Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") has been prepared by management as of April 28, 2022, and is a review of the financial condition and results of operations of Pason Systems Inc. ("Pason" or the "Company") based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements and related notes for the three months ended March 31, 2022, the Consolidated Financial Statements for the twelve months ended December 31, 2021 and 2020, accompanying notes, and Pason's Annual Information Form dated March 16, 2022.

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

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

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

Company Profile

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

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

For a complete description of services provided by the Company, please refer to the headings 'General Development of the Business' and 'General Description of Business' in Pason's Annual Information Form for the year ended December 31, 2021.

Highlights

	Three Months Ended March 31,		
	2022	2021	Change
(CDN 000s, except per share data)	**($)**	($)	(%)
Revenue	**74,468**	42,555	75
EBITDA [1]	**34,686**	15,673	121
Adjusted EBITDA [1]	**33,373**	13,170	153
As a % of revenue	**44.8**	30.9	1,390 bps
Funds flow from operations	**25,704**	13,730	87
Per share – basic	**0.31**	0.17	89
Per share – diluted	**0.31**	0.17	89
Cash from operating activities	**28,050**	11,085	153
Capital expenditures [2]	**4,464**	1,849	141
Free cash flow [1]	**23,582**	9,176	157
Cash dividends declared (per share)	**0.08**	0.05	60
Net income	**18,001**	3,991	351
Net income attributable to Pason	**18,573**	4,315	330
Per share – basic	**0.23**	0.05	360
Per share – diluted	**0.23**	0.05	360

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

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

As at	**March 31, 2022**	December 31, 2021	Change
(CDN 000s)	**($)**	($)	(%)
Cash and cash equivalents	**172,057**	158,283	9
Working capital	**182,353**	184,083	(1)
Total interest bearing debt	**—**	—	—
Shares outstanding end of period (#)	**82,195,141**	82,194,051	—

Pason’s financial results for the three months ended March 31, 2022, reflect improved industry conditions, and the Company’s strong competitive positioning, prudent balance sheet, and operating leverage. In comparison to Q1 2021, financial results have improved significantly.

Pason generated $74.5 million in revenue in the first quarter of 2022, representing a 75% increase from the $42.6 million generated in the first quarter of 2021 as drilling activity improved significantly across Pason's operating regions. Furthermore, the Company realized the fourth consecutive quarter of sequential growth in Revenue per Industry Day in the North American business unit with a new record of $835 in Q1 2022, an increase of 16% from the comparative period in 2021, resulting in improvements in revenue that outpaced underlying industry activity. With this increase in revenue, Pason generated $33.4 million in Adjusted EBITDA, or 44.8% of revenue in the first quarter of 2022, compared to $13.2 million in the first quarter of 2021, or 30.9% of revenue. While the Company incurred certain incremental expenses to support increased activity levels, such as equipment repairs, research and development costs and compensation expenses, first quarter results continue to demonstrate the Company's strong operating leverage through improved industry conditions.

Pason's balance sheet remains strong, with no interest bearing debt and $172.1 million in cash and cash equivalents as at March 31, 2022, compared to $158.3 million at December 31, 2021. During the first quarter of 2022, Pason generated $28.1 million in net cash from operating activities (Q1 2021: $11.1 million) as the Company's operating results improved and while the Company managed required investments in working capital while revenue levels grew.

During the first quarter of 2022, Pason incurred $4.5 million of capital expenditures which represents rental equipment additions to meet activity levels, as well as investments associated with ongoing refresh of the Company's fleet and technology platform. Resulting Free Cash Flow generated in Q1 2022 was $23.6 million compared to $9.2 million generated in the first quarter of 2021.

The Company recorded net income attributable to Pason of $18.6 million ($0.23 per share) in the first quarter of 2022, a significant increase compared to net income attributable to Pason of $4.3 million ($0.05 per share) recorded in the corresponding period in 2021 due to the improving industry conditions outlined above.

Pason's first quarter results continue to reinforce the decision to retain critical technology and service capabilities through the pandemic related downturn, putting the Company in a position of strength with a prudent balance sheet and significant operating leverage as activity levels continue to recover.

President's Message

Since bottoming in the third quarter of 2020, oil and gas drilling conditions have maintained a consistent trajectory of steady growth; this trend continued again through the first quarter of 2022. While it has not fully returned to levels witnessed before the onset of the COVID-19 pandemic, North American land drilling activity increased 57% compared to the same quarter in 2021. Coupled with growth across our international markets and continued strength in our competitive position, this growth drove a 75% year-over-year increase in Pason's consolidated revenue to $74.5 million in the first quarter. Pason's revenue and Adjusted EBITDA in the first quarter were nearly identical to the first quarter of 2020, the last quarter prior to significant global shutdowns related to the COVID-19 pandemic, despite North American land drilling activity being 15% lower than the 2020 period.

For the fourth consecutive quarter, Pason posted growth in North American Revenue per Industry Day, with a new record generated this quarter of $835 breaking through the $800 per Industry Day level for the first time in the Company's history. We have held onto the market share gains we made through the pandemic, while both pricing and product adoption continue to improve. First quarter results are also positively impacted by the seasonally strong contribution from the Canadian winter drilling season. Our International business posted a 51% revenue increase over the first quarter of 2021. With additional revenue from installations of our intelligent energy management systems, our Solar and Energy Storage segment grew 95% year-over-year to $1.8 million in the quarter.

We delivered an additional $0.63 of Adjusted EBITDA from every additional dollar of revenue compared to the first quarter of 2021. As a result, Adjusted EBITDA for the first quarter of $33.4 million was up 153% from a year ago and represented an Adjusted EBITDA margin of 45%. We continue to make the necessary investments to scale our operations in anticipation of further industry growth, most notably in the areas of product repairs and staffing, which will impact margins in the short term while positioning Pason to outperform in the medium to longer term.

Global supply chain shortages and disruptions continue to be a challenge and are impacting delivery schedules. As a result, while we continue to plan to spend approximately $30 million in capital expenditures in 2022, our expenditures in the first quarter came in at $4.5 million. We continue to evaluate our capital programs in the context of further opportunities to evolve our product and service offering, while navigating continued supply chain challenges. We are pursuing opportunities to mitigate the impact of supply chain disruptions by strategically increasing our inventory of equipment components and parts further in advance of anticipated repairs and equipment builds. This will have an impact on near-term working capital requirements, while enabling us to be responsive to continued industry growth and to maintain the product and service advantages which underpin our leading competitive position.

Free cash flow for the first quarter of $23.6 million represented a 157% improvement from the first quarter of 2021, while net income attributable to Pason of $18.6 million was up 330% over the same time period.

We remain disciplined in our approach to capital allocation. We are committed to making the necessary investments in capital expenditures and working capital to support our growing core business. At the same time, we are pursuing additional revenue growth not directly tied to North American land drilling through Energy Toolbase (ETB), which focuses on the solar and energy storage market, and our minority investment in Intelligent Wellhead Systems (IWS), which participates in the oil and gas completions market. We remain committed to returning capital to our shareholders through our regular quarterly dividend, which we are maintaining at $0.08 per share, and share repurchases.

Our balance sheet allows us to withstand the inevitable volatility of North American land drilling and make growth-related investments. At the end of the first quarter, we had $172 million in cash and cash equivalents and $182 million of positive working capital, both of which benefited from the receipt of a long-standing income tax receivable in the amount of $12.5 million in the quarter.

Oil prices continue to trade around US$100 per barrel as a result of both the ongoing military conflict in Ukraine and persistent global supply and demand imbalances. The circumstances around the conflict in Eastern Europe are both troubling and unpredictable, and they are likely to create continued volatility in global oil prices in the short-term.

Our positive outlook for continued steady growth in North American land drilling remains rooted first and foremost in an analysis of significant global supply and demand indicators. While global oil demand has largely returned to pre-pandemic levels, all significant sources of supply not only remain below pre-pandemic levels, but in some cases they are trending lower. US storage levels of crude oil and petroleum products continue to decrease and are already below their 5-year lows. The US has announced plans to release one million barrels per day from the Strategic Petroleum Reserve for up to 6 months, a plan which if fully implemented would move the reserve to its lowest level since 1984. US land production is nudging higher, but still remains almost 10% below pre-pandemic levels. The inventory of drilled but uncompleted wells in the US has decreased for 21 consecutive months and now sits at its lowest level since early 2013. Oil supply challenges could be further exasperated by underinvestment in long-term development projects over the past five years. The industry's ability to respond to the growing supply shortfalls quickly is further limited by challenges with availability of labour and equipment.

The drilling of new wells represents the first step in the creation of additional supply, and we expect land drilling activity to steadily grow over the coming quarters. Companies remain focused on ensuring they develop new sources of supply in a responsible manner and maximizing the productivity of each new well. To do so, they are increasingly looking to technology solutions which harness the power of data to drive automation and analytics solutions that optimize their efforts. Pason sits at the center of the ecosystem of much of the Western Hemisphere's drilling data, and we are well positioned to provide our customers with the leading technologies, unmatched service and support, and high-quality data they require to pursue their initiatives.

Jon Faber

President and Chief Executive Officer
April 28, 2022

Discussion of Operations

Overall Performance

	Three Months Ended March 31,		
	2022	2021	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**39,613**	22,733	74
Mud Management and Safety	**20,207**	11,511	76
Communications	**4,480**	2,515	78
Drilling Intelligence	**6,002**	3,017	99
Analytics and Other	**4,166**	2,779	50
Total revenue	**74,468**	**42,555**	75
Operating expenses			
Rental services	**25,172**	16,457	53
Local administration	**3,118**	2,451	27
Depreciation and amortization	**6,314**	7,831	(19)
	34,604	26,739	29
Gross profit	**39,864**	15,816	152
Other expenses			
Research and development	**8,844**	7,116	24
Corporate services	**3,488**	3,032	15
Stock-based compensation expense	**5,555**	2,602	113
Other income	**(1,353)**	(2,182)	(38)
	16,534	10,568	56
Income before income taxes	**23,330**	5,248	345
Income tax provision	**5,329**	1,257	324
Net income	**18,001**	3,991	351
Adjusted EBITDA (1)	**33,373**	13,170	153

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

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

North American Operations

	Three Months Ended March 31,		
	2022	2021	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**33,026**	18,384	80
Mud Management and Safety	**17,877**	9,996	79
Communications	**4,001**	2,249	78
Drilling Intelligence	**5,695**	2,809	103
Analytics and Other	**1,401**	1,141	23
Total revenue	**62,000**	34,579	79
Rental services and local administration	**20,311**	13,920	46
Depreciation and amortization	**5,849**	6,990	(16)
Segment gross profit	**35,840**	13,669	162

	Three Months Ended March 31,		
	2022	2021	Change
	($)	($)	(%)
Revenue per Industry Day	**835**	720	16

Industry conditions in North America continued to improve in the first quarter of 2022, with a 57% increase in industry activity compared to the comparative prior year period. The North American business unit outpaced the improvement in industry activity, generating $62.0 million of revenue in the first quarter of 2022, a 79% increase from $34.6 million in the comparative period of 2021. Revenue per Industry Day was $835 in Q1 2022, an increase of 16% from the comparable period in 2021 and a new record level for the Company. The year over year increase is due to a combination of factors including increased market share, increased adoption of certain products, and improvement in pricing conditions compared to the very challenging environment that existed since the COVID-19 pandemic began. Furthermore, Revenue per Industry Day in the first quarter of 2022 benefited from a strong Canadian winter drilling season, a region which has historically generated comparatively higher levels of Revenue per Industry Day for the Company.

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

Rental services and local administration increased by 46% in the first quarter of 2022 over the 2021 comparative period. The increase in operating costs is attributable to variable expenses incurred to deploy additional equipment along with increased headcount to meet the continued growth in industry activity.

Depreciation and amortization decreased by 16% in the first quarter of 2022 over the 2021 comparative period. The decrease is primarily due to lower capital expenditures in recent quarters.

Segment gross profit was $35.8 million during the first quarter of 2022 compared to $13.7 million in the 2021 comparative period of 2021, representing a significant increase due to the factors outlined above, and demonstrating the Company's strong operating leverage in the context of improving activity levels.

International Operations

	Three Months Ended March 31,		
	2022	2021	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**6,587**	4,349	51
Mud Management and Safety	**2,330**	1,515	54
Communications	**479**	266	80
Drilling Intelligence	**307**	208	48
Analytics and Other	**988**	726	36
Total revenue	**10,691**	7,064	51
Rental services and local administration	**5,663**	3,640	56
Depreciation and amortization	**460**	836	(45)
Segment gross profit	**4,568**	2,588	77

The International business unit generated $10.7 million of revenue in the first quarter of 2022 compared to $7.1 million in the comparative period of 2021. The year over year increase is due to increased industry activity in the international markets that the company serves and higher levels of revenue generated per drilling day with improved product adoption.

Rental services and local administration expense was $5.7 million in the first quarter of 2022, an increase of 56% compared to $3.6 million in the comparative period of 2021. As activity levels improve, certain variable costs such as repair costs and growth in field related headcount are incurred to support the additional deployment of equipment.

Depreciation and amortization decreased by 45% in the first quarter of 2022 over the 2021 comparative period. The decrease is due to a combination of lower capital expenditures in recent years and the impacts of hyperinflationary accounting on the Company's Argentinian operations.

Resulting segment gross profit was $4.6 million during the first quarter of 2022 compared to $2.6 million in the 2021 comparative period due to the factors outlined above, and demonstrating the Company's strong operating leverage in the context of improving activity levels.

Solar and Energy Storage Operations

	Three Months Ended March 31,		
	2022	2021	Change
(000s)	**($)**	($)	(%)
Revenue			
Analytics and Other	**1,777**	912	95
Total revenue	**1,777**	912	95
Operating expenses and local administration (1)	**2,316**	1,348	72
Depreciation and amortization	**5**	5	—
Segment gross loss	**(544)**	(441)	23

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

Revenue generated by the Solar and Energy Storage business unit was $1.8 million, an increase of 95% from the comparative period in 2021 and represented the highest quarterly revenue level generated for the reporting segment. The increase in revenue is primarily due to the commissioning of control systems and sales of related hardware.

Operating expenses and local administration were $2.3 million during the first quarter of 2022, a 72% increase from $1.3 million during the comparable period. The increase is due primarily to input costs associated with the commissioning of the control systems. Segment gross loss was $0.5 million for the first quarter of 2022, an increase of $0.1 million from the comparable period in 2021.

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

	Three Months Ended March 31,		
	2022	2021	Change
(000s)	**($)**	($)	(%)
Research and development	**1,252**	1,043	20

Corporate Expenses

	Three Months Ended March 31,		
	2022	2021	Change
(000s)	**($)**	($)	(%)
Research and development	**8,844**	7,116	24
Corporate services	**3,488**	3,032	15
Stock-based compensation	**5,555**	2,602	113
Total corporate expenses	**17,887**	12,750	40

Research and development and corporate service expenses increased 24% and 15%, respectively, from the comparative period in 2021. Throughout 2021 and continuing in 2022, Pason has made additional investments in research and development, further improving the Company's ability to support increasing activity levels and product enhancements.

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

Other Income

	Three Months Ended March 31,		
	2022	2021	Change
(000s)	**($)**	($)	(%)
Government wage assistance	**—**	(2,924)	nmf
Net interest income	**(513)**	(8)	nmf
Net monetary gain	**(201)**	(49)	310
Foreign exchange loss	**403**	448	(10)
Equity loss	**472**	329	43
Other (income) expenses	**(1,514)**	22	nmf
Total other income	**(1,353)**	(2,182)	(38)

During the first quarter of 2022, the Company did not recognize any government wage assistance. During the first quarter of 2021, Pason participated in the Canada Emergency Wage Subsidy ("CEWS") program, which was terminated in October 2021.

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.

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

Other (income) expenses for the first quarter of 2022 is primarily comprised of proceeds received on a bankruptcy settlement of a former lessee.

Income Tax Provision

During the first quarter of 2022, the Company recorded an income tax expense of $5.3 million, compared to an income tax expense of $1.3 million during the comparative period in 2021. The increase is attributable to the improvement in income before income taxes, in light of improved operating performance year over year, as further outlined herein.

During the first quarter of 2019, the Company paid withholding tax owing to the Canada Revenue Agency (CRA) of $15.3 million as part of a Bilateral Advanced Pricing Arrangement (APA) entered into with the CRA and the IRS. As such, the Company recorded an amount under Income Tax Recoverable, which represents a corresponding amount owing from the IRS. During the first quarter of 2022, the Company received final settlement on all principal amounts owing from the IRS in relation to the APA, in the amount of $12.5 million.

Summary of Quarterly Results

Three Months Ended	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	**Mar 31, 2022**
(000s, except per share data)	($)	($)	($)	($)	($)	($)	($)	($)	($)
Revenue	73,962	26,848	23,068	32,758	42,555	43,593	57,705	62,833	**74,468**
EBITDA (1)	33,469	4,271	2,348	8,300	15,673	14,984	24,870	26,874	**34,686**
Adjusted EBITDA (1)	33,305	(848)	(1,118)	8,201	13,170	12,786	22,356	24,208	**33,373**
As a % of revenue	45.0	nmf	nmf	25.0	30.9	29.3	38.7	38.5	**44.8**
Funds flow from operations	26,722	134	4,765	8,939	13,730	14,662	19,983	19,353	**25,704**
Per share – basic	0.32	0.00	0.06	0.11	0.17	0.18	0.24	0.23	**0.31**
Per share – diluted	0.32	0.00	0.06	0.11	0.17	0.18	0.24	0.23	**0.31**
Cash from operating activities	25,593	29,953	5,754	(2,717)	11,085	9,841	17,074	27,061	**28,050**
Free cash flow (1)	22,935	29,888	4,141	(3,100)	9,176	5,684	16,261	23,990	**23,582**
Net income (loss)	16,552	(4,799)	(3,957)	(2,662)	3,991	4,880	12,775	10,279	**18,001**
Net income (loss) attributable to Pason	16,919	(4,487)	(3,698)	(2,166)	4,315	5,307	13,074	11,149	**18,573**
Per share – basic	0.20	(0.05)	(0.04)	(0.03)	0.05	0.06	0.16	0.14	**0.23**
Per share – diluted	0.20	(0.05)	(0.04)	(0.03)	0.05	0.06	0.16	0.14	**0.23**

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

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

The overall seasonality of the Company's operations has, and will continue to become less pronounced as a result of market share growth internationally and in the US, along with increased diversification of operations with the Company's Solar and Energy Storage business units. Furthermore, as noted herein and specifically as it relates to results starting in Q2 2020, quarterly results will vary significantly due to the drastic impacts of the global COVID-19 pandemic on the oil and gas industry.

Q1 2022 vs Q4 2021

Following the start of improving industry conditions seen in late 2020, North American and International rig counts have steadily improved, continuing into the first quarter of 2022. Consolidated revenue was $74.5 million in the first quarter of 2022, a 19% increase compared to consolidated revenue of $62.8 million in the fourth quarter of 2021.

Revenue in the North American business unit was $62.0 million in the first quarter of 2022, a 23% increase compared to revenue of $50.5 million in the fourth quarter of 2021. The increased revenue was driven by a 14% increase in North American industry days as well as a 9% increase in Revenue per Industry Day of $835 in Q1 2022 versus $767 in Q4 2021. Both industry activity and Revenue per Industry Day in Q1 2022 benefited from strong Canadian winter drilling activity throughout the first quarter.

The International business unit reported revenue of $10.7 million in the first quarter of 2022, a 4% decrease compared to $11.2 million in the fourth quarter of 2021. The decrease in revenue was attributable to the hyperinflation adjustment recognized in the Company's Argentinian subsidiary in each period. Excluding this adjustment, revenue in the International business unit would have increased by $1.0 million sequentially, or 5%.

The sequential increase in rental services of 9% is attributable to variable expenses incurred to support higher activity levels, such as repair costs on higher levels of equipment deployed, along with staffing increases in anticipation of continued growth in industry activity.

The Company's gross profit was $39.9 million in the first quarter of 2022, a 31% increase compared to gross profit of $30.5 million in the fourth quarter of 2021, due to the factors outlined above.

Adjusted EBITDA was $33.4 million in the first quarter of 2022, a 38% increase from $24.2 million in the fourth quarter of 2021. The Company's cost structure remains primarily fixed and Pason continues to demonstrate its operating leverage with 79% incremental Adjusted EBITDA margins generated sequentially.

Cash from operating activities was $28.1 million in the first quarter of 2022, compared to $27.1 million in the fourth quarter of 2021, for which the slight increase is primarily driven by the improvement in activity levels and operating results as outlined above and the collection of withholding tax owing from the IRS, partially offset by higher investments made in working capital in the first quarter.

The Company recorded net income attributable to Pason in the first quarter of 2022 of $18.6 million ($0.23 per share) compared to net income attributable to Pason of $11.1 million ($0.14 per share) in the fourth quarter of 2021. First quarter net income benefited from the increased activity levels and operating results, as noted above.

Liquidity and Capital Resources

As at	**March 31, 2022**	December 31, 2021	Change
(000s)	**($)**	($)	(%)
Cash and cash equivalents	**172,057**	158,283	9
Working capital	**182,353**	184,083	(1)
Total assets	**387,044**	379,941	2
Total interest bearing debt	**—**	—	—

Throughout the downturn and recovering industry conditions, Pason managed to preserve its strong balance sheet with no interest bearing debt and as at March 31, 2022, had $172.1 million in cash and cash equivalents, and $182.4 million in working capital. As industry conditions continue to improve, Pason remains focused on disciplined management of required investments in working capital.

The Company has an undrawn $5.0 million demand revolving credit facility available as at March 31, 2022, consistent with December 31, 2021.

Cash Flow Statement Summary

Three Months Ended March 31,	**2022**	2021	Change
(000s)	**($)**	($)	(%)
Funds flow from operations	**25,704**	13,730	87
Cash from operating activities	**28,050**	11,085	153
Cash used in financing activities	**(7,371)**	(4,781)	54
Cash used in investing activities	**(4,468)**	(1,909)	134
Net capital expenditures (1)	**4,468**	1,849	142
As a % of funds flow (2)	**17.4 %**	13.5 %	390 bps

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

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

Cash from operating activities

As noted above, funds flow from operations increased significantly in the first quarter of 2022 from Q1 2021 due to the improvement in gross profit experienced by the Company year over year. Further, in the first quarter of 202, the Company collected $12.5 million of withholding tax owing from the IRS, as further described under Income Tax Provision within this MD&A. Accordingly, cash from operating activities increased by 153% from the same period in 2021.

Cash used in financing activities

Cash used in financing activities was $7.4 million during the first quarter of 2022, compared to $4.8 million during the first quarter of 2021.

Dividend

During the three-month period ended March 31, 2022, the Company paid dividends to holders of common shares totaling $6.6 million, or $0.08 per share, compared to $4.2 million, or $0.05 per share in Q1 2021. Given the recovering industry activity levels seen throughout 2021 and the improving outlook for drilling activity, on February 22, 2022, the Company announced an increased quarterly dividend of $0.08 per share, from the previous quarterly level of $0.05 per share.

On April 28, 2022, the Company declared a quarterly dividend of $0.08 per share on the Company's common shares. The dividend will be paid on June 30, 2022, to shareholders of record at the close of business on June 15, 2022.

Normal Course Issuer Bid ("NCIB")

In 2021, the Company renewed its NCIB commencing on December 20, 2021, and expiring on December 19, 2022. Under the current NCIB, the Company may purchase for cancellation, as the Company considers advisable, up to a maximum of 7,131,543 common shares, which represents 10% of the applicable public float at the time of renewal.

The actual number of common shares that may be purchased for cancellation and the timing of any such purchases will be determined by the Company, subject to a maximum daily purchase limitation of 52,510 common shares. The Company may make one block purchase per calendar week that exceeds the daily purchase restriction.

For the three-month period ended March 31, 2022, the Company repurchased 113,900 (Q1 2021 - nil) shares for cancellation for total cash consideration of $1.4 million (Q1 2021 - nil). The total consideration is allocated between share capital and retained earnings.

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

Cash used in investing activities

During the first quarter, Pason used $4.5 million for investing activities compared to $1.9 million used in the comparative period in 2021. Investing activities were primarily comprised of $4.3 million in additions to rental equipment to meet activity levels as well as investments associated with ongoing refresh of the Company's fleet and technology platform.

Contractual Obligations

As at March 31, 2022	Less than 1 year	1–3 years	Thereafter	**Total**
(000s)	($)	($)	($)	**($)**
Leases and other operating contracts	13,879	5,600	2,122	**21,601**
Capital commitments	20,843	—	—	**20,843**
Total contractual obligations	34,722	5,600	2,122	**42,444**

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

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

Disclosure of Outstanding Share and Options Data

As at March 31, 2022, there were 82,195,141 common shares and 3,071,817 options issued and outstanding. As at April 28, 2022, there were 82,165,912 common shares and 3,054,746 options issued and outstanding.

Impact of Hyperinflation

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

The impact of applying IAS 21 to the operating results of the Argentina subsidiary for the three months ended March 31, 2022, are detailed as follows:

Impact on IFRS Measures

	Three Months Ended March 31,	
	2022	2021
(000s)	**($)**	($)
(Decrease) increase in revenue	**(111)**	269
Decrease (increase) in rental services and local administration expenses	**48**	(118)
(Increase) in depreciation expense	**(108)**	(233)
Increase in segment gross profit	**(171)**	**(82)**
Net monetary gain presented in other expenses	**201**	49
Other expenses	**13**	—
Decrease (increase) in income tax provision	**22**	(32)
Increase (decrease) in net income	**65**	**(65)**

Impact on Non-GAAP Measures

	Three Months Ended March 31,	
	2022	2021
(000s)	**($)**	($)
(Decrease) increase in revenue	**(111)**	269
Decrease (increase) in rental services and local administration expenses	**48**	(118)
Net monetary gain presented in other expenses	**201**	49
Increase in other expenses	**13**	—
Increase in EBITDA	**151**	200
Elimination of net monetary gain presented in other expenses	**(201)**	(49)
Elimination of other expenses	**(13)**	—
(Decrease) increase in Adjusted EBITDA	**(63)**	151

Additional IFRS Measures

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

Funds flow from operations

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

Cash from operating activities

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

Non-GAAP Financial Measures

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

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

EBITDA and Adjusted EBITDA

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

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

Reconcile Net Income to EBITDA

Three Months Ended	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	**Mar 31, 2022**
(000s)	($)	($)	($)	($)	($)	($)	($)	($)
Net (loss) income	(4,799)	(3,957)	(2,662)	3,991	4,880	12,775	10,279	**18,001**
Add:								
Income taxes	(1,072)	(1,369)	282	1,257	2,002	5,239	3,240	**5,329**
Depreciation and amortization	8,612	7,503	7,888	7,831	6,156	5,530	6,172	**6,314**
Stock-based compensation	1,868	276	2,818	2,602	2,216	1,611	5,094	**5,555**
Net interest income	(338)	(105)	(26)	(8)	(270)	(285)	2,089	**(513)**
EBITDA	4,271	2,348	8,300	15,673	14,984	24,870	26,874	**34,686**

Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	**Mar 31, 2022**
(000s)	($)	($)	($)	($)	($)	($)	($)	**($)**
EBITDA	4,271	2,348	8,300	15,673	14,984	24,870	26,874	**34,686**
Add:								
Foreign exchange loss (gain)	79	113	968	448	725	(204)	(2,980)	**403**
Recognition of onerous lease	(5,757)	—	—	—	—	—	—	**—**
Government wage assistance	(4,363)	(3,334)	(2,244)	(2,924)	(2,966)	(2,190)	(128)	**—**
Reorganization costs	5,554	—	—	—	—	—	—	**—**
Put option revaluation	—	—	1,812	—	—	—	381	**—**
Net monetary gain	(396)	(465)	(594)	(49)	(11)	(190)	(246)	**(202)**
Other	(236)	220	(41)	22	54	70	307	**(1,514)**
Adjusted EBITDA	(848)	(1,118)	8,201	13,170	12,786	22,356	24,208	**33,373**

Free cash flow

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

Reconcile cash from operating activities to free cash flow

Three Months Ended	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	**Mar 31, 2022**
(000s)	($)	($)	($)	($)	($)	($)	($)	**($)**
Cash from operating activities	29,953	5,754	(2,717)	11,085	9,841	17,074	27,061	**28,050**
Less:								
Net additions to property, plant and equipment	(644)	(1,282)	(66)	(1,510)	(3,696)	(1,258)	(2,803)	**(4,334)**
Deferred development costs	579	(331)	(317)	(399)	(461)	445	(268)	**(134)**
Free cash flow	29,888	4,141	(3,100)	9,176	5,684	16,261	23,990	**23,582**

Supplementary Financial Measures

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

Revenue per Industry Day

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

Adjusted EBITDA as a percentage of revenue

Calculated as adjusted EBITDA divided by revenue.

Net capital expenditures as a percentage of funds flow from operations

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

Critical Accounting Estimates

The preparation of the Company's Condensed Consolidated Interim Financial Statements requires that certain estimates and judgements be made with respect to the reported amounts of revenue and expenses and the carrying value of assets and liabilities. These estimates are based on historical experience and management's judgements based on information available as at the financial statement date, and, as a result, the estimates used by management involve uncertainty and may change as additional experience is acquired. As such, actual results may differ significantly from estimates made within the Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2022. Significant estimates made by the Company have most recently been set out in the Company's MD&A for the year ended December 31, 2021, and its consolidated financial statements and note disclosures for the year ended December 31, 2021, and within Note 2 of the Company's Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2022.

Significant Accounting Policies

The Company's significant accounting policies have been disclosed within the Consolidated Financial Statements for the year ended December 31, 2021.

Internal Control over Financial Reporting

There have been no significant changes in the design of the Company's internal controls over financial reporting during the three months ended March 31, 2022, that would materially affect, or is reasonably likely to materially affect, the Company's controls and processes over financial reporting.

Risks and Uncertainties

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

Commodity Prices and Drilling Activity Levels

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

From 2014 to 2020, global commodity prices were negatively affected by a combination of factors including increased production, decisions of OPEC and Russia, and the impact of the COVID-19 pandemic on overall demand for oil and gas. These headwinds drove significant pressure on commodity prices, and adversely impacted the level of capital spending by our customers on exploration and production activities and could continue to do so. Throughout 2021, commodity prices began to recover from the lows experienced in 2020, as the demand for oil and gas neared pre-pandemic levels, while supply continued to lag. Global drilling activity also improved from the lows experienced in 2020, while Operators faced ongoing pressure from the investment community to constrain spending within cash flows and further allocate a significant portion of cash flow generation to returns to shareholders, impacting the amount of drilling-related capital expenditures.

While global drilling activity is showing signs of recovery and commodity prices have strengthened over the last year, these aforementioned factors could continue to put pressure on commodity prices, adversely impacting the level of drilling activity in the regions in which Pason operates, which could have a materially adverse effect on Pason’s business, financial condition, results of operations and cash flows.

Further, Russia's recent invasion of Ukraine has had a significant effect on commodity prices and economies globally. The conflict is rapidly evolving and has elicited a swift international response, including sanctions against Russia, which could continue to have significant implications on commodity prices and economies more broadly. The extent, duration and impact of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time. Pason does not have any operations or revenue generated in Russia or the Ukraine, however, the situation is rapidly evolving and ongoing conflict may negatively impact commodity price volatility and global financial conditions, which could have an indirect adverse effect on Pason’s business and financial condition.

Public Health Crises, Including COVID-19

Starting in March of 2020, the COVID-19 pandemic had a significant impact on the demand for oil and gas and this, combined with an over-supply, led to a significant decline in commodity prices. Although global demand for oil and gas has almost returned to pre-pandemic levels and commodity prices have recovered from the lows experienced in 2020, the ultimate impact of COVID-19 on future oil demand is unknown at the present time. It is, therefore, not possible to predict the long-term effects of COVID-19 on the Company’s operating results. The ongoing pandemic has had, or may have, significant adverse impacts on Pason, including but not limited to: material declines in revenue and cash flows due to reduced drilling and demand for associated products and services, increased risk of non-payment of accounts receivable, potential for impairment charges on long-term assets, and additional reorganization costs, if deemed required in the context of Pason's ongoing efforts to manage its cost structure. The Company would be further exposed to the aforementioned risks in the occurrence of any future public health crises and/or pandemics unrelated to COVID-19.

Seasonal Factors

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

Credit and Liquidity

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

Customers

Pason has a large customer base, consisting of both operators and contractors, and no single customer accounted for more than 10% of the consolidated revenues of the Company this fiscal period. Notwithstanding, the loss of one or more major customers, further consolidation in the industry, or a reduction in the amount of business Pason conducts with any of its major customers, could have a significant impact on Pason's revenue if not offset by obtaining new customers or increasing the amount of business it conducts with existing customers.

Competition

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

Qualified Personnel and Access to Talent

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

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

Intellectual Property

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

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

Cyber Security

The Company takes measures and makes meaningful investments to protect the security and integrity of its IT infrastructure and data, however, there is a risk that these measures may not fully protect against a potential security breach, which could have a negative impact on the Company's ability to operate or its reputation. Natural disasters, energy blackouts, operating malfunction, viruses or malware, cyber security attacks, theft, computer or telecommunication errors, human error, internal or external misconduct or other unknown disruptive events could result in the temporary or permanent loss of any or all parts of the IT infrastructure or data. There is a risk the data and other electronic information stored in Pason's IT infrastructure could be accessed, publicly disclosed, lost, or stolen. Such occurrences could negatively affect Pason's business and financial performance in the form of loss of revenue, increased operational costs, reputational damage or litigation.

Availability of Raw Materials, Parts, or Finished Products

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

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

Geopolitical Risk

Assets outside of Canada and the US may be adversely affected by changes in governmental policy, social instability, or other political or economic developments beyond Pason's control, including expropriation of property, exchange rate fluctuations, and restrictions on repatriation of cash. The Company has mitigated these risks where practical and warranted. Most of Pason's revenues are generated in Canada and the US, which limits exposure to risks and uncertainties in foreign countries. The Company's Argentinian subsidiary is operating in a highly inflationary economy and its operating results are being impacted by a weakening Argentina peso relative to the Canadian dollar, the details of which are outlined in this MD&A under the title Impact of Hyperinflation.

Foreign Exchange Risk

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

Climate Change Risks

Regulatory and Policy Risks

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

Physical Risks

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

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

Investor Sentiment

Investor sentiment towards the oil and natural gas industry has evolved in recent years and some institutional investors have announced that they are no longer willing to fund or invest in companies in the oil and natural gas industry, or are reducing such investment over time. While Pason believes it operates its business sustainably, the Company's ability to access capital and the price and liquidity of its securities may be adversely impacted by investors' perceptions of the sector in which it generates the majority of its revenue.

Insurance

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

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

Payment of Future Cash Dividends

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

Taxation

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

Litigation and Legal Claims

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

SEDAR

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

Forward Looking Information

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

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

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

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

These risks, uncertainties and assumptions include but are not limited to those discussed in Pason's Annual Information Form for the year ended December 31, 2021 under the heading, "Risk and Uncertainty," in our management's discussion and analysis for the year ended December 31, 2021, and in our other filings with Canadian securities regulators. These documents are on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or through Pason's website (www.pason.com).

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

Corporate Information

Directors

Marcel Kessler
Chairman of the Board
Pason Systems Inc.
Calgary, Alberta

T. Jay Collins(2)(3)
Director
Oceaneering International Inc.
Houston, Texas

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

Judi Hess(2)(4)(6)
CEO & Director
Copperleaf Technologies Inc.
Vancouver, British Columbia

James B. Howe(1)(6)(7)
President
Bragg Creek Financial
Consultants Ltd.
Calgary, Alberta

Laura Schwinn(4)(5)
President Specialty Catalysts
W. R. Grace & Co.
Columbia, Maryland

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

Officers & Key Personnel

Jon Faber
President
& Chief Executive Officer

Celine Boston
Chief Financial Officer

Kevin Boston
Vice President, Commercial

Natalie Fenez
Vice President, Legal & Corporate Secretary

Heather Hantos
Vice President, Human Resources

Bryce McLean
Vice President, Operations

Lars Olesen
Vice President, Product & Technology

Russell Smith
Vice President, International

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

Reid Wuntke
President, Energy Toolbase Software Inc.

Corporate Head Office

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InvestorRelations@pason.com
www.pason.com

Auditors

Deloitte LLP
Calgary, Alberta

Banker

Royal Bank of Canada
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Stock Trading

Toronto Stock Exchange
Trading Symbol: PSI.TO

Eligible Dividend Designation

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