



2023 ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2023
DATED MARCH 13, 2024

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Glossary of Terms

When used in this Annual Information Form (“**AIF**”) the following terms have the meanings set forth below:
“**Board**” means Pason System Inc.’s board of directors.

“**Business Corporations Act**” means the *Business Corporations Act* (Alberta), RSA 2000, c B-9, as amended.

“**CEO**” means Chief Executive Officer.

“**CFO**” means Chief Financial Officer.

“**Code**” means Pason’s Code of Conduct and Ethics.

“**Contractors**” means drilling contractors for oil and gas wells.

“**E&P**” means exploration and production.

“**EDR**” means Pason’s Electronic Drilling Recorder product.

“**ESG**” means environmental, social and governance.

“**ETB**” means Pason’s subsidiary, Energy Toolbase Software, Inc.

“**HSE**” means health, safety and environment.

“**HR**” means human resources.

“**IFRS**” means International Financial Reporting Standards.

“**IT**” means information technology.

“**IWS**” means Intelligent Wellhead Systems Inc.

“**NCIB**” means a Normal Course Issuer Bid implemented through the facilities of the TSX.

“**Operators**” means oil and gas companies that own and/or have rights to the minerals to be extracted from a well site.

“**PVT**” means Pason’s Pit Volume Totalizer product.

“**R&D**” means research & development.

“**Revenue per Industry Day**” means the daily revenue generated from all products that the Company is renting over all active drilling rig days in the North American market. Active drilling rig days are calculated using accepted industry sources.

“**TSX**” means the Toronto Stock Exchange.

“**US**” means the United States of America.

“**VP**” means Vice President.

“**WTI**” or “**West Texas Intermediate**” means a light, sweet crude oil that serves as one of the main global oil benchmarks for North America.

Important Information About this Document

Throughout this AIF, the terms “we,” “us,” “our,” “Company,” “Corporation” and “Pason” mean Pason Systems Inc. and all our controlled entities as a consolidated body.

Except where specifically noted, all information in this AIF is presented as of December 31, 2023.

All references in this AIF to (\$) or (dollars) are to Canadian dollars unless otherwise noted.

Cautionary Statements on 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, the forward-looking statements in this AIF include, but are not limited to, the following: 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, forecasted 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; potential repurchases under the Company’s NCIB; 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 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 E&P 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; reliance on renewable energy; 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 this AIF under the heading, “*Risk Factors*” and in the Company's 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.sedarplus.ca) or through Pason's website (www.pason.com).

Forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. There is no representation by Pason and there can be no assurance that actual results achieved will be the same, in whole or in part, as those set out in the forward-looking statements contained herein. Readers are therefore cautioned not to place undue reliance on such forward-looking statements. 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 resulting from new information, future events or otherwise.

Unless otherwise indicated, all financial information included in this AIF has been prepared in accordance with IFRS.

Supplementary Financial Measures

This AIF includes references to Revenue per Industry Day, which is a supplementary financial measure used by Pason as a key measure of the Company's ability to evaluate and manage product adoption, pricing, and market share. “Revenue per Industry Day” refers to the daily revenue generated from all products that the Company is renting over all active drilling rig days in the North American market. Active drilling rig days are calculated using accepted industry sources.

Market and Industry Data

Unless otherwise indicated, the market and industry data contained in this AIF is based upon independent industry or government publications and websites, or was based on estimates derived from the same, along with the knowledge and experience of management in the markets in which the Company operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. None of these sources have provided any form of consultation, advice or counsel regarding any aspect of, or are in any way associated with, Pason. Actual outcomes may vary materially from those forecasted in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Company believes this data can be reasonably relied upon, market and industry data are subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third party sources referred to in this AIF or ascertained the underlying assumptions relied upon by such sources.

About Pason Systems Inc.

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: US, Canada, Argentina, Australia, Bolivia, Brazil, Colombia, Dubai, Ecuador, Mexico, Peru and Saudi Arabia. The Company has a 40 plus 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 ETB, the Company also provides products and services for the solar power and energy storage industry. ETB's solutions enable solar and energy storage developers to model, control and measure the economics and performance of solar energy and storage projects.

Corporate Structure

Pason was originally incorporated on February 3, 1978 under the *Business Corporations Act* (Alberta) as Pason Well Services Ltd. Its public parent, Pason Systems Inc., began publicly trading on the TSX in December of 1997.

Pason Systems Inc.'s common shares trade on the TSX, under the symbol PSI.

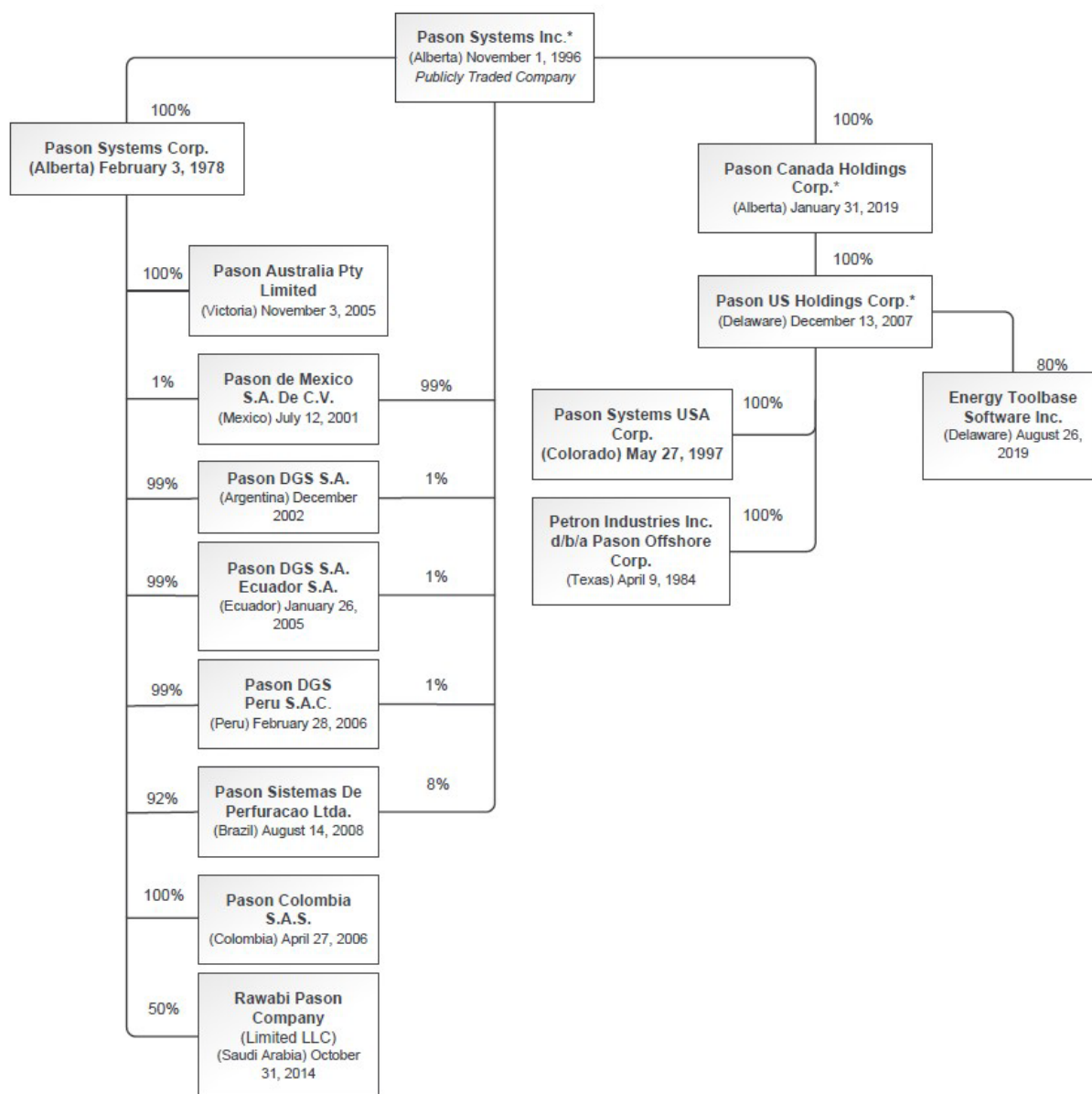
Pason's principal corporate and registered office is:

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The following chart shows Pason's organizational structure and material subsidiaries or partnerships as at December 31, 2023, including the jurisdiction where each was incorporated, formed or continued.

PASON SYSTEMS INC. - GLOBAL ORGANIZATIONAL CHART

(Majority owned entities and Joint Venture)



Recent Developments and Three-Year History

2023 & Recent Developments

Industry Conditions

While long-term energy fundamentals remained positive in 2023, global macroeconomic conditions were challenging. The effects of global geopolitical instability and recession risk, combined with higher interest rates, introduced significant volatility in commodity prices throughout the year. Global demand for energy was met through existing supply sources, drawing significantly on crude oil and product inventories, and the inventory of drilled and uncompleted wells (DUCs). Existing supply sources continued to lag growing global demand for oil and gas. Further, increased consolidation amongst E&P companies put pressure on industry drilling activity in 2023. While activity levels in Pason's international end markets remained strong, North American land rig counts averaged 845 in 2023, a 5% decrease from 881 in 2022.

However, beyond industry drilling activity, customer spending on technology initiatives and solutions continued to increase with E&P companies expanding their use of automation and analytics technologies to improve their operational performance.

Business Developments

Through growth in revenue generated per day in 2023, Pason recorded \$369.3 million in revenue, which represented a 10% increase from 2022 despite the overall decline in North American industry drilling activity seen year over year. Further, through continued strength in market share, increased product adoption and pricing, Pason generated record North American Revenue per Industry Day in 2023 of \$950, an 11% increase from 2022.

ETB, Pason's subsidiary in solar and energy storage markets, generated \$15.7 million in revenue which was a 118% increase from 2022 as bookings from the sale of control systems and associated hardware translated into revenue and added to the base revenue provided by subscription-based licenses for the company's economic modeling and proposal generation software.

Pason's balance sheet remained strong through 2023, and as at December 31, 2023, the Company continued to have no interest bearing debt and held \$171.8 million in cash and cash equivalents. Of that amount, \$77.8 million was held in escrow as at December 31, 2023 to fund the closing of the IWS acquisition on January 1, 2024, as further outlined below.

Research & Development

Pason remains committed to the ongoing support of existing technologies and innovative development of new technologies for its customers. In 2023, Pason made incremental investments in R&D, which supported the record Revenue per Industry Day generated in the year as additional value and functionality was delivered to customers. The Company spent approximately \$42.3 million on R&D efforts during 2023.

Capital Expenditures

Pason also remains committed to making necessary capital investments in its core product offering and hardware platform to support long term value creation. In 2023, Pason incurred \$38.0 million of net capital expenditures, representing 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 seen in recent years prior as a result of global supply chain challenges.

Acquisitions & Investments

In 2019, the Company entered into an agreement to invest \$25.0 million in the acquisition of a minority interest in Intelligent Wellhead Systems Inc. ("IWS"). 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. IWS has over 150 employees, with offices in Calgary, Alberta, Houston, Texas, Midland, Texas and Denver, Colorado.

In 2023, Pason increased its investment in IWS through the acquisition of outstanding common shares of IWS for an aggregate purchase price of \$0.4 million and a further preferred share investment of \$15 million. The preferred share investment supports IWS' ongoing growth initiatives and accelerates the development and deployment of IWS' technologies.

The 2019 transaction included a call option agreement granting Pason the option to purchase all remaining issued and outstanding shares of IWS at a predetermined price, exercisable at the Company's discretion. Pason exercised that call option on December 5, 2023, and effective January 1, 2024, the Company acquired all remaining issued and outstanding common shares of IWS not previously held by Pason for total consideration of \$88.3 million (the "Transaction"). As part of the Transaction, Pason assumed net debt of approximately \$7.0 million. The Transaction was funded by Pason with cash on hand.

Dividend

The Board approved quarterly dividends to shareholders of \$0.12 per common share in each quarter of 2023. The total annual dividend paid to shareholders in 2023 was \$0.48 per common share.

On February 28, 2024, the Board declared a quarterly dividend of \$0.13 per common share payable on March 29, 2024.

Normal Course Issuer Bid ("NCIB")

For the year ended December 31, 2023, the Company purchased 2,150,900 common shares for cancellation under its NCIB, for a total cash consideration of \$27.9 million. As of March 13, 2024, the Company has purchased a further 238,600 common shares for cancellation under its NCIB, for a total cash consideration of \$3.5 million.

Total shareholder returns in 2023 through the Company's quarterly dividend and share repurchase program was \$66.5 million.

Board of Directors

Jim Howe did not seek re-election to the Board at the Company's Annual and Special Meeting of Shareholders held on May 4, 2023, and retired from the Board effective at the end of the meeting.

Sustainability Reporting

On August 30, 2023, Pason released its second Sustainability Report, covering the 2022 fiscal period. The report provides an outline of the Company's key environmental, social and governance metrics, ongoing initiatives and areas of focus and is available on the Company's website.

Industry Conditions

Throughout 2022, geopolitical tension between Ukraine and Russia increased and central banks moved aggressively to address high prevailing levels of inflation by significantly raising interest rates. These factors drove volatility in global commodity prices and caused many countries to focus on energy security and affordability above all else.

Meanwhile, COVID-19 restrictions were lifted in almost all countries and global demand for oil and gas returned to pre-pandemic levels. Concurrently, supply sources lagged while operators and contractors continued to demonstrate capital discipline and further grappled with global supply chain challenges and labour shortages. Despite the volatility seen in commodity prices throughout the year from the aforementioned factors, drilling activity levels in all of Pason's operating regions improved in 2022 in comparison to 2021. North American land rig counts averaged 881 in 2022, a 48% increase from 595 in 2021.

Business Developments

Through improving industry conditions in all of Pason's operating regions in 2022, Pason generated \$335.0 million in revenue, which represented a 62% increase from 2021. Further, through maintenance of the highest market share levels the Company had ever seen, strong product adoption and a more favourable pricing environment, Pason generated record North American Revenue per Industry Day in 2022 of \$853.

ETB, Pason's subsidiary in solar and energy storage markets, generated a 75% increase in revenue from 2021 as bookings from the sale of control systems and associated hardware translated into revenue and added to the base revenue provided by subscription-based licenses for the company's economic modeling and proposal generation software.

Pason's balance sheet remained strong through 2022, and as at December 31, 2022, the Company continued to have no interest bearing debt and held \$172.4 million in cash, cash equivalents and short-term investments.

Research & Development

The Company spent approximately \$38.1 million on R&D efforts during 2022.

Capital Expenditures

The Company spent approximately \$33.4 million on capital expenditures within its core drilling related business in 2022.

Acquisitions & Investments

In 2022, Pason further increased its investment in IWS through the acquisition of outstanding common shares of IWS for an aggregate purchase price of \$7.9 million and an agreement to invest up to \$25 million in preferred shares of IWS. The preferred share investment consists of an initial subscription of \$10 million, with up to a further \$15 million in future tranches of preferred shares, subject to the continued growth and success of IWS. These funds support IWS' ongoing growth initiatives and accelerate the development and deployment of IWS' technologies.

Dividend

The Board approved quarterly dividends to shareholders of \$0.08 per common share in the first, second and third quarter of 2022, and a quarterly dividend of \$0.12 in the fourth quarter. The total annual dividend paid to shareholders in 2022 was \$0.36 per common share.

Normal Course Issuer Bid

For the year ended December 31, 2022, the Company purchased 970,650 common shares for cancellation under its NCIB, for a total cash consideration of \$13.8 million.

Board of Directors

On January 9, 2023, Mr. Ken Mullen was appointed to Pason's Board of Directors.

Sustainability Reporting

On November 30, 2022, Pason released its inaugural Sustainability Report, covering the 2021 fiscal period. The report provides an outline of the Company's key environmental, social and governance metrics, ongoing initiatives and areas of focus and is available on the Company's website.

2021

Industry Conditions

Global drilling activity showed continued signs of recovery throughout 2021 as the demand for oil and gas neared levels that were seen prior to the COVID-19 pandemic, while supply sources continued to lag. As a result, commodity prices strengthened in 2021, with WTI trading above US\$85 per barrel for the first time in seven years. While Operators remained focused on disciplined capital spending, operational efficiencies, and returns to shareholders, drilling activity in all of Pason's operating regions improved in 2021 in comparison to 2020. North American land rig counts averaged 598 in 2021, a 20% increase from 497 in 2020.

While commodity prices and industry activity improved in 2021, the ongoing impacts of the COVID-19 pandemic continue to present some uncertainty for the oil and gas industry. Demand for the Company's products and services remain dependent on global capital investment in oil and natural gas, and Pason continues to be well-positioned in its core business, as Operators and Contractors place an increasing emphasis on the use of technology to increase the efficiency and effectiveness of drilling activities.

Business Developments

Through improving industry conditions in all of Pason's operating regions in 2021, Pason generated \$206.7 million in revenue, which represented a 32% increase from 2020. Further, through market share gains, strong product adoption and a more favourable pricing environment, Pason generated record North American Revenue per Industry Day in 2021 of \$748.

ETB, Pason's subsidiary in solar and energy storage markets, generated a 22% increase in revenue from 2020 as bookings from the sale of control systems and associated hardware translated into revenue and added to the base revenue provided by subscription-based licenses for the company's economic modeling and proposal generation software.

Pason's balance sheet remained strong through 2021, and as at December 31, 2021, the Company continued to have no interest bearing debt and held \$158.3 million in cash and cash equivalents.

Ongoing COVID-19 Measures

The Company continued to employ additional safety measures throughout its operations in 2021. As a result, Pason experienced minimal adverse impacts to its business operations and workforce due to the ongoing COVID-19 pandemic in 2021. Pason's operations remained open and fully functional during the year.

Research & Development

The Company spent approximately \$33 million on R&D efforts during 2021.

Capital Expenditures

The Company spent approximately \$10.9 million on capital expenditures within its core drilling related business in 2021.

Acquisitions & Investments

The transaction to acquire IWS in 2019 consisted of an initial cash payment of \$10.0 million in 2019, plus \$15.0 million payable in three separate \$5.0 million put options, exercisable at the discretion of IWS for a period of up to three years to fund ongoing growth requirements. In 2020, IWS exercised the first put option for \$5.0 million. In 2021, IWS exercised the remaining two put options totalling \$10.0 million. Also in 2021, Pason increased its minority investment in IWS and acquired a portion of outstanding common shares for total cash consideration of \$7.1 million.

Dividend

The Board approved quarterly dividends to shareholders of \$0.05 per common share in each quarter of 2021. The total annual dividend paid to shareholders in 2021 was \$0.20 per common share.

Normal Course Issuer Bid

For the year ended December 31, 2021, the Company purchased 910,979 common shares for cancellation under its NCIB, for a total cash consideration of \$8.4 million.

General Description of the Business

The Company reports on three operating segments: North American Operations (Canada and the US) and International Operations (Latin America, including Mexico, offshore, the Eastern Hemisphere, and the Middle East), both of which offer services to the oil and gas industry, as well as Solar and Energy Storage Operations, which provides services to solar and energy storage developers.

North American Operations and International Operations

Products and services for both the North American Operations and International Operations segments are primarily comprised of hardware and software provided on a rental basis to drilling rigs on land. Pason's system of computers, instrumentation, and monitoring equipment is networked around a drilling rig to provide data at the wellsite and to customer offices. The software installed on Pason's hardware provides a variety of monitoring, guidance and data storage tools. Pason reports revenue for both those segments along five product categories: Drilling Data, Mud Management & Safety, Communications, Drilling Intelligence and Analytics & Other.

Drilling Data

The Drilling Data product category contains all products and services associated with the acquisition, display, storage, and delivery of drilling data. This includes the EDR and all its peripherals, Pason Live/DataHub, and various data feed services such as DataLink.

The EDR remains the Company's flagship product. It provides a complete system of drilling data acquisition, data networking, and drilling management tools and reports at the wellsite. The EDR is the base product with which all other wellsite instrumentation products are linked. Each EDR system consists of a proprietary server, sensors, junction boxes, and a series of workstations, all connected via a local network. EDR workstations present drilling data to the driller, rig manager, geologist, and any other third party at the rig site, in real time. The EDR also allows aggregation of data from the various service companies at the rig site.

Once collected, rig data is transmitted via either LTE, a high-speed wireless ground system, or by broadband satellite to the DataHub to be stored in the cloud for use by Operator and Contractor engineers and office staff.

The EDR is also designed to work with various add-on products and systems developed by Pason, such as the Indoor Rig Display, SideKick rig floor workstation, Gas Analyzer, PVT, Electronic Choke System, AutoDriller, and the Hazardous Gas Alarm System.

The DataHub is the Company's cloud-based data management system that collects, stores, and displays drilling data, reports, and real-time information from drilling operations. The DataHub provides access to data through several innovative applications or services for users both in the field and in office settings. Pason Live provides advanced data viewing and visualization of drilling data in real time via a web browser or on mobile devices. DataLink provides seamless data sharing with third-party applications, enhancing the value of data hosted by Pason.

Mud Management & Safety

Mud Management & Safety includes products such as the PVT, Gas Analyzer, Hazardous Gas Alarm, and the Electronic Choke System.

The PVT is used to monitor mud tank levels and mud flow rate out of the wellbore to detect and warn rig crews of impending "kicks" or lost circulation resulting from gas or fluids entering or escaping the wellbore while drilling. The PVT provides critical information for maintaining the safe operation and control of the well throughout the drilling process. By monitoring the mud system and alerting crews to potential "kicks," the potential for environmentally damaging surface spills is also reduced.

The Gas Analyzer measures the hydrocarbon gases in the drilling fluid exiting the wellbore and then calculates the formation depth where the gases were produced. The Gas Analyzer provides information about the composition of the gas, and further calculates geologic ratios from the gas composition to assist in indicating the type of gas, natural gas liquid, or oil in the formation. The Hazardous Gas Alarm System is a rugged warning system designed to detect lower explosive limit (LEL) and hydrogen sulfide (H₂S) gases. The atmospheric concentration of these gases is measured and permanently stored on Pason's EDR where the data can be viewed on and off location in real time. Highly visible and audible alerts signal drilling crews when concentrations exceed safe levels.

Communications

The Communications segment includes satellite and terrestrial Internet bandwidth, Wireless Rigsite, VoIP, and Intercom services.

Pason's Communications revenue comes from a number of communication service offerings, including providing customers with bandwidth through the Company's automatically-aiming satellite system, Low Earth Orbit Satellite systems, and terrestrial networks. Automatic failover between these technologies achieve greater reliability and connectivity. This system provides reliable high-speed Internet and wellsite communications for email and web-enabled tools.

Drilling Intelligence

The Drilling Intelligence segment bundles Pason's service offerings targeted at enhancing customers' drilling optimization and automation efforts. It contains products such as the AutoDriller and advanced optimization algorithms.

Pason developed the AutoDriller to control the feed rate of the drill bit to various pre-set parameters, such as weight on bit, differential pressure, torque, and rate of penetration. It provides greater precision, control, and drilling speed in comparison to competing systems. The AutoDriller employs an electronic control system to improve drilling system performance and reliability on band-brake rigs. Pason's advanced optimization algorithms optimize the setpoints on the rig's auto driller and enable real-time decision-making that can result in faster drilling, reduced number of trips, and improved wellbore quality.

Pason continues to gain momentum developing and deploying technologies that seek to improve the efficiency and effectiveness of drilling operations, which serves to increase the economic returns and sustainability for customers and reduce the carbon intensity of each unit of production.

Analytics & Other

The Analytics & Other category includes other services, charges, special projects and interest revenue not captured above.

Solar and Energy Storage Operations

ETB provides a suite of products, primarily for solar and storage developers, to model, control, and measure economics and performance of solar energy and storage projects. ETB Developer is an industry leading software platform for modeling and proposing the economics of solar and storage projects. Acumen EMS™ is the intelligent control system software that utilizes machine learning and artificial intelligence to forecast and optimally discharge energy storage systems. ETB Monitor comprises a monitoring platform providing transparency into real-time operation and performance of solar and storage projects. To date, revenue generated by ETB continues to be primarily comprised of subscription-based licenses for the ETB Developer tool. Revenues generated by ETB are included within the Analytics & Other revenue category.

Revenue by Operating Segment

Pason's revenue by operating segment and product category is summarized as follows for the year ended December 31, 2023:

Revenue for the Year Ended December 31, 2023	North America	International	Solar and Energy Storage	Total
(CDN 000s)				
Drilling Data	160,904	37,731	-	198,635
Mud Management and Safety	87,912	13,914	-	101,826
Communications	14,186	3,530	-	17,716
Drilling Intelligence	21,874	1,637	-	23,511
Analytics and Other	4,887	7,012	15,722	27,621
Total Revenue	289,763	63,824	15,722	369,309

Comparatively, Pason's revenue by operating segment and product category is summarized as follows for the year ended December 31, 2022:

Revenue for the Year Ended December 31, 2022	North America	International	Solar and Energy Storage	Total
(CDN 000s)				
Drilling Data	148,516	31,914	-	180,430
Mud Management and Safety	81,823	11,489	-	93,312
Communications	16,703	2,656	-	19,359
Drilling Intelligence	22,271	1,644	-	23,915
Analytics and Other	5,256	5,519	7,207	17,982
Total Revenue	274,569	53,222	7,207	334,998

Other Business Matters

Employees

As a technology-driven company, a significant portion of Pason's highly skilled workforce is engaged in technical disciplines such as software and hardware design engineering, IT, and field services technical support. The remainder of the workforce is engaged in other professional occupations that include marketing and sales, contract manufacturing and supply, warehousing and distribution, finance and accounting, legal, administration, and HR.

As at December 31, 2023, Pason's total workforce stood at 715 employees, of which 327 were employed in Canada, 228 in the US, and 160 internationally.

Customers

Customers of Pason's North American Operations and International Operations segments include Operators, Contractors, and other service companies worldwide. Customers of the Company's Solar and Energy Storage Operations primarily include solar and energy storage developers. In 2023, no single customer accounted for more than 10% of the consolidated revenues of the Company.

In recent years, there has been a significant amount of consolidation amongst Operators and Contractors in the oil and gas industry, particularly in the North American market. Consolidation amongst Pason's existing and prospective customers is expected to result in a smaller number of companies that have a heightened focus on technology. Pason is well-positioned to make ongoing investments in R&D in order to meet the growing technological demands of these customers.

Seasonality

Pason's financial results vary quarter to quarter owing in part to the seasonality of the oil and gas industry in the North American Operations segment, which is somewhat offset by the less seasonal nature of the International and Solar and Energy Storage Operations segments. The first quarter is generally the strongest quarter for North American Operations as a result of stronger activity in Canada, where location access is best during the winter. The second quarter is typically the slowest for North American Operations due to spring break-up in Canada, when many areas are not accessible because of ground conditions, and, therefore, do not permit the movement of heavy equipment. Activity in the North American Operations segment generally increases in the third quarter, as ground conditions improve and location access becomes more practical; 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 again freezes. Consequently, the performance of the Company may not be comparable from one quarter to the next and should instead be considered either on the basis of full-year results or by comparing results in a quarter with results in the corresponding quarter of the previous year.

International Business Model

Pason's International Operations segment offers instrumentation systems for rent for both land and offshore applications in Australia and several Latin American countries through wholly-owned subsidiaries, and in the Middle East markets through a joint venture in the Kingdom of Saudi Arabia and a branch office in Dubai. Pason continues to explore opportunities in areas where its International Operations segment has not previously operated, with a focus on the Eastern Hemisphere and Middle East markets. Pason's Solar and Energy Storage Operations operate primarily in North America at this time.

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. Other indirect competitors offer niche services expertise, such as communications, data acquisition, storage and analytics services. These companies offer products or services that compete with select Pason offerings, rather than competing with Pason's complete service bundle.

As further disclosed under the heading entitled *Supplementary Financial Measures* on page 5, the Company's Revenue per Industry Day metric represents a combination of Pason's market share, pricing and product adoption within its North American Operations. Over the last ten years, Pason has grown North American Revenue per Industry Day by 6% on a compounded annual growth basis, which has benefited significantly by growth in market share. Within the North American, Latin American, and Australian land drilling markets, Pason is currently the leading provider of instrumentation services.

Environmental, Social and Governance ("ESG")

On August 30, 2023, Pason released its second Sustainability Report, covering the 2022 fiscal period. This AIF includes a summary of certain ESG factors for Pason, while further details on the Company's key ESG focus areas can be found within Pason's Sustainability Report available on the Company's website.

Health, Safety and Environment

Pason's strong safety culture is founded on its values and underpins the Company's unwavering commitment to providing a safe and healthy work environment for its employees, contractors, visitors, property, environment, and the public. The Company continues to invest heavily in the safety and operational integrity of its systems and is committed to achieving an injury-free workplace. The Company also employs certified safety professionals to ensure compliance with all necessary safety and regulatory requirements. Pason's Canadian operations successfully participates in the Certificate of Recognition programs in each province in which we work.

The Board, through the Corporate Governance and Nominations Committee, has ultimate oversight over the development, implementation and monitoring of the Company's HSE policies and reviews the Company's HSE performance every quarter. The HSE teams utilize a variety of tools to monitor the success of its programs and policies, including both leading and lagging indicators. In 2023, Pason achieved a global Total Recordable Injury Rate ("TRIR") of 0.95.

In addition to the health and safety of its own operations, Pason's products and services play a critical role in ensuring the safety of drilling operations for its customers.

Environmental Responsibility

Pason is primarily involved in the development and deployment of hardware and software technology, and as such, its activities produce comparatively low greenhouse gas (GHG) emissions, pollution, or environmental waste. The Company has limited direct water use given it does not use water in any of its hardware or software development processes. Further, the majority of Pason's operations are conducted out of urban office space and as such have minimal land use or impact on local habitat. Notwithstanding, the Company recognizes the importance of operating sustainably and with a view to minimizing negative environmental impacts.

Further, Pason's products and services play an important role in reducing non-productive time for customers while drilling and in improving the efficiency and effectiveness of drilling operations. As a result, Pason's products and services help reduce the carbon intensity of the overall hydrocarbon extraction process. In

addition, since 2016, the Company has been pursuing efforts in the solar and energy storage space, including the formation of ETB in 2019.

Employees

Pason's success is highly dependent on its talented and dedicated workforce. The Company takes great pride in its culture and believes it differentiates Pason from its peers and provides a distinct competitive advantage. Pason has created an energized and focused work environment that empowers each team member to challenge traditional thinking in an effort to continually stimulate creativity and innovation. The Company continues to find new ways to obtain and attract new talent and establish a more purpose-driven and engaged workforce. Pason's employees are free to perform to their fullest potential in an open and collaborative environment that supports and promotes a healthy lifestyle within and outside the workplace, while abiding by all employment standards, human rights, and privacy protection legislation.

Cyber Security

Pason's business employs an IT infrastructure to capture, transmit, process, and store significant quantities of electronic information (including drilling data) on behalf of its customers. The Company's IT infrastructure is comprised of hardware, software, networks, data center facilities, web servers, and related resources, including certain third-party service providers.

Pason continues to make meaningful investments in ensuring appropriate levels of security are in place to address relevant cyber risks. The Company makes continued investments in email security, endpoint detection and response software, VPN network access with multi-factor authentication, intrusion prevention systems and firewalls, as well as company-wide security awareness training. Pason employs a risk-based approach, and performs regular penetration testing and vulnerability assessments, and has employed perimeter controls with 24-hour monitoring of network access and security logs. The Company undergoes external audits such as SOC 1 Type II and SOC 2 Type II and its cloud-based environment is continuously monitored internally by Pason's security team and externally by a third-party provider. Pason has cybersecurity insurance coverage in place and proactive measures and protective controls are actively maintained to minimize access to customer data in the unlikely event that a breach occurs.

Pason has not experienced any material losses relating to cyber attacks or other information security breaches in the last three (3) years. Pason's cyber risk oversight is conducted by the Board's Audit Committee, which receives information security updates from senior leadership on a quarterly basis. Pason uses Bitsight as an independent third-party cybersecurity rating to evaluate its cyber security performance. As at the date of this report, Pason had a Bitsight score of 790, which is considered to be advanced.

Business Ethics

Pason is committed to operating responsibly and with integrity through its culture, its Code, and its employment policies and practices. As a Canadian company with operations around the world, Pason places considerable emphasis on developing and maintaining a culture in which employees are free to perform their duties within an environment that is transparent, honest, fair, and complies with all applicable laws and regulations. Because Pason relies on its people to use their judgement and "do the right thing," all employees are expected to use their "right to challenge" any unethical behaviour they encounter. The "right to challenge" is an essential element of Pason's culture and fosters a collaborative work environment where employees are empowered to bring forward any idea, suggestion or concern openly and honestly with their manager, team members, or any other Pason employee.

Pason's Code ensures that every director, executive officer, manager, employee, and contractor complies with the Company's values. The Code describes Pason's core values in various areas, such as: human rights; discrimination and harassment; diversity; safety and health; conflicts of interest; data privacy and security; safeguarding corporate assets; financial reporting and accountability; bribery and corruption; fair dealing; political activities and contributions; gifts and entertainment; complying with laws and regulations; the environment and social responsibility; reporting illegal or unethical behavior and anti-retaliation. All of Pason's directors, officers, employees and contractors must acknowledge that they have read, understood and will abide by the Code.

Governance

Board of Directors

Pason's by-laws provide that the Board has full, absolute and exclusive power, control, authority and discretion to manage Pason's business and affairs, subject to the rights of Pason's shareholders. Directors are elected at each annual meeting of shareholders for a one-year term or, subject to Pason's constating documents and applicable laws, appointed by the Board to hold office until the next annual meeting. The table below provides information about each director as at December 31, 2023, including their name, place of residence, current position with Pason and principal occupation during the last five years. Any non-executive director who joins the Board on or after August 10, 2021 may serve on the Board for a maximum period of 12 years after his or her initial election by shareholders or appointment by directors.

Name and Residence	Position(s) and Membership(s)	Principal Occupation During the Last Five Years	Director Since
Marcel Kessler British Columbia, Canada	Director since 2012 and Chair of the Board since 2020	Previously President and CEO of Pason and then CEO and President of GrafTech International Ltd. Currently Independent Business Advisor.	2012
T. Jay Collins Texas, USA	Director Chair, HR and Compensation Committee Member, Audit Committee	Independent Business Advisor	2012
Jon Faber Alberta, Canada	Director	Previously CFO of Pason, currently President and CEO of Pason	2020
Judi Hess British Columbia, Canada	Director Member, Audit Committee Member, HR and Compensation Committee Member, Corporate Governance and Nomination Committee	Previously CEO of Copperleaf Technologies Inc., currently Vice Chair & Chief Strategist of Copperleaf Technologies Inc.	2015
Ken Mullen Alberta, Canada	Director Chair, Audit Committee Member, Corporate Governance and Nomination Committee	Previously engaged as a dealing representative with Roundtable Capital Partners Inc. and Barometer Capital Management Inc. Currently a Director of Melamaken Adventures Inc.	2023
Laura Schwinn Maryland, USA	Lead Director Chair, Corporate Governance and Nomination Committee Member, HR and Compensation Committee	Previously President of W.R. Grace & Co's Specialty Catalysts, currently Independent Business Advisor	2019

Other Director Information

To the knowledge of the Company, no director or executive officer of Pason is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Pason), that: (i) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an "Order") that was issued while the director or executive officer was acting in such capacity; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in such a capacity.

To the knowledge of the Company, no director or executive officer of Pason, and no shareholder holding a sufficient number of securities of Pason to affect materially the control of the Company (i) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Pason) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or (ii) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

No director, executive officer or shareholder of the Company holding a sufficient number of securities of Pason to materially affect the control of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, or has entered into a settlement agreement with a Canadian securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

From time to time, directors and officers may face potential conflicts of interest related to Pason's business. Any such conflicts of interest are subject to, and must be dealt with according to, the procedures and remedies set out in the *Business Corporations Act* (Alberta), as well as Pason's Code. If directors find themselves in a conflict of interest, they are required under the *Business Corporations Act* (Alberta) and the Code to advise the Chair of the Board and abstain from participating in any discussions and voting on the matter or excuse themselves from the meeting.

More information about our approach to governance can be found in Pason's Management Information Circular (Circular) dated March 13, 2024, available on our website (www.pason.com).

Audit Committee

Pason's Audit Committee has three members consisting, as at December 31, 2023, of Ken Mullen (Chair of Committee), T. Jay Collins and Judi Hess. Each member of the Audit Committee is independent and no member receives, directly or indirectly, any compensation from Pason other than ordinary course compensation for service as a member of the Board and its committees. All members of the Audit Committee are financially literate as defined under Multilateral Instrument 52-110 *Audit Committees*.

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee Member is as follows:

Ken Mullen, CPA

Mr. Mullen, 62, of Calgary, Alberta, Canada, has been a director of Pason since 2023.

Mr. Mullen has over 25 years of experience holding various executive and director positions with public and private energy and energy services companies. He is currently a director of Melamaken Adventures Inc. and was previously engaged as a dealing representative with Barometer Capital Management Inc. Prior to this, he was the co-founder and President & CEO of Savanna Energy Services Corp. and President & CEO of Plains Energy Services Ltd. He currently serves on the board of Total Energy Services Inc. Mr. Mullen received his Bachelor of Commerce and Bachelor of Laws degrees from the University of Calgary and holds Chartered Accountant and Institute of Corporate Directors designations. Mr. Mullen has expert skills in financial literacy. He has been a member of Pason's Audit Committee for one year.

T. Jay Collins

Mr. Collins, 77, of Houston, Texas, US, has been a director of the Company since 2012. Mr. Collins was previously a director of Murphy Oil Corporation, a global oil exploration & production company. He was also a director of Oceaneering International, Inc., a global provider of engineered services and products primarily to the offshore oil and gas industry, from 2002 to 2023 and served as its Chief Executive Officer from 2006 to 2011. Prior to that, he served as Oceaneering's President from 1998 to 2011, Chief Operating Officer from 1998 until 2006, Executive Vice President – Oilfield Marine Services from 1995 to 1998, and Senior Vice President and Chief Financial Officer from 1993 to 1995. Mr. Collins has over 40 years of experience in the oil and gas industry and has served on numerous industry-related boards, including the National Ocean Industries Association, National Petroleum Council, the American Productivity & Quality Center, the Texas Institute of Science, and the Houston Technology Center. Mr. Collins holds a Master of Business Administration from Harvard Graduate School of Business, and both his Bachelor of Arts and Master of Engineering in Chemical Engineering degrees are from Rice University. Mr. Collins has expert skills in financial literacy. He has been a member of Pason's Audit Committee for eight years.

Judi Hess

Ms. Hess, 65, of Vancouver, B.C., has been a director of Pason since 2015. She brings nearly 40 years of combined operational technology and information technology experience to Pason's Board. She is currently the Vice-Chair of the board of Copperleaf Technologies, Inc., a publicly traded provider of enterprise decision analytics software solutions, and served as its Chief Executive Officer from 2009 to 2022. Prior to joining Copperleaf, Ms. Hess was President of Creo Inc., a publicly traded printing technology and workflow company, that was acquired by Eastman Kodak in 2005. Ms. Hess has an Honours Bachelor in Mathematics with a minor in Business Administration for the University of Waterloo and was a member of the Premier's Technology Council of British Columbia from 2008 to 2018. Ms. Hess was re-appointed to Pason's Audit Committee in 2022 after previously serving on the Audit Committee from 2016 to 2020.

Pre-Approval Policies and Procedures

Pason's Audit Committee mandate requires the Audit Committee to pre-approve all non-audit services to be provided to Pason or any of its subsidiaries by the external auditor, provided that the Audit Committee may satisfy the pre-approval requirement by delegating to the committee Chair the authority to pre-approve non-audit services and report to the Audit Committee all pre-approvals. See *Appendix "A"* to this AIF for the full text of Pason's Audit Committee Mandate.

External Fees by Category

Deloitte LLP has served as Pason's external auditor since November 1996. The following table lists the fees paid to Deloitte LLP, by category, in respect of the last three years:

Service	2023	2022	2021
	(\$)	(\$)	(\$)
Audit	319,300	262,500	254,800
Audit-related ⁽¹⁾	52,300	42,500	44,700
Tax fees ⁽²⁾	204,900	149,944	149,122
Other ⁽³⁾	3,100	3,200	9,500
Total fees	579,600	458,144	\$458,122

⁽¹⁾ Assurance services related to review of interim financial statements.

⁽²⁾ Pason incurred additional tax fees in 2023 in connection with the acquisition of Intelligent Wellhead Systems Inc. on January 1, 2024.

⁽³⁾ Services that do not fall under previous categories.

Executive Officers

The table below provides information about each of Pason's current executive officers, including their names, place of residence, current positions and offices with Pason, and principal occupation during the last five years:

Name and Residence	Executive Office	Principal occupation last five years (if not with Pason)	Officer Since
Jon Faber Alberta, Canada	President and CEO		2014
Celine Boston Alberta, Canada	CFO	Senior Finance Professional at CES Energy Solutions Corp.	2020
Kevin Boston Texas, USA	VP, Commercial		2010
Craig Bye Alberta, Canada	VP, R&D – Cloud Platforms and Applications		2023
Natalie Fenez Alberta, Canada	VP, Legal, Corporate Secretary		2019
Heather Hantos Alberta, Canada	VP, HR		2021
Bryce McLean Alberta, Canada	VP, Operations		2017
Lars Olesen Alberta, Canada	VP, Product & Technology		2017
Russell Smith Texas, USA	VP, International		2010
Ryan van Beurden Alberta, Canada	VP, Rigsite R&D		2017

Share Ownership

As of March 13, 2024, the directors and executive officers of Pason, as a group, beneficially owned, or controlled or directed, directly or indirectly, 159,956 common shares, representing less than 1% of our issued and outstanding common shares. In addition, as a group, executive officers hold options to purchase an additional 1,483,948 common shares.

Risk Factors

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 this AIF and the Company's other public disclosure documents on file with the Canadian securities regulatory authorities available on SEDAR+ (www.sedarplus.ca). 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 and 2023, 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, particularly in Russian, the Ukraine, and Israel, drove recent commodity price volatility.

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, the Ukraine or Israel. However, 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

As seen in recent years, the occurrence of a future global pandemic could expose the Company to a number of risks, 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.

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, Operators and Contractors 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 year. 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 in recent years, 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. Global supply chain disruptions, including those experienced in recent years, 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, the Ukraine or Israel. 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 the Company's consolidated financial statements for the year ended December 31, 2023.

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 Related 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.

Description of Capital Structure

Pason is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2023, there were 79,685,025 common shares outstanding and no preferred shares outstanding. On March 13, 2024, there were 79,473,121 common shares outstanding, and no preferred shares outstanding.

Holders of Pason common shares are entitled to receive dividends if, as, and when declared by the Board. The holders of the common shares are entitled to receive notice of and attend all meetings of the Company's shareholders and are entitled to one vote per common share held at all such meetings. In the event of the liquidation, dissolution, or winding up of Pason's operations, or any other distribution of Pason's assets for the purpose of winding up its affairs, Pason's shareholders will be entitled to participate rateably in any such distribution.

Select Pason employees participate in a corporate stock-option plan. All options are issued at market price, vest over three years and expire after five years.

Market for Common Shares

Pason's common shares trade on the TSX under the symbol "PSI". The following table summarizes the trading activity for the Company's common shares on the TSX in 2023 and the monthly high and low closing price for our shares.

2023	TSX (PSI)		
	High (\$)	Low (\$)	Volume
January	16.98	14.91	3,033,700
February	15.90	13.92	3,839,100
March	15.05	11.19	4,558,600
April	12.49	11.39	3,128,600
May	12.43	10.87	4,745,700
June	12.03	10.75	3,520,500
July	13.75	11.03	4,155,300
August	14.09	12.93	2,599,100
September	14.68	13.47	2,234,200
October	14.22	12.93	2,437,400
November	14.85	13.23	2,907,300
December	16.33	14.10	2,678,400

Dividends

The Company does not have a formal dividend policy. The decision to declare and pay dividends and the amount of any dividends is at the sole discretion of the Board, based on various considerations, which may include, without limitation, Pason's financial position, operating results, industry outlook, future capital requirements and the satisfaction of the liquidity and solvency tests imposed by the *Business Corporations Act* for the declaration and payment of dividends.

For the year ended December 31, 2023, the Company paid \$38.5 million in dividends to shareholders (2022 - \$29.5 million, 2021 - \$16.6 million). The amount of cash dividends declared per common share for each of the three most recently completed years is as follows:

Year Ended December 31,	2023	2022	2021
Dividends declared per common share	\$0.48	\$0.36	\$0.20

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

Normal Course Issuer Bid

Under the terms of the NCIB renewed on December 20, 2023, the Company may purchase for cancellation, from time to time, as the Company considers advisable, up to a maximum of 7,949,888 common shares, which represents 10% of the applicable public float, by December 19, 2024. 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 limitation.

For the year ended December 31, 2023, the Company purchased 2,150,900 common shares for cancellation for a total cash consideration of \$27.9 million.

Credit Facility

As at December 31, 2023, and as at the date of this AIF, the Company has no interest bearing debt outstanding. As at December 31, 2023, the Company held \$171.8 million in cash and cash equivalents.

The Company has an undrawn \$5.0 million demand revolving credit facility. Interest is payable monthly on amounts drawn and is based on either the lender's prime rate, US base rate loans, or Bankers' Acceptance rates, plus applicable margins. The Company can repay, without penalty, advances under the facility. The facility is secured by a general security agreement on all of the assets of the Company, Pason Systems Corp. and Pason Systems USA Corp. Throughout 2023 and as at December 31, 2023, no amounts were drawn on this facility. Further details of this facility are disclosed in the Company's consolidated financial statements for the year ended December 31, 2023.

Material Interests, Experts and Material Contracts

Material Interests

No senior officer, director, associate, or shareholder who beneficially owns, controls or directs, directly or indirectly, more than 10% of our outstanding common shares, or any of their known associates or affiliates, have had a direct or indirect material interest in any transaction affecting Pason, or in any proposed transaction that has had or is reasonably expected to have a material effect on Pason, in the three most recently completed financial years, including the current financial year to the date of this AIF.

Interests of Experts

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation or included in a filing, or referred to in a filing, made under National Instrument 51-102 by us during, or related to, our most recently completed financial year end other than Deloitte LLP, Chartered Professional Accountants, Pason's independent auditors. Deloitte LLP is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

Material Contracts

Pason's business is not subject to any significant long-term contracts and, therefore, business prospects are generally tied to drilling activity levels in the regions in which the company operates.

Legal Proceedings

In May of 2023, a competitor filed a patent infringement lawsuit against IWS in the District of Colorado alleging IWS' infringement of two patents relating to certain aspects of continuous hydraulic fracturing. The Company is also involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in Pason's favour, the Company does not currently believe that the outcome of any pending or threatened proceedings related to this patent litigation or other matters, or the amounts that 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.

Other Information

Transfer Agent and Registrar

Computershare is the transfer agent and registrar of Pason's common shares, located at:

Computershare Trust Company of Canada
600, 530 - Eighth Avenue SW
Calgary, Alberta, T2P 3S8

Additional Information About Pason

Additional information relating to Pason is available on our website (www.pason.com) and on SEDAR+ (www.sedarplus.ca). Copies are also available directly from Pason free of charge by contacting:

Pason Systems Inc.	Email: investorrelations@pason.com
6130, 3 rd Street SE	Phone: 403-301-3400
Calgary, Alberta T2K 1H4	Fax: 403-301-3499

Additional information about Pason, including directors' and officers' remuneration, principal holders of Pason's securities and options to purchase securities, can be found in the following documents:

- Pason's Information Circular for the most recent annual meeting of shareholders, which was held on May 4, 2023.
- Pason's Annual Report, which contains our annual audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2023.

Appendix “A”

Audit Committee Mandate

1. Currency of the Mandate

This mandate was reviewed and approved by the Board of Directors on May 4, 2023.

2. Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Pason Systems Inc. (“Pason”) is to assist the Board in fulfilling its oversight responsibilities in relation to the review and approval of the financial statements and financial reporting of Pason and its subsidiaries including; management’s assessment of internal controls over financial reporting and other internal and disclosure controls, the performance of external and internal audits, compliance with regulatory and reporting requirements, and the risk management systems and procedures of Pason as they relate to presentation and integrity of financial information. The Committee shall also be directly responsible for overseeing the relationship of the external auditors with Pason. The external auditors shall report directly, and be accountable, to the Committee.

3. Mandate

3.1 Financial Statements and Financial Reporting

With respect to financial statements and reporting the Committee shall:

- Review with management and the external auditors, and recommend to the Board for approval, the annual and periodic financial statements of Pason, the reports of the external auditors thereon and related financial reporting, including Management’s Discussion and Analysis (“MD&A”) and earnings press releases prior to the public disclosure of such information.
- Review with management and recommend to the Board for approval, any financial statements of Pason, that have not previously been approved by the Board and are to be included in a prospectus of Pason or other documents required by applicable securities law.
- Review with management, management’s internal control reports of Pason and the related required disclosures, if any, as required by applicable securities laws, rules and guidelines.
- Review accounting, tax and financial aspects of the operations of Pason and the reporting thereon as the Committee considers appropriate.
- Consider and be satisfied that appropriate processes are in place with respect to applicable certification requirements regarding Pason’s annual and interim financial statements and other disclosure.
- Consider and be satisfied that adequate procedures are in place for the review of Pason’s public disclosure of financial information extracted or derived from Pason’s financial statements and periodically assess the adequacy of such procedures.
- Review with management, the external auditors, and, if necessary, legal counsel, any litigation, claim or contingency, including legal, regulatory compliance and tax assessments that could have a material effect upon the financial position of Pason, and the manner in which these matters may be, or have been, disclosed in the financial statements.

- Review accounting principles and changes thereto, significant accruals, reserves or other estimates, accounting treatment of unusual or non-recurring transactions, compliance with covenants under loan agreements, disclosure requirements for commitments and contingencies and other accounting and auditing principles and practices including off balance sheet items.
- Review with management and recommend to the Board for approval, Pason's Annual Information Form.

3.2 Relationship with External Auditors

With respect to matters concerning the external auditors the Committee shall:

- Review and evaluate the external auditors, including the lead partner's performance, assuring rotation of the lead partner and make a recommendation to the Board as to the appointment or re-appointment of the external auditors, ensuring that such auditors are participants in good standing pursuant to applicable securities laws.
- Meet regularly with external auditors without management present.
- Consider and make a recommendation to the Board as to the compensation of the external auditors.
- Review and approve the annual audit plan of the external auditors.
- Oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit work, reviews or attesting services, including review of post audit management letters and the resolution of any disagreements between management and the external auditors.
- Review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with Pason and their affiliates in order to determine the external auditors' independence, including, without limitation, (a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to Pason, (b) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (c) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence.
- As may be required by applicable securities laws, rules and guidelines, either:
 - Pre-approve all non-audit services and the fees for such services, to be provided by the external auditors to Pason or its subsidiaries, or in the case of de minimus non-audit services, approve such non-audit services prior to the completion of the audit; or
 - Adopt specific policies and procedures for the engagement of the external auditors for the purpose of the provision of non-audit services.
- Review and approve the hiring policies of Pason regarding partners, former partners, employees and former employees of the present and former external auditors of Pason.

3.3 Internal Controls

With respect to internal controls the Committee shall:

- Review the appropriateness of the accounting practices and policies of Pason and review any proposed changes thereto.
- Review with management and the external auditors, the adequacy and effectiveness of the internal control and management information systems and procedures of Pason (with particular attention given to accounting, financial statements, financial reporting matters and antifraud processes) and satisfy itself that Pason is in compliance with applicable legal and regulatory requirements and relevant Pason policies.
- Review with management the adequacy and effectiveness of the internal controls and procedures of Pason with respect to information technology, information systems and cybersecurity risks of Pason.
- Review the external auditors' recommendations regarding any matters, including internal control and management information systems and procedures, and management's responses thereto.
- Review with management, on at least an annual basis, their approach to monitoring the performance of the internal controls over financial reporting in accordance with their CEO/CFO certification process, and any as required by applicable securities laws, rules and guidelines.
- Be responsible for monitoring the Ethics Hotline for financial matters and reporting any material findings to the Board and recommend a course of action.
- Establish procedures for the receipt, retention and treatment of complaints, submissions and concerns, by employees or otherwise, regarding financial reporting and disclosure, accounting, internal accounting controls or auditing matters on an anonymous and confidential basis.
- Review policies and practices concerning the expenses and perquisites of the Chairman and CEO, including the use of the assets of Pason.
- Review with external auditors any corporate transactions in which directors or officers of Pason have a personal interest.

3.4 Financial Risk Management

With respect to managing risks the Committee shall:

- Review with management and the external auditors the significant financial risks and exposures of Pason.
- Review and assess the steps, policies and procedures management has taken to mitigate such risks including insurance policies and coverage.
- Report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the businesses of Pason and assessing Pason's risk management policies and procedures.
- Review and, if advisable, approve policies and procedures with respect to officers' and directors' expenses and perquisites and consider the results of any review of these areas by the internal or external auditors.

4. Membership and Organization

4.1 Duties and Responsibilities of the Committee Chair

In addition to the duties of the Committee, as set forth in this Mandate, the additional responsibilities of the Committee Chair are as follows:

- Be an independent member of the Board of Directors.
- Set the tone for the Committee work, ensuring Committee meetings are conducted in an efficient, effective and focused manner.
- Oversee the logistics of the Committee's operations in accordance with good governance practices including the schedule and frequency of meetings.
- Provide leadership to the Committee, assisting the Committee in monitoring its responsibilities and reporting to the Board on the recommendations and decisions of the Committee.
- Advise the Committee of any finance, accounting or misappropriation matters brought to the Chair's attention through the Corporation's Ethics and Conduct hotline procedures.
- Ensure Committee meetings are conducted in an effective, efficient and focused manner.

4.2 Meetings

The procedures for Committee meetings shall be specified in the Mandate of the Board of Directors.

4.3 Authority to Engage Experts

The Committee has the authority to engage independent counsel and other advisors as it determines advisable to carry out its duties with such engagement to be at Pason's expense.

4.4 Review of Terms of Reference

The Committee shall review and reassess the adequacy of this mandate at least once per year, and otherwise as deemed appropriate, and recommend changes to the Board.

4.5 No Rights Created

This Mandate does not create any legally binding obligations on the Board, any Board committee, any Director or Pason.



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