Analytics and Other	1,563	1,701	(8)	4,963	4,191	18
Total revenue	15,313	15,829	(3)	45,883	38,831	18
Rental services and local administration	7,450	7,497	(1)	21,542	19,404	11
Depreciation and amortization	603	561	7	2,147	1,711	25
Segment gross profit	7,260	7,771	(7)	22,194	17,716	25

The International business unit generated \$15.3 million of revenue in the third quarter of 2023 compared to \$15.8 million in the comparative period of 2022. The year over year decrease is primarily due to the impacts of hyperinflationary accounting on the Company's Argentinian operations. Excluding this adjustment, the International business unit would have generated \$15.6 million of revenue in the current quarter, resulting in a year over year increase of 14% compared to \$13.7 million in the third quarter of 2022. This year over year increase reflects higher levels of activity in the Company's international end markets, along with improved product adoption and a more favorable pricing environment.

Rental services and local administration expenses remained flat at \$7.5 million in the third quarter of 2023 and 2022. Depreciation and amortization increased by 7% in the third quarter of 2023 over the 2022 comparative period with higher levels of capital expenditures in recent quarters.

For the three months ended September 30, 2023, resulting segment gross profit was \$7.3 million compared to \$7.8 million in the 2022 comparative period due to the factors outlined above.

Year-to-date, revenue of \$45.9 million and segment gross profit of \$22.2 million represent significant improvements from the prior year comparative results and reflects the growing activity environment seen in 2023 coupled with strong operating leverage.

Solar and Energy Storage Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Analytics and Other	5,618	1,428	293	10,875	4,865	124
Total revenue	5,618	1,428	293	10,875	4,865	124
Operating expenses and local administration⁽¹⁾	4,999	2,431	106	10,464	7,178	46
Depreciation and amortization	5	5	—	15	15	—
Segment gross profit (loss)	614	(1,008)	nmf	396	(2,328)	nmf

(1) Included in rental services and local administration in the Condensed Consolidated Interim Statements of Operations.

The Solar and Energy Storage business unit generated \$5.6 million in revenue, a new quarterly record and a significant increase from the comparative period in 2022 driven primarily by increased control system sales. Quarterly revenue for the Solar and Energy Storage business unit will fluctuate with the timing of control system project deliveries.

Operating expenses and local administration were \$5.0 million during the third quarter of 2023, a 106% increase from \$2.4 million during the comparable 2022 period. The increase is primarily due to hardware costs associated with the increased control system sales in the current quarter. Segment gross profit was \$0.6 million for the third quarter of 2023 compared to a segment gross loss of \$1.0 million in the comparable period in 2022.

Year to date, revenue generated by the segment totaled \$10.9 million, a significant increase over the comparative period of 2022. Segment gross profit for the nine months ended September 30, 2023 was \$0.4 million compared to a segment loss of \$2.3 million in the 2022 comparative period. Both year to date metrics benefited from the business unit's record third quarter result.

The Solar and Energy Storage business unit incurred the following research and development costs, which are included in research and development in the Company's Condensed Consolidated Interim Statement of Operations. Consistent with the Company's other reporting segments, research and development costs are excluded from the segment gross profit (loss) table above.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Research and development	1,178	1,333	(12)	3,608	3,953	(9)

Corporate Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Research and development	10,368	9,879	5	30,855	28,017	10
Corporate services	4,109	3,911	5	12,289	11,350	8
Stock-based compensation	5,082	2,032	150	6,986	10,101	(31)
Total corporate expenses	19,559	15,822	24	50,130	49,468	1

Third quarter 2023 research and development and corporate service expenses both increased 5% from the comparative period in 2022. Throughout 2022 and continuing into 2023, Pason has made additional investments in research and development, further improving the Company's ability to support an increased level of activity as well as product enhancements. Further, the year over year increases in research and development and corporate services expenses include inflationary effects on the Company's compensation levels.

The change in stock-based compensation expense is attributable to the change in the Company's share price performance and ongoing vesting of outstanding awards.

Other Income

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Foreign exchange loss (gain)	681	(3,332)	nmf	2,511	(3,983)	nmf
Net interest income	(3,858)	(1,027)	276	(9,312)	(2,258)	312
Net monetary gain	(1,477)	(1,380)	7	(2,832)	(1,313)	116
Equity investment loss (income)	1,021	131	679	(432)	823	nmf
Other expenses (income)	110	284	(61)	355	(1,156)	nmf
Total other income	(3,523)	(5,324)	(34)	(9,710)	(7,887)	23

Net interest income is primarily comprised of interest generated from the Company's invested Total Cash and will fluctuate as available yields fluctuate. The increase year over year is a reflection of the higher levels of cash invested and the increased interest rate environment.

Equity investment loss (income) results from the Company using the equity method of accounting to account for its investments in Intelligent Wellhead Systems Inc. ("IWS") and the Pason Rawabi joint venture and reflects the current period change in the value of the Company's equity investments.

Net monetary (gain) included in other income results from applying hyperinflation accounting to the Company's Argentinian subsidiary.

Income Tax Provision

During the third quarter of 2023, the Company recorded an income tax expense of \$7.4 million, compared to an income tax expense of \$11.5 million during the comparative period in 2022. The decrease is attributable to the year over year decrease in income before tax.

Investments

As at September 30, 2023, the Company holds \$59.2 million on its Condensed Consolidated Interim Balance Sheets relating to the carrying value of investments accounted for using the equity method (December 31, 2022: \$47.8 million). This balance is comprised of investments in Intelligent Wellhead Systems Inc. ("IWS") and a 50% interest in Rawabi Pason Company ("Rawabi JV"). IWS is a privately-owned oil and gas technology and service company that provides engineered controls, data acquisition and software to automate workflows and processes at live well operations in the completions segment of the oil and gas industry. Rawabi JV is a provider of specialized data management systems for drilling rigs in the Kingdom of Saudi Arabia.

The Company's initial investment in IWS was made in 2019, and consisted of total consideration of \$25.0 million, with initial cash consideration of \$10.0 million and \$15.0 million payable in three separate \$5.0 million put options, which were exercised throughout 2021 and 2022. The Company's initial investment also included a call option agreement, which gives the Company the option to purchase the shares held by other shareholders, exercisable at the Company's discretion. The call option is exercisable until October 2, 2025.

During the second quarter of 2021, the Company increased its investment in IWS and acquired a portion of outstanding common shares for total cash consideration of \$7.1 million. During the fourth quarter of 2022, Pason further increased its non-controlling investment in IWS and acquired a portion of outstanding common shares for total cash consideration of \$7.9 million. Also in the fourth quarter of 2022, the Company entered into a preferred share subscription agreement with IWS with an initial subscription of \$10.0 million, and up to \$15.0 million in additional subscriptions exercisable by IWS, but subject to the Company's approval. No additional voting rights were granted as part of this preferred share subscription.

In the second and third quarter of 2023, the Company approved and funded \$10.0 million of the \$15.0 million then available preferred share subscriptions. Subsequent to September 30, 2023, the Company approved the final \$5.0 million of the remaining available preferred share subscriptions.

Put Obligation

As at September 30, 2023, the Company holds a \$6.5 million obligation under put option on its Condensed Consolidated Interim Balance Sheets (December 31, 2022: \$6.5 million). The put obligation is a contractual obligation whereby the non-controlling shareholders of ETB have a put option to exercise for cash their 20% shareholdings of ETB starting in 2023 with reference to the fair value of ETB shares at the date the put option can be exercised. This put option gives rise to a financial liability and is calculated at each annual reporting period using a discounted cash flow model of the estimated future cash flows of the obligation.

Summary of Quarterly Results

Three Months Ended	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023
(000s, except per share data)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	57,705	62,833	74,468	73,608	92,502	94,420	98,229	84,691	93,094
EBITDA ⁽¹⁾	24,870	26,874	34,686	31,673	50,659	53,248	51,755	37,822	42,967
Adjusted EBITDA ⁽¹⁾	22,356	24,208	33,373	30,962	46,231	48,944	52,410	37,887	42,281
As a % of revenue	38.7	38.5	44.8	42.1	50.0	51.8	53.4	44.7	45.4
Funds flow from operations	19,983	19,353	25,704	27,242	35,968	45,971	43,673	33,111	40,233
Per share – basic	0.24	0.23	0.31	0.33	0.44	0.56	0.54	0.41	0.50
Per share – diluted	0.24	0.23	0.31	0.33	0.43	0.56	0.53	0.41	0.50
Cash from operating activities	17,074	27,061	28,050	25,679	30,743	19,942	46,265	29,658	31,698
Free cash flow ⁽¹⁾	16,261	23,990	23,582	19,135	24,047	3,709	34,710	17,988	25,016
Net income	12,775	10,279	18,001	17,992	33,739	35,994	35,454	24,962	27,399
Net income attributable to Pason	13,074	11,149	18,573	18,540	34,246	36,257	35,842	25,470	27,732
Per share – basic	0.16	0.14	0.23	0.23	0.42	0.44	0.44	0.32	0.35
Per share – diluted	0.16	0.14	0.23	0.22	0.41	0.44	0.44	0.32	0.35

(1) Non-GAAP financial measures are defined in Non-GAAP Financial Measures section.

Pason's quarterly financial results vary quarter to quarter due in part to the seasonality of the oil and gas industry in the North American business unit, which is somewhat offset by the less seasonal nature of the International and Solar and Energy Storage business units. The first quarter is generally the strongest quarter for the North American business unit due to strong activity in Canada, where location access is best during the winter. The second quarter is typically the slowest due to spring break-up in Canada, when many areas are not accessible due to ground conditions and, therefore, do not permit the movement of heavy equipment. Activity generally increases in the third quarter, depending on the year, as ground conditions have often improved and location access becomes available; however, a rainy summer can have a significant adverse effect on drilling activity. By the fourth quarter, access to most areas in Canada becomes available when the ground freezes. Consequently, the performance of the Company may not be comparable quarter to consecutive quarter, but should be considered on the basis of results for the whole year, or by comparing results in a quarter with results in the corresponding quarter for the previous year.

The overall seasonality of the Company's operations has, and will continue to become less pronounced as a result of market share growth internationally and in the US, along with increased diversification of operations with the Company's Solar and Energy Storage business units.

Q3 2023 vs Q2 2023

Pason generated consolidated revenue of \$93.1 million in the third quarter of 2023, a 10% increase compared to consolidated revenue of \$84.7 million in the second quarter of 2023.

Revenue in the North American business unit was \$72.2 million in the third quarter of 2023 compared to revenue of \$67.3 million in the second quarter of 2023. The increase in revenue was as a result of improvements in Revenue per Industry Day, which increased by 7% quarter over quarter, as North American drilling activity remained largely flat. The sequential increase in Revenue per Industry Day benefited from regional mix of drilling activity and higher levels of product adoption.

The International business unit reported revenue of \$15.3 million in the third quarter of 2023, a 2% increase compared to \$15.0 million in the second quarter of 2023. The Solar and Energy Storage business unit generated \$5.6 million of revenue in the third quarter of 2023 compared to revenue of \$2.4 million in the second quarter of 2023. The third quarter of 2023 represented a significant increase in revenue recognized on the delivery of control systems. Quarterly revenue for this business unit will fluctuate with timing of delivery on control system projects.

The Company's gross profit was \$50.8 million in the third quarter of 2023 compared to gross profit of \$46.1 million in the second quarter of 2023. Similarly, Adjusted EBITDA was \$42.3 million in the third quarter of 2023, a 12% increase from \$37.9 million in the second quarter of 2023. Sequential gross profit and Adjusted EBITDA increases reflect the Company's primarily fixed cost structure, and the record quarterly result from the Company's Solar and Energy Storage business unit.

As a result of the factors noted above, the Company recorded net income attributable to Pason in the third quarter of 2023 of \$27.7 million (\$0.35 per share) compared to net income attributable to Pason of \$25.5 million (\$0.32 per share) in the second quarter of 2023.

Cash from operating activities was \$31.7 million in the third quarter of 2023, compared to \$29.7 million in the second quarter of 2023, for which the increase is primarily driven by the improvement in Adjusted EBITDA sequentially, partially offset by investments made in working capital. Free Cash Flow generated by the Company in Q3 2023 was \$25.0 million, an increase from \$18.0 million in Q2 2023 driven by lower capital expenditure levels quarter over quarter.

Liquidity and Capital Resources

As at	September 30, 2023	December 31, 2022	Change
(000s)	(\$)	(\$)	(%)
Cash and cash equivalents	138,359	132,057	5
Short-term investments	40,035	40,377	(1)
Total Cash ⁽¹⁾	178,394	172,434	3
Working capital	221,310	213,899	3
Total assets	503,659	469,928	7
Total interest bearing debt	—	—	—

Pason's balance sheet remains strong with no interest bearing debt and as at September 30, 2023, \$178.4 million in Total Cash, and \$221.3 million in working capital.

The Company has an undrawn \$5.0 million demand revolving credit facility available as at September 30, 2023, consistent with December 31, 2022.

Cash Flow Statement Summary

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Funds flow from operations	40,233	35,968	12	117,017	88,914	32
Cash from operating activities	31,698	30,743	3	107,621	84,472	27
Cash used in financing activities	(16,091)	(12,029)	34	(53,422)	(27,823)	92
Cash used in investing activities	(11,682)	(6,696)	74	(40,347)	(17,708)	128
Net capital expenditures ⁽¹⁾	6,682	6,696	—	29,907	17,708	69
As a % of funds flow ⁽²⁾	16.6 %	18.6 %	(200) bps	25.6 %	19.9 %	570 bps

(1) Includes additions to property, plant, and equipment, proceeds on disposals, changes in non-cash working capital, and development costs from Pason's Condensed Consolidated Interim Statement of Cash Flows.

(2) Defined within Supplementary Financial Measures under Non-GAAP Financial Measures

Cash from operating activities

Funds flow from operations increased in the third quarter of 2023 from the comparative quarter in 2022 primarily due to lower current income tax expense as well as higher interest income earned on the Company's short-term investments, cash and cash equivalents. Cash generated from operating activities increased from \$30.7 million in the third quarter of 2022 to \$31.7 million in the third quarter of 2023. During the third quarter, the Company made required investments in working capital with a sequential increase in revenue levels and the renewal of the Company's annual insurance program.

Cash used in financing activities

Cash used in financing activities was \$16.1 million during the third quarter of 2023, compared to \$12.0 million during the comparative quarter of 2022, for which the increase reflects increased returns to shareholders.

Dividend

During the three month period ended September 30, 2023, the Company paid dividends to holders of common shares totaling \$9.6 million, or \$0.12 per share, compared to \$6.6 million, or \$0.08 per share in the comparative quarter of 2022.

On November 2, 2023, the Company declared a quarterly dividend of \$0.12 per share on the Company's common shares. The dividend will be paid on December 29, 2023, to shareholders of record at the close of business on December 15, 2023.

Normal Course Issuer Bid ("NCIB")

In 2022, the Company renewed its NCIB commencing on December 20, 2022, and expiring on December 19, 2023. Under the current NCIB, the Company may purchase for cancellation, as the Company considers advisable, up to a maximum of 8,105,236 common shares, which represents 10% of the applicable public float at the time of renewal.

The actual number of common shares that may be purchased for cancellation and the timing of any such purchases will be determined by the Company, subject to a maximum daily purchase limitation of 54,996 common shares. The Company may make one block purchase per calendar week which exceeds the daily purchase restriction.

For the three month period ended September 30, 2023, the Company repurchased 446,200 (Q3 2022 - 378,450) shares for cancellation for total cash consideration of \$6.0 million (Q3 2022 - \$5.1 million). The total consideration is allocated between share capital and retained earnings.

For the nine month period ended September 30, 2023, the Company repurchased 1,804,800 shares for cancellation for total cash consideration of \$22.9 million. For the nine month period ended September 2022, the Company repurchased 585,350 common shares for cancellation for total cash consideration of \$8.0 million. The total consideration is allocated between share capital and retained earnings.

Pason continues to assess overall capital allocation on an ongoing basis taking into account, among other considerations, the Company's financial position, operating results, and industry outlook. Pason will continue to balance the Company's commitment to shareholder returns while preserving financial strength to support long-term success.

Cash used in investing activities

During the third quarter of 2023, Pason used \$11.7 million for investing activities compared to \$6.7 million in the comparative period in 2022. Investing activities were comprised of \$6.7 million in net capital expenditures as well as a \$5.0 million preferred share subscription in the Company's non-controlling investment in IWS. Capital expenditures in the current quarter represent rental equipment replacements and additions, as well as investments associated with ongoing refresh of the Company's fleet and

technology platform. The Company's 2023 capital expenditure program continues to incorporate an element of catch up on prior year plans given the recent global supply chain challenges.

Contractual Obligations

As at September 30, 2023	Less than 1 year	1–3 years	Thereafter	Total
(000s)	(\$)	(\$)	(\$)	(\$)
Leases and other operating contracts	6,832	8,355	14,143	29,330
Capital commitments	20,789	—	—	20,789
Total contractual obligations	27,621	8,355	14,143	50,119

Leases and other operating contracts relate primarily to minimum future lease payments for facility leases, commitments associated with ongoing repair costs of the Company's equipment and technology, and commitments to purchase hardware associated with ETB's control system sales offering. A portion of these commitments have been recognized on the balance sheet as a leased asset with a corresponding liability, in accordance with IFRS 16, Leases.

During the first quarter of 2023, the Company extended the Canadian head office lease to 2032. This extension resulted in a \$7.7 million increase in the Company's right of use asset balance recorded within Property, Plant and Equipment as well as a corresponding increase in lease liability on the Company's Condensed Consolidated Interim Balance Sheets as at September 30, 2023.

Capital commitments relate to contracts to purchase property, plant and equipment in the normal course of business.

Disclosure of Outstanding Share and Options Data

As at September 30, 2023, there were 79,766,501 common shares and 2,542,744 options issued and outstanding. As at November 2, 2023, there were 79,548,101 common shares and 2,542,744 options issued and outstanding.

Impact of Hyperinflation

Due to various qualitative and quantitative factors, Argentina was designated a hyper-inflationary economy as of the second quarter of 2018 for accounting purposes. As such, the Company has applied accounting standards IAS 21, The Effects of Changes in Foreign Exchange, and IAS 29, Financial Reporting in Hyper-Inflationary Economies to its Condensed Consolidated Interim Financial Statements for its Argentinian operating subsidiary. The Company's Condensed Consolidated Interim Financial Statements are based on the historical cost approach in IAS 29.

The impact of applying IAS 21 to the operating results of the Argentina subsidiary for the three and nine months ended September 30, 2023, are detailed as follows:

Impact on IFRS Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
(Decrease) increase in revenue	(264)	2,126	(888)	2,255
Decrease (Increase) in rental services and local administration expenses	38	(1,035)	285	(1,111)
(Increase) in depreciation expense	(47)	(225)	(217)	(395)
(Decrease) increase in segment gross profit	(273)	866	(820)	749
Net monetary gain presented in other income	1,477	1,380	2,832	1,313
(Increase) in other income	(507)	(462)	(530)	(496)
Decrease (Increase) in income tax provision	215	(380)	376	(394)
Increase (Decrease) in net income	912	1,404	1,858	1,172

Impact on Non-GAAP Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(000s)	(\$)	(\$)	(\$)	(\$)
(Decrease) increase in revenue	(264)	2,126	(888)	2,255
Decrease (Increase) in rental services and local administration expenses	38	(1,035)	285	(1,111)
Net monetary gain presented in other income	1,477	1,380	2,832	1,313
(Increase) in other income	(507)	(462)	(530)	(496)
Increase in EBITDA	744	2,009	1,699	1,961
Elimination of net monetary gain presented in other expenses	(1,477)	(1,380)	(2,832)	(1,313)
Elimination of other income	507	462	530	496
Increase in Adjusted EBITDA	(226)	1,091	(603)	1,144

Additional IFRS Measures

In its Condensed Consolidated Interim Financial Statements, the Company uses certain additional IFRS measures. Management believes these measures provide useful supplemental information to readers.

Funds flow from operations

Management believes that funds flow from operations, as reported in the Condensed Consolidated Interim Statements of Cash Flows, is a useful additional measure as it represents the cash generated during the period, regardless of the timing of collection of receivables and payment of payables. Funds flow from operations represents the cash flow from continuing operations, excluding non-cash items. Funds flow from operations is defined as net income adjusted for depreciation and amortization expense, stock-based compensation expense, deferred taxes, and other non-cash items impacting operations.

Cash from operating activities

Cash from operating activities is defined as funds flow from operations adjusted for changes in working capital items.

Non-GAAP Financial Measures

A non-GAAP financial measure has the definition set out in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure".

The following non-GAAP measures may not be comparable to measures used by other companies. Management believes these non-GAAP measures provide readers with additional information regarding the Company's operating performance, and ability to generate funds to finance its operations, fund its research and development and capital expenditure program, and return capital to shareholders through dividends or share repurchases.

EBITDA and Adjusted EBITDA

EBITDA is defined as net income before interest income and expense, income taxes, stock-based compensation expense, and depreciation and amortization expense. Adjusted EBITDA is defined as EBITDA, adjusted for foreign exchange, impairment of property, plant, and equipment, restructuring costs, net monetary adjustments, government wage assistance, revaluation of put obligation, and other items, which the Company does not consider to be in the normal course of continuing operations.

Management believes that EBITDA and Adjusted EBITDA are useful supplemental measures as they provide an indication of the results generated by the Company's principal business activities prior to the consideration of how these results are taxed in multiple jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the Company's accounting policies for equity-based compensation plans.

Reconcile Net Income to EBITDA

Three Months Ended	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net income	10,279	18,001	17,992	33,739	35,994	35,454	24,962	27,399
Add:								
Income taxes	3,240	5,329	7,189	11,482	9,405	12,374	7,906	7,356
Depreciation and amortization	6,172	6,314	4,696	4,433	5,399	6,616	5,815	6,988
Stock-based compensation	5,094	5,555	2,514	2,032	5,129	(82)	1,986	5,082
Net interest income	2,089	(513)	(718)	(1,027)	(2,679)	(2,607)	(2,847)	(3,858)
EBITDA	26,874	34,686	31,673	50,659	53,248	51,755	37,822	42,967

Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
EBITDA	26,874	34,686	31,673	50,659	53,248	51,755	37,822	42,967
Add:								
Foreign exchange (gain) loss	(2,980)	403	(1,054)	(3,332)	1,959	233	1,597	681
Government wage assistance	(128)	—	—	—	—	—	—	—
Put option revaluation	381	—	—	—	(5,815)	—	—	—
Net monetary (gain) loss	(246)	(202)	268	(1,380)	(536)	(159)	(1,196)	(1,477)
Other	307	(1,514)	75	284	88	581	(336)	110
Adjusted EBITDA	24,208	33,373	30,962	46,231	48,944	52,410	37,887	42,281

Free cash flow

Free cash flow is defined as cash from operating activities plus proceeds on disposal of property, plant, and equipment, less capital expenditures (including changes to non-cash working capital associated with capital expenditures), and deferred development costs. This metric provides a key measure on the Company's ability to generate cash from its principal business activities after funding capital expenditure programs, and provides an indication of the amount of cash available to finance, among other items, the Company's dividend and other investment opportunities.

Reconcile cash from operating activities to free cash flow

Three Months Ended	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Cash from operating activities	27,061	28,050	25,679	30,743	19,942	46,265	29,658	31,698
Less:								
Net additions to property, plant and equipment	(2,803)	(4,334)	(6,412)	(6,590)	(16,112)	(11,404)	(11,303)	(6,474)
Deferred development costs	(268)	(134)	(132)	(106)	(121)	(151)	(367)	(208)
Free cash flow	23,990	23,582	19,135	24,047	3,709	34,710	17,988	25,016

Supplementary Financial Measures

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio. Supplementary financial measures found within this MD&A are as follows:

Revenue per Industry Day

Revenue per Industry Day is defined as the daily revenue generated from all products that the Company is renting over all active drilling rig days in the North American market. This metric provides a key measure of the Company's ability to evaluate and manage product adoption, pricing, and market share penetration. Drilling days are calculated by using accepted industry sources.

Adjusted EBITDA as a percentage of revenue

Calculated as adjusted EBITDA divided by revenue.

Net capital expenditures as a percentage of funds flow from operations

Calculated as net capital expenditures divided by funds flow from operations.

Total Cash

Calculated as the sum of cash and cash equivalents, and short-term investments from the Company's Condensed Consolidated Interim Balance Sheets. The Company's short term-investments are comprised of twelve-month term deposits.

Critical Accounting Estimates

The preparation of the Company's Condensed Consolidated Interim Financial Statements requires that certain estimates and judgements be made with respect to the reported amounts of revenue and expenses and the carrying value of assets and liabilities. These estimates are based on historical experience and management's judgements based on information available as at the financial statement date, and, as a result, the estimates used by management involve uncertainty and may change as additional experience is acquired. As such, actual results may differ significantly from estimates made within the Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2023. Significant estimates made by the Company have most recently been set out in the Company's MD&A for the year ended December 31, 2022, and its consolidated financial statements and note disclosures for the year ended December 31, 2022, and within Note 2 of the Company's Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2023.

Significant Accounting Policies

The Company's significant accounting policies have been disclosed within the Consolidated Financial Statements for the year ended December 31, 2022 and within Note 2 of the Company's Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2023.

Internal Control over Financial Reporting

There have been no significant changes in the design of the Company's internal controls over financial reporting during the three and nine months ended September 30, 2023, that would materially affect, or is reasonably likely to materially affect, the Company's controls and processes over financial reporting.

Risks and Uncertainties

The following information is a summary of certain risk factors relating to Pason. This section does not describe all risks applicable to the Company, its industry or its business, and is intended only as a summary of certain material risks. Investors should also consider the other risks described throughout the Company's public disclosure documents on file with the Canadian securities regulatory authorities available on SEDAR at www.sedar.com. Additional risks and uncertainties not currently known to Pason, or that Pason currently considers remote or immaterial, may also impair the operations of the Company. Should any such risks actually occur, Pason's business, financial condition, operating results or price and liquidity of Pason's securities could be materially harmed.

Commodity Prices and Drilling Activity Levels

Pason derives most of its revenue from the rental of instrumentation and data services to Operators and Contractors in Canada, the US, Australia, Latin America and the Middle East during drilling activity. The success of the Company's business depends on the level of industry activity for oil and natural gas exploration and development in the markets in which Pason operates. The level of oil and natural gas industry activity has seen significant volatility in recent years and is influenced by numerous factors over which the Company has no control. One of the primary factors is prevailing oil and natural gas commodity prices, which fluctuate in response to factors beyond Pason's control. Such factors could include, but may not be limited to: global supply and demand for crude oil and natural gas; the cost of exploring for, producing and delivering oil and natural gas; pipeline availability and the capacity of other oil and natural gas transportation and processing systems; the actions of the Organization of Petroleum Exporting Countries and other major petroleum exporting countries; global political, military, regulatory, economic

and social conditions; government regulation; political stability in the Middle East and elsewhere; the price of foreign imports; the availability of alternate fuel sources; and prevailing weather conditions.

From 2014 to 2020, global commodity prices were negatively affected by a combination of factors including increased production, decisions of OPEC and Russia, and the impact of the COVID-19 pandemic on overall demand for oil and gas. These headwinds drove significant pressure on commodity prices, and adversely impacted the level of capital spending by our customers on exploration and production activities and could continue to do so. Concurrently, Operators navigated ongoing pressure from the investment community to constrain spending within cash flows and further allocate a significant portion of cash flow generation to returns to shareholders, impacting the amount of drilling-related capital expenditures.

Throughout 2021, commodity prices and global drilling activity began to recover from the lows experienced in 2020, as the demand for oil and gas neared pre-pandemic levels, while supply lagged significantly. Throughout 2022 and into 2023, global macroeconomic conditions proved challenging with central banks aggressively increasing interest rates to address high prevailing levels of inflation, certain bank failures, and growing concerns around economic recession. Further, Operators and Contractors grappled with global supply chain bottlenecks and faced equipment availability challenges. These factors, coupled with geopolitical instability internationally, have driven commodity price volatility. Despite these headwinds, global drilling activity remains strong as the sizeable gap between global energy supply and demand remains and there is an increasing emphasis on global energy security as many countries face energy shortages.

These aforementioned factors could continue to put pressure on commodity prices, adversely impacting the level of drilling activity in the regions in which Pason operates, which could have a materially adverse effect on Pason's business, financial condition, results of operations and cash flows. Pason does not have any operations or revenue generated in Russia or the Ukraine, nor in any regions directly impacted by recent military unrest in the Middle East. However, ongoing conflict may negatively impact commodity price volatility and global financial conditions, which could have an indirect adverse effect on Pason's business and financial condition.

Seasonal Factors

Drilling activity in Canada is seasonal due to weather that limits access to well sites in the spring and summer, making the first and last quarters of each year the peak level of demand for Pason's services due to the higher level of drilling activity. The length of the drilling season can be shortened due to warmer winter weather or rainy seasons. Pason can offset some of this risk, although not eliminate it, through continued growth in the US and internationally, where drilling activity is less seasonal.

Credit and Liquidity

Pason is exposed to credit risk to the extent that its customers, operating primarily in the oil and natural gas industry, may experience financial difficulty and be unable to meet their obligations. During times of depressed oil and gas markets or wider economic uncertainty, customers may experience financial constraints. Further, many of our customers require reasonable access to credit facilities and debt capital markets to finance their oil and natural gas drilling activity. If the availability of credit to our customers is reduced, they may reduce their drilling expenditures, reducing the demand for the Company's products and services. While Pason monitors its exposure to credit risk and has a large customer base, which minimizes Pason's risk exposure to the financial concerns of any single customer, lack of payment from multiple clients may have a material adverse effect on the Company's financial condition.

Customers

Pason has a large customer base, consisting of both operators and contractors, and no single customer accounted for more than 10% of the consolidated revenues of the Company this fiscal period. Notwithstanding, the loss of one or more major customers, further consolidation in the industry, or a

reduction in the amount of business Pason conducts with any of its major customers, could have a significant impact on Pason's revenue if not offset by obtaining new customers or increasing the amount of business it conducts with existing customers.

Competition

Pason's main source of competition in the North American Operations and International Operations segments remains the instrumentation divisions of large US service companies. Potential actions taken by competitors such as pricing changes and new products and technologies could affect the Company's leading market share or competitive position. In addition, while the Company continues to make investments in R&D to provide innovative technologies for customers, management cannot reasonably predict whether these investments will result in increased levels of product adoption, market share or pricing. These factors could materially affect our business, financial condition, results of operations and cash flows.

Qualified Personnel and Access to Talent

Due to the specialized and technical nature of Pason's business, Pason is highly dependent on attracting and retaining qualified, key employees, which involves compensating them appropriately. The shift to remote work in some roles, particularly since the start of the COVID-19 pandemic, has expanded the job market beyond traditional geographic boundaries. Employers must now compete for talent not only locally, but within a greater global market. Due to high levels of competition for qualified personnel, there can be no assurance that qualified personnel will be attracted or retained to meet the growth needs of the business. Further, Pason does not carry "key person" insurance on any of its key employees. In addition, Pason's ability to meet activity levels and customer demand for the Company's products and services will depend on the ability to attract qualified personnel as needed, which may be more difficult in periods of rapidly accelerated growth in activity levels.

The inability to recruit or retain skilled personnel or their inability to perform their duties could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. To mitigate these risks, Pason has a dedicated HR department in each significant business unit that is focused on proactive recruiting and retention initiatives.

Intellectual Property

Pason relies on innovative technologies and products to maintain its competitive position in the market. Pason employs trademarks, patents, contracts, and other measures to protect the Company's intellectual property, trade secrets and confidential information. Pason also believes that the rapid pace of technological change in the industry, technical expertise, knowledge, and innovative skills, combined with an ability to rapidly develop, produce, enhance, and market products, provides protection in maintaining a competitive position.

Despite these precautions, it may be possible for third parties to attempt to infringe the Company's intellectual property and Pason could incur substantial costs to protect and enforce its intellectual property rights. Moreover, from time to time third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to the Company. In such an event, the Company may be required to incur significant costs in litigating a resolution to the asserted claim. There can be no assurance that such a resolution would not require that the Company pay damages or obtain a license of a third party's proprietary rights in order to continue to provide its products as currently offered, or, if such a license is required, that it will be available on terms acceptable to the Company.

Cyber Security

The Company takes measures and makes meaningful investments to protect the security and integrity of its IT infrastructure and data, however, there is a risk that these measures may not fully protect against a potential security breach, which could have a negative impact on the Company's ability to operate or its reputation. Natural disasters, energy blackouts, operating malfunction, viruses or malware, cyber security attacks, theft, computer or telecommunication errors, human error, internal or external misconduct or

other unknown disruptive events could result in the temporary or permanent loss of any or all parts of the IT infrastructure or data. There is a risk the data and other electronic information stored in Pason's IT infrastructure could be accessed, publicly disclosed, lost, or stolen. Such occurrences could negatively affect Pason's business and financial performance in the form of loss of revenue, increased operational costs, reputational damage or litigation.

Availability of Raw Materials, Parts, or Finished Products

Pason purchases many materials, components and finished products in connection with its operations. Some of the components and finished products are obtained from a single source or a limited group of suppliers. While Pason makes it a priority to maintain and enhance these strategic relationships, there can be no assurance that these relationships will continue and reliance on these suppliers involves risks, including price increases, inferior component quality, unilateral termination, and a potential inability to obtain an adequate supply of required components or finished products in a timely manner. While Pason has long standing relationships with recognized and reputable suppliers, it does not have long-term contracts with all of its suppliers, and the partial or complete loss of certain of these sources could have a negative impact on the Company's operations and could damage customer relationships. Further, a significant increase in the price of one or more of these components could have a negative impact on Pason's cost structure.

The Company's ability to provide services to its customers is also dependent upon the ongoing refresh of existing hardware within its technology offering, which requires purchases of materials, components and finished products. While Pason has a dedicated procurement team that proactively manages required equipment and hardware needs, the availability and supply of these items may be impacted in periods of high or recovering activity levels, such as those seen recently. Supply chain disruptions, including those caused as a result of COVID-19, may result in timing delays on expected deliveries for certain components of the Company's product offering and may impact the Company's cost structure and ability to meet rising activity levels.

Geopolitical Risk

Assets outside of Canada and the US may be adversely affected by changes in governmental policy, social instability, or other political or economic developments beyond Pason's control, including expropriation of property, exchange rate fluctuations, and restrictions on repatriation of cash. The Company has mitigated these risks where practical and warranted. Most of Pason's revenues are generated in Canada and the US, which limits exposure to risks and uncertainties in foreign countries. Pason does not have any operations or revenue generated in Russia or the Ukraine. The Company's Argentinian subsidiary is operating in a highly inflationary economy and its operating results are being impacted by a weakening Argentina peso relative to the Canadian dollar, the details of which are outlined in this MD&A under the title Impact of Hyperinflation.

Foreign Exchange Risk

The Company operates internationally and is primarily exposed to exchange risk relative to the US dollar. The Canadian operations are exposed to currency risk on US denominated financial assets and liabilities with fluctuations in the rate recognized as foreign exchange gains or losses in the consolidated financial statements. The Company's self-sustaining foreign subsidiaries expose the Company to exchange rate risk on the translation of their financial assets and liabilities to Canadian dollars for public reporting purposes. Adjustments arising when translating the foreign subsidiaries into Canadian dollars are reflected in the consolidated financial statements as unrealized foreign currency translation adjustments. The Company does not employ any financial instruments to manage foreign exchange risk at this time. Most of the Company's activities are conducted in Canada and the US, where local revenue is earned against local expenses, and the Company is therefore naturally hedged.

Climate Change Risks

Regulatory and Policy Risks

There is an increasing trend in public and government support of climate change initiatives across the regions in which Pason operates. Governmental authorities are strengthening existing environmental regulations and introducing new climate change measures, such as emission caps, reduction targets, taxes and penalties, efficiency standards, and alternative energy incentives and mandates. In addition, concerns about climate change have resulted in many environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Pason is not a large-scale emitter of greenhouse gases or other emissions and does not anticipate the impact of these regulations to be material to its operations; however, present and future environmental regulations and other developments could have a material impact on Pason's client base, which is primarily comprised of operators and contractors. While it is not possible at this time to predict how such regulations or developments would impact the Company's business, any future environmental requirements could result in reduced demand for hydrocarbons, as well as increased capital expenditures, operating costs and project delays for our customers, which in turn could have a material adverse effect on the business, financial condition, results of operations, and prospects for the Company.

Physical Risks

There is growing evidence that climate change is causing the increased frequency and severity of extreme weather events as well as longer-term changes in climate patterns. As a result, the physical impacts of such increasingly volatile weather conditions may have an adverse effect on the operations of the Company. These include more frequent and extreme weather events, natural disasters such as flooding and forest fires, shifts in temperature and precipitation, and changing sea levels, which could cause damage to key corporate assets. Climate change may have similar impacts on the Company's major customers, reducing demand for Pason's products and services, and may also impact suppliers, which could result in shortages in certain consumables and the supply of products that are required to maintain the Company's operations. While the Company takes such risks into consideration and implements mitigation strategies to address, where possible, the risks associated with the impacts of extreme weather events, the frequency and severity of such events can vary widely and cannot be predicted. This uncertainty, in turn, could have a material adverse effect on the Company's ability to operate in certain jurisdictions and its projections, business operations and financial condition. Pason maintains a corporate insurance program consistent with industry practice that protects the Company from liabilities due to environmental accidents and disruptions and has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure.

Alternative Energies Risk

The focus of governments, businesses and consumers on transitioning to a low-carbon economy was accelerated by the COVID-19 pandemic, resulting in increased policies and initiatives designed to shift resources and investment away from fossil fuels towards low carbon energy sources. This shift, combined with technological advances and cost declines in alternative energy sources, could reduce consumer demand for, and result in a reduction in the global economy's reliance on, oil and natural gas; which in turn could decrease demand for the Company's drilling oriented products and services. While Pason believes energy supply and demand fundamentals continue to support hydrocarbon resources forming a meaningful component of ongoing energy supply, the Company considers opportunities to diversify its business to mitigate this risk. This includes exploring new opportunities to apply the Company's expertise in instrumentation and data services to markets beyond of oil and gas drilling, such as recent investments made in supporting ETB in the solar energy and storage market. However, there is no guarantee that Pason would be successful in these ventures should there be a significant reduction in global demand for oil and gas.

Investor Sentiment

Investor sentiment towards the oil and natural gas industry has evolved in recent years and some institutional investors have announced that they are no longer willing to fund or invest in companies in the

oil and natural gas industry, or are reducing such investment over time. While Pason believes it operates its business sustainably, the Company's ability to access capital and the price and liquidity of its securities may be adversely impacted by investors' perceptions of the sector in which it generates the majority of its revenue.

Insurance

Pason's operations are subject to risks inherent in the oil and natural gas services industry, such as hardware or software defects, malfunctions and failures, human error, and natural disasters. These risks could expose Pason to substantial liability for personal injury, loss of life, business interruption, property damage, pollution, and other liabilities. Pason carries prudent levels of insurance to protect the Company against these unforeseen events, subject to appropriate deductibles and the availability of coverage. An annual review of insurance coverage is completed to assess the risk of loss and risk mitigation alternatives.

Extreme weather conditions, natural occurrences, and terrorist activity have strained insurance markets leading to substantial increases in insurance costs and limitations on coverage. It is anticipated that the Company will continue to maintain appropriate insurance coverage, but there can be no assurance that such insurance coverage will be available on commercially reasonable terms or on terms as favourable as Pason's current arrangements. The occurrence of a significant event outside of the scope of coverage of Pason's insurance policies could also have a material adverse effect on the results of the organization.

Payment of Future Cash Dividends

The decision to pay dividends and the amount paid is at the discretion of the Board, which regularly reviews the Company's financial position, operating results, and industry outlook, all of which could impact Pason's dividend policy. The amount of cash available for future dividends will be dependent on a number of factors including, but not limited to, the Company's ability to generate cash flow in excess of its operating and investment needs, its overall financial position, and its capital allocation priorities.

Taxation

Pason and its subsidiaries are subject to income and other forms of taxation in the various jurisdictions in which they operate. Pason structures its operations in a tax efficient manner in compliance with all prevailing tax regimes. Any adverse change to existing taxation measures, policies or regulations, or the introduction of new taxation measures, policies or regulations in any of the jurisdictions in which Pason operates could have a negative impact on its business, operating results, or financial condition. The management of Pason believes that the Company's provision for income taxes is adequate and in accordance with both generally accepted accounting principles and appropriate regulations. However, the tax filing positions of the Company are subject to review and audit by tax authorities who may challenge, and possibly succeed in challenging, management's interpretation of the applicable tax legislation.

Litigation and Legal Claims

Pason may be involved in various claims and litigation arising in the normal course of business. The Company does not currently believe that the outcome of any pending or threatened proceedings related to these or other matters, or the amounts which the Company may be required to pay by reason thereof, would individually or in the aggregate have a material adverse impact on its day-to-day business operations, however, the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in Pason's favour. In addition, future legal proceedings could be filed against the Company, the outcome of which is also uncertain and could have a material adverse effect on the Company.

SEDAR

Additional information relating to the Company, including the Company's most recent Annual Information Form can be accessed on the Company's website at www.pason.com and on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Forward Looking Information

Certain statements contained herein constitute “forward-looking statements” and/or “forward-looking information” under applicable securities laws (collectively referred to as “forward-looking statements”). Forward-looking statements can generally be identified by the words “anticipate”, “expect”, “believe”, “may”, “could”, “should”, “will”, “estimate”, “project”, “intend”, “plan”, “outlook”, “forecast” or expressions of a similar nature suggesting a future outcome or outlook.

Without limiting the foregoing, this document includes, but is not limited to, the following forward-looking statements: the Company’s growth strategy and related schedules; divergence in activity levels between the geographic regions in which we operate; demand fluctuations for our products and services; the Company’s ability to increase or maintain market share; projected future value, forecast operating and financial results; planned capital expenditures; expected product performance and adoption, including the timing, growth and profitability thereof; potential dividends and dividend growth strategy; future use and development of technology; our financial ability to meet long-term commitments not included in liabilities; the collectability of accounts receivable; the application of critical accounting estimates and judgements; treatment under governmental regulatory and taxation regimes; and projected increasing shareholder value.

These forward-looking statements reflect the current views of Pason with respect to future events and operating performance as of the date of this document. They are subject to known and unknown risks, uncertainties, assumptions, and other factors that could cause actual results to be materially different from results that are expressed or implied by such forward-looking statements.

Although we believe that these forward-looking statements are reasonable based on the information available on the date such statements are made and processes used to prepare the information, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to: the state of the economy; volatility in industry activity levels and resulting customer expenditures on exploration and production activities; customer demand for existing and new products; the industry shift towards more efficient drilling activity and technology to assist in that efficiency; the impact of competition; the loss of key customers; the loss of key personnel; cybersecurity risks; reliance on proprietary technology and ability to protect the Company’s proprietary technologies; changes to government regulations (including those related to safety, environmental, or taxation); the impact of extreme weather events and seasonality on our suppliers and on customer operations; and war, terrorism, pandemics, social or political unrest that disrupts global markets.

These risks, uncertainties and assumptions include but are not limited to those discussed in Pason’s Annual Information Form for the year ended December 31, 2022 under the heading, “Risk and Uncertainty,” in our management’s discussion and analysis for the year ended December 31, 2022, and in our other filings with Canadian securities regulators. These documents are on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or through Pason’s website (www.pason.com).

Forward-looking statements contained in this document are expressly qualified by this cautionary statement. Except to the extent required by applicable law, Pason assumes no obligation to publicly update or revise any forward-looking statements made in this document or otherwise, whether as a result of new information, future events or otherwise.

Condensed Consolidated Interim Financial Statements and Notes

Condensed Consolidated Interim Balance Sheets

As at	Note*	September 30, 2023	December 31, 2022
(CDN 000s) (unaudited)		(\$)	(\$)
Assets			
Current			
Cash and cash equivalents	4	138,359	132,057
Short-term investments	5	40,035	40,377
Trade and other receivables		74,375	84,819
Prepaid expenses		12,468	10,920
Inventory		18,689	15,641
Income taxes recoverable		849	962
Total current assets		284,775	284,776
Non-current			
Property, plant and equipment		120,005	97,695
Investments	7	59,156	47,839
Intangible assets and goodwill		39,723	39,618
Total non-current assets		218,884	185,152
Total assets		503,659	469,928
Liabilities and equity			
Current			
Trade payables and accruals		42,041	53,699
Income taxes payable		4,604	2,859
Stock-based compensation liability	10	9,176	6,028
Lease liability		1,181	1,817
Obligation under put option	8	6,463	6,474
Total current liabilities		63,465	70,877
Non-current			
Deferred tax liabilities		11,176	6,508
Lease liability		11,430	3,712
Stock-based compensation liability	10	9,925	7,869
Total non-current liabilities		32,531	18,089
Equity			
Share capital	9	160,957	164,136
Share-based benefits reserve		37,004	35,314
Foreign currency translation reserve		45,994	57,486
Equity reserve		(8,375)	(8,375)
Retained earnings		178,742	137,920
Total equity attributable to equity holders of the Company		414,322	386,481
Non-controlling interest		(6,659)	(5,519)
Total equity		407,663	380,962
Total liabilities and equity		503,659	469,928

*The Notes are an integral part of these Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Operations

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note*	2023	2022	2023	2022
(CDN 000s, except per share data) (unaudited)		(\$)	(\$)	(\$)	(\$)
Revenue		93,094	92,502	276,014	240,578
Operating expenses					
Rental services		31,830	29,135	90,418	80,582
Local administration		3,485	3,215	10,306	9,240
Depreciation and amortization		6,988	4,433	19,419	15,443
		42,303	36,783	120,143	105,265
Gross profit		50,791	55,719	155,871	135,313
Other expenses					
Research and development		10,368	9,879	30,855	28,017
Corporate services		4,109	3,911	12,289	11,350
Stock-based compensation expense	10	5,082	2,032	6,986	10,101
Other income	12	(3,523)	(5,324)	(9,710)	(7,887)
		16,036	10,498	40,420	41,581
Income before income taxes		34,755	45,221	115,451	93,732
Income tax provision		7,356	11,482	27,636	24,000
Net income		27,399	33,739	87,815	69,732
Net income (loss) attributable to:					
Shareholders of Pason		27,732	34,246	89,044	71,359
Non-controlling interest		(333)	(507)	(1,229)	(1,627)
Net income		27,399	33,739	87,815	69,732
Income per share	13				
Basic		0.35	0.42	1.10	0.87
Diluted		0.35	0.41	1.10	0.86

*The Notes are an integral part of these Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Other Comprehensive Income

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note*	2023	2022	2023	2022
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)
Net income		27,399	33,739	87,815	69,732
Items that may be reclassified subsequently to net income:					
Foreign currency translation adjustment		(986)	11,544	(11,403)	12,115
Other comprehensive (loss) income		(986)	11,544	(11,403)	12,115
Total comprehensive income		26,413	45,283	76,412	81,847
Total comprehensive income (loss) attributed to:					
Shareholders of Pason		26,721	45,769	77,552	83,431
Non-controlling interest		(308)	(486)	(1,140)	(1,584)
Total comprehensive income		26,413	45,283	76,412	81,847

*The Notes are an integral part of these Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Changes in Equity

	Note*	Share Capital	Share- Based Benefits Reserve	Foreign Currency Translation Reserve	Equity Reserve	Retained Earnings	Total Equity Attributable to Pason	Non- Controlling Interest	Total Equity
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2021		162,567	34,383	50,298	(8,375)	72,602	311,475	(3,694)	307,781
Net income (loss)		—	—	—	—	71,359	71,359	(1,627)	69,732
Dividends		—	—	—	—	(19,708)	(19,708)	—	(19,708)
Other comprehensive income		—	—	12,072	—	—	12,072	43	12,115
Exercise of stock options		1,695	(240)	—	—	—	1,455	—	1,455
Expense related to stock options		—	1,012	—	—	—	1,012	—	1,012
Shares cancelled under NCIB	9	(1,162)	—	—	—	(6,809)	(7,971)	—	(7,971)
Liability reversal for automatic share purchase plan commitment pursuant to NCIB		343	—	—	—	1,657	2,000	—	2,000
Liability for automatic share purchase plan commitment pursuant to NCIB	9	(301)	—	—	—	(1,699)	(2,000)	—	(2,000)
Balance at September 30, 2022		163,142	35,155	62,370	(8,375)	117,402	369,694	(5,278)	364,416
Net income (loss)		—	—	—	—	36,257	36,257	(263)	35,994
Dividends		—	—	—	—	(9,765)	(9,765)	—	(9,765)
Other comprehensive (loss) income		—	—	(4,884)	—	—	(4,884)	22	(4,862)
Exercise of stock options		1,835	(271)	—	—	—	1,564	—	1,564
Expense related to stock options		—	430	—	—	—	430	—	430
Shares cancelled under NCIB	9	(767)	—	—	—	(5,048)	(5,815)	—	(5,815)
Liability for automatic share purchase plan commitment pursuant to NCIB	9	(74)	—	—	—	(926)	(1,000)	—	(1,000)
Balance at December 31, 2022		164,136	35,314	57,486	(8,375)	137,920	386,481	(5,519)	380,962
Net income (loss)		—	—	—	—	89,044	89,044	(1,229)	87,815
Dividends	9	—	—	—	—	(28,981)	(28,981)	—	(28,981)
Other comprehensive (loss)		—	—	(11,492)	—	—	(11,492)	89	(11,403)
Exercise of stock options		524	(93)	—	—	—	431	—	431
Expense related to stock options		—	1,783	—	—	—	1,783	—	1,783
Shares cancelled under NCIB	9	(3,631)	—	—	—	(19,313)	(22,944)	—	(22,944)
Liability reversal for automatic share purchase plan commitment pursuant to NCIB		375	—	—	—	2,625	3,000	—	3,000
Liability for automatic share purchase plan commitment pursuant to NCIB	9	(447)	—	—	—	(2,553)	(3,000)	—	(3,000)
Balance at September 30, 2023		160,957	37,004	45,994	(8,375)	178,742	414,322	(6,659)	407,663

*The Notes are an integral part of these Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Cash Flows

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note*	2023	2022	2023	2022
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)
Cash from (used in) operating activities					
Net income		27,399	33,739	87,815	69,732
Adjustment for non-cash items:					
Depreciation and amortization		6,988	4,433	19,419	15,443
Stock-based compensation expense	10	5,082	2,032	6,986	10,101
Deferred income taxes		799	546	4,717	(1,427)
Net monetary (gain)		(1,162)	(2,371)	(2,617)	(2,063)
Unrealized foreign exchange (gain) loss and other		1,127	(2,411)	697	(2,872)
Funds flow from operations		40,233	35,968	117,017	88,914
Movements in non-cash working capital items:					
(Increase) decrease in trade and other receivables		(211)	(14,066)	10,444	(28,216)
(Increase) in prepaid expenses		(1,614)	(5,061)	(1,548)	(4,318)
(Increase) in inventory		(425)	(3,099)	(3,048)	(5,533)
Increase in income taxes payable / recoverable		5,557	9,211	21,313	33,021
(Decrease) increase in trade payables, accruals and stock-based compensation liability		(3,329)	14,082	(11,675)	15,178
Effects of exchange rate changes		(3,622)	3,102	(5,427)	3,395
Cash generated from operating activities		36,589	40,137	127,076	102,441
Income tax paid		(4,891)	(9,394)	(19,455)	(17,969)
Net cash from operating activities		31,698	30,743	107,621	84,472
Cash flows from (used in) financing activities					
Proceeds from exercise of stock options	9	46	85	431	1,455
Payment of dividends	9	(9,605)	(6,558)	(28,981)	(19,708)
Repurchase and cancellation of shares under NCIB	9	(5,952)	(5,109)	(22,944)	(7,971)
Repayment of lease liability		(580)	(447)	(1,928)	(1,599)
Net cash used in financing activities		(16,091)	(12,029)	(53,422)	(27,823)
Cash flows (used in) from investing activities					
Equity investments	7	(5,000)	—	(10,440)	—
Additions to property, plant and equipment		(6,599)	(6,809)	(30,233)	(17,734)
Development costs, net of ITCs		(208)	(106)	(726)	(372)
Proceeds on disposal of property, plant and equipment		514	285	1,035	626
Changes in non-cash working capital		(389)	(66)	17	(228)
Net cash used in investing activities		(11,682)	(6,696)	(40,347)	(17,708)
Effect of exchange rate on cash and cash equivalents		(287)	7,059	(7,550)	8,803
Net increase in cash and cash equivalents		3,638	19,077	6,302	47,744
Cash and cash equivalents, beginning		134,721	186,950	132,057	158,283
Cash and cash equivalents, ending	4	138,359	206,027	138,359	206,027

*The Notes are an integral part of these Condensed Consolidated Interim Financial Statements

Notes to Condensed Consolidated Interim Financial Statements

(CDN 000s, except per share data)

1. Description of Business

Pason Systems Inc. ("Pason" or the "Company") is a leading global provider of instrumentation and data management systems for drilling rigs.

The Company headquarters are located at 6130 Third Street SE, Calgary, Alberta, Canada. The Company is a publicly traded company listed on the Toronto Stock Exchange under the symbol PSI. The Consolidated Financial Statements of the Company are comprised of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The accompanying Consolidated Financial Statements include the accounts of Pason Systems Inc., its wholly owned subsidiaries, and Energy Toolbase Software Inc ("ETB").

2. Basis of Preparation

Statement of compliance

These unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with the requirements of International Accounting Standard ("IAS") 34, Interim Financial Reporting and include the accounts of Pason and its wholly owned subsidiaries. All significant intercompany balances and transactions including revenue and expenses have been eliminated. These unaudited Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2022.

These Condensed Consolidated Interim Financial Statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except for per share amounts.

3. Changes in Accounting Standards

Adoption of new standard January 1, 2023:

IAS 1, Presentation of Financial Statements

The amendment to IAS 1 require entities to disclose their material accounting policy information, instead of significant accounting policies. The impact to the Company has been deemed immaterial.

4. Cash and Cash Equivalents

As at	September 30, 2023	December 31, 2022
	(\$)	(\$)
Cash	45,995	77,568
Cash equivalents	92,364	54,489
Cash and cash equivalents	138,359	132,057

As at September 30, 2023, the Company's cash and cash equivalents are invested in 1-90 day money market funds with interest rates ranging between 3.50% and 5.77%.

5. Short-Term Investments

As at	September 30, 2023	December 31, 2022
	(\$)	(\$)
Short-term investments	40,035	40,377

As at September 30, 2023, the Company's short-term investments consist of twelve-month term deposits with interest rates ranging between 5.16% and 5.55%.

6. Seasonality

Pason's quarterly financial results vary quarter to quarter due in part to the seasonality of the oil and gas service industry in Canada, which is somewhat offset by the less seasonal nature of US and International operations. The first quarter is generally the strongest quarter for the Company due to strong activity in Canada, where location access is best during the winter. The second quarter is typically the slowest due to spring break-up in Canada, when many areas are not accessible due to ground conditions, and, which, do not permit the movement of heavy equipment. Activity generally increases in the third quarter, depending on the year, as ground conditions often improve and location access becomes available; however, a rainy summer can have a significant adverse effect on drilling activity.

By the fourth quarter, access to most areas in Canada becomes available when the ground freezes. Consequently, the performance of the Company may not be comparable quarter to consecutive quarter, but should be considered on the basis of results for the whole year, or by comparing results in a quarter with results in the corresponding quarter for the previous year.

7. Investments

Investments are comprised of the Company's investments in Intelligent Wellhead Systems Inc. (IWS) and a 50% interest in Rawabi Pason Company (Rawabi JV). Rawabi JV is a provider of specialized data management systems for drilling rigs in the Kingdom of Saudi Arabia. IWS is a privately-owned oil and gas technology and service company that provides engineered controls, data acquisition and software to automate workflows and processes at live well operations in the completions segment of the oil and gas industry.

The Company's initial investment in IWS was made in 2019, and consisted of total consideration of \$25,000, with initial cash consideration of \$10,000 and \$15,000 payable in three separate \$5,000 put options, which were exercised throughout 2021 and 2022. The Company's initial investment also included a call option agreement, which gives the Company the option to purchase the shares held by other shareholders, exercisable at the Company's discretion. The call option is exercisable until October 2, 2025.

During the fourth quarter of 2022, Pason increased its non-controlling investment in IWS by acquiring a portion of outstanding common shares and also entered into a preferred share financing agreement. The preferred share agreement had an initial subscription of \$10,000 in the fourth quarter of 2022, and up to \$15,000 in additional subscriptions exercisable at IWS' request, subject to the Company's approval. No additional voting rights were granted as part of this preferred share subscription. Given that the funding of additional subscriptions are subject to the Company's approval at the time of request, no associated obligation has been recognized on the Condensed Consolidated Interim Balance Sheets as at September 30, 2023.

During the second and third quarter of 2023, the Company approved and funded \$10,000 of the \$15,000 in available preferred share subscriptions. Further, and as noted in Note 15 of these Condensed Consolidated Interim Financial Statements, subsequent to September 30, 2023, the Company approved the final \$5,000 preferred share subscription.

8. Obligation Under Put Option

The put obligation is a contractual obligation whereby the non-controlling shareholders of ETB have a put option to exercise for cash their 20% shareholdings of ETB starting in 2023 with reference to the fair value of ETB shares at the date the put option can be exercised. This put option gives rise to a financial liability and is calculated at each annual reporting period using a discounted cash flow model of the estimated future cash flows of the obligation.

9. Share Capital

Common shares

	Nine Months Ended September 30, 2023		Year Ended December 31, 2022	
	(\$)	(#)	(\$)	(#)
Balance, beginning	164,136	81,526,954	162,567	82,194,051
Shares repurchased and cancelled under NCIB	(3,631)	(1,804,800)	(1,929)	(970,650)
Exercise of stock options	524	44,347	3,530	303,553
Liability for automatic share purchase plan ("APP") commitment pursuant to NCIB	(447)	—	343	—
Reversal of prior period liability for APP commitment pursuant to NCIB	375	—	(375)	—
Balance, ending	160,957	79,766,501	164,136	81,526,954

At September 30, 2023, the Company was authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

The holders of common shares are entitled to receive dividends, as declared at the discretion of the Board of Directors, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Common share dividends

For the three month period ended September 30, 2023, the Company declared and paid dividends of \$9,605 (third quarter of 2022: \$6,558) or \$0.12 per common share (third quarter of 2022: \$0.08).

For the nine month period ended September 30, 2023, the Company declared and paid dividends of \$28,981 (2022: \$19,708) or \$0.36 per common share (2022: \$0.24).

Normal Course Issuer Bid ("NCIB")

In 2022, the Company renewed its NCIB commencing on December 20, 2022, and expiring on December 19, 2023. Under the current NCIB, the Company may purchase for cancellation, as the Company considers advisable, up to a maximum of 8,105,236 common shares, which represents 10% of the applicable public float at the time of renewal.

The actual number of common shares that may be purchased for cancellation and the timing of any such purchases will be determined by the Company, subject to a maximum daily purchase limitation of 54,996 common shares. The Company may make one block purchase per calendar week which exceeds the daily purchase restriction.

For the three month period ended September 30, 2023, the Company repurchased 446,200 (third quarter of 2022 - 378,450) shares for cancellation for total cash consideration of \$5,952 (third quarter of 2022 - \$5,109).

For the nine month period ended September 30, 2023, the Company repurchased 1,804,800 (2022 - 585,350) shares for cancellation for total cash consideration of \$22,944 (2022 - \$7,791). The total consideration is allocated between share capital and retained earnings.

10. Stock-Based Compensation

Stock option plan

The Group has a stock option plan that entitles qualified employees to purchase common shares in the Company. Options, which are issued at market price, vest over three years and expire after five years. The Company's outstanding stock options can be summarized as follows:

	Nine Months Ended September 30, 2023		Twelve Months Ended December 31, 2022	
	Share Options (#)	Weighted Average Exercise Price (\$)	Share Options (#)	Weighted Average Exercise Price (\$)
Outstanding, beginning	2,665,121	14.31	3,324,759	14.67
Granted	—	—	642,190	16.07
Exercised	(44,347)	9.70	(303,553)	9.95
Expired or forfeited	(78,030)	18.50	(998,275)	17.90
Outstanding, ending	2,542,744	14.26	2,665,121	14.31
Exercisable, ending	1,338,715	15.37	1,454,201	15.38
Available for grant, ending	3,040,911		3,041,466	

Restricted share units plan

All RSUs vest over three years and upon vesting will entitle the holder to a cash payment based upon the corresponding market value of the Company's common shares.

The outstanding RSUs can be summarized as follows:

	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2022
	(#)	(#)
RSUs, beginning	955,318	1,144,628
Granted	—	394,855
Vested and paid	—	(500,302)
Forfeited	(15,254)	(83,863)
RSUs, ending	940,064	955,318

Deferred share units plan

DSUs are awarded annually to members of the Board of Directors and represent cash settled rights to share values based on the number of DSUs issued. Directors who are also members of management can elect to receive all or part of their short-term incentive payments in the form of DSUs. DSUs are credited evenly following the year in which they are awarded. DSUs vest and are paid upon the retirement of the Director.

The Company's outstanding DSUs can be summarized as follows:

	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2022
	(#)	(#)
DSUs, beginning	352,317	264,231
Credited	75,827	88,086
DSUs, ending	428,144	352,317

Performance share units plan

The Company has a PSU plan for Executive Officers of the Company. PSUs are awarded annually and the number of PSUs awarded shall be equal to one PSU for each \$1.00 of grant value determined by the Board of Directors on such date. Starting in 2021, PSUs awarded vest at the end of the third anniversary date. Upon vesting, PSUs entitle the holder to receive a cash payment calculated based upon the number of PSUs vested and a multiplier which is based on the achievement of certain performance measures and objectives specified by the Board of Directors. The applicable multiplier can range from zero percent to 200 percent.

The Company's outstanding PSUs can be summarized as follows:

	Nine Months Ended September 30, 2023	Twelve Months Ended December 31, 2022
	(#)	(#)
PSUs, beginning	3,019,574	2,385,124
Granted	—	1,041,506
Vested and paid	—	(407,056)
PSUs, ending	3,019,574	3,019,574

Stock-based compensation expense and liability

For the three month period ended September 30, 2023, the Company recorded \$5,082 of stock-based compensation expense for its equity and cash settled plans (third quarter of 2022: \$2,032). For the nine month period ended September 30, 2023, the company recorded \$6,986 of stock-based compensation expense for its equity and cash settled plans (2022: \$10,101). As at September 30, 2023, the Company held \$9,176 in current stock-based compensation liability and \$9,925 in non-current stock-based compensation liability for its cash settled plans (as at December 31, 2022: \$6,028 and \$7,869, respectively).

11. Operating Segments

The Company reports on three strategic business units: The North American (Canada and the United States) and International (Latin America, including Mexico, Offshore, the Eastern Hemisphere, and the Middle East) business units, all of which offer technology services to the oil and gas industry, and the Solar and Energy Storage business unit, which provides technology services to solar and energy storage developers. The following tables represent a disaggregation of revenue from contracts with customers along with the reportable segment for each category:

Three Months Ended September 30, 2023	North America	International	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)
Revenue				
Drilling Data	39,646	9,116	—	48,762
Mud Management and Safety	21,930	3,402	—	25,332
Communications	3,679	800	—	4,479
Drilling Intelligence	5,674	432	—	6,106
Analytics and Other	1,234	1,563	5,618	8,415
Total Revenue	72,163	15,313	5,618	93,094
Rental services and local administration	22,866	7,450	4,999	35,315
Depreciation and amortization	6,380	603	5	6,988
Segment gross profit	42,917	7,260	614	50,791
Research and development				10,368
Corporate services				4,109
Stock-based compensation				5,082
Other income				(3,523)
Income tax provision				7,356
Net income				27,399
Net income attributable to Pason				27,732
Capital expenditures	5,791	808	—	6,599
As at September 30, 2023				
Property plant and equipment	100,648	18,040	1,317	120,005
Intangible assets	4,445	—	2,002	6,447
Goodwill	7,722	2,600	22,954	33,276
Segment assets	401,286	70,236	32,137	503,659
Segment liabilities	78,490	6,032	11,474	95,996

Three Months Ended September 30, 2022	North America	International	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)
Revenue				
Drilling Data	40,418	9,396	—	49,814
Mud Management and Safety	22,467	3,338	—	25,805
Communications	4,776	868	—	5,644
Drilling Intelligence	6,265	526	—	6,791
Analytics and Other	1,319	1,701	1,428	4,448
Total Revenue	75,245	15,829	1,428	92,502
Rental services and local administration	22,422	7,497	2,431	32,350
Depreciation and amortization	3,867	561	5	4,433
Segment gross profit (loss)	48,956	7,771	(1,008)	55,719
Research and development				9,879
Corporate services				3,911
Stock-based compensation				2,032
Other income				(5,324)
Income tax provision				11,482
Net income				33,739
Net income attributable to Pason				34,246
Capital expenditures	6,625	290	—	6,915
As at September 30, 2022				
Property plant and equipment	75,996	10,978	125	87,099
Intangible assets	3,971	—	2,278	6,249
Goodwill	7,821	2,600	23,253	33,674
Segment assets	370,299	60,258	32,854	463,411
Segment liabilities	81,132	5,492	12,371	98,995

Nine Months Ended September 30, 2023	North America	International	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)
Revenue				
Drilling Data	122,427	27,195	—	149,622
Mud Management and Safety	66,401	10,054	—	76,455
Communications	10,876	2,418	—	13,294
Drilling Intelligence	16,090	1,253	—	17,343
Analytics and Other	3,462	4,963	10,875	19,300
Total Revenue	219,256	45,883	10,875	276,014
Rental services and local administration	68,718	21,542	10,464	100,724
Depreciation and amortization	17,257	2,147	15	19,419
Segment gross profit	133,281	22,194	396	155,871
Research and development				30,855
Corporate services				12,289
Stock-based compensation				6,986
Other income				(9,710)
Income tax provision				27,636
Net income				87,815
Net income attributable to Pason				89,044
Capital expenditures	26,224	4,009	—	30,233

Nine Months Ended September 30, 2022	North America	International	Solar and Energy Storage	Total
			(\$)	
Revenue	(\$)	(\$)	(\$)	(\$)
Drilling Data	106,104	23,340	—	129,444
Mud Management and Safety	58,412	8,265	—	66,677
Communications	12,234	1,849	—	14,083
Drilling Intelligence	16,067	1,186	—	17,253
Analytics and Other	4,065	4,191	4,865	13,121
Total Revenue	196,882	38,831	4,865	240,578
Rental services and local administration	63,240	19,404	7,178	89,822
Depreciation and amortization	13,717	1,711	15	15,443
Segment gross profit (loss)	119,925	17,716	(2,328)	135,313
Research and development				28,017
Corporate services				11,350
Stock-based compensation				10,101
Other income				(7,887)
Income tax provision				24,000
Net income				69,732
Net income attributable to Pason				71,359
Capital expenditures	16,900	1,206	—	18,106

12. Other Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)
Foreign exchange loss (gain)	681	(3,332)	2,511	(3,983)
Net interest income	(3,858)	(1,027)	(9,312)	(2,258)
Net monetary gain	(1,477)	(1,380)	(2,832)	(1,313)
Equity investment loss (income)	1,021	131	(432)	823
Other expenses (income)	110	284	355	(1,156)
Total other income	(3,523)	(5,324)	(9,710)	(7,887)

Net interest income is primarily comprised of interest generated from the Company's invested cash and cash equivalents.

Net monetary gain included in other income results from applying hyperinflation accounting to the Company's Argentinian subsidiary.

The equity investment loss (income) results from the Company using the equity method of accounting to account for its investments in Intelligent Wellhead Systems Inc. and the Pason Rawabi joint venture and reflects the current period change in the value of the Company's equity investments.

13. Income Per Share

Basic income per share

The calculation of basic income per share is based on the following weighted average number of common shares:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(#)	(#)	(#)	(#)
Issued common shares outstanding, beginning	80,207,268	82,130,025	81,526,954	82,194,051
Effect of NCIB and exercised options	(198,117)	(153,444)	(915,717)	(115,476)
Weighted average number of common shares (basic)	80,009,151	81,976,581	80,611,237	82,078,575

Diluted income per share

The calculation of diluted income per share is based on a weighted average number of common shares outstanding after adjustment for the effects of all potential dilutive common shares calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(#)	(#)	(#)	(#)
Weighted average number of common shares (basic)	80,009,151	81,976,581	80,611,237	82,078,575
Effect of share options	278,044	656,885	266,473	717,608
Weighted average number of common shares (diluted)	80,287,195	82,633,466	80,877,710	82,796,183

For the periods ended September 30, 2023, 1,290,815 (2022 - 1,478,835) options are excluded from the above calculation as their effect would have been anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices during the period.

14. Approval of Financial Statements

These unaudited Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on November 2, 2023.

15. Events After the Reporting Period

Dividend

On November 2, 2023, the Company declared a quarterly dividend of \$0.12 per share on the Company's common shares. The dividend will be paid on December 29, 2023, to shareholders of record at the close of business on December 15, 2023.

Investment in Intelligent Wellhead Systems

During the fourth quarter of 2022, Pason entered into a preferred share subscription agreement with IWS that included up to \$15,000 in additional subscriptions exercisable at IWS' request, subject to the Company's approval. As disclosed in Note 7 of these Condensed Consolidated Interim Financial Statements, in the second and third quarter of 2023, the Company approved and funded \$10,000 of the then available \$15,000 of preferred share subscriptions.

Subsequent to September 30, 2023, the Company approved the final \$5,000 preferred share subscription.

Corporate Information

Directors

Marcel Kessler⁽¹⁾
President & CEO
GrafTech International Ltd.
Victoria, British Columbia

T. Jay Collins⁽³⁾⁽⁴⁾
Independent Business Advisor
Houston, Texas

Jon Faber
President & CEO
Pason Systems Inc.
Calgary, Alberta

Judi Hess⁽³⁾⁽⁵⁾⁽⁷⁾
Vice Chair & Chief Strategist
Copperleaf Technologies Inc.
Vancouver, British Columbia

Laura Schwinn⁽⁵⁾⁽⁶⁾⁽⁸⁾
Independent Business Advisor
Fulton, Maryland

Ken Mullen⁽²⁾⁽⁷⁾
Director
Melamaken Adventures Inc.
Calgary, Alberta

- (1) Chair of the Board
- (2) Audit Committee Chair
- (3) Audit Committee Member
- (4) HR and Compensation Committee Chair
- (5) HR and Compensation Committee Member
- (6) Corporate Governance and Nominations Committee Chair
- (7) Corporate Governance and Nomination Committee Member
- (8) Lead Director

Officers & Key Personnel

Jon Faber
President
& Chief Executive Officer

Celine Boston
Chief Financial Officer

Kevin Boston
Vice President, Commercial

Craig Bye
Vice President, R&D - Cloud Platforms
and Applications

Natalie Fenez
Vice President, Legal & Corporate
Secretary

Heather Hantos
Vice President, Human Resources

Bryce McLean
Vice President, Operations

Lars Olesen
Vice President, Product & Technology

Russell Smith
Vice President, International

Ryan Van Beurden
Vice President, Rig-site Research &
Development

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Auditors

Deloitte LLP
Calgary, Alberta

Banker

Royal Bank of Canada
Calgary, Alberta

Registrar and Transfer Agent

**Computershare Trust Company
of Canada**
Calgary, Alberta

Stock Trading

Toronto Stock Exchange
Trading Symbol: PSI.TO

Eligible Dividend Designation

Pursuant to the Canadian Income Tax Act, dividends paid by the Company to Canadian residents are considered to be "eligible" dividends.