

Consolidated Financial Statements and Notes

Management's Report to Shareholders

To the Shareholders of Pason Systems Inc.,

The Consolidated Financial Statements are the responsibility of management and are prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Financial statements will, by necessity, include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis so that the Consolidated Financial Statements are presented fairly in all material respects. Management has ensured that financial information contained elsewhere in this Annual Report is consistent with the Consolidated Financial Statements.

Management has also prepared the Management's Discussion and Analysis (MD&A). The MD&A is based on the Company's financial results prepared in accordance with IFRS. The MD&A compares the audited financial results for the years ended December 31, 2022 and 2021.

The Audit Committee of the Board of Directors, which is comprised of three independent directors, has reviewed the Consolidated Financial Statements, including the notes thereto, with management and the external auditors. The Audit Committee meets regularly with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged, to review the Consolidated Financial Statements, and to recommend approval of the financial statements to the Board. The Board of Directors has approved the Consolidated Financial Statements on the recommendation of the Audit Committee.

Deloitte LLP, the independent auditors appointed by the shareholders at the last annual general meeting, have audited the Consolidated Financial Statements of Pason Systems Inc. in accordance with Canadian Generally Accepted Auditing Standards. The independent auditors have full and unrestricted access to the Audit Committee to discuss the audit and their related findings as to the integrity of the financial reporting process. The independent auditor's report outlines the scope of their examination and sets forth their opinion.



Jon Faber
President & Chief Executive Officer
Calgary, Alberta
March 2, 2023



Celine Boston
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Pason Systems Inc.

Opinion

We have audited the consolidated financial statements of Pason Systems Inc., (the "Company"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of operations, other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statement for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue — Refer to Note 3 to the financial statements

Key Audit Matter Description

The Company's derives the majority of its revenue from the rental of instrumentation and data services to oil and gas companies and drilling contractors. This revenue consists of transaction-based fees made up of a significant volume of low-dollar transactions, sourced from multiple systems, databases, and other tools. The processing and recording of revenue is highly automated and is based on contractual terms with customers.

Given the Company's revenue transactions are highly automated, there are potential risks arising from the capture, processing and transfer of data accurately and completely between the various information technology (IT) systems. As such, auditing the Company's systems to process revenue transactions resulted in an increased extent of audit effort, which included the need to involve professionals with expertise in IT.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's systems to process revenue transactions included the following, among others:

- With the assistance of IT specialists:
 - o Evaluated the significant systems used to process revenue transactions and tested the effectiveness of general IT controls over each of these systems, including user access controls, change management controls, and IT operations controls;

- o Evaluated the effectiveness of controls of the interfaces and automated controls in relation to the completeness and accuracy of transactions recorded and transferred across systems, from their initial capturing to their recording into the general ledger;
 - o Performed testing of system interfaces and automation within the relevant revenue streams and;
 - o Assessed service auditor reports at those service providers, on which the Company relies.
- Tested the reconciliation of revenues per the general ledger to revenues earned per the various revenue system applications to assess the completeness of the IT systems.
 - Performed detail transaction testing by agreeing the amounts in the IT systems to recognized to source documents such as invoices and charge records.

Obligation under put option - Refer to Notes 2, 3 and 17 to the Financial Statements

Key Audit Matter Description

As a result of a 2019 agreement which included various put and call provisions which provide a certain amount of liquidity to both parties, the Company recorded an obligation under put option (“obligation”) that was initially recognized at the present value of the estimated redemption amount. The Company performs a re-evaluation of the obligation at each reporting period to determine the present value using a discounted cash flow model. This model is based upon certain assumptions and estimates.

While there are several assumptions and estimates that management makes to determine the obligation’s present value, the assumptions and estimates with the highest degree of subjectivity and impact on the present value are the revenue growth rates and discount rate. As such, auditing these assumptions and estimates resulted in an increased extent of audit effort, which included the need to involve professionals with expertise in valuation.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the revenue growth rates and the discount rate used to determine the present value of the obligation included the following, among others:

- Evaluated management’s ability to accurately forecast revenue growth rates by comparing actual results to management’s historical forecasts;
- Evaluated the reasonableness of management’s forecasted revenue growth rates by comparing the forecasts to:
 - o Analyst and industry reports for the industry, comparison of actual results to peers, and other relevant publicly available information,
 - o Known changes in Energy Toolbase LLC’s operations or the industry in which they operate, which are expected to impact future operating performance,
 - o Internal discussions by management and the Board of Directors;
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kyle Hawkins.

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Alberta

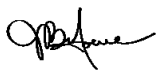
March 2, 2023

Consolidated Balance Sheets

As at	Note*	December 31, 2022	December 31, 2021
(CDN 000s)		(\$)	(\$)
Assets			
Current			
Cash and cash equivalents	5	132,057	158,283
Short-term investments	6	40,377	—
Trade and other receivables	7	84,819	49,453
Prepaid expenses		10,920	5,197
Inventory	2, 8	15,641	—
Income taxes recoverable	18	962	13,632
Total current assets		284,776	226,565
Non-current			
Property, plant and equipment	9	97,695	82,265
Investments	10	47,839	30,046
Intangible assets and goodwill	11	39,618	41,065
Total non-current assets		185,152	153,376
Total assets		469,928	379,941
Liabilities and equity			
Current			
Trade payables and accruals	12	53,699	31,475
Income taxes payable	18	2,859	6,568
Stock-based compensation liability	14	6,028	2,647
Lease liability		1,817	1,792
Obligation under put option	17	6,474	—
Total current liabilities		70,877	42,482
Non-current			
Deferred tax liability	18	6,508	5,836
Lease liability		3,712	5,537
Stock-based compensation liability	14	7,869	6,821
Obligation under put option	17	—	11,484
Total non-current liabilities		18,089	29,678
Equity			
Share capital	13	164,136	162,567
Share-based benefits reserve		35,314	34,383
Foreign currency translation reserve		57,486	50,298
Equity reserve		(8,375)	(8,375)
Retained earnings		137,920	72,602
Total equity attributable to equity holders of the Company		386,481	311,475
Non-controlling interest		(5,519)	(3,694)
Total equity		380,962	307,781
Total liabilities and equity		469,928	379,941

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

Approved by the Board of Directors



James B. Howe
Director



Judi Hess
Director

Consolidated Statements of Operations

Years Ended December 31,	Note*	2022	2021
(CDN 000s, except per share data)		(\$)	(\$)
Revenue		334,998	206,686
Operating expenses			
Rental services		109,879	76,662
Local administration		12,554	11,006
Depreciation and amortization	9, 11	20,842	25,689
		143,275	113,357
Gross profit		191,723	93,329
Other expenses			
Research and development		37,573	32,220
Corporate services		15,192	13,175
Stock-based compensation expense	14	15,230	11,523
Other income	16	(15,403)	(7,252)
		52,592	49,666
Income before income taxes		139,131	43,663
Income tax provision	18	33,405	11,738
Net income		105,726	31,925
Net income (loss) attributable to:			
Shareholders of Pason		107,616	33,845
Non-controlling interest		(1,890)	(1,920)
Net income		105,726	31,925
Income per share	19		
Basic		1.31	0.41
Diluted		1.30	0.41

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

Consolidated Statements of Other Comprehensive Income

Years Ended December 31,	Note*	2022	2021
(CDN 000s)		(\$)	(\$)
Net income		105,726	31,925
Items that may be reclassified subsequently to net income:			
Foreign currency translation adjustment	3	7,253	(3,787)
Other comprehensive income (loss)		7,253	(3,787)
Total comprehensive income		112,979	28,138
Total comprehensive income (loss) attributed to:			
Shareholders of Pason		114,804	30,053
Non-controlling interest		(1,825)	(1,915)
Total comprehensive income		112,979	28,138

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

Consolidated 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)		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at January 1, 2021		164,568	33,170	54,090	(8,375)	63,609	307,062	(1,779)	305,283
Net income (loss)		—	—	—	—	33,845	33,845	(1,920)	31,925
Dividends	13	—	—	—	—	(16,567)	(16,567)	—	(16,567)
Other comprehensive (loss) income		—	—	(3,792)	—	—	(3,792)	5	(3,787)
Exercise of stock options	13	146	(21)	—	—	—	125	—	125
Expense related to stock options		—	1,234	—	—	—	1,234	—	1,234
Shares cancelled under NCIB	13	(1,804)	—	—	—	(6,628)	(8,432)	—	(8,432)
Liability for automatic share purchase plan commitment pursuant to NCIB	13	(343)	—	—	—	(1,657)	(2,000)	—	(2,000)
Balance at December 31, 2021		162,567	34,383	50,298	(8,375)	72,602	311,475	(3,694)	307,781
Net income (loss)		—	—	—	—	107,616	107,616	(1,890)	105,726
Dividends	13	—	—	—	—	(29,473)	(29,473)	—	(29,473)
Other comprehensive income		—	—	7,188	—	—	7,188	65	7,253
Exercise of stock options	13	3,530	(511)	—	—	—	3,019	—	3,019
Expense related to stock options		—	1,442	—	—	—	1,442	—	1,442
Shares cancelled under NCIB	13	(1,929)	—	—	—	(11,857)	(13,786)	—	(13,786)
Liability reversal for automatic share purchase plan commitment pursuant to NCIB	13	343	—	—	—	1,657	2,000	—	2,000
Liability for automatic share purchase plan commitment pursuant to NCIB	13	(375)	—	—	—	(2,625)	(3,000)	—	(3,000)
Balance at December 31, 2022		164,136	35,314	57,486	(8,375)	137,920	386,481	(5,519)	380,962

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

Consolidated Statements of Cash Flows

Years Ended December 31,	Note*	2022	2021
(CDN 000s)		(\$)	(\$)
Cash from (used in) operating activities			
Net income		105,726	31,925
Adjustment for non-cash items:			
Depreciation and amortization	9, 11	20,842	25,689
Stock-based compensation expense	14	15,230	11,523
Deferred income taxes	18	896	(2,138)
Put option revaluation	17	(5,815)	381
Net monetary gain		(2,416)	601
Unrealized foreign exchange loss (gain) and other		422	(253)
Funds flow from operations		134,885	67,728
Movements in non-cash working capital items:			
Increase in trade and other receivables		(35,366)	(22,656)
Increase in prepaid expenses		(5,723)	(2,196)
Increase in income taxes payable / recoverable	18	41,103	16,692
Increase in trade payables, accruals and stock-based compensation liability		11,735	11,219
Increase in inventory	8	(10,922)	—
Effects of exchange rate changes		844	1,286
Cash generated from operating activities		136,556	72,073
Income tax paid		(32,142)	(7,012)
Net cash from operating activities		104,414	65,061
Cash flows from (used in) financing activities			
Proceeds from exercise of stock options	13	3,019	146
Payment of dividends	13	(29,473)	(16,567)
Repurchase and cancellation of shares under NCIB	13	(13,786)	(8,432)
Repayment of lease liability		(1,825)	(2,193)
Net cash used in financing activities		(42,065)	(27,046)
Cash flows (used in) from investing activities			
Equity investments	10	(17,915)	(17,127)
Purchase of short-term investments	6	(40,377)	—
Additions to property, plant and equipment	9	(34,010)	(10,237)
Development costs	11	(493)	(683)
Proceeds on disposal of property, plant and equipment		874	1,132
Changes in non-cash working capital		(312)	(162)
Net cash used in investing activities		(92,233)	(27,077)
Effect of exchange rate on cash and cash equivalents		3,658	(1,937)
Net increase (decrease) in cash and cash equivalents		(26,226)	9,001
Cash and cash equivalents, beginning		158,283	149,282
Cash and cash equivalents, ending	5	132,057	158,283

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

Notes to Consolidated 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

The Consolidated Financial Statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

The Consolidated Financial Statements were authorized for issue by the Board of Directors on March 2, 2023.

Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain assets, including financial instruments, that are measured at revalued amounts or fair values, as explained in the accounting policies below.

Inventory

During the second quarter of 2022, a change to the Company's operational strategy saw increased purchases of consumable inventory and resulted in the inclusion of consumable supplies and components as part of Inventory within these Consolidated Financial Statements.

In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the application of the Company's inventory policy to new transactions is treated prospectively with no comparative period adjustments.

Functional and presentation currency

These Consolidated Financial Statements are presented in Canadian dollars, which is the Company's functional currency. Financial statements of the Company's US and International subsidiaries have a functional currency different from Canadian dollars and are translated to Canadian dollars using the exchange rate in effect at the period end date for all assets and liabilities, and at average monthly year to date rates of exchange during the period for revenues and expenses. The functional currency of the Company's US operations is the US dollar, while the local currency in each country is considered to be the functional currency of each respective International subsidiary.

All changes resulting from these translation adjustments are recognized in other comprehensive income. All financial information presented in Canadian dollars has been rounded to the nearest thousand except for per share amounts.

Key Sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated

assumptions are based upon historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Allowance for Doubtful Accounts

Amounts included in allowance for doubtful accounts reflect the expected credit losses for the Company's trade receivables. The Company determines the allowance amount based on management's best estimate of expected losses, considering actual loss history as well as current and projected economic and industry activity. Significant or unexpected changes in economic conditions could significantly impact the Company's future expected credit losses.

Depreciation of property, plant, and equipment, and amortization of intangible assets

When calculating depreciation of property, plant and equipment, and amortization of intangible assets, the Company estimates the useful lives and residual values of the related assets. The estimates made by management regarding the useful lives and residual values affect the carrying amounts of the property and equipment and intangible assets on the balance sheet and the related depreciation and amortization expenses recognized in the statement of operations. Assessing the reasonableness of the estimated useful lives of property and equipment and intangible assets requires judgment and is based on available information. The Company periodically, and at least annually, evaluates its depreciation and amortization methods and rates for consistency against those methods and rates used by its peers, or may revise initial estimates for changes in circumstances, such as technological advancements. A change in the estimated remaining useful life or the residual value will affect the depreciation or amortization expense prospectively.

Cash generating units (CGU)

For purposes of reviewing whether goodwill impairment exists, the Group has determined that the assets of each of its operating segments are an appropriate basis for its CGUs. The Company uses judgment in the determination of its CGUs.

Inventories

The Company evaluates its inventory to ensure it is carried at the lower of cost and net realizable value. Provisions are made against obsolete and damaged inventories and are charged to rental services. These provisions are assessed at each reporting date for adequacy. Any reversal of a write-down of inventory arising from an increase in net realizable value will be recognized as a reduction in rental services in the period in which the reversal occurred.

Recoverable amounts of property and equipment, intangible assets, and goodwill

At each reporting period, management assesses whether there are indicators of impairment of the Company's property and equipment, intangible assets, and goodwill. If an indication of impairment exists, the property and equipment, intangible assets, and goodwill are tested for impairment. If not, goodwill is tested for impairment at least annually. In order to determine if impairment exists and to measure the potential impairment charge, the carrying amounts of the Company's CGUs are compared to their recoverable amounts, which is the greater of fair value less costs to sell and value in use (VIU). An impairment charge is recognized to the extent the carrying amount exceeds the recoverable amount. VIU is calculated as the present value of the expected future cash flows specific to each CGU. In calculating VIU, significant judgments are required in making assumptions with respect to discount rates, the market outlook, and future cash flows associated with the CGU. Any changes in these assumptions will have an impact on the measurement of the recoverable amount and could result in adjustments to impairment charges already recorded.

Intangible assets and goodwill acquired in business combinations, and obligations under put option

Accounting for business combinations involves the allocation of the cost of an acquisition to the underlying net assets acquired based on estimated fair values. As part of this allocation process, the

Company identifies and attributes values and estimated lives to identifiable intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk, and the weighted average cost of capital used by a market participant. These estimates and assumptions determine the amount allocated to identifiable separable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges. In conjunction with the ETB Inc. acquisition, the Company determines the obligation under the put option based upon certain assumptions and estimates which could differ significantly from actual results (Note 17).

Provisions and contingencies

The Company recognizes provisions based on an assessment of its obligations and available information. Any matters not included as provisions are uncertain in nature and cannot be reasonably estimated.

The Company makes assumptions to determine whether obligations exist and to estimate the amount of obligations that we believe exist. In estimating the final outcome of litigation, assumptions are made about factors including experience with similar matters, past history, precedents, relevant financial, scientific, and other evidence and facts specific to the matter, all of which could differ significantly from actual results. This determines whether a provision or disclosure in the financial statements is needed.

Viability of new product development projects

New product development projects that meet the capitalization criteria are capitalized, and include the cost of materials and direct labour costs that are directly attributable to preparing the asset for its intended use. Subsequent changes in facts or circumstances could result in the balance of the related deferred costs being expensed in profit or loss. Results could differ due to changes in technology or if actual future economic benefit differs materially from what was expected.

Stock-based compensation

The fair value of stock options is calculated using a Black-Scholes option pricing model. There are a number of estimates used in the calculation, such as the estimated forfeiture rate, expected option life, and the future price volatility of the underlying security, which can vary from actual future events. The factors applied in the calculation are management's best estimates based on historical information and future forecasts.

The fair value of Performance Share Units ("PSUs") is calculated using management's best estimate of the Company's ability to achieve certain performance measures and objectives as set out by the Board of Directors, considering historical and expected performance. Changes in these estimates and future events could alter the calculation of the provision, and ultimate payout for such compensation.

Income taxes

The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, the Company has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions as the tax positions taken by the Company rely on the exercise of judgment and it is frequently possible for there to be a range of legitimate and reasonable views.

The Company has adopted certain transfer pricing (TP) policies and methodologies to value inter-company transactions that occur in the normal course of business. The value placed on such transactions must meet certain guidelines that have been established by the tax authorities in the jurisdictions in which the Company operates. The Company believes that its TP methodologies are

in accordance with such guidelines. The Company entered into a Bilateral Advanced Pricing Arrangement (APA) with the Canada Revenue Agency (CRA) and the Internal Revenue Service (IRS) (collectively, the Parties) covering the taxation years ended December 31, 2013, through to December 31, 2021. A new APA agreement effective January 1, 2022 is under review with the Parties. Consistent with the prior agreement, the purpose of this APA is for the Company to obtain agreement among the Parties on the TP methodology applied to the material inter-company transactions of the Company.

The calculation of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences, tax losses, and other tax credits will reverse. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change.

The estimation of deferred tax assets and liabilities includes uncertainty with respect to the reversal of temporary differences.

Deferred tax assets are recognized when it is probable that taxable income will be available against which the temporary differences or tax losses giving rise to the deferred tax asset can be used. This requires estimation of future taxable income and use of tax loss carry-forwards for a considerable period into the future. Income tax expense in future periods may be affected to the extent actual taxable income is not sufficient or available to use the temporary differences, giving rise to the deferred tax asset.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these Consolidated Financial Statements.

The accounting policies have been applied consistently by the Group entities.

Basis of consolidation

(a) Business combinations

For acquisitions, the Group measures goodwill as the fair value of the consideration transferred less the net recognized amount, at fair value, of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments to the consideration are recognized against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or liability are recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(b) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company. Intercompany balances and transactions are eliminated in preparing the Consolidated Financial Statements.

Investments in Associates and Joint Ventures

The Company uses the equity method to account for its 50% interest in Rawabi Pason Company (Limited LCC) (Rawabi JV) and its investment in Intelligent Wellhead Systems Inc. (IWS). Under the equity method, the investment is carried at cost and adjusted for post acquisition changes in the Company's share of net assets of the associate or joint venture.

Goodwill and other intangible assets that arose on the initial acquisition are included as part of the carrying amount and not recognized separately. The equity pick-up recognized is reduced by the amortization of such intangible assets.

Distributions received from an associate or joint venture reduce the carrying cost.

Non-controlling interest

Non-controlling interest arises from business combinations in which the Company acquires less than 100% interest and is measured at either fair value or at the minority interest's proportionate share of the acquiree's identifiable assets. This decision is made on an acquisition-by-acquisition basis.

In 2019, the Company acquired 80% of Energy Toolbase Software Inc. (ETS Inc). As such, non-controlling interest representing 20% interest was valued using the minority interest's proportionate share of the acquiree's identifiable assets.

Non-controlling interest in the net income of the Company's non-wholly subsidiaries are included in net income, with minority interests presented as equity on the Consolidated Balance Sheets. The carrying amount of non-controlling interest is increased or decreased by the minority interest's share of subsequent changes in net income and comprehensive loss, as well as dividends or cash disbursements made to the minority interest even if the result is that non-controlling interest becomes a debit balance.

Government wage subsidies

The Company recognizes government wage subsidies when there is reasonable assurance that the relevant conditions are met and that the subsidy will be received. The benefits are recorded within other income/expenses in the income statement.

Foreign currency

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from business combinations, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at average exchange rates.

Gains and losses arising from the translation of the financial statements of foreign operations are included in the Consolidated Statements of Other Comprehensive Income in the period they relate to, and such differences have been accumulated in Foreign Currency Translation Reserve on the Consolidated Balance Sheets. Advances made to subsidiaries for which the settlement is not planned or anticipated in the foreseeable future are considered part of the net investment. Accordingly, unrealized gains and losses from these advances are recorded in the Consolidated Statements of Other Comprehensive Income.

Monetary assets and liabilities relating to foreign denominated transactions are initially recorded at the rate of exchange in effect at the transaction date. Gains and losses resulting from subsequent changes in foreign exchange rates are recorded in profit or loss for the period.

Hyperinflation Accounting

Due to various qualitative and quantitative factors, Argentina was designated a hyper-inflationary economy in the second quarter of 2018 for accounting purposes. As such, the Company has applied IAS 29, *Financial Reporting in Hyper-Inflationary Economies* to these Consolidated Financial Statements for its Argentinian operating subsidiary. These Consolidated Financial Statements are based on the historical cost approach in IAS 29.

The application of hyperinflation accounting requires restatement of the Argentina subsidiary's non monetary assets and liabilities, shareholders' equity and other comprehensive income items from the transaction date when they were first recognized into the current purchasing power, which reflects a price index current at the end of the reporting period before being included in the Consolidated Financial Statements. To measure the impact of inflation on its financial position and results, the Company has elected to use the Retail Price Index (indice de precios al consumidor con cobertura nacional or "IPC") as recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE).

As a result of the change in the IPC for the year ended December 31, 2022, the Company recognized a net monetary gain within the Argentina subsidiary of \$1,849 (2021 - \$496). The level of the IPC at December 31, 2022, was 1,134.6 (2021 - 582.5), which represents an annual increase of 95% (2021 - 51%).

Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as a "financial asset or financial liability at fair value through profit or loss", "available-for-sale financial assets", "held-to-maturity investments", "loans and receivables", or "other financial liabilities". The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. Financial assets and liabilities are offset and the net amount presented in the balance sheet when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

(a) Financial assets as fair value through profit or loss:

Cash and cash equivalents and short-term investments are held for trading within the fair value through profit or loss category. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income.

(b) Loans and receivables:

Trade and other receivables are held within the loans and receivables category (Note 7). Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs less any impairment losses. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has the following non-derivative financial liabilities:

(a) Non-derivative financial liabilities

Trade payables, accruals, provisions, and obligation under put option are held within the non-derivative financial liabilities category. Such financial liabilities are recognized initially at

fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Cash and cash equivalents

Cash is comprised of cash on deposit, cash held in trust, bank indebtedness, and investments with maturities of 90 days or less at the date of investment. Bank overdrafts that are repayable on demand are included as a component of cash for the purpose of the statement of cash flows.

Short-term investments

Short-term investments are comprised of investments with maturities greater than 90 days and less than one year at the date of investment.

Share capital

Common shares are classified as equity.

Property, plant, and equipment

(a) Recognition and measurement

Items of property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant, and equipment include parts and raw materials awaiting assembly. These assets are recorded at cost and no depreciation is taken.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items.

When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment.

Proprietary software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property, plant, and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within depreciation and amortization.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant, and equipment is recognized in the carrying amount of the item only when it is probable that the future economic benefits will flow to the Company, the economic life is greater than one year, and its cost can be measured reliably. All other replacement costs, as well as the repair and maintenance of property, plant, and equipment, are recognized in profit or loss as incurred.

(c) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less residual value which the Company has determined to be nominal.

Depreciation is recognized in profit or loss either on a straight-line or declining balance basis over the estimated useful lives of each part of an item of property, plant, and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative year are as follows:

	Straight-Line	Declining Balance Rate
Rental equipment	—	20%
Other	3 years	—

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on a standard cost basis and includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Any inventory valuation write-downs are included in rental services on the Consolidated Statements of Operations in the period in which the write-down occurred.

Intangible assets

(a) Goodwill

Goodwill represents the excess of purchase price for business combinations over the fair value of the acquired net assets. Goodwill is allocated as of the date of the business combination. Goodwill is measured at cost less accumulated impairment losses.

(b) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalized includes the cost of materials and direct labour costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

Capitalized development expenditures are amortized in the year in which the new products begin generating revenue. However, if at any time a product is deemed no longer commercially viable, the balance of the related deferred costs is expensed in profit or loss.

Investment tax credits are recorded only when received, as the timing and amounts are dependent upon the acceptance of the claim by the respective tax authorities, and are netted against the related development costs.

(c) Other intangible assets

Other intangible assets that are acquired by the Company have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized when they are available for use on a straight-line basis over their estimated economic lives.

(d) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(e) Amortization

Amortization is calculated over the cost of the asset less residual value which the Company has determined to be nominal.

The estimated useful lives for intangible assets are as follows:

Customer relationships and technology	6 years
Non-compete agreements	5 years
Trademarks and software	3 years
Patents and research and development costs	3 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment

(a) Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Judgments and assessments are made to determine whether an event has occurred that indicates a possible impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at least annually.

Assets that cannot be tested for impairment individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, referred to as the CGU. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss as incurred. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill cannot be reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share based compensation

Equity-settled share based compensation

(a) Stock option plan

The fair value of stock options granted is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends.

Compensation expense associated with the option plan is recognized on a graded basis as stock-based compensation expense over the vesting period of the stock options with a corresponding increase in share based benefits reserve. Any consideration received on the exercise of stock options for common shares is credited to share capital.

Cash-settled share based compensation

(b) Restricted share unit (RSU) plan and Phantom stock full value (PSFV) plan

The Company has a RSU and a PSFV plan for qualified employees whereby holders receive a cash settlement based upon the number of outstanding units multiplied by the prevailing market price of the Company's common shares on the vesting date. A liability is accrued and adjusted each quarter based upon the number of vested units and the current market price of the Company's common shares.

Compensation expense for the plans is accrued on a graded basis over the respective three-year vesting period. Any changes in the fair value of the liability are recognized in profit or loss.

(c) Deferred share unit (DSU) plan

The Company has a DSU plan for directors of the Company. The DSUs are granted annually and represent rights to share values based on the number of DSUs issued. When a DSU holder ceases to be a member of the Board, the holder is entitled to receive a cash settlement based upon the number of outstanding DSUs multiplied by the prevailing market price of the Company's common shares on the redemption date. A DSU liability is accrued and adjusted each quarter on outstanding DSUs based upon the current market price of the Company's common shares.

Compensation expense for the DSU plan is accrued evenly over a one year period following grant. Any changes in the fair value of the liability are recognized in profit or loss.

(d) Performance share unit (PSU) plan

The Company has a PSU plan for Executive Officers of the Company. PSUs are a notional unit that entitle the holder to receive payment in cash upon vesting based upon the number of vested PSUs and a multiplier calculated based upon the achievement of certain performance measures and objectives specified by the Board of Directors. A PSU liability is accrued and adjusted each reporting period on vested PSUs based upon the expected fair value of the future obligation, with changes in fair value recognized in profit or loss.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Revenue

The Company applies the five-step model to arrangements that meet the definition of a contract, including when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it provides to the customer.

- (a) identifies the contract(s) with a customer,
- (b) identifies the performance obligations in the contract,
- (c) determines the transaction price,
- (d) allocate the transaction price to the performance obligations in the contract, and
- (e) recognizes revenue when (or as) the entity satisfies a performance obligation.

Products and services for the Company are primarily comprised of specialized data management systems provided on a rental basis. The Company satisfies its performance obligations and recognizes rental revenue during the reporting period based on completion of each rental day.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture, and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability are comprised of:

- (a) Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- (c) The amount expected to be payable by the lessee under residual value guarantees; The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- (d) Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Both the current and non-current portion of the lease liability is presented as a separate line in the Consolidated Balance Sheets. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- (a) The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- (b) The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- (c) A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the Consolidated Balance Sheets. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, Plant, and Equipment" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the segment and category with which the expense arises.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Finance income, finance costs, and foreign exchange

Finance income comprises interest income on excess funds invested. Interest income is recognized as it accrues in profit or loss.

Finance costs include interest expense on bank borrowing, lease obligations, and changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets.

Foreign currency gains and losses are reported on a net basis.

Income tax

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available to use unused tax losses and unused tax credits. Deferred tax assets are reviewed at each reporting date and the valuation allowance is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Dividends

Dividends on common shares are recognized in the Company's Consolidated Financial Statements in the period in which the Board of Directors approves the dividend.

Income per share

The Company presents basic and diluted income per share data for its common shares. Basic income per share is calculated by dividing the net income or loss available to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted income per share is determined by adjusting the net income or loss available to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise stock options outstanding.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the Company's senior management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, costs that benefit more than one operating unit which cannot be reasonably allocated, and amounts relating to current and deferred taxes as these amounts can be impacted by tax strategies implemented at the corporate level that benefit the Group as a whole.

Segment capital expenditures are the total costs incurred during the period to acquire property, plant, and equipment and intangible assets other than goodwill.

4. Changes in Accounting Standards

Standards and interpretations adopted in the year ended December 31, 2022

The Company has adopted the following amendments to IFRS effective January 1, 2022, and except as otherwise noted, none of which have had a material impact on the Company's Consolidated Financial Statements:

IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The amendment clarified that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts. The amendments apply to contracts existing at the date when the amendments are first applied. There is no impact to the Company for the year ended December 31, 2022 as a result of this amendment.

Future Accounting Policy Changes

The following amendments have been issued and are effective for financial years beginning on or after January 1, 2023. Amendments that are not applicable to the Company have been excluded. The Company does not anticipate that the adoption of any of these amendments will have a material impact on its financial statements.

IAS 1, Presentation of Financial Statements (effective January 1, 2023)

Clarifies the presentation of liabilities in the statement of financial position. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.

IAS 12, Income Taxes - Deferred Tax arising from a Single Transaction (effective January 1, 2023)

The amendment clarifies the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. An entity is now required to recognize the related deferred tax asset and liability with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

5. Cash and Cash Equivalents

As at December 31,	2022	2021
	(\$)	(\$)
Cash	77,568	120,714
Cash equivalents	54,489	37,569
Cash and cash equivalents	132,057	158,283

As at December 31, 2022, the Company's cash and cash equivalents are invested in 1-25 day money market funds with interest rates averaging 4.5%. In the fourth quarter of 2022, the Company invested \$40.3 million of its cash in short-term investments as outlined in Note 6 of these Consolidated Financial Statements.

6. Short-Term Investments

As at December 31,	2022	2021
	(\$)	(\$)
Short-term investments	40,377	—

As at December 31, 2022, the Company's short-term investments are twelve-month term deposits with interest rates ranging between 5.16% and 5.55%.

7. Trade and Other Receivables

As at December 31,	2022	2021
	(\$)	(\$)
Trade receivables, net of allowances for doubtful accounts	77,721	48,279
Other receivables	7,098	1,174
Trade and other receivables	84,819	49,453

8. Inventory

Inventory is comprised of products and components which will be consumed through the Company's field service presence or through equipment repairs. For the year ended December 31, 2022, the cost of inventory expensed in rental services was \$20,199 (2021: \$11,877).

9. Property, Plant, and Equipment

	Materials and supplies	Rental equipment	Right of use assets	Other	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Property, plant and equipment					
Balance at January 1, 2021	7,330	434,210	10,481	56,130	508,151
Additions	4,667	4,067	3,008	1,503	13,245
Derecognition and disposals	—	(40,965)	(2,509)	(20,070)	(63,544)
Parts consumed	(3,785)	3,785	—	—	—
Hyperinflation	—	(954)	—	—	(954)
Effects of exchange rate changes	—	5,234	42	80	5,356
Balance at December 31, 2021	8,212	405,377	11,022	37,643	462,254
Additions	4,918	28,821	—	416	34,155
Derecognition and disposals	—	(23,320)	(249)	(19,400)	(42,969)
Reclassified to inventory	(4,719)	—	—	—	(4,719)
Parts consumed	(2,913)	2,913	—	—	—
Hyperinflation	—	6,491	—	—	6,491
Effects of exchange rate changes	469	15,975	76	868	17,388
Balance at December 31, 2022	5,967	436,257	10,849	19,527	472,600
Accumulated Depreciation					
Balance at January 1, 2021	—	360,546	4,522	48,097	413,165
Depreciation	—	16,783	2,194	2,246	21,223
Derecognition of assets	—	(39,465)	(2,509)	(15,712)	(57,686)
Hyperinflation	—	744	—	—	744
Effects of exchange rate changes	—	2,461	24	58	2,543
Balance at December 31, 2021	—	341,069	4,231	34,689	379,989
Depreciation	—	14,604	1,867	768	17,239
Derecognition and disposals	—	(23,320)	(249)	(19,400)	(42,969)
Hyperinflation	—	5,117	—	—	5,117
Effects of exchange rate changes	—	15,151	8	370	15,529
Balance at December 31, 2022	—	352,621	5,857	16,427	374,905
Carrying Amounts					
At December 31, 2021	8,212	64,308	6,791	2,954	82,265
At December 31, 2022	5,967	83,636	4,992	3,100	97,695

Other property, plant, and equipment includes computer equipment and leasehold improvements.

Derecognition of Assets

Included in the amounts recorded as derecognition and disposals in the above table are the costs and accumulated depreciation of fully depreciated assets that have been removed from the Company's books. In 2022, these amounts were \$42,969 (2021: \$57,686).

10. 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.

A summary of the Company's equity investments is as follows:

Years Ended December 31,	2022	2021
	(\$)	(\$)
Equity Investments, beginning	30,046	24,719
Share of after tax income in associates and joint ventures	482	(444)
Amortization of intangibles	(772)	(659)
Additional investment	17,915	7,127
Dividends	(549)	(697)
Other	717	—
Equity Investments, ending	47,839	30,046

Investment in IWS

The Company's initial minority investment in IWS was made in 2019, and consisted of total consideration of \$25,000. The investment consisted of initial cash consideration of \$10,000 and \$15,000 payable in three separate \$5,000 put options, exercisable at IWS' discretion for a period of up to three years. The first \$5,000 put obligation was exercised in the first quarter of 2020, while the second and third were exercised during the second and fourth quarters of 2021.

During the fourth quarter of 2022, Pason increased its non-controlling investment in IWS and acquired a portion of outstanding common shares for total cash consideration of \$7,915 (2021: \$7,127), in addition to subscribing to preferred shares for total cash consideration of \$10,000 (2021: \$nil).

The preferred share subscription 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 Consolidated Balance Sheets as at December 31, 2022.

Including the amount relating to the common share acquisition in 2022 as outlined above, total cash outflows associated with the Company's non-controlling investment in IWS is \$17,915 for the year ended December 31, 2022 (2021: \$17,127).

11. Intangible Assets and Goodwill

	Goodwill	Research & Development	Technology	Customer Relationships	Other	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Intangible assets						
Balance at January 1, 2021	33,330	25,390	5,238	12,147	3,982	80,087
Internally developed	—	1,414	—	—	—	1,414
Investment tax credits received	—	(732)	—	—	—	(732)
Derecognition of assets	—	(15,755)	—	(6,140)	(1,440)	(23,335)
Effects of exchange rate	122	—	(9)	159	96	368
Balance at December 31, 2021	33,452	10,317	5,229	6,166	2,638	57,802
Internally developed	—	823	—	—	451	1,274
Derecognition of assets	(1,259)	—	(2,842)	(4,726)	(1,370)	(10,197)
Effects of exchange rate	2,021	—	163	99	85	2,368
Balance at December 31, 2022	34,214	11,140	2,550	1,539	1,804	51,247
Amortization						
Balance at January 1, 2021	607	19,558	2,427	9,447	3,132	35,171
Amortization	—	1,968	922	1,164	412	4,466
Derecognition of assets	—	(15,755)	—	(6,290)	(1,290)	(23,335)
Effects of exchange rate	226	—	(53)	177	85	435
Balance at December 31, 2021	833	5,771	3,296	4,498	2,339	16,737
Amortization	—	1,351	832	1,037	383	3,603
Derecognition of assets	—	—	(2,842)	(4,726)	(1,370)	(8,938)
Effects of exchange rate	57	—	75	12	83	227
Balance at December 31, 2022	890	7,122	1,361	821	1,435	11,629
Carrying amounts						
At December 31, 2021	32,619	4,546	1,933	1,668	299	41,065
At December 31, 2022	33,324	4,018	1,189	718	369	39,618

Derecognition of assets

Included in the amounts recorded as derecognition of assets are the costs and accumulated amortization of fully amortized assets that have been removed from the Company's books.

Impairment assessment

The Company assessed goodwill for impairment at December 31, 2022 as part of its annual reporting process. In doing so, the Company compared the aggregate recoverable amount of the assets included in the respective CGUs to their carrying amounts. The Company completed its annual assessment for goodwill impairment and determined that the recoverable amount for the Company's CGUs exceeded the carrying amounts, respectively.

For the December 31, 2022 goodwill impairment assessment, the Company's goodwill was allocated to the North America, International and Solar and Energy Storage CGUs.

The recoverable amount has been determined based on the value in use of the CGUs using cash flow budgets approved by management. There is a degree of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' assets due in part to the necessity of making key assumptions about the future economic environment that the Company will operate in. The value in use calculations use discounted cash flow projections, which require key assumptions, including future cash flows, projected growth, and pre-tax discount rates. The Company considers a range of reasonable possibilities to use for these key assumptions and decides upon the amounts to use that represent management's best estimates.

Key assumptions are as follows:

	North America	International	Solar and Energy Storage
	(%)	(%)	(%)
Weighted average growth rate	3	7	nmf
Terminal growth rate	2.0	2.0	3.0
Pre-tax discount rate	15	15	25

The weighted average growth rate for the Solar and Energy Storage CGU is not meaningful given the early stages of associated cash flows.

For all operating segments, reasonable possible changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value. If future events cause a significant change in the operating environment of these business units, resulting in key operating metrics differing from management's estimates, the Company could potentially experience future material impairment charges against goodwill.

12. Trade Payables and Accruals

As at December 31,	Note	2022	2021
		(\$)	(\$)
Trade payables		20,724	8,606
Non-trade payables and accrued expenses		29,975	20,869
Liability for automatic purchase plan (APP) commitment pursuant to NCIB	13	3,000	2,000
Trade payables and accruals		53,699	31,475

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 22.

13. Share Capital

Common shares

Years Ended December 31,	2022		2021	
	(\$)	(#)	(\$)	(#)
Balance, beginning	162,567	82,194,051	164,568	83,088,941
Exercise of stock options	3,530	303,553	146	16,089
Shares repurchased and cancelled under NCIB	(1,929)	(970,650)	(1,804)	(910,979)
Reversal of prior period liability for APP commitment pursuant to NCIB	343	—	—	—
Liability for automatic share purchase plan commitment pursuant to NCIB	(375)	—	(343)	—
Balance, ending	164,136	81,526,954	162,567	82,194,051

At December 31, 2022, 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

During 2022, the Company declared and paid quarterly dividends of \$29,473 (2021: \$16,567) or \$0.36 per common share (2021: \$0.20) as follows:

	Dividend Record Date	Dividend Payment Date	Per Common Share	Total
			(\$)	(\$)
March	March 15	March 31	0.08	6,570
June	June 15	June 30	0.08	6,580
September	September 15	September 29	0.08	6,558
December	December 15	December 30	0.12	9,765
Total dividends declared			0.36	29,473

Normal Course Issuer Bid (NCIB)

On December 15, 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 8,105,263 common shares, which represents approximately 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 year ended December 31, 2022, the Company repurchased 970,650 (2021 - 910,979) shares for cancellation for total cash consideration of \$13,786 (2021 - \$8,432). The total consideration is allocated between share capital and retained earnings.

At December 31, 2022, the Company entered into an automatic purchase plan (APP) with an independent broker. As such, as at December 31, 2022, the Company recorded a liability of \$3,000 (2021: \$2,000) for share repurchases that could take place during its internal blackout period. The total accrual was included in the Consolidated Balance Sheets under trade payables and accruals.

As at December 31,	2022	2021
	(\$)	(\$)
Amounts charged to		
Share capital	375	343
Retained earnings	2,625	1,657
Liability for automatic share purchase plan commitment	3,000	2,000

14. 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:

Years Ended December 31,	2022		2021	
	Share Options	Weighted Average Exercise Price	Share Options	Weighted Average Exercise Price
	(#)	(\$)	(#)	(\$)
Outstanding, beginning	3,324,759	14.67	4,277,601	15.96
Granted	642,190	16.07	599,373	10.63
Exercised	(303,553)	9.95	(16,089)	7.33
Expired or forfeited	(998,275)	17.90	(1,536,126)	17.34
Outstanding, ending	2,665,121	14.31	3,324,759	14.67
Exercisable, ending	1,454,201	15.38	2,147,030	17.28
Available for grant, ending	3,041,766		2,428,825	

The following table summarizes information about the stock options outstanding at December 31, 2022:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable (Vested)	Weighted Average Exercise Price
(\$)	(#)	(Years)	(\$)	(#)	(\$)
7.33 - 8.98	396,188	2.92	7.33	214,571	7.33
8.99 - 12.91	907,384	3.17	11.48	520,271	12.11
12.92 - 20.22	1,361,549	2.82	18.22	719,359	20.14
	2,665,121	2.97	14.31	1,454,201	15.38

All stock options are valued using the Black-Scholes option pricing model. Weighted average assumptions for options granted in the year are as follows:

Years Ended December 31,	2022	2021
Fair value of stock options (\$)	4.85	3.06
Forfeiture rate (%)	11.28	11.34
Risk-free interest rate (%)	3.54	1.11
Expected option life (years)	3.28	3.26
Expected volatility (%)	46.55	44.93
Expected annual dividends per share (%)	2.99	1.90

Restricted share units plan

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 Company's outstanding RSUs can be summarized as follows:

Years Ended December 31,	2022	2021
	(#)	(#)
RSUs, beginning	1,144,628	1,111,190
Granted	394,855	535,113
Vested and paid	(500,302)	(411,915)
Forfeited	(83,863)	(89,760)
RSUs, ending	955,318	1,144,628

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 outstanding. 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:

Years Ended December 31,	2022	2021
	(#)	(#)
DSUs, beginning	264,231	252,363
Credited	88,086	81,498
Redeemed and paid	—	(69,630)
DSUs, ending	352,317	264,231

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. PSUs granted before 2021 vest equally over three years while PSUs awarded in and after 2021 vest at the end the third anniversary of the grant 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:

Years Ended December 31,	2022	2021
	(#)	(#)
PSUs, beginning	2,385,124	2,332,028
Granted	1,041,506	995,943
Vested and paid	(407,056)	(942,847)
PSUs, ending	3,019,574	2,385,124

Stock-based compensation expense and liability

For the year ended December 31, 2022, the Company recorded \$15,230 of stock-based compensation expense for its equity and cash settled plans (2021: \$11,523). As at December 31, 2022, the Company held \$6,028 in current stock-based compensation liability and \$7,869 in non-current stock-based compensation liability for its cash settled plans (as at December 31, 2021: \$2,647 and \$6,821 respectively).

15. 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:

Year Ended December 31, 2022	North America	International	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)
Revenue				
Drilling Data	148,516	31,914	—	180,430
Mud Management and Safety	81,823	11,489	—	93,312
Communications	16,703	2,656	—	19,359
Drilling Intelligence	22,271	1,644	—	23,915
Analytics and Other	5,256	5,519	7,207	17,982
Total Revenue	274,569	53,222	7,207	334,998
Rental services and local administration	85,624	26,742	10,067	122,433
Depreciation and amortization	17,943	2,879	20	20,842
Segment gross profit (loss)	171,002	23,601	(2,880)	191,723
Research and development				37,573
Corporate services				15,192
Stock-based compensation				15,230
Other income				(15,403)
Income tax provision				33,405
Net income				105,726
Net income attributable to Pason				107,616
Capital expenditures	33,024	1,479	—	34,503
As at December 31, 2022				
Property plant and equipment	85,050	12,488	157	97,695
Intangible assets	4,213	—	2,081	6,294
Goodwill	7,729	2,600	22,995	33,324
Segment assets	371,197	63,513	35,218	469,928
Segment liabilities	69,560	6,534	12,872	88,966

Year Ended December 31, 2021	North America	International	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)
Revenue				
Drilling Data	88,907	21,885	—	110,792
Mud Management and Safety	47,631	7,767	—	55,398
Communications	10,434	1,504	—	11,938
Drilling Intelligence	13,734	1,072	—	14,806
Analytics and Other	5,384	4,261	4,107	13,752
Total Revenue	166,090	36,489	4,107	206,686
Rental services and local administration	61,959	19,432	6,277	87,668
Depreciation and amortization	22,569	3,100	20	25,689
Segment gross profit (loss)	81,562	13,957	(2,190)	93,329
Research and development				32,220
Corporate services				13,175
Stock-based compensation				11,523
Other income				(7,252)
Income tax provision				11,738
Net income				31,925
Net income attributable to Pason				33,845
Capital expenditures	10,279	520	121	10,920
As at December 31, 2021				
Property plant and equipment	73,177	8,837	251	82,265
Intangible assets	5,602	—	2,844	8,446
Goodwill	8,512	2,600	21,507	32,619
Segment assets	300,936	51,716	27,289	379,941
Segment liabilities	61,533	4,953	5,674	72,160

16. Other Income

Years Ended December 31,	2022	2021
	(\$)	(\$)
Put option revaluation (Note 17)	(5,815)	381
Net interest (income) expense	(4,937)	1,526
Net monetary gain	(1,849)	(496)
Foreign exchange gain	(2,024)	(2,011)
Other (income) expenses	(1,068)	453
Equity loss (Note 10)	290	1,103
Government wage assistance	—	(8,208)
Total other income	(15,403)	(7,252)

Net interest expense (income) is primarily comprised of interest generated from the Company's invested cash and cash equivalents and short-term investments.

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

Other (income) expenses for the year ended December 31, 2022 is primarily comprised of proceeds received on a bankruptcy settlement of a former lessee.

The Company did not recognize any government wage assistance in 2022 as the program was terminated in October 2021. During the year ended December 31, 2021, Pason participated in the Canada Emergency Wage Subsidy ("CEWS") program.

17. 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.

The significant unobservable inputs to determine the fair value of the obligation under put option as at December 31, 2022, include the weighted average growth rate, terminal value, and pre-tax discount rate used in the Company's impairment assessment, and are further disclosed in Note 11. As at December 31, 2022, the put option valuation was affected by the increase in policy interest rates as it relates to the discount rate applied in the fair value assessment of the obligation under put option.

A summary of the obligation under put option is as follows:

As at December 31,	2022	2021
	(\$)	(\$)
Balance, beginning	11,484	11,153
Put option revaluation	(5,815)	381
Foreign exchange	805	(50)
Balance, ending	6,474	11,484

18. Income Tax

The Company's income tax provision is comprised of the following:

Years Ended December 31,	2022	2021
	(\$)	(\$)
Current tax expense	32,509	13,876
Deferred tax expense (recovery)	896	(2,138)
Income tax provision	33,405	11,738

The provision for income taxes, including deferred taxes, reflects an effective income tax rate that differs from the actual combined Canadian federal and provincial statutory rates of 23% for 2022 and 23% for 2021.

The Company's US subsidiaries (US Consolidated Group) were subject to federal and state statutory tax rates of approximately 25% for both 2022 and 2021.

A summary of these differences is as follows:

Years Ended December 31,	2022	2021
	(\$)	(\$)
Income before income taxes	139,131	43,663
Expected income tax at statutory rate	32,000	10,042
Increase (decrease) resulting from:		
Impact of not recognizing deferred tax assets on previous net operating losses	9	(152)
Non-deductible portion of stock-based compensation	242	286
Withholding and other taxes	1,527	1,196
Put option revaluation	(1,366)	88
Foreign and other tax rate differences	1,062	864
Prior years reassessments and adjustments	113	15
Equity pickup of non controlling entities	(376)	254
Hyperinflation	(347)	296
Non-taxable permanent differences of foreign exchange	(622)	(1,020)
Other items	1,163	(131)
Income tax provision	33,405	11,738

Certain prior period amounts have been reclassified for consistency with the current year presentation.

Deferred tax assets and liabilities are comprised of the following:

As at December 31,	2022	2021
	(\$)	(\$)
Inter-company transactions	6,408	4,157
Share-based payments	3,009	1,622
Property, plant and equipment	(12,768)	(8,387)
Intangible assets	(4,142)	(4,316)
Other	985	1,088
Deferred tax liability	(6,508)	(5,836)
Deferred tax asset	—	—
Deferred tax liability	6,508	5,836
Deferred tax liability	6,508	5,836

Inter-company transactions represent amounts owing to the Company's Canadian subsidiary from the Company's US consolidated group that are not deductible for US tax purposes until paid.

The movement in deferred tax assets and liabilities is as follows:

As at	Inter-company transactions	Share-based payments	Other	Property, plant and equipment	Intangible assets	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
January 1, 2021	5,015	916	597	(9,697)	(4,758)	(7,927)
Recognized in income	(829)	707	499	1,317	444	2,138
Foreign exchange differences	(29)	(1)	(8)	(7)	(2)	(47)
December 31, 2021	4,157	1,622	1,088	(8,387)	(4,316)	(5,836)
Recognized in income	2,612	1,387	(28)	(5,008)	141	(896)
Foreign exchange differences	(361)	—	(75)	627	33	224
December 31, 2022	6,408	3,009	985	(12,768)	(4,142)	(6,508)

Foreign exchange differences are recognized through foreign currency translation adjustment in the Statement of Other Comprehensive Income.

All deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. In addition, deferred tax assets and liabilities have been offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Tax loss carry-forwards

The Company has net-operating losses in its International business segment for which no deferred tax asset has been recognized. Deferred tax assets are only recognized to the extent that it is probable that future taxable profits will be available to use unused tax losses.

Income Taxes Recoverable

During the first quarter of 2019, the Company paid withholding tax owing to the Canada Revenue Agency (CRA) of \$15,304 as part of a Bilateral Advanced Pricing Arrangement (APA) entered into with the CRA and the IRS. As such, the Company recorded an amount under Income Tax Recoverable, which represented a corresponding amount owing from the IRS. During the first quarter of 2022, the Company received final settlement on all principal amounts owing from the IRS in relation to the APA, in the amount of \$12.5 million.

19. 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:

Years Ended December 31,	2022	2021
	(#)	(#)
Issued common shares outstanding, beginning	82,194,051	83,088,941
Effect of NCIB and exercised options	(233,462)	(296,764)
Weighted average number of common shares (basic)	81,960,589	82,792,177

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:

Years Ended December 31,	2022	2021
	(#)	(#)
Weighted average number of common shares (basic)	81,960,589	82,792,177
Effect of share options	656,497	121,734
Weighted average number of common shares (diluted)	82,617,086	82,913,911

For the year ended December 31, 2022, 1,361,549 (2021 - 2,732,805) 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.

20. Financial Instruments

The carrying values of the financial assets and liabilities approximate their fair value due to the short-term nature of these items. The Company's financial instruments include cash and cash equivalents, short-term investments, trade and other receivables, trade payables and accruals, and stock-based compensation liability.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data.

Financial Assets and Liabilities at Fair Value				
As at December 31, 2022	Level 1	Level 2	Level 3	Total
	(\$)	(\$)	(\$)	(\$)
Cash and cash equivalents	132,057	—	—	132,057
Short-term investments	40,377	—	—	40,377

21. Credit Facility

The Company has an undrawn \$5,000 demand revolving credit facility. Interest is payable monthly on amounts drawn and is based on either the lender's prime rate, US base rate loans, Bankers' Acceptance rates, plus applicable margins.

The credit facility is used by the Company for working capital purposes, and accordingly, amounts drawn against it are recorded as bank indebtedness offset by any excess cash balances. The Company can repay, without penalty, advances under the facility. The facility is secured by a general security agreement on all of the assets of the Company, Pason Systems Corp. and Pason Systems USA Corp.

Throughout the year and as at December 31, 2022, no amounts were drawn on this facility.

The Company is subject to the following financial covenants:

- To maintain, on a consolidated basis, to be measured as at the end of each fiscal quarter, a ratio of debt to income before interest, taxes, depreciation and amortization, and impairment losses (EBITDA), calculated on a rolling four quarters basis for the fiscal quarter then ended and the immediately preceding three fiscal quarters of not greater than 1.50:1.
- To maintain an EBITDA for Pason Systems Corp. plus Pason Systems USA of not less than 80% of consolidated EBITDA.

Both covenants have been met throughout the reporting periods.

22. Financial Risk Management and Financial Instruments Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market and foreign exchange risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's approach to managing capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

(a) Trade and other receivables

Credit risk refers to the possibility that a customer will fail to meet its contractual obligations. Credit risk arises from the Company's accounts receivable balances, which are predominantly with customers who explore for and develop oil and natural gas reserves. The Company has a process in place which assesses the creditworthiness of its customers as well as monitoring the age and balances outstanding on an ongoing basis. Payment terms with customers are 30 days from invoice date; however, industry practice can extend these terms.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for doubtful accounts that represents its estimate of expected losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective doubtful accounts allowance is determined based on historical data of payment statistics for similar financial assets.

(b) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

As at December 31,	2022	2021
	(\$)	(\$)
Trade and other receivables, net of allowance for doubtful accounts	84,819	49,453

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

As at December 31,	2022	2021
	(\$)	(\$)
North America	65,050	34,061
International	18,966	14,083
Solar and Energy Storage	803	1,309
	84,819	49,453

During the year ended December 31, 2022 and 2021, the Company did not have any customers that comprised greater than 10% of total revenue.

(c) Allowance for doubtful accounts

The aging of trade and other receivables at the reporting date was:

As at December 31,	2022		2021	
	Gross	Allowance	Gross	Allowance
	(\$)	(\$)	(\$)	(\$)
Current	66,795	—	36,558	—
31–60 days	11,822	—	9,169	—
61–90 days	3,686	—	2,165	—
Greater than 90 days	4,177	(1,661)	3,111	(1,550)
	86,480	(1,661)	51,003	(1,550)

The movement in the allowance for doubtful accounts in respect of trade and other receivables during the year was as follows:

As at December 31,	2022	2021
	(\$)	(\$)
Opening balance	1,550	1,913
Additional expected credit losses	273	444
Accounts collected, previously allowed for	(148)	87
Write-off of uncollectible accounts	—	(881)
Effects of exchange rate changes	(14)	(13)
Ending balance	1,661	1,550

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due. This is achieved through strong cash and working capital management.

Cash flow forecasting is performed in the operating entities of the Company and aggregated in head office, which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Company's capital allocation plans and compliance with internal balance sheet ratio targets.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

As at December 31,

	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	3–5 years	More than 5 years
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Non-derivative liabilities:							
Trade payables and accruals	53,699	53,699	53,699	—	—	—	—
Cash settled stock-based compensation	13,897	13,897	—	6,028	2,178	5,691	—
Obligations under put option	6,474	6,474	6,474	—	—	—	—
	74,070	74,070	60,173	6,028	2,178	5,691	—

For cash settled stock-based compensation liabilities, the timing and amounts could differ significantly as a result of changes in the Company's share price and other performance metrics for the PSU plan as determined by the Board of Directors.

Market and foreign exchange risk

The Company did not enter into any hedging arrangements during the years ended December 31, 2022 and 2021.

(a) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency risk as it relates to working capital balances denominated in foreign currencies and on the translation of its foreign operations into the Canadian dollar reporting currency. The Company also has intercompany loans that are considered part of the net investment in foreign subsidiaries and foreign exchange gains and losses are recorded within the foreign currency translation reserve.

A strengthening of the Canadian dollar against the US dollar by 1% at December 31, 2022, would have decreased net income and equity for the year by \$284 and \$7,026, respectively. A weakening of the Canadian dollar at December 31, 2022 would have had the equal but opposite effect.

(b) Interest rate risk

The Company is exposed to changes in interest rates with respect to its credit facility. Management believes this risk to be minor given the small amounts historically drawn on the facility.

(c) Fair values versus carrying amounts

The carrying values of financial assets and liabilities approximate their fair value due to the short-term nature of these items.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data.

Financial Assets at Fair Value				
	Level 1	Level 2	Level 3	December 31, 2022
	(\$)	(\$)	(\$)	(\$)
Cash and cash equivalents	132,057	—	—	132,057
Short-term investments	40,377	—	—	40,377
Total financial assets at fair value	172,434	—	—	172,434

(d) Capital risk

The Company's strategy is to carry a flexible capital base to maintain investor, market, and creditor confidence and to sustain future business development opportunities. The Company manages its capital structure based on ongoing changes in economic conditions and related risk characteristics of its underlying assets.

The Company considers its capital structure to include equity and working capital. To maintain or adjust the capital structure, the Company may, from time to time, issue or repurchase shares, adjust its dividend, or adjust its capital spending to manage its cash.

The Company's share capital is not subject to external restrictions; however, the Company's committed revolving credit facility includes financial covenants, with which the Company is compliant.

There were no changes in the Company's approach to capital management during the year. The Company continues to maintain a conservative balance sheet with no interest bearing debt.

(e) Industry and seasonality risk

The most significant area of uncertainty for the Company is that the demand for the majority of its services is directly related to the strength of its customers' capital expenditure programs. The level of capital programs is strongly affected by the level and stability of commodity prices, which can be extremely difficult to predict and beyond the control of the Company and its customers. During periods of uncertainty, oil and gas companies tend to bias their capital decisions on conservative outlooks for commodity prices.

In addition to the cyclical nature of its business, the Company is also subject to risks and uncertainties associated with weather and seasonality. The Company continues to react to unfavourable weather conditions and spring breakup, which limit well access in Canada, through diversification into geographic regions such as the United States and internationally, where these factors are less likely to influence activity.

(f) Commodity risk

Prices for crude oil and natural gas fluctuate in response to a number of factors beyond the Company's control. The factors that affect prices include, but are not limited to, the following: the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability in the Middle East and elsewhere, global supply and demand for crude oil and natural gas, the price of foreign imports, the availability of alternate fuel sources, and weather conditions. Any of these can reduce the cash flows of exploration and production companies, reduce the amount of drilling activity, and correspondingly reduce the demand for the Company's products and services.

23. Operating Commitments

Non-cancellable operating lease rentals and committed services are payable as follows:

As at December 31,	2022	2021
	(\$)	(\$)
Less than one year	9,378	11,906
Between one and three years	3,490	5,716
More than three years	1,616	1,863
Operating Commitments	14,484	19,485

Contractual obligations relate to minimum future payments required primarily for leases of certain facilities, along with commitments associated with ongoing repair costs of the company's equipment and technology. A portion of these future obligations have been recognized on the balance sheet as a leased asset and a corresponding liability, in accordance with IFRS 16, Leases.

24. Capital Commitments

At December 31, 2022, the Group has entered into contracts to purchase property, plant, and equipment for \$19,887 (2021: \$5,189), the majority of which relates to the purchase of rental assets in the normal course of business.

25. Related Party Transactions and Key Management Compensation

Transactions with key management personnel and directors

In addition to salaries and director fees, as applicable, the Group also provides compensation to executive officers and directors under the Group's long-term incentive plans (Note 14).

Executive management personnel and director compensation is comprised of:

Years Ended December 31,	2022	2021
	(\$)	(\$)
Compensation	3,922	3,477
Share-based payments	6,132	3,886
	10,054	7,363

The majority of these costs are included either in corporate services or stock-based compensation expense in the Consolidated Statements of Operations.

Key management and directors of the Company control less than 1% of the voting shares of the Company. No balances are owing from any employees or directors as at December 31, 2022 or 2021.

26. Contingencies

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in Pason's favour, 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 financial position, results of operations or liquidity.

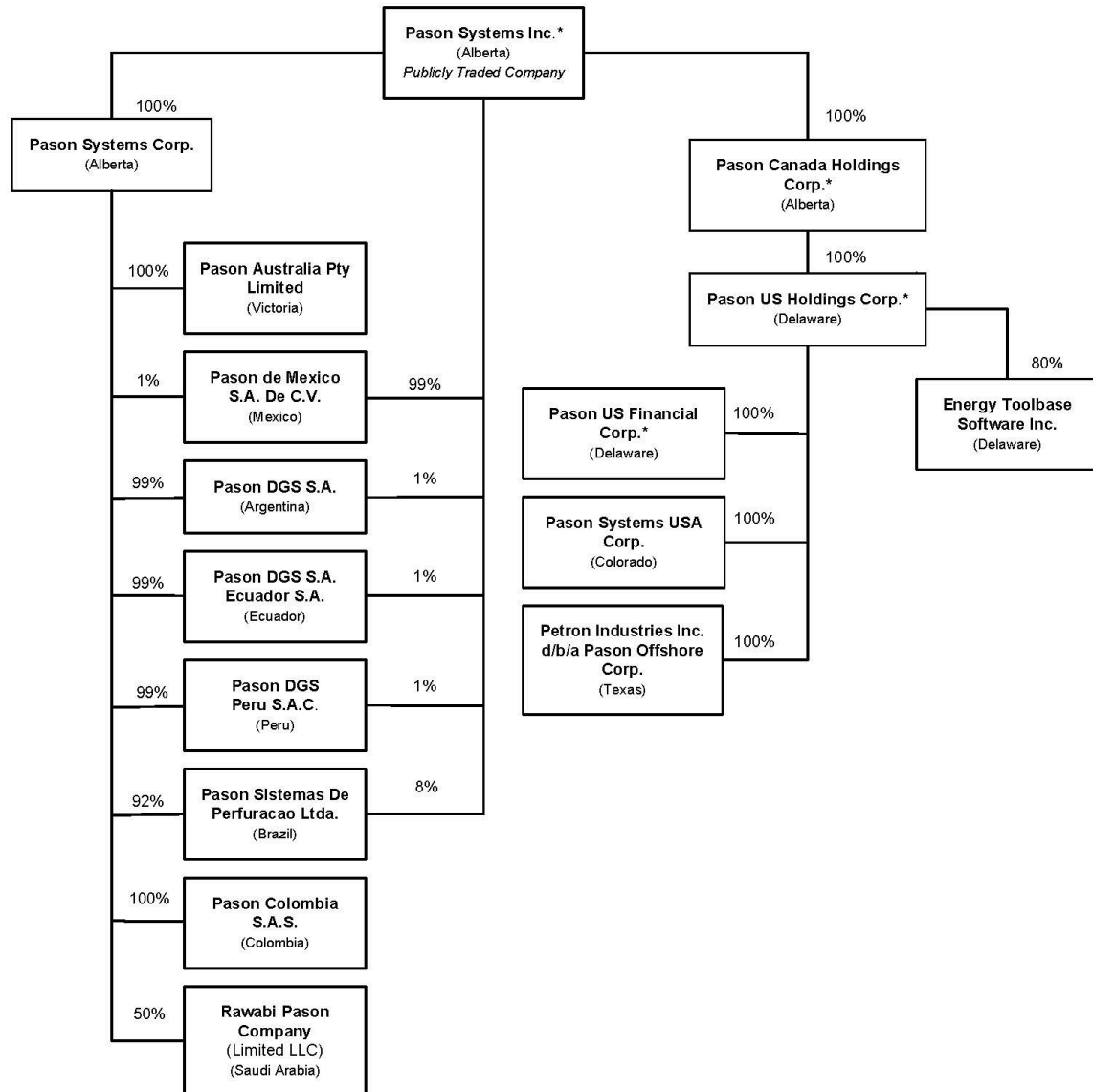
27. Events After the Reporting Period

On March 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 March 31, 2023 to shareholders of record at the close of business on March 15, 2023.

28. Organizational Structure

PASON SYSTEMS INC. - GLOBAL ORGANIZATIONAL CHART

(Majority owned entities and Joint Venture)



*Non-operating entity