

Condensed Consolidated Interim Financial Statements and Notes

Condensed Consolidated Interim Balance Sheets

As at	Note*	September 30, 2024	December 31, 2023
(CDN 000s) (unaudited)		(\$)	(\$)
Assets			
Current			
Cash and cash equivalents	5	70,848	171,773
Short-term investments	6	3,101	—
Trade and other receivables		83,671	66,001
Prepaid expenses		16,547	11,587
Inventory		17,945	17,866
Income taxes recoverable		262	654
Total current assets		192,374	267,881
Non-current			
Property, plant and equipment	4	181,816	121,123
Investments	8	3,355	60,332
Intangible assets and goodwill	4	209,313	38,541
Total non-current assets		394,484	219,996
Total assets		586,858	487,877
Liabilities and equity			
Current			
Trade payables and accruals		49,045	41,648
Income taxes payable		7,371	861
Stock-based compensation liability	12	9,567	5,488
Lease liability		2,029	1,148
Obligation under put option	9	6,303	6,175
Total current liabilities		74,315	55,320
Non-current			
Deferred tax liability	4	18,146	11,462
Lease liability		13,339	11,843
Stock-based compensation liability	12	8,388	8,297
Total non-current liabilities		39,873	31,602
Equity			
Share capital	11	167,967	163,291
Share-based benefits reserve		38,200	37,101
Foreign currency translation reserve		39,914	43,162
Equity reserve		(8,375)	(8,375)
Retained earnings		243,399	172,879
Total equity attributable to equity holders of the Company		481,105	408,058
Non-controlling interest		(8,435)	(7,103)
Total equity		472,670	400,955
Total liabilities and equity		586,858	487,877

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

Condensed Consolidated Interim Statements of Operations

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note*	2024	2023	2024	2023
(CDN 000s, except per share data) (unaudited)		(\$)	(\$)	(\$)	(\$)
Revenue		105,889	93,094	306,504	276,014
Operating expenses ⁽¹⁾		38,397	33,318	118,047	94,697
Depreciation and amortization		13,659	6,988	38,290	19,419
		52,056	40,306	156,337	114,116
Gross profit ⁽¹⁾		53,833	52,788	150,167	161,898
Other expenses					
Research and development		12,487	10,368	38,174	30,855
Selling, general, and administrative ⁽¹⁾		11,090	6,106	31,266	18,316
Stock-based compensation (recovery) expense	12	(117)	5,082	7,528	6,986
Other expenses (income)	14	508	(3,523)	(51,178)	(9,710)
		23,968	18,033	25,790	46,447
Income before income taxes		29,865	34,755	124,377	115,451
Income tax provision		6,148	7,356	21,253	27,636
Net income		23,717	27,399	103,124	87,815
Net income (loss) attributable to:					
Shareholders of Pason		24,158	27,732	104,577	89,044
Non-controlling interest		(441)	(333)	(1,453)	(1,229)
Net income		23,717	27,399	103,124	87,815
Income per share	15				
Basic		0.30	0.35	1.31	1.10
Diluted		0.30	0.35	1.31	1.10

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(1) Prior period figures have been restated to conform with current period presentation of financial information, as detailed in Note 2 of these Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Other Comprehensive Income

		Three Months Ended September		Nine Months Ended September	
	Note*	2024	2023	2024	2023
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)
Net income		23,717	27,399	103,124	87,815
Items that may be reclassified subsequently to net income:					
Foreign currency translation adjustment		(7,861)	(986)	(3,127)	(11,403)
Other comprehensive (loss)		(7,861)	(986)	(3,127)	(11,403)
Total comprehensive income		15,856	26,413	99,997	76,412
Total comprehensive income (loss) attributed to:					
Shareholders of Pason		16,259	26,721	101,329	77,552
Non-controlling interest		(403)	(308)	(1,332)	(1,140)
Total comprehensive income		15,856	26,413	99,997	76,412

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

Condensed Consolidated Interim Statements of Changes in Equity

	Note*	Share Capital	Share- Based Benefits Reserve	Foreign Currency Translation Reserve	Equity Reserve	Retained Earnings	Total Equity Attributable to Pason	Non- Controlling Interest	Total Equity
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2022		164,136	35,314	57,486	(8,375)	137,920	386,481	(5,519)	380,962
Net income (loss)		—	—	—	—	89,044	89,044	(1,229)	87,815
Dividends		—	—	—	—	(28,981)	(28,981)	—	(28,981)
Other comprehensive (loss)		—	—	(11,492)	—	—	(11,492)	89	(11,403)
Exercise of stock options		524	(93)	—	—	—	431	—	431
Expense related to stock options		—	1,783	—	—	—	1,783	—	1,783
Shares cancelled under NCIB	11	(3,631)	—	—	—	(19,313)	(22,944)	—	(22,944)
Liability reversal for automatic share purchase plan commitment pursuant to NCIB		375	—	—	—	2,625	3,000	—	3,000
Liability for automatic share purchase plan commitment pursuant to NCIB	11	(447)	—	—	—	(2,553)	(3,000)	—	(3,000)
Balance at September 30, 2023		160,957	37,004	45,994	(8,375)	178,742	414,322	(6,659)	407,663
Net income (loss)		—	—	—	—	8,495	8,495	(483)	8,012
Dividends		—	—	—	—	(9,554)	(9,554)	—	(9,554)
Other comprehensive (loss)		—	—	(2,832)	—	—	(2,832)	39	(2,793)
Exercise of stock options		3,025	(529)	—	—	—	2,496	—	2,496
Expense related to stock options		—	626	—	—	—	626	—	626
Shares cancelled under NCIB	11	(701)	—	—	—	(4,294)	(4,995)	—	(4,995)
Liability for automatic share purchase plan commitment pursuant to NCIB	11	10	—	—	—	(510)	(500)	—	(500)
Balance at December 31, 2023		163,291	37,101	43,162	(8,375)	172,879	408,058	(7,103)	400,955
Net income (loss)		—	—	—	—	104,577	104,577	(1,453)	103,124
Dividends	11	—	—	—	—	(31,045)	(31,045)	—	(31,045)
Other comprehensive (loss) income		—	—	(3,248)	—	—	(3,248)	121	(3,127)
Exercise of stock options		5,162	(737)	—	—	—	4,425	—	4,425
Expense related to stock options		—	1,836	—	—	—	1,836	—	1,836
Shares cancelled under NCIB	11	(923)	—	—	—	(6,075)	(6,998)	—	(6,998)
Liability reversal for automatic share purchase plan commitment pursuant to NCIB		437	—	—	—	3,063	3,500	—	3,500
Liability for automatic share purchase plan commitment pursuant to NCIB	11	—	—	—	—	—	—	—	—
Balance at September 30, 2024		167,967	38,200	39,914	(8,375)	243,399	481,105	(8,435)	472,670

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

Condensed Consolidated Interim Statements of Cash Flows

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note*	2024	2023	2024	2023
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)
Cash from (used in) operating activities					
Net income		23,717	27,399	103,124	87,815
Adjustment for non-cash items:					
Depreciation and amortization		13,659	6,988	38,290	19,419
Stock-based compensation (recovery) expense	12	(117)	5,082	7,528	6,986
Deferred income taxes		(1,113)	799	1,822	4,717
Net monetary gain		—	(1,162)	—	(2,617)
Gain on revaluation of previously held equity interest	14	—	—	(50,830)	—
Unrealized foreign exchange (gain) loss and other		(27)	1,127	(925)	697
Funds flow from operations		36,119	40,233	99,009	117,017
Movements in non-cash working capital items:					
(Increase) decreased in trade and other receivables		(3,835)	(211)	(11,071)	10,444
(Increase) in prepaid expenses		(3,463)	(1,614)	(4,391)	(1,548)
Increase in income taxes payable / recoverable		9,781	5,557	20,484	21,313
Increase (decrease) in trade payables, accruals and stock-based compensation liability		1,126	(3,329)	(3,162)	(11,675)
Decrease (increase) in inventory		512	(425)	(79)	(3,048)
Effects of exchange rate changes		(3,657)	(3,622)	157	(5,427)
Cash generated from operating activities		36,583	36,589	100,947	127,076
Income tax paid		(6,208)	(4,891)	(13,582)	(19,455)
Net cash from operating activities		30,375	31,698	87,365	107,621
Cash flows from (used in) financing activities					
Proceeds from exercise of stock options	11	393	46	4,425	431
Payment of dividends	11	(10,339)	(9,605)	(31,045)	(28,981)
Repurchase and cancellation of shares under NCIB	11	(998)	(5,952)	(6,998)	(22,944)
Repayment of lease liability		(771)	(580)	(2,472)	(1,928)
Repayment of IWS external debt	10	—	—	(13,261)	—
Net cash used in financing activities		(11,715)	(16,091)	(49,351)	(53,422)
Cash flows (used in) from investing activities					
Equity investments		—	(5,000)	—	(10,440)
Acquisition of IWS, net of cash acquired	4	—	—	(72,654)	—
Settlement of stock-based compensation liability related to acquisition of IWS	4	—	—	(10,454)	—
Purchase of short-term investments	6	—	—	(4,187)	—
Maturity of short-term investments	6	577	—	577	—
Additions to property, plant and equipment		(13,917)	(6,599)	(49,624)	(30,233)
Development costs		(1,277)	(208)	(3,974)	(726)
Proceeds on disposal of property, plant and equipment		1,499	514	2,548	1,035
Changes in non-cash working capital		(26)	(389)	103	17
Net cash used in investing activities		(13,144)	(11,682)	(137,665)	(40,347)
Effect of exchange rate on cash and cash equivalents		(1,479)	(287)	(1,274)	(7,550)
Net increase (decrease) in cash and cash equivalents		4,037	3,638	(100,925)	6,302
Cash and cash equivalents, beginning		66,811	134,721	171,773	132,057
Cash and cash equivalents, ending	5	70,848	138,359	70,848	138,359

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

Notes to Condensed Consolidated Interim Financial Statements

(CDN 000s, except per share data)

1. Description of Business

Pason Systems Inc. ("Pason" or the "Company") is a leading global provider of instrumentation and data management systems for oil and gas drilling. Through Intelligent Wellhead Systems ("IWS"), Pason also provides engineered controls, data acquisition, and software solutions for oil and gas completions operations. Through Energy Toolbase ("ETB"), the Company also provides products and services for the solar power and energy storage industry.

The Company headquarters are located at 6130 Third Street SE, Calgary, Alberta, Canada. The Company is a publicly traded company listed on the Toronto Stock Exchange under the symbol PSI. The Condensed Consolidated Interim Financial Statements of the Company are comprised of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The accompanying Condensed Consolidated Interim Financial Statements include the accounts of Pason Systems Inc., its wholly owned subsidiaries, and ETB.

2. Basis of Preparation

Statement of compliance

These unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with the requirements of International Accounting Standard ("IAS") 34, Interim Financial Reporting and include the accounts of Pason and its wholly owned subsidiaries. All significant intercompany balances and transactions including revenue and expenses have been eliminated. These unaudited Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2023.

These Condensed Consolidated Interim Financial Statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except for per share amounts.

Change in Presentation for Statements of Operations

Beginning in the first quarter of 2024, Pason has adjusted its Condensed Consolidated Interim Statements of Operations presentation to include operating expense and selling, general and administrative expense categories. With recent changes in the business, particularly the IWS Acquisition on January 1, 2024, management believes this change more accurately reflects costs incurred of each nature, and will result in the Company's financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. In accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the Company's prior period Statements of Operations have been adjusted to reflect this change in presentation.

The effects on Pason's prior year Statement of Operations for the three and nine months ended September 30, 2023 are as follows:

- Previously reported rental services of \$31,830 for the three months ended September 30, 2023 now includes \$1,488 of expenses deemed to be operating in nature and are now referred to as Operating expenses. Previously reported rental services of \$90,418 for the nine months ended September 30, 2023 now includes \$4,279 of expenses deemed to be operating in nature.

- Previously reported corporate services of \$4,109 and local administration of \$3,485 for the three months ended September 30, 2023, less \$1,488 in expenses deemed to be operating in nature, are now combined and referred to as Selling, general, and administrative expenses. Previously reported corporate services of \$12,289 and local administration of \$10,306 for the nine months ended September 30, 2023, less \$4,279 in expenses deemed to be operating in nature, are now combined.

In addition, beginning in the first quarter of 2024, the Company is no longer reporting a disaggregation of revenue by product category, and now presents an aggregated revenue amount for each business unit. This new presentation aligns more closely with management's assessment of business unit performance and how the Company's customer contracts are structured.

3. Accounting Policies

The selection and application of material accounting policies have been deemed appropriate. The Company's material accounting policies and their method of application have been applied on a basis consistent with that of the audited financial statements as at and for the year ended December 31, 2023.

Adoption of new amended accounting standards:

The Company has adopted the amendments to IAS 1, Presentation of Financial Statements, related to the classification of liabilities as current and non-current, as of January 1, 2024. These amendments have been deemed to have no impact on the Company's financial statements or disclosures.

The Company has identified all new or amended accounting standards applicable in the current period and has adopted the new or amended standards in accordance with the applicable transitional guidance.

Future Accounting Standards:

The Company monitors for new accounting standards and amendments to existing accounting standards issued by the IASB. To date, such developments are concluded to either not be applicable or concluded to not have a future material impact on the Company's financial reporting.

4. Business Combination

On December 5, 2023, Pason announced the exercise of a call option to purchase the remaining and outstanding shares of IWS not held by Pason for a total cash outflow of \$88,241 (the "IWS Acquisition"), which was comprised of \$77,787 paid in cash at close, and \$10,454 paid subsequent to closing for the settlement of outstanding stock options held by IWS employees. The IWS Acquisition closed on January 1, 2024 and resulted in Pason obtaining control over IWS, rendering it a wholly-owned, consolidated subsidiary. The Company previously accounted for its investment in IWS as an equity investment.

IWS is an oil and gas technology and service company that provides engineered controls, data acquisition and software to automate workflows and processes at live well completions operations of the oil and gas industry. IWS has over 150 employees, with offices in Calgary, Alberta, Houston, Texas, Midland, Texas and Denver, Colorado.

IWS' financial results will be presented within a newly formed Completions operating segment for the Company. From January 1, 2024 to September 30, 2024, IWS contributed revenues of \$38,963 and gross profit of \$2,898 to the Company. For further details, refer to Note 13 of these Condensed Consolidated Interim Financial Statements.

The following table summarizes the consideration transferred to acquire IWS and the amounts of identified assets acquired and liabilities assumed at the acquisition date. Note the values herein are preliminary while management completes its assessment of the acquired assets and liabilities of

IWS. The Company has 365 days following the close of the IWS Acquisition to finalize the purchase price allocation presented below:

Allocation of Total Consideration	
	(\$)
Current assets	15,491
Property, plant, and equipment	35,669
Intangible assets	52,495
Deferred tax assets	4,200
Right of use asset	3,482
Goodwill	122,080
Total assets	233,417
Current liabilities	(8,360)
Lease liability	(3,482)
Stock-based compensation liability	(10,454)
Preferred share obligation due to Pason	(25,244)
Deferred tax liability on intangibles acquired	(12,336)
Other long-term debt	(13,179)
Total liabilities	(73,055)
Net assets acquired	160,362
Fair value of Total Consideration	
	(\$)
Cash paid at closing	77,787
Fair value of previously held equity interest	82,575
Fair value of Total Consideration	160,362

As a result of the Company obtaining control over IWS effective January 1, 2024, the Company's previously held interest in IWS was remeasured to fair value, resulting in a gain of \$50,830 as a result of the derecognition of the \$31,745 carrying value of Pason's previously held equity investment associated with IWS. This gain has been recognized in the line item "Other income" on the Condensed Consolidated Interim Statements of Operations, and is also added back as a non-cash adjustment to the Company's Cash Flow from Operations for the nine months ended September 30, 2024.

The fair value of the previously held equity interest of \$82,575 in IWS was estimated by applying the per share exercise price of Pason's call option to acquire all remaining outstanding common shares of IWS to Pason's existing common share investment.

The goodwill recognized as part of the IWS Acquisition is attributable to the workforce of the acquired business and the growth opportunities associated with the Company's acquisition of IWS. The goodwill is not deductible for tax purposes, and all of the \$122,080 of goodwill was assigned to Pason's Completions segment. In connection with the IWS Acquisition, Pason incurred \$400 in transaction costs, of which \$31 was incurred in the nine months ended September 30, 2024. These costs are recorded within Other income on the Condensed Consolidated Interim Statements of Operations.

5. Cash and Cash Equivalents

As at	September 30, 2024	December 31, 2023
	(\$)	(\$)
Cash	54,567	74,949
Cash equivalents	16,281	96,824
Cash and cash equivalents	70,848	171,773

As at September 30, 2024, the Company's cash equivalents are invested in 1-25 day money market funds with interest rates averaging 3.9%.

6. Short-Term Investments

As at	September 30, 2024	December 31, 2023
	(\$)	(\$)
Short-term investments	3,101	—

In the first quarter of 2024, the Company invested in US Dollar denominated Central Bank of the Argentine Republic's (BCRA) Bond for the Recovery of a Free Argentina (BOPREAL) program. These bonds are classified as short-term investments within the Condensed Consolidated Interim Balance Sheets with gains and losses due to foreign exchange revaluation recognized in other comprehensive income, and mark-to-market gains and losses recognized in other income.

7. Seasonality

Pason's quarterly financial results vary quarter to quarter due in part to the seasonality of the oil and gas service industry in Canada, which is somewhat offset by the less seasonal nature of US and International operations. The first quarter is generally the strongest quarter for the Company due to strong activity in Canada, where location access is best during the winter. The second quarter is typically the slowest due to spring break-up in Canada, when many areas are not accessible due to ground conditions, and, which, do not permit the movement of heavy equipment. Activity generally increases in the third quarter, depending on the year, as ground conditions often improve and location access becomes available; however, a rainy summer can have a significant adverse effect on drilling activity.

By the fourth quarter, access to most areas in Canada becomes available when the ground freezes. Consequently, the performance of the Company may not be comparable quarter to consecutive quarter, but should be considered on the basis of results for the whole year, or by comparing results in a quarter with results in the corresponding quarter for the previous year.

8. Investments

As at September 30, 2024, the Company's Investments balance pertains to the Company's 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. As at December 31, 2023, the Company's Investments balance also included the Company's non-controlling interest in IWS.

During the first quarter of 2024, Pason completed its acquisition of the remaining outstanding common shares of IWS not previously held by Pason. As such, effective January 1, 2024, the Company no longer equity accounts for its investment in IWS and now fully consolidates it as a wholly-owned subsidiary. Refer to note 4 for further details.

9. Obligation Under Put Option

The put obligation is a contractual obligation whereby the non-controlling shareholders of ETB have a put option to exercise for cash their 20% shareholdings of ETB starting in 2023 with reference to the fair value of ETB shares at the date the put option can be exercised. This put option gives rise to a financial liability and is calculated using a discounted cash flow model of the estimated future cash flows of the obligation.

10. Credit Facilities

As at September 30, 2024, the Company does not have any interest bearing debt outstanding, consistent with December 31, 2023. In connection with the IWS Acquisition effective January 1, 2024, Pason assumed outstanding debt on credit facilities and term loans held by IWS. In the first quarter of 2024, all assumed IWS outstanding debt balances were repaid and only one IWS credit facility remains in place: the ABL facility described below.

As at September 30, 2024, the Company has the following undrawn credit facilities in place:

Demand Facility

The Company has an undrawn \$5,000 demand revolving credit facility (the "Demand Facility"), which is unchanged from December 31, 2023.

Interest on the Demand Facility is payable monthly on amounts drawn and is based on either the lender's prime rate, US Base rate loans, Bankers' Acceptance rates, plus applicable margins. The Demand Facility is available to the Company for working capital purposes, and amounts drawn against it are recorded as long-term debt. The Company can repay, without penalty, advances under the facility. The Demand Facility is secured by a general security agreement on the assets of the Company, Pason Systems Corp., and Pason Systems USA Corp.

ABL Facility

The Company also has an undrawn asset based lending facility which was assumed through the IWS Acquisition (the "ABL Facility"). The ABL Facility allows the Company to borrow up to the lesser of \$10,000, and a calculated amount based on eligible accounts receivable and cash outstanding at each reporting period. As at September 30, 2024, the available balance on the ABL Facility is \$10,000.

Interest on the ABL Facility is payable monthly on amounts drawn and is based on the lender's prime rate plus applicable margins. The ABL Facility is available to the Company for working capital purposes, and amounts drawn against it are recorded as long-term debt. The Company can repay, without penalty, advances under the facility. The ABL facility is secured by a general security agreement on the assets of Intelligent Wellhead Systems Inc., Intelligent Wellhead Systems Corp and IWS USA Corp.

11. Share Capital

Common shares

	Nine Months Ended September 30, 2024		Year Ended December 31, 2023	
	(\$)	(#)	(\$)	(#)
Balance, beginning	163,291	79,685,025	164,136	81,526,954
Exercise of stock options	5,162	409,784	3,549	308,971
Shares repurchased and cancelled under NCIB	(923)	(473,700)	(4,332)	(2,150,900)
Reversal of prior period liability for APP commitment pursuant to NCIB	437	—	375	—
Liability for automatic share purchase plan commitment pursuant to NCIB	—	—	(437)	—
Balance, ending	167,967	79,621,109	163,291	79,685,025

At September 30, 2024, the Company was authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

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

Common share dividends

For the three month period ended September 30, 2024, the Company declared and paid dividends of \$10,339 (third quarter of 2023: \$9,605) or \$0.13 per common share (third quarter of 2023: \$0.12).

For the nine month period ended September 30, 2024, the Company declared and paid dividends of \$31,045 (2023: \$28,981) or \$0.39 per common share (2023: \$0.36).

Normal Course Issuer Bid ("NCIB")

On December 18, 2023, the Company announced the renewal of its NCIB commencing on December 20, 2023, and expiring on December 19, 2024. Under the renewed NCIB, the Company may purchase for cancellation, as the Company considers advisable, up to a maximum of 7,949,888 common shares, which represents approximately 10% of the applicable public float at the time of renewal.

The actual number of common shares that may be purchased for cancellation and the timing of any such purchases will be determined by the Company, subject to a maximum daily purchase limitation of 33,781 common shares. The Company may make one block purchase per calendar week which exceeds the daily purchase restriction.

For the three month period ended September 30, 2024, the Company repurchased 54,600 (third quarter of 2023 - 446,200) shares for cancellation for total cash consideration of \$998 (third quarter of 2023 - \$5,952).

For the nine month period ended September 30, 2024, the Company repurchased 473,700 (2023 - 1,804,800) shares for cancellation for total cash consideration of \$6,998 (2023 - \$22,944). The total consideration is allocated between share capital and retained earnings.

12. Stock-Based Compensation

Stock option plan

The Group has a stock option plan that entitles qualified employees to purchase common shares in the Company. Options, which are issued at market price vest over three years and expire after five years. The Company's outstanding stock options can be summarized as follows:

	Nine Months Ended September 30, 2024		Twelve Months Ended December 31, 2023	
	Share Options	Weighted Average Exercise Price	Share Options	Weighted Average Exercise Price
	(#)	(\$)	(#)	(\$)
Outstanding, beginning	2,324,877	13.18	2,665,121	14.31
Granted	—	—	698,977	14.40
Exercised	(381,184)	11.61	(308,971)	9.47
Expired or forfeited	—	—	(730,250)	19.40
Outstanding, ending	1,943,693	13.49	2,324,877	13.18
Exercisable, ending	626,584	11.59	1,007,768	11.60
Available for grant, ending	3,629,785		3,253,075	

Restricted share units plan

RSUs vest over three years and upon vesting will entitle the holder to a cash payment based upon the corresponding market value of the Company's common shares.

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

	Nine Months Ended September 30, 2024	Twelve Months Ended December 31, 2023
	(#)	(#)
RSUs, beginning	925,872	955,318
Granted	—	504,520
Vested and paid	—	(515,062)
Forfeited	(11,238)	(18,904)
RSUs, ending	914,634	925,872

Deferred share units plan

DSUs are awarded annually to members of the Board of Directors and represent cash settled rights to share values based on the number of DSUs outstanding. DSUs are credited evenly following the year in which they are awarded. DSUs vest and are paid upon the retirement of the Director.

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

	Nine Months Ended September 30, 2024	Twelve Months Ended December 31, 2023
	(#)	(#)
DSUs, beginning	443,634	352,317
Credited	97,981	91,317
Redeemed and paid	(88,549)	—
DSUs, ending	453,066	443,634

Performance share units plan

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

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

	Nine Months Ended September 30, 2024	Twelve Months Ended December 31, 2023
	(#)	(#)
PSUs, beginning	3,119,089	3,019,574
Granted	—	1,081,640
Vested and paid	—	(982,125)
PSUs, ending	3,119,089	3,119,089

Stock-based compensation expense and liability

For the quarter ended September 30, 2024, the Company recorded \$117 of stock-based compensation recovery for its equity and cash settled plans (2023: expense of \$5,082). For the nine month period ended September 30, 2024, the Company recorded \$7,528 of stock-based compensation expense for its equity and cash settled plans (2023: \$6,986). As at September 30, 2024, the Company held \$9,567 in current stock-based compensation liability and \$8,388 in non-current stock-based compensation liability for its cash settled plans (as at December 31, 2023: \$5,488 and \$8,297 respectively).

13. Operating Segments

Starting in the first quarter of 2024, the Company reports on four strategic business units: North American Drilling (Canada and the United States), International Drilling (Latin America, including Mexico, Offshore, the Eastern Hemisphere, and the Middle East) and Completions 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.

Three Months Ended September 30, 2024	North American Drilling	International Drilling	Completions	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	74,141	15,327	12,512	3,909	105,889
Operating expenses	20,867	6,986	7,068	3,476	38,397
Depreciation and amortization	7,771	740	5,143	5	13,659
Segment gross profit	45,503	7,601	301	428	53,833
Research and development					12,487
Selling, general, and administrative					11,090
Stock-based compensation					(117)
Other income					508
Income tax provision					6,148
Net income					23,717
Net income attributable to Pason					24,158
Capital expenditures	7,531	161	7,502	—	15,194
As at September 30, 2024					
Property plant and equipment	111,424	16,733	51,862	1,797	181,816
Intangible assets	1,552	—	51,591	887	54,030
Goodwill	7,703	2,600	122,080	22,900	155,283
Segment assets	265,230	76,471	210,715	34,442	586,858
Segment liabilities	88,106	6,342	5,269	14,471	114,188

Three Months Ended September 30, 2023	North American Drilling	International Drilling	Completions ¹	Solar and Energy Storage	Total
	(\$)	(\$)		(\$)	(\$)
Revenue	72,163	15,313	—	5,618	93,094
Operating expenses ⁽²⁾	21,552	6,767	—	4,999	33,318
Depreciation and amortization	6,380	603	—	5	6,988
Segment gross profit (loss) ⁽²⁾	44,231	7,943	—	614	52,788
Research and development					10,368
Selling, general, and administrative ⁽²⁾					6,106
Stock-based compensation					5,082
Other income					(3,523)
Income tax provision					7,356
Net income					27,399
Net income attributable to Pason					27,732
Capital expenditures	5,791	808	—	—	6,599
As at September 30, 2023					
Property plant and equipment	100,648	18,040	—	1,317	120,005
Intangible assets	4,445	—	—	2,002	6,447
Goodwill	7,722	2,600	—	22,954	33,276
Segment assets	401,286	70,236	—	32,137	503,659
Segment liabilities	78,490	6,032	—	11,474	95,996

Nine Months Ended September 30, 2024	North American Drilling	International Drilling	Completions	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	211,510	45,243	38,963	10,788	306,504
Operating expenses	66,689	19,751	21,434	10,173	118,047
Depreciation and amortization	20,837	2,807	14,631	15	38,290
Segment gross profit	123,984	22,685	2,898	600	150,167
Research and development					38,174
Selling, general, and administrative					31,266
Stock-based compensation					7,528
Other income					(51,178)
Income tax provision					21,253
Net income					103,124
Net income attributable to Pason					104,577
Capital expenditures	31,244	983	21,371	—	53,598

Nine Months Ended September 30, 2023	North American Drilling	International Drilling	Completions ¹	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	219,256	45,883	—	10,875	276,014
Operating expenses ⁽²⁾	64,707	19,526	—	10,464	94,697
Depreciation and amortization	17,257	2,147	—	15	19,419
Segment gross profit (loss) ⁽²⁾	137,292	24,210	—	396	161,898
Research and development					30,855
Selling, general, and administrative ⁽²⁾					18,316
Stock-based compensation					6,986
Other income					(9,710)
Income tax provision					27,636
Net income					87,815
Net income attributable to Pason					89,044
Capital expenditures	26,224	4,009	—	—	30,233

(1) The Completions segment includes results generated by IWS, which were not part of the Company's consolidated reporting group until January 1, 2024 following the IWS Acquisition, as detailed in Note 4 of these Condensed Consolidated Interim Financial Statements

(2) Prior period figures have been restated to conform with current period presentation of financial information, as detailed in Note 2 of these Condensed Consolidated Interim Financial Statements

14. Other Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(\$)	(\$)	(\$)	(\$)
Gain on previously held equity interest	—	—	(50,830)	—
Net interest income	(803)	(3,858)	(2,736)	(9,312)
Foreign exchange (gain) loss	(1,245)	681	(1,733)	2,511
Equity investment (income) loss	(233)	1,021	(691)	(432)
Other expenses	1,686	110	3,709	355
Unrealized loss on short-term investments	1,103	—	1,103	—
Net monetary gain	—	(1,477)	—	(2,832)
Total other expense (income)	508	(3,523)	(51,178)	(9,710)

Gain on previously held equity interest results from the Company obtaining control over IWS effective January 1, 2024 where the Company's previously held equity investment associated with IWS was remeasured to fair value, resulting in a gain of \$50,830 on the derecognition of the \$31,745 carrying value of this investment. Further information is outlined in Note 4 of these Condensed Consolidated Interim Financial Statements.

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

Unrealized loss on short-term investments reflects the mark-to-market loss on the Company's Argentinian BOPREAL bonds.

Other expenses include transaction costs incurred on the common share acquisition of IWS, legal expenses incurred in connection with the Company's ongoing intellectual property litigation as disclosed in Note 16 of these Condensed Consolidated Interim Financial Statements, as well as non-recurring severance costs incurred in the third quarter of 2024.

The equity investment income results from the Company using the equity method of accounting to account for its investment in the Pason-Rawabi joint venture, and previously Intelligent Wellhead Systems prior to its consolidation as a wholly-owned subsidiary in the first quarter of 2024.

15. Income Per Share

Basic income per share

The calculation of basic income per share is based on the following weighted average number of common shares:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(#)	(#)	(#)	(#)
Issued common shares outstanding, beginning	79,639,076	80,207,268	79,685,025	81,526,954
Effect of NCIB and exercised options	(13,475)	(198,117)	(98,263)	(915,717)
Weighted average number of common shares (basic)	79,625,601	80,009,151	79,586,762	80,611,237

Diluted income per share

The calculation of diluted income per share is based on a weighted average number of common shares outstanding after adjustment for the effects of all potential dilutive common shares calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(#)	(#)	(#)	(#)
Weighted average number of common shares (basic)	79,625,601	80,009,151	79,586,762	80,611,237
Effect of share options	69,089	278,044	85,052	266,473
Weighted average number of common shares (diluted)	79,694,690	80,287,195	79,671,814	80,877,710

For the three month period ended September 30, 2024, 621,614 (third quarter of 2023 - 1,290,815) options are excluded from the above calculation. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices during the period.

16. Commitments & Contingencies

The Company is involved in litigation and disputes arising in the normal course of business. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors.

In May of 2023, a competitor filed a patent infringement lawsuit against IWS in the District of Colorado alleging IWS' infringement of two patents relating to certain aspects of continuous hydraulic fracturing. Given the stage of the lawsuit, management is not currently able to estimate the extent of potential costs and losses related to this claim, if any. Consequently, no provision has been recorded in the Company's Condensed Consolidated Interim Financial Statements related to this litigation. The Company does not currently believe the outcome of any pending or threatened proceedings related to this patent litigation is probable to result in IWS being required to pay any amounts which would have a material adverse impact on its financial position, results of operations, or liquidity.

17. Approval of Financial Statements

These unaudited Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on November 7, 2024.

18. Events After the Reporting Period

On November 7, 2024, the Company declared a quarterly dividend of \$0.13 per share on the Company's common shares. The dividend will be paid on December 31, 2024 to shareholders of record at the close of business on December 17, 2024.