

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

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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

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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.