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, 2023 and 2022.

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
February 28, 2024

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, 2023 and 2022, 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 material accounting policy information (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, 2023 and 2022, 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 Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statement for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue — Refer to Note 3 to the financial statements

Key Audit Matter Description

The Company 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:
    - 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;

    - 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;
    - Performed testing of system interfaces and automation within the relevant revenue streams and;
    - 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 recognized in the IT systems to source documents such as invoices and charge records.

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 consolidated 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

February 28, 2024

Consolidated Balance Sheets

As at	Note*	**December 31, 2023**	December 31, 2022
(CDN 000s)		**($)**	($)
Assets			
Current			
Cash and cash equivalents	5	**171,773**	132,057
Short-term investments	6	**—**	40,377
Trade and other receivables	7	**66,001**	84,819
Prepaid expenses		**11,587**	10,920
Inventory	2, 8	**17,866**	15,641
Income taxes recoverable	18	**654**	962
Total current assets		**267,881**	284,776
Non-current			
Property, plant and equipment	9	**121,123**	97,695
Investments	10	**60,332**	47,839
Intangible assets and goodwill	11	**38,541**	39,618
Total non-current assets		**219,996**	185,152
Total assets		**487,877**	469,928
Liabilities and equity			
Current			
Trade payables and accruals	12	**41,648**	53,699
Income taxes payable	18	**861**	2,859
Stock-based compensation liability	14	**5,488**	6,028
Lease liability		**1,148**	1,817
Obligation under put option	17	**6,175**	6,474
Total current liabilities		**55,320**	70,877
Non-current			
Deferred tax liability	18	**11,462**	6,508
Lease liability		**11,843**	3,712
Stock-based compensation liability	14	**8,297**	7,869
Total non-current liabilities		**31,602**	18,089
Equity			
Share capital	13	**163,291**	164,136
Share-based benefits reserve		**37,101**	35,314
Foreign currency translation reserve		**43,162**	57,486
Equity reserve		**(8,375)**	(8,375)
Retained earnings		**172,879**	137,920
Total equity attributable to equity holders of the Company		**408,058**	386,481
Non-controlling interest		**(7,103)**	(5,519)
Total equity		**400,955**	380,962
Total liabilities and equity		**487,877**	469,928

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

Approved by the Board of Directors

Ken Mullen
Director

Judi Hess
Director

Consolidated Statements of Operations

Years Ended December 31,	Note*	2023	2022
(CDN 000s, except per share data)		**($)**	($)
Revenue		**369,309**	334,998
Operating expenses			
Rental services		**124,234**	109,879
Local administration		**14,189**	12,554
Depreciation and amortization	9, 11	**27,216**	20,842
		165,639	143,275
Gross profit		**203,670**	191,723
Other expenses			
Research and development		**41,247**	37,573
Corporate services		**16,422**	15,192
Stock-based compensation expense	14	**11,718**	15,230
Other expenses (income)	16	**4,110**	(15,403)
		73,497	52,592
Income before income taxes		**130,173**	139,131
Income tax provision	18	**34,346**	33,405
Net income		**95,827**	105,726
Net income (loss) attributable to:			
Shareholders of Pason		**97,539**	107,616
Non-controlling interest		**(1,712)**	(1,890)
Net income		**95,827**	105,726
Income per share	19		
Basic		**1.21**	1.31
Diluted		**1.21**	1.30

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

Consolidated Statements of Other Comprehensive Income

Years Ended December 31,	Note*	2023	2022
(CDN 000s)		**($)**	($)
Net income		**95,827**	105,726
Items that may be reclassified subsequently to net income:			
Foreign currency translation adjustment	3	**(14,196)**	7,253
Other comprehensive (loss) income		**(14,196)**	7,253
Total comprehensive income		**81,631**	112,979
Total comprehensive income (loss) attributed to:			
Shareholders of Pason		**83,215**	114,804
Non-controlling interest		**(1,584)**	(1,825)
Total comprehensive income		**81,631**	112,979

*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, 2022		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**
Net income (loss)		—	—	—	—	97,539	**97,539**	(1,712)	**95,827**
Dividends	13	—	—	—	—	(38,535)	**(38,535)**	—	**(38,535)**
Other comprehensive (loss) income		—	—	(14,324)	—	—	**(14,324)**	128	**(14,196)**
Exercise of stock options	13	3,549	(622)	—	—	—	**2,927**	—	**2,927**
Expense related to stock options		—	2,409	—	—	—	**2,409**	—	**2,409**
Shares cancelled under NCIB	13	(4,332)	—	—	—	(23,607)	**(27,939)**	—	**(27,939)**
Liability reversal for automatic share purchase plan commitment pursuant to NCIB	13	375	—	—	—	2,625	**3,000**	—	**3,000**
Liability for automatic share purchase plan commitment pursuant to NCIB	13	(437)	—	—	—	(3,063)	**(3,500)**	—	**(3,500)**
Balance at December 31, 2023		**163,291**	**37,101**	**43,162**	**(8,375)**	**172,879**	**408,058**	**(7,103)**	**400,955**

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

Consolidated Statements of Cash Flows

Years Ended December 31,	Note*	**2023**	2022
(CDN 000s)		**($)**	($)
Cash from (used in) operating activities			
Net income		**95,827**	105,726
Adjustment for non-cash items:			
Depreciation and amortization	9, 11	**27,216**	20,842
Stock-based compensation expense	14	**11,718**	15,230
Deferred income taxes	18	**5,218**	896
Put option revaluation	17	**(149)**	(5,815)
Net monetary gain		**(2,617)**	(2,416)
Unrealized foreign exchange loss and other		**17,259**	422
Funds flow from operations		**154,472**	134,885
Movements in non-cash working capital items:			
Decrease (increase) in trade and other receivables		**18,818**	(35,366)
(Increase) in prepaid expenses		**(667)**	(5,723)
Increase in income taxes payable / recoverable	18	**24,724**	41,103
(Decrease) increase in trade payables, accruals and stock-based compensation liability		**(20,820)**	11,735
(Increase) in inventory	8	**(2,225)**	(10,922)
Effects of exchange rate changes		**(12,855)**	844
Cash generated from operating activities		**161,447**	136,556
Income tax paid		**(26,414)**	(32,142)
Net cash from operating activities		**135,033**	104,414
Cash flows from (used in) financing activities			
Proceeds from exercise of stock options	13	**2,927**	3,019
Payment of dividends	13	**(38,535)**	(29,473)
Repurchase and cancellation of shares under NCIB	13	**(27,939)**	(13,786)
Repayment of lease liability		**(2,272)**	(1,825)
Net cash used in financing activities		**(65,819)**	(42,065)
Cash flows (used in) from investing activities			
Equity investments	10	**(15,440)**	(17,915)
Maturities (purchase) of short-term investments	6	**40,377**	(40,377)
Additions to property, plant and equipment	9	**(39,809)**	(34,010)
Development costs, net of ITCs	11	**(1,101)**	(493)
Proceeds on disposal of property, plant and equipment		**2,764**	874
Changes in non-cash working capital		**144**	(312)
Net cash used in investing activities		**(13,065)**	(92,233)
Effect of exchange rate on cash and cash equivalents		**(16,433)**	3,658
Net increase (decrease) in cash and cash equivalents		**39,716**	(26,226)
Cash and cash equivalents, beginning		**132,057**	158,283
Cash and cash equivalents, ending	5	**171,773**	132,057

*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 February 28, 2024.

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.

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. In the fourth quarter of 2023, there was a change in facts and circumstances associated with the Company's functional currency assessment for its Argentinian operations, and the functional currency was changed from the Peso to the US Dollar where the majority of business activities are denominated or tied to the US Dollar. Otherwise, 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 are believed to 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 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 some cases, 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. Material Accounting Policies

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

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

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.

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.

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.

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.

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.

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, for reporting periods whereby the Company's functional currency in Argentina is the Peso, 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 cobertuna 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 during the year ended December 31, 2023, the Company recognized a net monetary gain within the Argentina subsidiary of $2,832 (2022 - $1,849). The level of the IPC at September 30, 2023, was 2,253.6 (December 31, 2022 - 1,134.6), which represents an increase of 99% (2022 - 95%).

As disclosed in Note 2 of these Consolidated Financial Statements, in the fourth quarter of 2023 there was a change in facts and circumstances associated with the Company's functional currency assessment for its Argentinian operations, and the functional currency was changed from the Peso to the US Dollar.

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.

(b) 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.

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.

Intangible assets

(a) 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.

(b) 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.

(c) 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
Research and development costs	3 years
Patents	10 years

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

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.

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. Project revenue associated with solar control systems is recognized upon delivery of the system, at which time the performance obligation in the contract has been deemed to have been met.

4. Changes in Accounting Standards

Standards and interpretations adopted in the year ended December 31, 2023

The Company has adopted the following amendments to IFRS effective January 1, 2023, and none of which have had a material impact on the Company's Consolidated Financial Statements:

IAS 1 - Amendment, Disclosure of Accounting Policies. The amendment clarified the presentation of accounting policies where an entity is now required to disclose its material accounting policy information instead of its significant accounting policies.

Future Accounting Policy Changes

The following amendment has been issued and is effective for financial years beginning on or after January 1, 2024. Other amendments that are not expected to have a material impact to the Company have been excluded. The Company does not anticipate that the adoption of this amendment will have a material impact on its financial statements.

IAS 1 - Amendment, Non-current liabilities with covenants (effective January 1, 2024)

These amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period.

5. Cash and Cash Equivalents

As at December 31,	2023	2022
	($)	($)
Cash	**74,949**	77,568
Cash equivalents	**96,824**	54,489
Cash and cash equivalents	**171,773**	132,057

As at December 31, 2023, 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. These investments matured in December 2023.

Further, at December 31, 2023, $77,787 of cash was held in trust by legal intermediaries for the purposes of closing on the IWS common share acquisition on January 1, 2024, as further detailed in Notes 10 and 27 of these Consolidated Financial Statements.

6. Short-Term Investments

As at December 31,	2023	2022
	($)	($)
Short-term investments	**—**	40,377

The Company's short-term investments were twelve-month term deposits with interest rates ranging between 5.16% and 5.55%. In the fourth quarter of 2023, these term deposits matured.

7. Trade and Other Receivables

As at December 31,	2023	2022
	($)	($)
Trade receivables, net of allowances for doubtful accounts	**63,005**	77,721
Other receivables	**2,996**	7,098
Trade and other receivables	**66,001**	84,819

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, 2023, the cost of inventory expensed in rental services was $13,141 (2022: $13,050).

9. Property, Plant, and Equipment

	Materials and supplies	Rental equipment	Right of use assets	Other	Total
	($)	($)	($)	($)	($)
Property, plant and equipment					
Balance at January 1, 2022	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
Additions	6,015	28,593	10,907	4,051	49,566
Derecognition and disposals	—	(33,423)	(7,242)	(4,204)	(44,869)
Parts consumed	(2,067)	2,067	—	—	—
Hyperinflation	—	3,613	—	—	3,613
Effects of exchange rate changes	—	(2,787)	(36)	(8)	(2,831)
Balance at December 31, 2023	**9,915**	**434,320**	**14,478**	**19,366**	**478,079**
Accumulated Depreciation					
Balance at January 1, 2022	—	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
Depreciation	—	19,902	1,643	4,095	25,640
Derecognition and disposals	—	(33,423)	(5,261)	(3,201)	(41,885)
Hyperinflation	—	743	—	—	743
Effects of exchange rate changes	—	(2,420)	(21)	(6)	(2,447)
Balance at December 31, 2023	**—**	**337,423**	**2,218**	**17,315**	**356,956**
Carrying Amounts					
At December 31, 2022	5,967	83,636	4,992	3,100	97,695
At December 31, 2023	**9,915**	**96,897**	**12,260**	**2,051**	**121,123**

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 2023, these amounts were $33,423 (2022: $42,969).

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,	**2023**	2022
	($)	($)
Equity Investments, beginning	**47,839**	30,046
Share of after tax income in associates and joint ventures	**(2,565)**	482
Amortization of intangibles	**(772)**	(772)
Additional investment	**15,440**	17,915
Dividends	**(1,005)**	(549)
Other	**1,395**	717
Equity Investments, ending	**60,332**	47,839

Investment in IWS

The Company's initial investment in IWS was made in 2019, and consisted of total consideration of $25,000, with initial cash consideration of $10,000 and $15,000 payable in three separate $5,000 put options, which were exercised throughout 2021 and 2022.

During the fourth quarter of 2022, Pason increased its non-controlling investment in IWS by acquiring a portion of outstanding common shares and also entered into a preferred share financing agreement. The preferred share agreement had an initial subscription of $10,000 in the fourth quarter of 2022, and up to $15,000 in additional subscriptions exercisable at IWS' request, subject to the Company's approval. No additional voting rights were granted as part of this preferred share subscription. During the second and third quarter of 2023, the Company approved and funded $10,000 of the $15,000 in available preferred share subscriptions. Further, in the fourth quarter of 2023, the Company approved the final $5,000 preferred share subscription.

The Company's initial investment in 2019 also included a call option agreement, which gave the Company the option to purchase the shares held by other shareholders, exercisable at the Company's discretion. In the fourth quarter of 2023, Pason exercised this call option to purchase all remaining outstanding common shares of IWS effective January 1, 2024, as disclosed further in Note 27 of these Consolidated Financial Statements.

In May of 2023, a competitor filed a patent infringement lawsuit against IWS in the District of Colorado alleging IWS' infringement of two patents relating to certain aspects of continuous hydraulic fracturing. The Company does not currently believe the outcome of any pending or threatened proceedings related to this patent litigation is more likely than not to result in IWS being required to pay any amounts which would have a material adverse impact on its financial position, results of operations, or liquidity.

11. Intangible Assets and Goodwill

	Goodwill	Research & Development	Technology	Customer Relationships	Other	Total
	($)	($)	($)	($)	($)	($)
Intangible assets						
Balance at January 1, 2022	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
Internally developed	—	1,101	—	—	75	1,176
Effects of exchange rate	(656)	—	(60)	(37)	(21)	(774)
Balance at December 31, 2023	**33,558**	**12,241**	**2,490**	**1,502**	**1,858**	**51,649**
Amortization						
Balance at January 1, 2022	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
Amortization	—	783	168	238	387	1,576
Effects of exchange rate	(21)	—	(32)	(21)	(23)	(97)
Balance at December 31, 2023	**869**	**7,905**	**1,497**	**1,038**	**1,799**	**13,108**
Carrying amounts						
At December 31, 2022	33,324	4,018	1,189	718	369	39,618
At December 31, 2023	**32,689**	**4,336**	**993**	**464**	**59**	**38,541**

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, 2023 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, 2023 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	3.0	3.0	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	**2023**	2022
		($)	($)
Trade payables		**14,246**	20,724
Non-trade payables and accrued expenses		**23,902**	29,975
Liability for automatic purchase plan (APP) commitment pursuant to NCIB	13	**3,500**	3,000
Trade payables and accruals		**41,648**	53,699

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,		**2023**		2022
	($)	**(#)**	($)	(#)
Balance, beginning	**164,136**	**81,526,954**	162,567	82,194,051
Exercise of stock options	**3,549**	**308,971**	3,530	303,553
Shares repurchased and cancelled under NCIB	**(4,332)**	**(2,150,900)**	(1,929)	(970,650)
Reversal of prior period liability for APP commitment pursuant to NCIB	**375**	**—**	343	—
Liability for automatic share purchase plan commitment pursuant to NCIB	**(437)**	**—**	(375)	—
Balance, ending	**163,291**	**79,685,025**	164,136	81,526,954

At December 31, 2023, the Company was authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

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

Common share dividends

During 2023, the Company declared and paid quarterly dividends of $38,535 (2022: $29,473) or $0.48 per common share (2022: $0.36) as follows:

	Dividend Record Date	Dividend Payment Date	Per Common Share	Total
			($)	($)
March	March 15	March 31	0.12	**9,747**
June	June 15	June 30	0.12	**9,635**
September	September 15	September 29	0.12	**9,586**
December	December 15	December 29	0.12	**9,567**
Total dividends declared			**0.48**	**38,535**

Normal Course Issuer Bid (NCIB)

On December 18, 2023, the Company announced the renewal of its NCIB commencing on December 20, 2023, and expiring on December 19, 2024. Under the renewed NCIB, the Company may purchase for cancellation, as the Company considers advisable, up to a maximum of 7,949,888 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 33,781 common shares. The Company may make one block purchase per calendar week which exceeds the daily purchase restriction.

For the year ended December 31, 2023, the Company repurchased 2,150,900 (2022 - 970,650) shares for cancellation for total cash consideration of $27,939 (2022 - $13,786). The total consideration is allocated between share capital and retained earnings.

At December 31, 2023, the Company entered into an automatic purchase plan (APP) with an independent broker. As such, as at December 31, 2023, the Company recorded a liability of $3,500 (2022: $3,000) 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,	**2023**	2022
	($)	($)
Amounts charged to		
Share capital	**437**	375
Retained earnings	**3,063**	2,625
Liability for automatic share purchase plan commitment	**3,500**	3,000

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,		**2023**		2022
	Share Options	**Weighted Average Exercise Price**	Share Options	Weighted Average Exercise Price
	(#)	**($)**	(#)	($)
Outstanding, beginning	**2,665,121**	**14.31**	3,324,759	14.67
Granted	**698,977**	**14.40**	642,190	16.07
Exercised	**(308,971)**	**9.47**	(303,553)	9.95
Expired or forfeited	**(730,250)**	**19.40**	(998,275)	17.90
Outstanding, ending	**2,324,877**	**13.18**	2,665,121	14.31
Exercisable, ending	**1,007,768**	**11.60**	1,454,201	15.38
Available for grant, ending	**3,253,075**		3,041,766	

The following table summarizes information about the stock options outstanding at December 31, 2023:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable (Vested)	Weighted Average Exercise Price
($)	(#)	(Years)	($)	(#)	($)
7.33 - 8.98	233,064	1.92	7.33	233,064	7.33
8.99 - 12.91	754,241	2.23	11.41	561,838	11.67
12.92 - 16.07	1,337,572	4.44	15.20	212,866	16.07
	2,324,877	2.86	13.18	1,007,768	11.60

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,	**2023**	2022
Fair value of stock options ($)	**3.31**	4.85
Forfeiture rate (%)	**11.14**	11.28
Risk-free interest rate (%)	**3.93**	3.54
Expected option life (years)	**3.30**	3.28
Expected volatility (%)	**35.00**	46.55
Expected annual dividends per share (%)	**3.33**	2.99

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,	**2023**	2022
	(#)	(#)
RSUs, beginning	**955,318**	1,144,628
Granted	**504,520**	394,855
Vested and paid	**(515,062)**	(500,302)
Forfeited	**(18,904)**	(83,863)
RSUs, ending	**925,872**	955,318

Deferred share units plan

DSUs are awarded annually to members of the Board of Directors and represent cash settled rights to share values based on the number of DSUs 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,	**2023**	2022
	(#)	(#)
DSUs, beginning	**352,317**	264,231
Credited	**91,317**	88,086
DSUs, ending	**443,634**	352,317

Performance share units plan

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

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

Years Ended December 31,	**2023**	2022
	(#)	(#)
PSUs, beginning	**3,019,574**	2,385,124
Granted	**1,081,640**	1,041,506
Vested and paid	**(982,125)**	(407,056)
PSUs, ending	**3,119,089**	3,019,574

Stock-based compensation expense and liability

For the year ended December 31, 2023, the Company recorded $11,718 of stock-based compensation expense for its equity and cash settled plans (2022: $15,230). As at December 31, 2023, the Company held $5,488 in current stock-based compensation liability and $8,297 in non-current stock-based compensation liability for its cash settled plans (as at December 31, 2022: $6,028 and $7,869 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, 2023	North America	International	Solar and Energy Storage	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	**160,904**	**37,731**	**—**	**198,635**
Mud Management and Safety	**87,912**	**13,914**	**—**	**101,826**
Communications	**14,186**	**3,530**	**—**	**17,716**
Drilling Intelligence	**21,874**	**1,637**	**—**	**23,511**
Analytics and Other	**4,887**	**7,012**	**15,722**	**27,621**
Total Revenue	**289,763**	**63,824**	**15,722**	**369,309**
Rental services and local administration	**92,943**	**30,316**	**15,164**	**138,423**
Depreciation and amortization	**23,623**	**3,573**	**20**	**27,216**
Segment gross profit (loss)	**173,197**	**29,935**	**538**	**203,670**
Research and development				**41,247**
Corporate services				**16,422**
Stock-based compensation				**11,718**
Other expenses (income)				**4,110**
Income tax provision				**34,346**
Net income				**95,827**
Net income attributable to Pason				**97,539**
Capital expenditures	**35,412**	**4,397**	**—**	**39,809**
As at December 31, 2023				
Property plant and equipment	**101,471**	**18,417**	**1,235**	**121,123**
Intangible assets	**3,981**	**—**	**1,976**	**5,957**
Goodwill	**7,547**	**2,600**	**22,437**	**32,584**
Segment assets	**393,875**	**64,498**	**29,504**	**487,877**
Segment liabilities	**72,742**	**5,685**	**8,495**	**86,922**

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

16. Other Expenses (Income)

Years Ended December 31,	2023	2022
	($)	($)
Net interest income	**(14,394)**	(4,937)
Net monetary gain	**(2,832)**	(1,849)
Put option revaluation (Note 17)	**(149)**	(5,815)
Foreign exchange loss (gain)	**16,758**	(2,024)
Other (income) expenses	**1,390**	(1,068)
Equity investment loss (Note 10)	**3,337**	290
Total other expenses (income)	**4,110**	**(15,403)**

Net interest income is primarily comprised of interest generated from the Company's invested cash and cash equivalents and will fluctuate as available yields fluctuate.

Net monetary gain included in other income results from applying hyperinflation accounting to the Company's Argentinian subsidiary for the first nine months of 2023, as further outlined in Note 2 of these Consolidated Financial Statements.

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

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, 2023, 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.

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

As at December 31,	**2023**	2022
	($)	($)
Balance, beginning	**6,474**	11,484
Put option revaluation	**(149)**	(5,815)
Foreign exchange	**(150)**	805
Balance, ending	**6,175**	6,474

18. Income Tax

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

Years Ended December 31,	**2023**	2022
	($)	($)
Current tax expense	**29,128**	32,509
Deferred tax expense	**5,218**	896
Income tax provision	**34,346**	33,405

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 2023 and 23% for 2022.

The Company’s US subsidiaries (US Consolidated Group) were subject to federal and state statutory tax rates of approximately 25% for both 2023 and 2022.

A summary of these differences is as follows:

Years Ended December 31,	**2023**	2022
	($)	($)
Income before income taxes	**130,173**	139,131
Expected income tax at statutory rate	**29,940**	32,000
Increase (decrease) resulting from:		
Impact of not recognizing deferred tax assets on previous net operating losses	**294**	9
Non-deductible portion of stock-based compensation	**420**	242
Withholding and other taxes	**934**	1,527
Put option revaluation	**(35)**	(1,366)
Foreign and other tax rate differences	**1,580**	1,062
Prior years reassessments and adjustments	**(551)**	113
Equity pickup of non controlling entities	**767**	(376)
Hyperinflation	**(649)**	(347)
Non-taxable permanent differences of foreign exchange	**1,725**	(622)
Other items	**(79)**	1,163
Income tax provision	**34,346**	33,405

Deferred tax assets and liabilities are comprised of the following:

As at December 31,	**2023**	2022
	($)	($)
Inter-company transactions	**3,132**	6,408
Share-based payments	**3,338**	3,009
Property, plant and equipment	**(14,860)**	(12,768)
Intangible assets	**(4,498)**	(4,142)
Other	**1,426**	985
Deferred tax liability	**(11,462)**	(6,508)

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, 2022	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)
Recognized in income	(3,415)	329	364	(2,127)	(369)	(5,218)
Foreign exchange differences	139	—	77	35	13	264
December 31, 2023	**3,132**	**3,338**	**1,426**	**(14,860)**	**(4,498)**	**(11,462)**

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.

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,	2023	2022
	(#)	(#)
Issued common shares outstanding, beginning	**81,526,954**	82,194,051
Effect of NCIB and exercised options	**(1,147,638)**	(233,462)
Weighted average number of common shares (basic)	**80,379,316**	81,960,589

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,	2023	2022
	(#)	(#)
Weighted average number of common shares (basic)	**80,379,316**	81,960,589
Effect of share options	**209,210**	656,497
Weighted average number of common shares (diluted)	**80,588,526**	82,617,086

For the year ended December 31, 2023, 1,337,572 (2022 - 1,361,549) 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 as at December 31, 2023 include cash and cash equivalents, trade and other receivables, trade payables and accruals, stock-based compensation liability, and obligation under put option.

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, 2023	Level 1	Level 2	Level 3	**Total**
	($)	($)	($)	**($)**
Cash and cash equivalents	**171,773**	—	—	**171,773**

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 available to the Company for working capital purposes, and 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, 2023, 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,	**2023**	2022
	($)	($)
Trade and other receivables, net of allowance for doubtful accounts	**66,001**	84,819

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

As at December 31,	2023	2022
	($)	($)
North America	**49,348**	65,050
International	**15,816**	18,966
Solar and Energy Storage	**837**	803
	66,001	84,819

During the year ended December 31, 2023 and 2022, 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,		2023		2022
	Gross	**Allowance**	Gross	Allowance
	($)	**($)**	($)	($)
Current	**51,124**	**—**	66,795	—
31–60 days	**11,096**	**—**	11,822	—
61–90 days	**2,577**	**—**	3,686	—
Greater than 90 days	**3,129**	(1,925)	4,177	(1,661)
	67,926	**(1,925)**	86,480	(1,661)

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,	2023	2022
	($)	($)
Opening balance	**1,661**	1,550
Additional expected credit losses	**405**	273
Accounts collected, previously allowed for	**(220)**	(148)
Write-off of uncollectible accounts	**28**	—
Effects of exchange rate changes	**51**	(14)
Ending balance	**1,925**	1,661

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	41,648	41,648	41,648	—	—	—	—
Cash settled stock-based compensation	13,785	13,785	—	5,488	1,980	106	6,211
Obligations under put option	6,175	6,175	6,175	—	—	—	—
	61,608	61,608	47,823	5,488	1,980	106	6,211

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, performance metrics for the PSU plan as determined by the Board of Directors, and the timing of Director retirements and associated DSU settlements.

Market and foreign exchange risk

The Company did not enter into any hedging arrangements during the years ended December 31, 2023 and 2022.

(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, 2023, would have decreased net income and equity for the year by $233 and $6,773, respectively. A weakening of the Canadian dollar at December 31, 2023 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, 2023**
	($)	($)	($)	**($)**
Cash and cash equivalents	**171,773**	—	—	**171,773**
Total financial assets at fair value	**171,773**	—	—	**171,773**

(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 future growth 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, geopolitical 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,	2023	2022
	($)	($)
Less than one year	3,180	9,378
Between one and three years	8,232	3,490
More than three years	13,409	1,616
Operating Commitments	24,821	14,484

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.

During the first quarter of 2023, the Company extended the Canadian head office lease to 2032. This extension resulted in a $7,332 increase in the Company's right of use asset balance recorded within Property, Plant and Equipment as well as a corresponding increase in lease liability on the Company's Consolidated Balance Sheets as at December 31, 2023.

24. Capital and IWS Call Option Commitments

At December 31, 2023, the Group has entered into contracts to purchase property, plant, and equipment for $31,359 (2022: $19,887), the majority of which relates to the purchase of rental assets in the normal course of business.

In December 2023, the Company exercised its call option to purchase all remaining outstanding common shares of Intelligent Wellhead Systems ("IWS") not currently held by Pason for total consideration of $88,300, effective January 1, 2024.

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,	2023	2022
	($)	($)
Compensation	3,965	3,922
Share-based payments	5,589	6,132
	9,554	10,054

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, 2023 or 2022.

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 February 28, 2024, the Company declared an increased quarterly dividend of $0.13 per share on the Company's common shares. The dividend will be paid on March 29, 2024 to shareholders of record at the close of business on March 15, 2024.

As further outlined in Note 10 of these Consolidated Financial Statements, in December 2023, the Company exercised its call option to purchase all remaining outstanding common shares of Intelligent Wellhead Systems ("IWS") not currently held by Pason for total consideration of $88,300, financed with cash on hand. Effective January 1, 2024, Company will no longer equity account for its investment in IWS and will fully consolidate it as a wholly-owned subsidiary.

28. Organizational Structure