

Condensed Consolidated Interim Financial Statements and Notes

Condensed Consolidated Interim Balance Sheets

As at	Note*	June 30, 2022	December 31, 2021
(CDN 000s) (unaudited)		(\$)	(\$)
Assets			
Current			
Cash and cash equivalents	4	186,950	158,283
Trade and other receivables		63,604	49,453
Prepaid expenses		4,454	5,197
Inventory	2, 5	7,153	—
Income taxes recoverable	11	294	13,632
Total current assets		262,455	226,565
Non-current			
Property, plant and equipment		79,501	82,265
Investments	7	30,071	30,046
Intangible assets and goodwill		38,282	41,065
Total non-current assets		147,854	153,376
Total assets		410,309	379,941
Liabilities and equity			
Current			
Trade payables and accruals		31,410	31,475
Income taxes payable		8,465	6,568
Stock-based compensation liability	10	7,501	2,647
Lease liability		1,678	1,792
Obligation under put option	8	11,672	—
Total current liabilities		60,726	42,482
Non-current			
Deferred tax liabilities		3,836	5,836
Lease liability		4,754	5,537
Stock-based compensation liability	10	9,650	6,821
Obligation under put option	8	—	11,484
Total non-current liabilities		18,240	29,678
Equity			
Share capital	9	163,963	162,567
Share-based benefits reserve		34,793	34,383
Foreign currency translation reserve		50,847	50,298
Equity reserve		(8,375)	(8,375)
Retained earnings		94,907	72,602
Total equity attributable to equity holders of the Company		336,135	311,475
Non-controlling interest		(4,792)	(3,694)
Total equity		331,343	307,781
Total liabilities and equity		410,309	379,941

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

Condensed Consolidated Interim Statements of Operations

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note*	2022	2021	2022	2021
(CDN 000s, except per share data) (unaudited)		(\$)	(\$)	(\$)	(\$)
Revenue		73,608	43,593	148,076	86,148
Operating expenses					
Rental services		26,275	17,205	51,447	33,662
Local administration		2,907	2,646	6,025	5,097
Depreciation and amortization		4,696	6,156	11,010	13,987
		33,878	26,007	68,482	52,746
Gross profit		39,730	17,586	79,594	33,402
Other expenses					
Research and development		9,294	7,849	18,138	14,965
Corporate services		3,951	2,913	7,439	5,945
Stock-based compensation expense	10	2,514	2,216	8,069	4,818
Other income	13	(1,210)	(2,274)	(2,563)	(4,456)
		14,549	10,704	31,083	21,272
Income before income taxes		25,181	6,882	48,511	12,130
Income tax provision		7,189	2,002	12,518	3,259
Net income		17,992	4,880	35,993	8,871
Net income (loss) attributable to:					
Shareholders of Pason		18,540	5,307	37,113	9,622
Non-controlling interest		(548)	(427)	(1,120)	(751)
Net income		17,992	4,880	35,993	8,871
Income per share	14				
Basic		0.23	0.06	0.45	0.12
Diluted		0.22	0.06	0.45	0.12

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Condensed Consolidated Interim Statements of Other Comprehensive Income

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note*	2022	2021	2022	2021
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)
Net income		17,992	4,880	35,993	8,871
Items that may be reclassified subsequently to net income:					
Foreign currency translation adjustment		4,275	(3,639)	571	(7,322)
Other comprehensive income (loss)		4,275	(3,639)	571	(7,322)
Total comprehensive income		22,267	1,241	36,564	1,549
Total comprehensive income (loss) attributed to:					
Shareholders of Pason		22,801	1,672	37,662	2,297
Non-controlling interest		(534)	(431)	(1,098)	(748)
Total comprehensive income		22,267	1,241	36,564	1,549

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Condensed Consolidated Interim Statements of Changes in Equity

	Note*	Share Capital	Share- Based Benefits Reserve	Foreign Currency Translation Reserve	Equity Reserve	Retained Earnings	Total Equity Attributable to Pason	Non- Controlling Interest	Total Equity
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2020		164,568	33,170	54,090	(8,375)	63,609	307,062	(1,779)	305,283
Net income		—	—	—	—	9,622	9,622	(751)	8,871
Dividends		—	—	—	—	(8,322)	(8,322)	—	(8,322)
Other comprehensive income (loss)		—	—	(7,319)	—	—	(7,319)	(3)	(7,322)
Expense related to stock options		—	565	—	—	—	565	—	565
Shares cancelled under NCIB	9	(622)	—	—	—	(2,369)	(2,991)	—	(2,991)
Balance at June 30, 2021		163,946	33,735	46,771	(8,375)	62,540	298,617	(2,533)	296,084
Net income		—	—	—	—	24,223	24,223	(1,169)	23,054
Dividends		—	—	—	—	(8,245)	(8,245)	—	(8,245)
Other comprehensive income (loss)		—	—	3,527	—	—	3,527	8	3,535
Expense related to stock options		146	648	—	—	—	794	—	794
Liability for automatic share purchase plan commitment pursuant to NCIB	9	(343)	—	—	—	(1,657)	(2,000)	—	(2,000)
Shares cancelled under NCIB	9	(1,182)	—	—	—	(4,259)	(5,441)	—	(5,441)
Balance at December 31, 2021		162,567	34,383	50,298	(8,375)	72,602	311,475	(3,694)	307,781
Net income		—	—	—	—	37,113	37,113	(1,120)	35,993
Dividends		—	—	—	—	(13,150)	(13,150)	—	(13,150)
Other comprehensive income (loss)		—	—	549	—	—	549	22	571
Exercise of stock options		1,601	(231)	—	—	—	1,370	—	1,370
Expense related to stock options		—	641	—	—	—	641	—	641
Liability reversal for automatic share purchase plan commitment pursuant to NCIB		343	—	—	—	1,657	2,000	—	2,000
Liability for automatic share purchase plan commitment pursuant to NCIB	9	(137)	—	—	—	(864)	(1,001)	—	(1,001)
Shares cancelled under NCIB	9	(411)	—	—	—	(2,451)	(2,862)	—	(2,862)
Balance at June 30, 2022		163,963	34,793	50,847	(8,375)	94,907	336,135	(4,792)	331,343

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

Condensed Consolidated Interim Statements of Cash Flows

	Note*	Three Months Ended June 30,		Six Months Ended June 30,	
		2022	2021	2022	2021
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)
Cash from (used in) operating activities					
Net income		17,992	4,880	35,993	8,871
Adjustment for non-cash items:					
Depreciation and amortization		4,696	6,156	11,010	13,987
Stock-based compensation expense	10	2,514	2,216	8,069	4,818
Deferred income taxes		3,037	248	(1,973)	(797)
Net monetary loss (gain)		260	142	308	(58)
Unrealized foreign exchange (gain) loss and other		(1,257)	1,020	(461)	1,571
Funds flow from operations		27,242	14,662	52,946	28,392
Movements in non-cash working capital items:					
(Increase) in trade and other receivables		(3,959)	(5,277)	(14,150)	(11,904)
Decrease in prepaid expenses		180	374	743	408
Increase (decrease) in income taxes payable/recoverable	11	1,091	(1,257)	23,810	2,828
Increase (decrease) in trade payables, accruals and stock-based compensation liability		6,805	1,274	1,096	3,923
(Increase) in inventory	5	(2,434)	—	(2,434)	—
Effects of exchange rate changes		303	149	293	(279)
Cash generated from operating activities		29,228	9,925	62,304	23,368
Income tax paid		(3,549)	(84)	(8,575)	(2,442)
Net cash from operating activities		25,679	9,841	53,729	20,926
Cash flows from (used in) financing activities					
Proceeds from exercise of stock options	9	299	—	1,370	—
Payment of dividends	9	(6,580)	(4,164)	(13,150)	(8,322)
Repurchase and cancellation of shares under NCIB	9	(1,498)	(2,991)	(2,862)	(2,991)
Repayment of lease liability		(644)	(465)	(1,152)	(1,088)
Net cash used in financing activities		(8,423)	(7,620)	(15,794)	(12,401)
Cash flows (used in) from investing activities					
Equity investments	7	—	(12,127)	—	(12,127)
Additions to property, plant and equipment		(6,595)	(3,845)	(10,925)	(5,509)
Development costs, net of ITCs		(132)	(461)	(266)	(860)
Proceeds on disposal of property, plant and equipment		189	191	341	343
Changes in non-cash working capital		(6)	(42)	(162)	(40)
Net cash used in investing activities		(6,544)	(16,284)	(11,012)	(18,193)
Effect of exchange rate on cash and cash equivalents		4,181	(2,331)	1,744	(4,581)
Net increase in cash and cash equivalents		14,893	(16,394)	28,667	(14,249)
Cash and cash equivalents, beginning		172,057	151,427	158,283	149,282
Cash and cash equivalents, ending	4	186,950	135,033	186,950	135,033

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

Notes to Condensed Consolidated Interim Financial Statements

(CDN 000s, except per share data)

1. Description of Business

Pason Systems Inc. ("Pason" or the "Company") is a leading global provider of instrumentation and data management systems for drilling rigs.

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

2. Basis of Preparation

Statement of compliance

These unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with the requirements of International Accounting Standard ("IAS") 34, Interim Financial Reporting and include the accounts of Pason and its wholly owned subsidiaries. All significant intercompany balances and transactions including revenue and expenses have been eliminated. These unaudited Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2021.

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

Inventory

During the second quarter of 2022, a change to the Company's operational strategy saw increased purchases of consumable inventory and resulted in the inclusion of consumable supplies and components as part of Inventory within these Condensed Consolidated Interim Financial Statements.

In accordance with *IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*, the application of the Company's inventory policy to new transactions is treated prospectively with no comparative period adjustments.

3. Changes in Accounting Standards

Adoption of new standard January 1, 2022:

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

Clarifies that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts. The amendments apply to contracts existing at the date when the amendments are first applied. The impact to the Company has been deemed immaterial.

4. Cash and Cash Equivalents

As at	As at June 30, 2022	December 31, 2021
	(\$)	(\$)
Cash	124,666	120,714
Cash equivalents	62,284	37,569
Cash and cash equivalents	186,950	158,283

Cash equivalents are made up of cash invested in money market funds with interest rates of approximately 0.80% and maturities ranging from 1–90 days.

5. Inventory

Inventory is comprised of products and components which will be consumed through the Company's field service presence or through equipment repairs. Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined on a standard cost basis and includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

6. Seasonality

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

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

7. Investments

Investments are comprised of the Company's investments in Intelligent Wellhead Systems Inc. ("IWS") and Rawabi Pason Company ("Rawabi JV"). Rawabi JV is a provider of specialized data management systems for drilling rigs in the Kingdom of Saudi Arabia. IWS is a privately-owned oil and gas technology and service company that provides engineered controls, data acquisition and software to automate workflows and processes at live well operations in the completions segment of the oil and gas industry.

During the second quarter of 2021, Pason increased its minority investment in IWS and acquired a portion of outstanding common shares for total cash consideration of \$7,127. The Company's initial minority investment was made in 2019, and consisted of total consideration of \$25,000. The investment consisted of initial cash consideration of \$10,000 and \$15,000 payable in three separate \$5,000 put options, exercisable at IWS' discretion for a period of up to three years. The first \$5,000 put obligation was exercised in the third quarter of 2020, the second was exercised during the second quarter of 2021, and the third during the fourth quarter of 2021 to fund IWS' recent growth.

Total cash outflow associated with the Company's minority investment in IWS during the second quarter of 2022 was \$nil (second quarter of 2021 - \$12,127).

8. Obligation Under Put Option

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

9. Share Capital

Common shares

	Six Months Ended June 30, 2022		Year Ended December 31, 2021	
	(\$)	(#)	(\$)	(#)
Balance, beginning	162,567	82,194,051	164,568	83,088,941
Shares repurchased and cancelled under NCIB	(411)	(206,900)	(1,804)	(910,979)
Exercise of stock options	1,601	142,874	146	16,089
Liability for automatic share purchase plan ("APP") commitment pursuant to NCIB	(137)	—	(343)	—
Reversal of prior period liability for APP commitment pursuant to NCIB	343	—	—	—
Balance, ending	163,963	82,130,025	162,567	82,194,051

At June 30, 2022, the Company was authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

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

Common share dividends

For the three month period ended June 30, 2022, the Company declared and paid dividends of \$6,580 (second quarter of 2021: \$4,164) or \$0.08 per common share (second quarter of 2021: \$0.05).

For the six month period ended June 30, 2022, the Company declared and paid dividends of \$13,150 (second quarter of 2021: \$8,322) or \$0.16 per common share (second quarter of 2021: \$0.10).

Normal Course Issuer Bid ("NCIB")

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

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

For the three month period ended June 30, 2022, the Company repurchased 93,000 (second quarter of 2021 - 313,900) shares for cancellation for total cash consideration of \$1,498 (second quarter of 2021 - \$2,991).

For the six month period ended June 30, 2022, the Company repurchased 206,900 (2021 - 313,900) shares for cancellation for total cash consideration of \$2,862 (2021 - \$2,991). The total consideration is allocated between share capital and retained earnings.

10. Stock-Based Compensation

Stock option plan

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

	Six Months Ended June 30, 2022		Twelve Months Ended December 31, 2021	
	Share Options	Weighted Average Exercise Price	Share Options	Weighted Average Exercise Price
	(#)	(\$)	(#)	(\$)
Outstanding, beginning	3,324,759	14.67	4,277,601	15.96
Granted	—	—	599,373	10.63
Exercised	(142,874)	9.58	(16,089)	7.33
Expired or forfeited	(197,581)	18.00	(1,536,126)	17.34
Outstanding, ending	2,984,304	14.85	3,324,759	14.67
Exercisable, ending	1,888,151	17.75	2,147,030	17.28
Available for grant, ending	2,764,798		2,428,825	

Restricted share units plan

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

The outstanding RSUs can be summarized as follows:

	Six Months Ended	Twelve Months Ended
	June 30, 2022	December 31, 2021
	(#)	(#)
RSUs, beginning	1,144,628	1,111,190
Granted	—	535,113
Vested and paid	(1,500)	(411,915)
Forfeited	(74,281)	(89,760)
RSUs, ending	1,068,847	1,144,628

Deferred share units plan

DSUs are awarded annually to members of the Board of Directors and represent cash settled rights to share values based on the number of DSUs issued. Directors who are also members of management can elect to receive all or part of their short-term incentive payments in the form of DSUs. DSUs are credited evenly following the year in which they are awarded. DSUs vest and are paid upon the retirement of the Director.

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

	Six Months Ended	Twelve Months Ended
	June 30, 2022	December 31, 2021
	(#)	(#)
DSUs, beginning	264,231	252,363
Credited	55,065	81,498
Redeemed and paid	—	(69,630)
DSUs, ending	319,296	264,231

Performance share units plan

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

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

	Six Months Ended June 30, 2022	Twelve Months Ended December 31, 2021
	(#)	(#)
PSUs, beginning	2,385,124	2,332,028
Granted	—	995,943
Vested and paid	—	(942,847)
PSUs, ending	2,385,124	2,385,124

Stock-based compensation expense and liability

For the three month period ended June 30, 2022, the Company recorded \$2,514 of stock-based compensation expense for its equity and cash settled plans (second quarter of 2021: \$2,216). For the six month period ended June 30, 2022, the company recorded \$8,069 of stock-based compensation expense for its equity and cash settled plans (2021: \$4,818). As at June 30, 2022, the Company held \$7,501 in current stock-based compensation liability and \$9,650 in non-current stock-based compensation liability for its cash settled plans (as at December 31, 2021: \$2,647 and \$6,821, respectively).

11. Income Taxes

During the first quarter of 2019, the Company paid withholding tax owing to the Canada Revenue Agency (CRA) of \$15,304 as part of a Bilateral Advanced Pricing Arrangement (APA) entered into with the CRA and the IRS. As such, the Company recorded an amount under Income Tax Recoverable, which represented a corresponding amount owing from the IRS. During the three months ended March 31, 2022, the Company received final settlement on all principal amounts owing from the IRS in relation to the APA, in the amount of \$12.5 million.

12. Operating Segments

The Company reports on three strategic business units: The North American (Canada and the United States) and International (Latin America, including Mexico, Offshore, the Eastern Hemisphere, and the Middle East) business units, all of which offer technology services to the oil and gas industry, and the Solar and Energy Storage business unit, which provides technology services to solar and energy storage developers. The following tables represent a disaggregation of revenue from contracts with customers along with the reportable segment for each category:

Three Months Ended June 30, 2022	North America	International	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)
Revenue				
Drilling Data	32,660	7,357	—	40,017
Mud Management and Safety	18,068	2,597	—	20,665
Communications	3,457	502	—	3,959
Drilling Intelligence	4,107	353	—	4,460
Analytics and Other	1,345	1,502	1,660	4,507
Total Revenue	59,637	12,311	1,660	73,608
Rental services and local administration	20,507	6,244	2,431	29,182
Depreciation and amortization	4,001	690	5	4,696
Segment gross profit (loss)	35,129	5,377	(776)	39,730
Research and development				9,294
Corporate services				3,951
Stock-based compensation				2,514
Other income				(1,210)
Income tax provision				7,189
Net income				17,992
Net income attributable to Pason				18,540
Capital expenditures	6,942	209	—	7,151
As at June 30, 2022				
Property plant and equipment	72,005	8,894	857	81,756
Intangible assets	4,095	—	2,374	6,469
Goodwill	7,353	2,600	21,860	31,813
Segment assets	325,250	57,222	27,837	410,309
Segment liabilities	66,305	5,050	7,611	78,966

Three Months Ended June 30, 2021	North America	International	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)
Revenue				
Drilling Data	18,957	4,742	—	23,699
Mud Management and Safety	10,428	1,724	—	12,152
Communications	1,939	355	—	2,294
Drilling Intelligence	2,342	247	—	2,589
Analytics and Other	1,262	741	856	2,859
Total Revenue	34,928	7,809	856	43,593
Rental services and local administration	14,036	4,512	1,303	19,851
Depreciation and amortization	5,640	511	5	6,156
Segment gross profit (loss)	15,252	2,786	(452)	17,586
Research and development				7,849
Corporate services				2,913
Stock-based compensation				2,216
Other income				(2,274)
Income tax provision				2,002
Net income				4,880
Net income attributable to Pason				5,307
Capital expenditures	3,952	568	—	4,520
As at June 30, 2021				
Property plant and equipment	77,787	9,779	95	87,661
Intangible assets	6,413	—	3,312	9,725
Goodwill	8,332	2,600	21,026	31,958
Segment assets	279,112	49,732	25,212	354,106
Segment liabilities	51,208	5,346	1,468	58,022
Six Months Ended June 30, 2022	North America	International	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)
Revenue				
Drilling Data	65,686	13,944	—	79,630
Mud Management and Safety	35,945	4,927	—	40,872
Communications	7,458	981	—	8,439
Drilling Intelligence	9,802	660	—	10,462
Analytics and Other	2,746	2,490	3,437	8,673
Total Revenue	121,637	23,002	3,437	148,076
Rental services and local administration	40,818	11,907	4,747	57,472
Depreciation and amortization	9,850	1,150	10	11,010
Segment gross profit (loss)	70,969	9,945	(1,320)	79,594
Research and development				18,138
Corporate services				7,439
Stock-based compensation				8,069
Other income				(2,563)
Income tax provision				12,518
Net income				35,993
Net income attributable to Pason				37,113
Capital expenditures	10,699	916	—	11,615

Six Months Ended June 30, 2021	North America	International	Solar and Energy Storage	Total
	(\$)	(\$)	(\$)	(\$)
Revenue				
Drilling Data	37,341	9,091	—	46,432
Mud Management and Safety	20,424	3,239	—	23,663
Communications	4,188	621	—	4,809
Drilling Intelligence	5,151	455	—	5,606
Analytics and Other	2,403	1,467	1,768	5,638
Total Revenue	69,507	14,873	1,768	86,148
Rental services and local administration	27,956	8,152	2,651	38,759
Depreciation and amortization	12,630	1,347	10	13,987
Segment gross profit (loss)	28,921	5,374	(893)	33,402
Research and development				14,965
Corporate services				5,945
Stock-based compensation				4,818
Other income				(4,456)
Income tax provision				3,259
Net income				8,871
Net income attributable to Pason				9,622
Capital expenditures	5,801	568	—	6,369

13. Other Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(\$)	(\$)	(\$)	(\$)
Foreign exchange (gain) loss	(1,054)	725	(651)	1,173
Net interest income	(718)	(270)	(1,231)	(278)
Government wage assistance	—	(2,966)	—	(5,890)
Equity loss	220	194	692	523
Net monetary loss (gain)	268	(11)	67	(60)
Other expenses (income)	74	54	(1,440)	76
Total other income	(1,210)	(2,274)	(2,563)	(4,456)

Net interest income is primarily comprised of interest generated from the Company's invested cash and cash equivalents.

The Company did not recognize any government wage assistance in 2022 as the program was terminated in October 2021. During the three and six months ended June 30, 2021, Pason participated in the Canada Emergency Wage Subsidy ("CEWS") program.

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

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

Other (income) expenses for the six months ended June 30, 2022 is primarily comprised of proceeds received on a bankruptcy settlement of a former lessee.

14. Income Per Share

Basic income per share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(#)	(#)	(#)	(#)
Issued common shares outstanding, beginning	82,195,141	83,088,941	82,194,051	83,088,941
Effect of NCIB and exercised options	(34,840)	(78,475)	(49,843)	(44,843)
Weighted average number of common shares (basic)	82,160,301	83,010,466	82,144,208	83,044,098

Diluted income per share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(#)	(#)	(#)	(#)
Weighted average number of common shares (basic)	82,160,301	83,010,466	82,144,208	83,044,098
Effect of share options	824,271	123,554	740,875	121,132
Weighted average number of common shares (diluted)	82,984,572	83,134,020	82,885,083	83,165,230

For the periods ended June 30, 2022, 1,520,053 (2021 - 2,827,695) options are excluded from the above calculation as their effect would have been anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices during the period.

15. Approval of Financial Statements

These unaudited Condensed Consolidated Interim Financial Statements were approved by the Board of Directors on August 10, 2022.

16. Events After the Reporting Period

On August 10, 2022, the Company declared a quarterly dividend of \$0.08 per share on the Company's common shares. The dividend will be paid on September 29, 2022, to shareholders of record at the close of business on September 15, 2022.