Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") has been prepared by management as of March 2, 2023, and is a review of the financial condition and results of operations of Pason Systems Inc. ("Pason" or the "Company") based on International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Consolidated Financial Statements for the twelve months ended December 31, 2022 and 2021, and 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 project developers to model, control, and monitor economics and performance of solar energy and storage projects.

For a complete description of services provided by the Company, please refer to the headings 'General Development of the Business' and 'General Description of Business' in Pason's Annual Information Form dated March 16, 2022.

Highlights

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**94,420**	62,833	50	**334,998**	206,686	62
EBITDA (1)	**53,248**	26,874	98	**170,266**	82,401	107
Adjusted EBITDA (1)	**48,944**	24,208	102	**159,510**	72,520	120
As a % of revenue	**51.8**	38.5	1,330 bps	**47.6**	35.1	1,250 bps
Funds flow from operations	**45,971**	19,353	138	**134,885**	67,728	99
Per share – basic	**0.56**	0.23	145	**1.65**	0.82	101
Per share – diluted	**0.56**	0.23	145	**1.63**	0.82	99
Cash from operating activities	**19,942**	27,061	(26)	**104,414**	65,061	60
Net capital expenditures (2)	**16,233**	3,071	429	**33,941**	9,950	241
Free cash flow (1)	**3,709**	23,990	(85)	**70,473**	55,111	28
Cash dividends declared (per share)	**0.12**	0.05	140	**0.36**	0.20	80
Net income	**35,994**	10,279	250	**105,726**	31,925	231
Net income attributable to Pason	**36,257**	11,149	225	**107,616**	33,845	218
Per share – basic	**0.44**	0.14	228	**1.31**	0.41	221
Per share – diluted	**0.44**	0.14	226	**1.30**	0.41	219

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

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

As at	**December 31, 2022**	December 31, 2021	Change
(CDN 000s)	**($)**	($)	(%)
Cash and cash equivalents	**132,057**	158,283	(17)
Short-term investments	**40,377**	—	nmf
Total Cash (1)	**172,434**	158,283	9
Working capital	**213,899**	184,083	16
Total interest bearing debt	**—**	—	—
Shares outstanding end of period (#)	**81,526,954**	82,194,051	(1)

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

Pason's financial results for the three and twelve months ended December 31, 2022, reflect improved industry conditions, increasing demand for the Company's products and technologies, strong competitive positioning and operating leverage.

Pason generated $94.4 million in revenue in the fourth quarter of 2022, representing a 50% increase from the $62.8 million generated in the comparative period of 2021, as drilling activity remained strong across Pason's operating regions. Revenue per Industry Day in the North American business unit was $890 in Q4 2022, which represented a new quarterly record level for the Company and an increase of 16% from the comparative period in 2021. With this increase in revenue, Pason generated $48.9 million in Adjusted EBITDA, or 51.8% of revenue in the fourth quarter of 2022, compared to $24.2 million in the fourth quarter of 2021, or 38.5% of revenue. A comparison of fourth quarter results demonstrates the Company's strong operating leverage through improved industry conditions. Fourth quarter results also benefited from a stronger average US dollar relative to the Company's Canadian dollar reporting currency.

Pason's balance sheet remains strong, with no interest bearing debt, and $172.4 million in Total Cash as at December 31, 2022, compared to $158.3 million as at December 31, 2021. Cash flow from operations in the fourth quarter of 2022 reflects investments made in respect of the 2022 year, including increased levels of tax installments and annual settlement of the Company's cash settled stock-based compensation plans. Further, the Company continued to make proactive investments in inventory levels in the fourth quarter of 2022. Resulting cash from operating activities was $19.9 million in the fourth quarter of 2022 compared to $27.1 million in the fourth quarter of 2021.

During the fourth quarter of 2022, Pason invested $16.2 million in net capital expenditures, an increase from $3.1 million in the fourth quarter of 2021. Capital expenditures throughout 2022 reflect net additions to rental equipment to meet activity levels, investments associated with the ongoing refresh of the Company's fleet and technology platform, and also an element of catch up from lower capital expenditure levels throughout 2020 and 2021. Fourth quarter 2022 capital expenditure levels also represent the easing of supply chain challenges which impacted the timing around Pason's quarterly capital expenditures throughout 2022. Pason continues to make necessary capital investments in its equipment and technology in order to service the increasing demand for its products.

Resulting Free Cash Flow generated in Q4 2022 was $3.7 million compared to $24.0 million generated in the fourth quarter of 2021.

The Company recorded net income attributable to Pason of $36.3 million ($0.44 per share) in the fourth quarter of 2022, a significant increase compared to net income attributable to Pason of $11.1 million ($0.14 per share) recorded in the corresponding period in 2021, due to the improving operating results as outlined above.

President’s Message

Pason’s fourth quarter 2022 results once again reflected the strength of our competitive position in the context of significantly improved industry conditions as compared to the fourth quarter of 2021. North American land drilling activity increased by 34% over the prior year period, and Pason again outperformed the underlying growth in industry activity with a 50% increase in consolidated revenue in the quarter.

Our North American business unit posted the highest quarterly Revenue per Industry Day in the company’s history at $890 per day, a 16% year-over-year increase, reflecting higher price realization, strong product adoption and a strengthened US dollar relative to the Canadian dollar. Our International business similarly posted strong growth in the quarter, with reported revenue up 29% compared to the prior year period after accounting for a negative impact from hyperinflation accounting entries (excluding the effect of hyperinflation accounting, International revenue would have increased 54% year-over-year). On the strength of additional energy storage control system installations, Energy Toolbase doubled its revenue in the fourth quarter of 2022 compared to the same period in 2021.

Adjusted EBITDA in the fourth quarter came in at $48.9 million, reflecting a 51.8% Adjusted EBITDA margin and a 102% increase from the prior year period. This represents the company’s highest Adjusted EBITDA since the fourth quarter of 2014.

After navigating supply chain challenges through much of 2022, we saw delivery time improvements in some areas of our capital spending program, resulting in fourth quarter net capital expenditures of $16.2 million. We also saw further investments in working capital owing to higher revenue levels and inventory investments to improve the resiliency of our ongoing supply chain needs. As a result, free cash flow in the fourth quarter totaled $3.7 million, compared to $24.0 million in the prior year period. Net income attributable to Pason in the quarter totaled $36.3 million ($0.44 per share) compared to $11.1 million ($0.14 per share) in the fourth quarter of 2021.

For the full year, consolidated revenue totaled $335.0 million and Adjusted EBITDA came in at $159.5 million, representing a 47.6% Adjusted EBITDA margin. Full year net capital expenditures totaled $33.9 million, and free cash flow for the year was $70.5 million. Net income attributable to Pason of $107.6 million ($1.30 per share) in 2022 was up 218% from $33.8 million in 2021.

Our balance sheet remains strong, as we exited the year with $172.4 million in cash, cash equivalents and short-term investments and positive working capital of $213.9 million.

We allocate capital in three important areas: (1) investments within our core drilling-related business to defend and grow our leading market position; (2) investments outside of the drilling-related business to provide avenues of future revenue growth; and (3) disciplined returns to shareholders. Our capital expenditures and working capital investments in our core business were significant in 2022 as we met growing industry activity and navigated a challenging supply chain environment. We increased our investment in the completions space through further investment in Intelligent Wellhead Systems, including $7.9 million to increase our ownership position and a commitment to fund an additional $25 million through a preferred share financing to accelerate capital expenditures, $10 million of which was funded in the fourth quarter. We returned $43.3 million to shareholders through the regular dividend and share repurchases, up from $25 million in shareholder returns in 2021. Our current quarterly dividend of 12 cents per share is up 50% from 8 cents per share a year ago.

We continue to favour flexibility in our approach to capital allocation, maintaining a disciplined return of capital to shareholders, while allowing ourselves to pursue opportunities to strengthen our core business and position ourselves for meaningful revenue growth in new markets. We expect to spend approximately $45 million in capital expenditures in 2023, while our investments in carrying levels of inventory are expected to lessen as supply chain conditions improve. We will continue to fund the accelerated growth of Intelligent Wellhead Systems through additional tranches of our preferred share financing agreement. We are maintaining our quarterly dividend at 12 cents per share and will continue to revisit both the regular dividend and share purchases in the context of our expectations for free cash flow generation and alternatives for capital deployment.

Sequential growth in industry activity slowed in the fourth quarter and softer conditions, particularly in the United States, have continued to persist into the first quarter of 2023. Increases in oil inventories and a significant downturn in natural gas prices with warmer-than-expected winter weather have created headwinds for commodity prices and caused drilling activity to slow. We anticipate that North American industry activity will decline modestly from current levels in the first half of 2023 before increasing in the second half of the year. We remain confident in our outlook that over the medium term there will continue to be an upward trend in drilling activity, albeit at a slower pace than witnessed through 2022.

Supply and demand fundamentals remain constructive for oil and gas. While both oil storage levels and the inventory of drilled but uncompleted wells (DUCs) have started to move upward, they remain significantly below historical levels. Total US crude oil and petroleum product inventories remain approximately 15% below their 5-year average. Meanwhile, the US government has largely completed the releases of oil from the Strategic Petroleum Reserve (SPR). While commercial crude inventories have grown by approximately 20 million barrels since March 2020, over the same time period the SPR has been drawn down by over 260 million barrels, representing a 41% reduction in the SPR and placing it at its lowest level since 1983. US land production remains approximately 5% below pre-pandemic levels. While all sources of US oil supply are low compared to historical levels, global demand for oil has increased by 3% from pre-pandemic levels.

Against this backdrop, questions remain around the potential headwinds from global recessionary economic conditions and lower natural gas demand due to warmer winter weather, weighed against potential tailwinds from recovering oil demand as China emerges from COVID-19 restrictions, announced reductions in Russian oil production, and analyst estimates of tight OPEC spare production capacity.

The availability of Tier 1, super-spec rigs remains tight and there are limits to the number of economically viable upgradeable rigs. As a result, while there may be some short-term volatility in rig counts due to natural gas price weakness or churn in the mix of active operators, the demand for high spec rigs is likely to remain high and provide support to rig counts near current levels. As evidenced by our fourth quarter performance, Pason is able to generate attractive financial results at this level of activity.

The investments we have made in our people, our technology development and our equipment over the past two years has provided us with a strong competitive position to meet anticipated activity levels and to continue to be the leading drilling data provider of choice as our customers look to increased use of automation and analytics technologies to improve their operational performance.

Jon Faber
President and Chief Executive Officer
March 2, 2023

Discussion of Operations

Overall Performance

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**50,986**	33,856	51	**180,430**	110,792	63
Mud Management and Safety	**26,635**	16,776	59	**93,312**	55,398	68
Communications	**5,276**	3,634	45	**19,359**	11,938	62
Drilling Intelligence	**6,662**	4,852	37	**23,915**	14,806	62
Analytics and Other	**4,861**	3,715	31	**17,982**	13,752	31
Total revenue	**94,420**	62,833	50	**334,998**	206,686	62
Operating expenses						
Rental services	**29,297**	23,038	27	109,879	76,662	43
Local administration	**3,314**	3,144	5	12,554	11,006	14
Depreciation and amortization	**5,399**	6,172	(13)	20,842	25,689	(19)
	38,010	32,354	17	**143,275**	113,357	26
Gross profit	**56,410**	30,479	85	**191,723**	93,329	105
Other expenses						
Research and development	**9,556**	8,304	15	**37,573**	32,220	17
Corporate services	**3,842**	3,374	14	**15,192**	13,175	15
Stock-based compensation expense	**5,129**	5,094	1	**15,230**	11,523	32
Other (income) expense	**(7,516)**	188	nmf	**(15,403)**	(7,252)	112
	11,011	16,960	(35)	**52,592**	49,666	6
Income before income taxes	**45,399**	13,519	236	**139,131**	43,663	219
Income tax provision	**9,405**	3,240	190	**33,405**	11,738	185
Net income	**35,994**	10,279	250	**105,726**	31,925	231
Adjusted EBITDA (1)	**48,944**	24,208	102	**159,510**	72,520	120

(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 December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**42,412**	26,937	57	**148,516**	88,907	67
Mud Management and Safety	**23,411**	14,359	63	**81,823**	47,631	72
Communications	**4,469**	3,187	40	**16,703**	10,434	60
Drilling Intelligence	**6,204**	4,522	37	**22,271**	13,734	62
Analytics and Other	**1,191**	1,472	(19)	**5,256**	5,384	(2)
Total revenue	**77,687**	50,477	54	**274,569**	166,090	65
Rental services and local administration	**22,384**	17,499	28	**85,624**	61,959	38
Depreciation and amortization	**4,226**	5,176	(18)	**17,943**	22,569	(20)
Segment gross profit	**51,077**	27,802	84	**171,002**	81,562	110

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
	($)	($)	(%)	**($)**	($)	(%)
Revenue per Industry Day	**890**	767	16	**853**	748	14

Industry conditions in North America remained strong in the fourth quarter of 2022, with a 34% increase in industry activity compared to the comparative period in 2021. Further, Pason's Revenue per Industry Day in the fourth quarter of 2022 of $890 was a new quarterly record level for the Company and a 16% increase from the comparative 2021 period. Revenue per Industry Day in the current quarter benefited from improved pricing for the Company's products and technologies, strong product adoption and a strong US dollar relative to the Canadian dollar. For the sixth consecutive quarter, the North American business unit outpaced the improvement in industry activity, generating $77.7 million of revenue in the fourth quarter of 2022, a 54% increase from $50.5 million in the comparative period of 2021.

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 28% in the fourth 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 current activity levels. Inflationary effects continued to impact rental services in the fourth quarter of 2022 on certain field related expenses, such as the cost of fuel and supplies.

Depreciation and amortization decreased by 18% in the fourth quarter of 2022 over the 2021 comparative period. The year over year decrease is primarily due to lower capital expenditures throughout 2020 and 2021 and certain assets becoming fully depreciated in 2022.

Segment gross profit was $51.1 million or 66% of revenue during the fourth quarter of 2022 compared to $27.8 million of 55% of revenue in the comparative period of 2021, representing the business unit's significant operating leverage through increased activity levels.

On a year to date basis, revenue of $274.6 million and segment gross profit of $171.0 million represent significant improvements from the prior year's comparative results and reflect the growing activity environment seen in 2022 versus 2021, the business unit's ability to generate higher levels of Revenue per Industry Day, and resulting strong operating leverage.

International Operations

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**8,574**	6,919	24	**31,914**	21,885	46
Mud Management and Safety	**3,224**	2,417	33	**11,489**	7,767	48
Communications	**807**	447	81	**2,656**	1,504	77
Drilling Intelligence	**458**	330	39	**1,644**	1,072	53
Analytics and Other	**1,328**	1,069	24	**5,519**	4,261	30
Total revenue	**14,391**	11,182	29	**53,222**	36,489	46
Rental services and local administration	**7,338**	6,577	12	**26,742**	19,432	38
Depreciation and amortization	**1,168**	991	18	**2,879**	3,100	(7)
Segment gross profit	**5,885**	3,614	63	**23,601**	13,957	69

The International business unit generated $14.4 million of reported revenue in the fourth quarter of 2022, a 29% increase over the comparative period of 2021. The increase is due to increased industry activity in the Company's international markets and higher levels of revenue generated per drilling day with improved pricing and rig mix. The year over year quarterly increase in revenue is partially offset by the impacts of the Company applying hyperinflation accounting rules to the Company's Argentinian subsidiary as is required by IFRS and further outlined under the Impact of Hyperinflation heading of this MD&A. Excluding the impact of hyperinflation accounting entries in each respective period, International business unit revenue would have been $15.2 million in the fourth quarter of 2022, a 54% increase from $9.8 million in the fourth quarter of 2021.

Rental services and local administration expense was $7.3 million in the fourth quarter of 2022, an increase of 12% compared to $6.6 million in the comparative period of 2021. As activity levels improve, the International business unit incurs certain variable costs, including repair costs and growth in field related headcount, to support the additional deployment of equipment. Similar to the North American business unit, the International business unit also experienced certain inflationary effects on operating costs in the fourth quarter of 2022.

Depreciation and amortization increased by 18% in the fourth quarter of 2022 over the 2021 comparative period. The increase is primarily due to increased capital expenditures and the impacts of hyperinflation accounting for the Company's Argentinian subsidiary.

For the three months ended December 31, 2022, the resulting segment gross profit was $5.9 million during the fourth quarter of 2022 compared to $3.6 million in the 2021 comparative period due to the factors outlined above.

On a year to date basis, revenue of $53.2 million and segment gross profit of $23.6 million represent significant improvements from the prior year comparative results and reflect the growing activity level environment seen in 2022 coupled with strong operating leverage.

Solar and Energy Storage Operations

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Analytics and Other	**2,342**	1,174	99	**7,207**	4,107	75
Total revenue	**2,342**	1,174	99	**7,207**	4,107	75
Operating expenses and local administration (1)	**2,889**	2,106	37	**10,067**	6,277	60
Depreciation and amortization	**5**	5	—	**20**	20	—
Segment gross loss	**(552)**	(937)	(41)	**(2,880)**	(2,190)	32

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

The Solar and Energy Storage business unit generated $2.3 million in revenue in the fourth quarter of 2022, an increase of 99% from the comparative period in 2021. The increase in revenue is due to increased sales of the Company's subscription based software licenses along with revenue recognition associated with the commissioning of control system projects. Quarterly revenue for the Solar and Energy Storage business unit will continue to fluctuate with the timing of the commissioning of control system projects.

Operating expenses and local administration were $2.9 million during the fourth quarter of 2022, a 37% increase from $2.1 million during the comparable period. The increase is primarily due to hardware costs associated with sold control systems, along with ongoing investments in sales and marketing efforts and the year-to-date impact of compensation accruals. Segment gross loss was $0.6 million for the fourth quarter of 2022 compared to a segment gross loss of $0.9 million in the comparable period in 2021.

Year to date, revenue generated by the segment totaled $7.2 million, a 75% increase over the comparative period in 2021, demonstrating increased sales in both the Company's economic modeling software platform and control system product offering. Segment gross loss increased from $2.2 million during the twelve months ended December 31, 2021, to $2.9 million in the 2022 comparative period as the business unit made investments in future growth.

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 Consolidated Statements 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 December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Research and development	**983**	1,355	(27)	**4,936**	4,661	6

Corporate Expenses

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Research and development	**9,556**	8,304	15	**37,573**	32,220	17
Corporate services	**3,842**	3,374	14	**15,192**	13,175	15
Stock-based compensation	**5,129**	5,094	1	**15,230**	11,523	32
Total corporate expenses	**18,527**	16,772	10	**67,995**	56,918	19

Fourth quarter research and development and corporate service expenses increased 15% and 14%, respectively, from the comparative quarterly period in 2021. Beginning in 2021 and continuing in 2022, Pason made additional investments in research and development, further improving the Company's ability to support increasing activity levels and product enhancements. Furthermore, the change in corporate services and research and development expenses year over year reflects recognition of performance based elements of the Company's compensation plan.

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 December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Put option revaluation	**(5,815)**	381	nmf	**(5,815)**	381	nmf
Net interest (income) expense	**(2,679)**	2,089	nmf	**(4,937)**	1,526	nmf
Net monetary (gain)	**(536)**	(246)	118	**(1,849)**	(496)	273
Foreign exchange loss (gain)	**1,959**	(2,980)	nmf	**(2,024)**	(2,011)	1
Other expenses (income)	**88**	307	(71)	**(1,068)**	453	nmf
Equity (gain) loss	**(533)**	765	nmf	**290**	1,103	(74)
Government wage assistance	**—**	(128)	nmf	**—**	(8,208)	nmf
Total other income	**(7,516)**	188	nmf	**(15,403)**	(7,252)	112

In the fourth quarter of 2022, the Company recorded a $5.8 million recovery on the obligation under put option associated with the purchase of ETB to reflect the change in the fair value of the outstanding obligation. Refer to the Put Obligation heading of this MD&A for further information.

Net interest (income) expense is primarily comprised of interest generated from the Company's invested cash and cash equivalents and will fluctuate as available yields fluctuate. During the fourth quarter of 2022, the Company invested $40.4 million of its cash in twelve-month term deposits, locking in interest rates ranging from 5.16% to 5.55%. Further, the Company's remaining cash and cash equivalents of $132.1 million as at December 31, 2022 are invested in 1-25 day money market funds earning interest at an average rate of 4.5%. The year over year increase for both the three and twelve month periods reflects the increasing interest rate environment along with higher levels of cash invested.

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

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

Equity (gain) 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.

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

Income Tax Provision

During the fourth quarter of 2022, the Company recorded an income tax expense of $9.4 million, compared to an income tax expense of $3.2 million during the comparative period in 2021. For the twelve months ended December 31, 2022, the Company recorded an income tax expense of $33.4 million, compared to $11.7 million for the twelve months ended December 31, 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.

Equity Investments

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

The Company's initial minority investment in IWS was made in 2019, and consisted of consideration of $25.0 million, with initial cash consideration of $10.0 million and $15.0 million payable in three separate $5.0 million put options, exercisable at IWS' discretion. The first $5.0 million put option was exercised in 2020, and the second and third were exercised during 2021. Further in 2021, the Company increased its investment in IWS and acquired a portion of outstanding common shares for total cash consideration of $7.1 million.

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

As a result of the aforementioned transactions, total cash outflows associated with the Company's non-controlling investment in IWS is $17.2 million for the year ended December 31, 2022, consistent with $17.1 million invested in 2021.

Put Obligation

As at December 31, 2022, the Company holds a $6.5 million obligation under put option on its Consolidated Balance Sheets (December 31, 2021: $11.5 million). The put obligation is a contractual obligation whereby the non-controlling shareholders of ETB have a put option to exercise for cash their 20% shareholdings of ETB starting in 2023 with reference to the fair value of ETB shares at the date the put option can be exercised. This put option gives rise to a financial liability and is calculated at each annual reporting period using a discounted cash flow model of the estimated future cash flows of the obligation.

For the year ended December 31, 2022, the put obligation valuation was affected by the increase in policy interest rates as they relate to the discount rate applied in the fair value of the obligation under put option. As a result, Pason recorded a $5.8 million recovery within Other Income for the year ended December 31, 2022, compared to a $0.4 million expense during the year ended December 31, 2021.

Summary of Quarterly Results

Three Months Ended	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022
(000s, except per share data)	($)	($)	($)	($)	($)	($)	($)	($)	($)
Revenue	32,758	42,555	43,593	57,705	62,833	74,468	73,608	92,502	**94,420**
EBITDA [(1)]	8,300	15,673	14,984	24,870	26,874	34,686	31,673	50,659	**53,248**
Adjusted EBITDA [(1)]	8,201	13,170	12,786	22,356	24,208	33,373	30,962	46,231	**48,944**
As a % of revenue	25.0	30.9	29.3	38.7	38.5	44.8	42.1	50.0	**51.8**
Funds flow from operations	8,939	13,730	14,662	19,983	19,353	25,704	27,242	35,968	**45,971**
Per share – basic	0.11	0.17	0.18	0.24	0.23	0.31	0.33	0.44	**0.56**
Per share – diluted	0.11	0.17	0.18	0.24	0.23	0.31	0.33	0.43	**0.56**
Cash from operating activities	(2,717)	11,085	9,841	17,074	27,061	28,050	25,679	30,743	**19,942**
Free cash flow [(1)]	(3,100)	9,176	5,684	16,261	23,990	23,582	19,135	24,047	**3,709**
Net income (loss)	(2,662)	3,991	4,880	12,775	10,279	18,001	17,992	33,739	**35,994**
Net income (loss) attributable to Pason	(2,166)	4,315	5,307	13,074	11,149	18,573	18,540	34,246	**36,257**
Per share – basic	(0.03)	0.05	0.06	0.16	0.14	0.23	0.23	0.42	**0.44**
Per share – diluted	(0.03)	0.05	0.06	0.16	0.14	0.23	0.22	0.41	**0.44**

(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.

Q4 2022 vs Q3 2022

Consolidated revenue was $94.4 million in the fourth quarter of 2022, a 2% increase compared to consolidated revenue of $92.5 million in the third quarter of 2022.

Revenue in the North American business unit was $77.7 million in the fourth quarter of 2022 compared to revenue of $75.2 million in the third quarter of 2022. While drilling activity remained relatively flat quarter over quarter, the North American business unit increased Revenue per Industry Day sequentially from $871 in Q3 2022 to $890 in Q4 2022. Revenue per Industry Day in the fourth quarter benefited from a stronger US dollar relative to the Canadian dollar.

The International business unit reported revenue of $14.4 million in the fourth quarter of 2022, a 9% decrease compared to $15.8 million in the third quarter of 2022. The decrease in revenue was attributable to the impacts of hyperinflationary accounting for the Company's Argentinian subsidiary. Excluding this impact for both periods, Q4 2022 revenue for the International business unit would have been $15.2 million, a 11% increase from the $13.7 million generated in Q3 2022.

The Company's gross profit was $56.4 million in the fourth quarter of 2022 compared to gross profit of $55.7 million in the third quarter of 2022. Similarly, Adjusted EBITDA was $48.9 million in the fourth quarter of 2022, up from $46.2 million in the third quarter of 2022. Sequential gross profit and Adjusted EBITDA increases reflect the Company's primarily fixed cost structure.

The Company recorded net income attributable to Pason in the fourth quarter of 2022 of $36.3 million ($0.44 per share) compared to net income attributable to Pason of $34.2 million ($0.42 per share) in the third quarter of 2022. The increase in net income attributable to Pason year over year is driven by the improvement in operating results as described above, as well as the put option revaluation recovery of $5.8 million recorded in the fourth quarter of 2022.

Cash from operating activities was $19.9 million in the fourth quarter of 2022, compared to $30.7 million in the third quarter of 2022, for which the decrease is primarily driven by investments in working capital, additional tax installments paid, and the annual settlement on the Company's cash based stock based compensation plans which occurred in Q4 2022. Further, in the fourth quarter, Pason was able to transact on the remainder of its 2022 capex plans with supply chain challenges beginning to ease. As such, net capital expenditures in the fourth quarter were $16.2 million in Q4 2022 compared to $6.7 million in Q3 2022. Resulting Free Cash Flow in Q4 2022 was $3.7 million compared to $24.1 million in Q3 2022.

Liquidity and Capital Resources

As at	**December 31, 2022**	December 31, 2021	Change
(000s)	**($)**	($)	(%)
Cash and cash equivalents	**132,057**	158,283	(17)
Short-term investments	**40,377**	—	nmf
Total Cash [(1)]	**172,434**	158,283	9
Working capital	**213,899**	184,083	16
Total assets	**469,928**	379,941	24
Total interest bearing debt	**—**	—	—

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

Pason's balance sheet remains strong with no interest bearing debt and as at December 31, 2022, $172.4 million in Total Cash, and $213.9 million in working capital. During the fourth quarter of 2022, the Company invested $40.4 million of its cash in twelve-month term deposits, locking in interest rates ranging from 5.16% to 5.55%. Further, the Company's remaining cash and cash equivalents of $132.1 million as at December 31, 2022 are invested in 1-25 day money market funds earning interest at an average rate of 4.5%.

Working capital, excluding cash and cash equivalents and short-term investments was $41.5 million as at December 31, 2022, an increase from $25.8 million as at December 31, 2021. The increase in the year is primarily driven by investments made in inventory levels to service higher levels of activity, along with increased accounts receivable reflecting increased revenue levels.

Pason remains focused on disciplined and proactive management of required investments in working capital. The Company has an undrawn $5.0 million demand revolving credit facility available as at December 31, 2022, consistent with December 31, 2021.

Cash Flow Statement Summary

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Change	**2022**	2021	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Funds flow from operations	**45,971**	19,353	138	**134,885**	67,728	99
Cash from operating activities	**19,942**	27,061	(26)	**104,414**	65,061	60
Cash used in financing activities	**(14,242)**	(6,887)	107	**(42,065)**	(27,046)	56
Cash used in investing activities	**(74,525)**	(8,071)	823	**(92,233)**	(27,077)	241
Net capital expenditures (1)	**16,233**	3,071	429	**33,941**	9,950	241
As a % of funds flow (2)	**35.3 %**	15.9 %	1,940 bps	**25.2 %**	14.7 %	1,050 bps

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

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

Cash from operating activities

Funds flow from operations increased significantly in the fourth quarter of 2022 from the comparative quarter in 2021 due to the improvement in gross profit experienced by the Company in a growing activity environment. Cash generated from operating activities was $19.9 million in the fourth quarter of 2022 compared to $27.1 million in the fourth quarter of 2021. In the fourth quarter of 2022, the Company made $14.2 million in tax installments in respect of the 2022 fiscal year, which represented a significant increase from the fourth quarter of 2021 given the higher levels of annual taxable income.

To proactively manage supply chain challenges, starting in the second quarter of 2022, Pason began making incremental investments in inventory levels for field supplies and components used in equipment repairs. In the fourth quarter of 2022, Pason invested $5.4 million in additional inventory levels, versus $nil in the fourth quarter of 2021.

Further, the fourth quarter of 2022 reflects an increased annual settlement on the Company's cash settled stock-based compensation plans with improved Company share price performance.

Pason will continue to manage required working capital investments to support existing and projected revenue levels.

Cash used in financing activities

Cash used in financing activities was $14.2 million during the fourth quarter of 2022, compared to $6.9 million during the comparative quarter of 2021, for which the increase reflects increased shareholder returns.

Dividend

The Company declared the following quarterly dividends in 2022, resulting in total dividends paid to shareholders in the amount of $29.5 million compared to $16.6 million in 2021:

	Dividend Record Date	**Dividend Payment Date**	**Per Common Share**	**Total**
(000s, except per share data)			($)	**($)**
March	March 15	March 31	0.08	**6,570**
June	June 15	June 30	0.08	**6,580**
September	September 15	September 29	0.08	**6,558**
December	December 15	December 30	0.12	**9,765**
Total dividends declared			0.36	**29,473**

On March 2, 2023, the Company declared a quarterly dividend of $0.12 per share on the Company’s common shares. The dividend will be paid on March 31, 2023, to shareholders of record at the close of business on March 15, 2023.

Normal Course Issuer Bid ("NCIB")

In 2022, the Company renewed its NCIB commencing on December 20, 2022, and expiring on December 19, 2023. Under the NCIB, the Company may purchase for cancellation, as the Company considers advisable, up to a maximum of 8,105,263 common shares, which represents approximately 10% of the applicable public float at the time of renewal.

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

For the three month period ended December 31, 2022, the Company repurchased 385,300 (Q4 2021 - 237,200) shares for cancellation for total cash consideration of $5.8 million (Q4 2021 - $2.5 million). The total consideration is allocated between share capital and retained earnings.

For the twelve month period ended December 31, 2022, the Company repurchased 970,650 shares for cancellation for a total cash consideration of $13.8 million. For the twelve month period ended December 31 2021, the Company repurchased 910,979 common shares for cancellation for a total cash consideration of $8.4 million. The total consideration is allocated between share capital and retained earnings.

Periodically, the Company will enter into an automatic purchase plan (APP) with an independent broker. As at December 31, 2022, the Company recorded a liability of $3.0 million for share repurchases that could take place during its internal blackout period under an APP. As at December 31, 2021, the Company recorded a $2.0 million liability for an APP.

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 fourth quarter of 2022, Pason invested $16.2 million in net capital expenditures, an increase from $3.1 million in the fourth quarter of 2021. Capital expenditures in the current quarter reflect net additions to rental equipment to meet activity levels, investments associated with the ongoing refresh of the Company's fleet and technology platform, and also an element of catch up from lower capital expenditure levels throughout 2020 and 2021. Fourth quarter 2022 capital expenditure levels also represent the easing of supply chain challenges which impacted the timing around Pason's quarterly capital expenditures throughout 2022. Pason continues to make necessary capital investments in its equipment and technology in order to service the increasing demand for its products.

Also during the fourth quarter of 2022, Pason purchased $40.4 million of short-term investments with maturities of less than one year (Q4 2021: $nil), locking in interest rates on term deposits ranging from 5.16% to 5.55%.

Further, as further outlined under the heading Equity Investments of this MD&A, Pason made $17.9 million of investments in its non-controlling investment in IWS in the fourth quarter of 2022 (Q4 2021: $17.1 million).

Contractual Obligations

As at December 31, 2022	Less than 1 year	1–3 years	Thereafter	**Total**
(000s)	($)	($)	($)	**($)**
Leases and other operating contracts	9,378	3,490	1,616	**14,484**
Capital commitments	19,887	—	—	**19,887**
Total contractual obligations	29,265	3,490	1,616	**34,371**

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

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 December 31, 2022, there were 81,526,954 common shares and 2,665,121 options issued and outstanding. As at March 2, 2023, there were 81,365,984 common shares and 2,633,391 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 Consolidated Financial Statements for its Argentinian operating subsidiary. The Company's Consolidated Financial Statements are based on the historical cost approach in IAS 29.

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

Impact on IFRS Measures

	Three Months Ended December 31,		**Twelve Months Ended December 31,**	
	2022	2021	**2022**	2021
(000s)	**($)**	($)	**($)**	($)
(Decrease) increase in revenue	**(769)**	1,340	**1,486**	2,136
Decrease (increase) in rental services and local administration expenses	**420**	(699)	**(691)**	(1,039)
(Increase) in depreciation expense	**(86)**	(489)	**(481)**	(1,167)
Increase (decrease) in segment gross profit	**(435)**	**152**	**314**	**(70)**
Net monetary gain (loss) presented in other expenses	**536**	(246)	**1,849**	(496)
(Increase) in other expenses	**(55)**	(175)	**(551)**	(242)
Decrease (increase) in income tax provision	**167**	(217)	**(227)**	(393)
Increase (decrease) in net income	**213**	**(486)**	**1,385**	**(1,201)**

Impact on Non-GAAP Measures

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	**2022**	2021
(000s)	**($)**	($)	**($)**	($)
(Decrease) increase in revenue	**(769)**	1,340	**1,486**	2,136
Decrease (increase) in rental services and local administration expenses	**420**	(699)	**(691)**	(1,039)
Net monetary gain (loss) presented in other expenses	**536**	(246)	**1,849**	(496)
Decrease (increase) in other expenses	**(55)**	(175)	**(551)**	(242)
Increase in EBITDA	**132**	220	**2,093**	359
Elimination of net monetary (gain) loss presented in other expenses	**(536)**	246	**(1,849)**	496
Elimination of other expenses	**55**	175	**551**	242
Increase (decrease) in Adjusted EBITDA	**(349)**	641	**795**	1,097

Additional IFRS Measures

In its Consolidated 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 Consolidated 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	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	**Dec 31, 2022**
(000s)	($)	($)	($)	($)	($)	($)	($)	($)
Net income	3,991	4,880	12,775	10,279	18,001	17,992	33,739	**35,994**
Add:								
Income taxes	1,257	2,002	5,239	3,240	5,329	7,189	11,482	**9,405**
Depreciation and amortization	7,831	6,156	5,530	6,172	6,314	4,696	4,433	**5,399**
Stock-based compensation	2,602	2,216	1,611	5,094	5,555	2,514	2,032	**5,129**
Net interest (income) expense	(8)	(270)	(285)	2,089	(513)	(718)	(1,027)	**(2,679)**
EBITDA	15,673	14,984	24,870	26,874	34,686	31,673	50,659	**53,248**

Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	**Dec 31, 2022**
(000s)	($)	($)	($)	($)	($)	($)	($)	**($)**
EBITDA	15,673	14,984	24,870	26,874	34,686	31,673	50,659	**53,248**
Add:								
Foreign exchange loss (gain)	448	725	(204)	(2,980)	403	(1,054)	(3,332)	**1,959**
Government wage assistance	(2,924)	(2,966)	(2,190)	(128)	—	—	—	**—**
Put option revaluation	—	—	—	381	—	—	—	**(5,815)**
Net monetary (gain) loss	(49)	(11)	(190)	(246)	(202)	268	(1,380)	**(536)**
Other	22	54	70	307	(1,514)	75	284	**88**
Adjusted EBITDA	13,170	12,786	22,356	24,208	33,373	30,962	46,231	**48,944**

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	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	**Dec 31, 2022**
(000s)	($)	($)	($)	($)	($)	($)	($)	**($)**
Cash from operating activities	11,085	9,841	17,074	27,061	28,050	25,679	30,743	**19,942**
Less:								
Net additions to property, plant and equipment	(1,510)	(3,696)	(1,258)	(2,803)	(4,334)	(6,412)	(6,590)	**(16,112)**
Deferred development costs	(399)	(461)	445	(268)	(134)	(132)	(106)	**(121)**
Free cash flow	9,176	5,684	16,261	23,990	23,582	19,135	24,047	**3,709**

Supplementary Financial Measures

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

Revenue per Industry Day

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

Adjusted EBITDA as a percentage of revenue

Calculated as adjusted EBITDA divided by revenue.

Net capital expenditures as a percentage of funds flow from operations

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

Total Cash

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

Critical Accounting Estimates

The preparation of the Company's Consolidated 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 Consolidated Financial Statements for the year ended December 31, 2022.

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 & Amortization

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.

Carrying Value of Assets

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 cash generating units (CGUs). The Company uses judgment in the determination of the CGUs.

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.

At December 31, 2022, the Company performed an impairment test on its goodwill and concluded that there was no impairment.

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.

Provisions and Contingencies

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

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

Development Costs

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

Stock-Based Compensation

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

The fair value of Performance Share Units 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 for such compensation.

Income Taxes

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

The Company has adopted certain transfer pricing (TP) policies and methodologies to value inter-company transactions that occur in the normal course of business. The value placed on such transactions must meet certain guidelines that have been established by the tax authorities in the jurisdictions in which the Company operates. The Company believes that its TP methodologies are in accordance with such guidelines. The Company entered into a Bilateral Advanced Pricing Arrangement (APA) with the Canada Revenue Agency (CRA) and the Internal Revenue Service (IRS) (collectively, the Parties) covering the taxation years ended December 31, 2013, through to December 31, 2021. The purpose of this APA was for the Company to obtain agreement among the Parties on the TP methodology applied to the material inter-company transactions between Pason Systems Corp. (Pason Canada) and Pason Systems USA and Petron (collectively Pason USA) (the covered transactions). A new APA agreement effective January 1, 2022 is under review with the above tax regulatory authorities. 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.

Significant Accounting Policies

The Company's significant accounting policies have been disclosed within Note 3 of Pason's Consolidated Financial Statements for the year ended December 31, 2022.

Risks and Uncertainties

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

Commodity Prices and Drilling Activity Levels

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

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

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

These aforementioned factors could continue to put pressure on commodity prices, adversely impacting the level of drilling activity in the regions in which Pason operates, which could have a materially adverse effect on Pason's business, financial condition, results of operations and cash flows. Pason does not have any operations or revenue generated in Russia or the Ukraine, however, the situation is 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. While most have lifted restrictions relating to COVID-19, certain countries face ongoing challenges with varying forms of restrictions. Although global demand for oil and gas has 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 recently. Supply chain disruptions, including those caused as a result of COVID-19, may result in timing delays on expected deliveries for certain components of the Company's product offering and may impact the Company's cost structure and ability to meet rising activity levels.

Geopolitical Risk

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

Foreign Exchange Risk

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

Climate Change Risks

Regulatory and Policy Risks

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

Physical Risks

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

Alternative Energies Risk

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

Investor Sentiment

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

Insurance

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

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

Payment of Future Cash Dividends

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

Taxation

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

Litigation and Legal Claims

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

SEDAR

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

Forward Looking Information

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

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

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

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

These risks, uncertainties and assumptions include but are not limited to those discussed in Pason's Annual Information Form for the year ended December 31, 2021 under the heading, "Risk and Uncertainty," in our management's discussion and analysis for the year ended December 31, 2022, and in our other filings with Canadian securities regulators. These documents are on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or through Pason's website (www.pason.com).

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The preparation and presentation of the Company's Consolidated Financial Statements and the overall reasonableness of the Company's financial reporting are the responsibility of management. The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility with the assistance of the Audit Committee of the Board of Directors.

Management’s Report on Disclosure Controls and Procedures (DC&P)

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to the President and Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Board of Directors to ensure appropriate and timely decisions are made regarding public disclosure.

For the year ended December 31, 2022, an evaluation of the Company’s Disclosure Controls and Procedures was conducted by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and CFO have concluded that our DC&P, as defined in National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), was effective to ensure that the information required by Canadian Securities regulatory authorities will be recorded, processed, and reported within the prescribed timelines.

Management’s Report on Internal Control over Financial Reporting (ICFR)

Management, under the supervision and participation of the Company’s CEO and CFO, is responsible for establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that assets are safeguarded and that reliable financial information is produced for preparation of financial statements in accordance with International Financial Reporting Standards. The assessment has been based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An evaluation of the Company’s ICFR was conducted by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and CFO have concluded that as at December 31, 2022, our ICFR, as defined in NI 52-109, was effective. There were no changes in our ICFR during the year ended December 31, 2022, that have materially affected, or are reasonably likely to affect, our ICFR.

Historical Review

Selected Financial Data

Years Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(CDN 000s, except per share data)	**($)**	($)	($)	($)	($)	($)	($)	($)	($)	($)
Operating Results										
Revenue	**334,998**	206,686	156,636	295,642	306,393	245,643	160,446	285,148	499,272	403,088
Expenses										
Rental services	**109,879**	76,662	66,695	105,496	104,398	95,912	80,115	120,445	153,151	134,874
Local administration	**12,554**	11,006	11,121	13,106	14,496	11,147	9,720	16,470	18,753	18,641
Corporate services	**15,192**	13,175	11,275	15,653	15,905	15,141	16,758	20,040	22,243	17,373
Research and development	**37,573**	32,220	26,977	30,439	26,997	25,219	22,848	31,733	35,427	27,252
Stock-based compensation	**15,230**	11,523	4,840	10,840	12,313	11,762	6,195	7,398	19,471	32,511
Depreciation and amortization	**20,842**	25,689	34,417	40,830	34,588	45,681	55,384	81,381	69,201	62,171
Adjusted EBITDA[(1)(2)]	**159,510**	72,520	39,540	129,644	146,004	98,224	31,005	96,460	251,623	136,647
As a % of revenue	**47.6**	35.1	25.2	43.9	48.1	40.0	19.3	33.8	50.4	33.9
Funds flow from operations	**134,885**	67,728	40,560	111,718	128,544	87,121	26,815	94,263	224,204	134,930
Per share – basic	**1.65**	0.82	0.48	1.31	1.51	1.03	0.32	1.13	2.71	1.64
Net income (loss) attributable to Pason	**107,616**	33,845	6,568	54,112	62,944	25,190	(41,792)	(7,917)	114,637	25,458
Per share – basic	**1.31**	0.41	0.08	0.63	0.74	0.30	(0.49)	(0.09)	1.39	0.31
Net capital expenditures	**33,941**	9,950	4,719	22,593	21,655	19,966	13,711	53,454	114,740	71,071
Financial Position										
Total assets	**469,928**	379,941	361,416	437,841	461,716	398,446	435,251	529,625	570,066	445,876
Working capital	**213,899**	184,083	167,366	183,769	256,153	193,692	198,419	244,972	206,571	127,933
Total equity	**380,962**	307,781	305,283	346,454	386,077	347,486	386,651	489,448	483,523	366,469
Common Share Data										
Common shares outstanding (#)										
At December 31	**81,527**	82,194	83,089	84,538	85,783	85,158	84.628	84,063	83,363	82,158
Weighted average	**81,961**	82,792	83,956	85,409	85,357	84,821	84.365	83,675	82,647	82,098
Dividends ($)	**0.36**	0.20	0.48	0.74	0.70	0.68	0.68	0.68	0.64	0.53

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

(2) Prior to 2015, Adjusted EBITDA was defined as EBITDA.

Corporate Information

Directors

Marcel Kessler(1)
President & CEO
GrafTech International Ltd.
Cochrane, Alberta

T. Jay Collins(3)(4)
Director
Oceaneering International Inc.
Houston, Texas

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

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

James B. Howe(2)(7)(8)
President
Bragg Creek Financial
Consultants Ltd.
Calgary, Alberta

Laura Schwinn(5)(6)
President Specialty Catalysts
W. R. Grace & Co.
Columbia, Maryland

Ken Mullen
Dealing Representative
Barometer Capital Management Inc.
Calgary, Alberta

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

Officers & Key Personnel

Jon Faber
President
& Chief Executive Officer

Celine Boston
Chief Financial Officer

Kevin Boston
Vice President, Commercial

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

Corporate Head Office

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6130 Third Street SE
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T2H 1K4
T: 403-301-3400
F: 403-301-3499
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.