Press Release

Pason Reports Third Quarter 2013 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (November 4, 2013) – Pason Systems Inc. (PSI.TO) announced today its 2013 third quarter results.

Performance Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012 (reclassified) (restated)	Change	**2013**	2012 (reclassified) (restated)	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue (1)	**104,016**	96,262	8	**295,670**	295,519	—
EBITDA (2)	**50,131**	47,665	5	**82,104**	143,467	(43)
As a % of revenue	**48.2**	49.5	(3)	**27.8**	48.5	(43)
Per share – basic	**0.61**	0.58	5	**1.00**	1.75	(43)
Per share – diluted	**0.60**	0.58	3	**1.00**	1.74	(43)
Cash flow from operating activities (2)	**39,837**	41,854	(5)	**137,267**	134,963	2
Per share – basic	**0.49**	0.51	(4)	**1.67**	1.65	1
Per share – diluted	**0.48**	0.51	(6)	**1.67**	1.64	2
Earnings (loss) (3)	**9,135**	17,742	(49)	**(633)**	53,587	—
Per share – basic	**0.11**	0.22	(50)	**(0.01)**	0.65	—
Per share – diluted	**0.11**	0.21	(48)	**(0.01)**	0.65	—
Capital expenditures	**22,402**	16,983	32	**50,384**	55,778	(10)
Working capital (3)	**120,346**	165,486	(27)	**120,346**	165,486	(27)
Total assets	**555,869**	480,637	16	**555,869**	480,637	16
Total long-term debt	**—**	—	—	**—**	—	—
Total equity	**343,950**	398,851	(14)	**343,950**	398,851	(14)
Market capitalization	**1,865,218**	1,345,702	39	**1,865,218**	1,345,702	39
Cash dividends declared (4)	**0.13**	—	—	**0.39**	0.22	77
Common shares outstanding (#)						
Basic	**82,122**	81,985	—	**82,087**	81,948	—
Diluted	**83,269**	82,757	1	**82,087**	82,500	(1)
Shares outstanding end of period (#)	**82,132**	82,005	—	**82,132**	82,005	—

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly. This change has no impact on reported EBITDA, cash flow from operating activities, or earnings.

(2) EBITDA is defined as earnings before interest expense, income taxes, stock-based compensation expense, and depreciation and amortization expense. Cash flow from operating activities is defined as earnings adjusted for depreciation and amortization expense, impairment losses, stock-based compensation expense, deferred income taxes, and other non-cash items impacting operations and changes in non-cash items as presented in the Consolidated Statements of Cash Flows. These definitions are not recognized measures under International Financial Reporting Standards, and accordingly, may not be comparable to measures used by other companies. These Non-GAAP measures provide readers with additional information regarding the Company's ability to generate funds to finance its operations, research and development, and capital expenditure program.

(3) Earnings for the three months ended September 30, 2012, have been restated to correct a $1,600 non-cash error relating to stock-based compensation expense. The 2012 year-to-date correction was $3,700. Per share amounts have been adjusted accordingly.

(4) The Company changed its dividend policy whereby, effective for 2013, the Company adopted a quarterly dividend to replace the semi-annual dividend.

President's Message

Pason demonstrated robust operational performance during the third quarter, despite continued declines in drilling activity in North America. Drilling days in the United States were 8% lower in the third quarter of 2013 than in the third quarter of the previous year. In Canada, drilling days were up 1% for the period. As in previous periods, activity in international markets was higher than a year ago, but the picture there varied widely between countries.

Total revenue increased 8% to $104.0 million, an all-time high for the third quarter. As in previous quarters, all of Pason's major product categories generated revenue growth above drilling industry activity, with the exception of the Hazardous Gas Alarm and AutoDriller. The Communications segment demonstrated the highest year-over-year growth rate, at 35%, followed by the Gas Analyzer segment at 16%.

EBITDA for the third quarter was up 5% to $50.1 million, while cash flow from operating activities was down 5% to $39.8 million due to an increase in working capital for the quarter.

The Company recorded a net profit of $9.1 million, or $0.11 per share, compared to earnings of $17.7 million, or $0.22 per share, in the third quarter of 2012. This year's third quarter results, when compared to 2012 figures, were impacted by the following items:

- Stock-based compensation expense increased by $10.3 million due to a significant increase in the Company's stock price;
- The 2009 purchase of Petron contained an earn-out clause that was conditional on the successful commercialization of a revenue stream based on a technology developed by Petron. Pason and the former shareholders of Petron agreed to an amount of $3.1 million;
- R&D and Corporate service costs increased by $2.2 million as the Company hired additional staff to support product development and business development initiatives;
- Income taxes were higher by $2.2 million, given that the effective tax rate for the quarter was significantly higher than the statutory rate of 25% due to a number of factors, including non-deductible accounting expenses (primarily stock-based compensation expense).

Capital expenditures for the third quarter were $22.4 million, up from $17.0 million the previous year, as deployment of new hardware - including Pason Rig Display (a ruggedized Touch Screen Computer) and components of the EDR evolution- ramped up.

On September 30, our cash position stood at $198.1 million. The payment of US$112.0 million, announced on August 2nd, required to resolve all claims against Pason regarding the infringement lawsuits relating to our AutoDriller, will be made during the fourth quarter. There is no debt on the balance sheet.

We are increasing our quarterly dividend by 8% to $0.14 per share.

United States

The US segment, our largest business unit, includes our US rental business and 3PS Inc., our Austin-based equipment manufacturer.

Drilling activity in the United States continued its downward trend. Activity in the key oil plays, including Bakken, Permian and Eagle Ford remained robust, but there has been a pullback in conventional oil activity.

While industry days were down 8% in the third quarter of 2013 compared to third quarter of 2012, revenue was up 7% to $60.2 million. On average, 964 US land rigs were operating Pason equipment during the third quarter of 2013, compared to 1,019 in the same period of 2012. Revenue growth above industry day growth was achieved through higher product penetration and a change to the Communications pricing model.

Average daily revenue per rig increased by 7%, from US$573 in the third quarter of 2012 to US$615 in 2013. Communications and Gas Analyzer showed above average growth rates during the period. EDR market share for the third quarter of 2013 was 57%, unchanged from the previous quarter and up 2% from the same period in 2012.

Revenue for 3PS for the quarter was $4.9 million and EBITDA was $0.5 million.

Overall, operating costs in the US segment increased by 6% due to the purchase of additional satellite bandwidth (which is treated as an operating expense), and depreciation and amortization decreased by 12%. As a result, our US business unit was able to generate an operating profit of $30.5 million in the third quarter, an increase of 13% over 2012.

Canada

Drilling activity in Canada was slightly higher in the third quarter of 2013 than in the previous year, with industry days up 1%. Unfavourable weather and hesitance by producers to commit additional capital spending limited activity during the period. Our Canadian business unit was able to modestly grow market share and increase product penetration. Revenue for the third quarter was up 6% to $32.3 million. On average, 309 Canadian land rigs were operating Pason equipment compared to 299 the year before. EDR market share in the third quarter of 2013 was 93% compared to 91% the previous year and 87% the previous quarter.

Average daily revenue per rig increased by 3% from $1,088 in the third quarter of 2012 to $1,123 in 2013. EDR (including Workstations and Sidekicks), Communications, and Gas Analyzer showed above average growth rates during the period.

Operating costs were up by 10% due to the purchase of additional satellite bandwidth, and depreciation and amortization decreased by 3%. As a result, our Canadian business unit was able to generate an operating profit of $15.9 million for the third quarter, compared to $14.6 million for the same period in 2012.

International

Our International business unit, which includes our businesses in Latin America, Australia, and Offshore & Eastern Hemisphere, had a good quarter. Revenue increased by 21% to $11.5 million for the third quarter 2013 compared to the third quarter 2012. Revenue was up 12% from the previous quarter.

Strong revenue growth in Australia, Argentina and Offshore & Eastern Hemisphere was partially offset by continued industry weakness in Brazil and Mexico.

Operating costs were up 22% and depreciation and amortization were down 14%. The increase in operating costs was driven primarily by higher importation costs as we delivered additional equipment to certain markets. As a result, the International business unit was able to generate a quarterly operating profit of $2.5 million, up 67% the previous year and up 127% from the previous quarter.

Outlook

Beyond the seasonal increase in Canadian drilling activity in the winter drilling season, we expect to see an increase in capital spending by the larger producers in 2014, and a gradual increase in natural gas directed drilling in Northeastern British Columbia related to West Coast LNG projects. In the United States, we expect modest activity increases primarily from higher natural gas activity going forward. Internationally, we anticipate robust but uneven growth across countries and regions.

In 2014, we anticipate that some of the new products and product enhancements, both on the hardware and software sides, will start gaining traction in the North American market. We also expect continued growth in the Offshore & frontier segment where Pason equipment is already deployed on about 30 drilling rigs.

Our capital expenditure budget for the next 12 months is $96 million, $61 million of which is directed towards new hardware that can generate incremental revenue or save operating costs, $21 million for maintenance capital, and $14 million for capitalized R&D.

Our cash-generating capacity and our cash position are more than sufficient to cover new business development, planned equipment upgrades and the dividend.

Marcel Kessler
President and Chief Executive Officer
November 4, 2013

Management's Discussion and Analysis

The following discussion and analysis has been prepared by management as of November 4, 2013, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements and accompanying notes.

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

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

Overview of the 2013 Third Quarter

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012 (reclassified) (restated)	2011 (reclassified)	**2013**	2012 (reclassified) (restated)	2011 (reclassified)
(000s, except per share data)	($)	($)	($)	($)	($)	($)
Revenue (1)	**104,016**	96,262	91,461	**295,670**	295,519	245,225
EBITDA (2)	**50,131**	47,665	53,162	**82,104**	143,467	123,741
As a % of revenue	**48.2**	49.5	58.1	**27.8**	48.5	50.5
Per share – basic	**0.61**	0.58	0.65	**1.00**	1.75	1.51
Per share – diluted	**0.60**	0.58	0.64	**1.00**	1.74	1.50
Cash flow from operating activities (2)	**39,837**	41,854	30,292	**137,267**	134,963	89,878
Per share – basic	**0.49**	0.51	0.37	**1.67**	1.65	1.10
Per share – diluted	**0.48**	0.51	0.37	**1.67**	1.64	1.09
Earnings (loss) (3)	**9,135**	17,742	28,547	**(633)**	53,587	54,521
Per share – basic	**0.11**	0.22	0.35	**(0.01)**	0.65	0.67
Per share – diluted	**0.11**	0.21	0.35	**(0.01)**	0.65	0.66
Total assets	**555,869**	480,637	435,783	**555,869**	480,637	435,783
Total long-term debt	**—**	—	—	**—**	—	—

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly. This change has no impact on reported EBITDA, cash flow from operating activities, or earnings.

(2) EBITDA is defined as earnings before interest expense, income taxes, stock-based compensation expense, and depreciation and amortization expense. Cash flow from operating activities is defined as earnings adjusted for depreciation and amortization expense, impairment losses, stock-based compensation expense, deferred income taxes, and other non-cash items impacting operations and changes in non-cash items as presented in the Consolidated Statements of Cash Flows. These definitions are not recognized measures under International Financial Reporting Standards, and accordingly, may not be comparable to measures used by other companies. These Non-GAAP measures provide readers with additional information regarding the Company's ability to generate funds to finance its operations, research and development, and capital expenditure program.

(3) Earnings for the three months ended September 30, 2012, have been restated to correct a $1,600 non-cash error relating to stock-based compensation expense. The 2012 year-to-date correction was $3,700. Per share amounts have been adjusted accordingly.

Overall Performance

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012 (reclassified)	Change	**2013**	2012 (reclassified)	Change
(000s)	($)	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder (1)	**42,770**	39,626	8	**121,858**	121,159	1
Pit Volume Totalizer	**15,624**	14,623	7	**44,658**	45,120	(1)
Communications (1)	**10,478**	7,764	35	**29,233**	24,694	18
Software	**6,457**	6,271	3	**18,587**	18,728	(1)
AutoDriller	**9,698**	9,935	(2)	**27,549**	30,989	(11)
Gas Analyzer/Total Gas System	**8,267**	7,117	16	**22,916**	20,406	12
Hazardous Gas Alarm System	**1,240**	1,781	(30)	**3,934**	5,413	(27)
Mobilization	**2,946**	3,180	(7)	**8,395**	9,167	(8)
Other	**6,536**	5,965	10	**18,540**	19,843	(7)
Total revenue	**104,016**	96,262	8	**295,670**	295,519	—

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly.

Change in Accounting Classification

In the fourth quarter of 2012, the Company changed the way it records expenses associated with data transmission costs. Previously, the Company recorded these costs as a reduction in revenue. Effective for 2012, these costs have been reclassified to rental services expense. This change, which does not impact EBITDA or net income, was applied retroactively, with all comparative figures being restated accordingly. All revenue and operating cost figures, as well as key metrics based upon revenue, in the following Management Discussion and Analysis, have been calculated based upon this new presentation.

The impact of this reclassification on the 2012 comparative figures presented above is as follows:

Three Months Ended September 30, 2012	**Reported**	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder (1)	**39,626**	36,852	2,774
Communications (1)	**7,764**	7,357	407
Total revenue	**96,262**	93,081	3,181

Nine Months Ended September 30, 2012	**Reported**	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder (1)	**121,159**	112,716	8,443
Communications (1)	**24,694**	23,406	1,288
Total revenue	**295,519**	285,788	9,731

EDR and PVT rental day performance for Canada and the United States is reported below:

Canada

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2013	2012	Change	**2013**	2012	Change
			(%)			(%)
EDR rental days (#)	**28,400**	27,500	3	**83,000**	87,400	(5)
PVT rental days (#)	**28,000**	27,300	3	**81,400**	86,300	(6)

United States

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2013	2012	Change	**2013**	2012	Change
			(%)			(%)
EDR rental days (#)	**88,700**	93,700	(5)	**262,800**	292,700	(10)
PVT rental days (#)	**68,100**	66,800	2	**197,000**	205,700	(4)

Electronic Drilling Recorder

The Pason Electronic Drilling Recorder (EDR) remains the Company's primary product. The EDR provides a complete system of drilling data acquisition, data networking, and drilling management tools and reports at both the wellsite and customer offices. The EDR is the base product from which all other wellsite instrumentation products are linked. By linking these products, a number of otherwise redundant elements such as data processing, display, storage, and networking are eliminated. This ensures greater reliability and a more robust system of instrumentation for the customer. Revenue generated from the EDR increased 8% for the third quarter of 2013 compared to the same period in 2012 and on a year-to-date basis revenue was up 1%. This increase is attributable to continued growth in demand for EDR peripheral devices in all of the Company's major markets, an increase in US market share over the third quarter of 2012 (57% vs 55%), a similar increase in the Canadian market share (93% vs 91%), a strengthening US dollar relative to the Canadian dollar, and new revenue in frontier markets. These factors were offset by a drop in rig activity in the US market (third quarter and year-to-date) while third quarter Canadian rig activity was relatively flat year-over-year, but down 6% on a year-to-date basis. Canadian EDR days were up 3% in the three months ended September 2013, while US EDR days dropped by 5%. On a year-to-date basis, EDR days dropped 5% in Canada and 10% in the US.

During the first nine months of 2013, the Pason EDR was installed on 95% of all active land rigs in Canada and 57% of the land rigs in the US.

Pit Volume Totalizer

The Pit Volume Totalizer (PVT) is Pason's proprietary solution for the detection and early warning of “kicks” that are caused by hydrocarbons entering the wellbore under high pressure and expanding as they migrate to the surface. PVT revenue for the quarter was impacted by an increase in product penetration in the US market and the foreign exchange fluctuation, offset by the change in rig activity previously described above. During the first nine months of 2013, the PVT was installed on 98% of rigs with a Pason EDR in Canada and 75% in the US, compared to 99% and 70%, respectively, in 2012.

Communications

Pason's Communications rental revenue is derived from the Company's automatic aiming satellite system. This system provides high-speed wellsite communications for email and web application management tools. Pason displays all data in standard forms on its DataHub web application, although if customers require greater analysis or desire to have the information transferred to another supplier's database, data is available for export from the Pason DataHub using WITSML (a specification for transferring data among oilfield service companies, drilling contractors, and operators). The Company continues to complement its satellite equipment with High Speed Packet Access (HSPA), a high-speed wireless ground system that requires lower capital cost, less service, and lower cost per Internet kilobyte, benefiting company margins. In Canada, HSPA has been installed on all rigs, and the majority of the rigs running will benefit from the investment in HSPA given the growth in cellular coverage. In the US, field coverage tests for HSPA are continuing with positive results. In addition, the US business unit increased its revenue as a result of a shift in the pricing model for communication services.

Software

The Pason DataHub is the Company's 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 a number of innovative applications or services including:

- Live Rig View (LRV), which provides advanced data viewing, directional drilling, and 3D visualization of drilling data in real time via a web browser.
- Mobile Viewer and Mobile, which allow users to access their data on mobile devices including iPhone, iPad, BlackBerry, and Android.
- WITSML, which provides seamless data sharing with third-party applications enhancing the value of data hosted by Pason.
- Additional specialized software.

During the first nine months of 2013, 97% of the Company's Canadian customers and 90% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 98% and 86%, respectively, in 2012.

Gas Analyzer and Total Gas System

The Pason Gas Analyzer, which has replaced the Total Gas System (TGAS) in the Canadian and US markets, measures the total hydrocarbon gases (C1 through C4) exiting the wellbore, and then calculates the lag time to show the formation depth where the gases were produced. The Gas Analyzer increases the functionality that was found in the TGAS product to include the actual 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 Company continues to realize increased product penetration for this product. For 2013, the Gas Analyzer was installed on 55% of Canadian and 23% of US land rigs operating with a Pason EDR system. The penetration in Canada is an increase of approximately 4% in market share over 2012 levels while the US has seen an increase of 7%. The roll out of the Gas Analyzer in the International markets continues with anticipated completion in most of the major markets by the end of 2013.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During the first nine months of 2013, the AutoDriller was installed on 73% of Canadian and 46% of US land rigs operating with a Pason EDR system, compared to 78% and 49%, respectively, in 2012. Pason's market share for this particular product has declined from previous levels due to the introduction and advancement of integrated drilling rigs.

Hazardous Gas Alarm System

The Pason Hazardous Gas Alarm System (HGAS) monitors lower explosive limit (LEL) gases and H_2S gases and displays the readings on the EDR. If a hazardous rig atmosphere is detected, the system reacts immediately, sounding an alarm and flashing a strobe light. Early in 2013, the Company identified a sensor on the H_2S product, a part of the HGAS system, which was not performing to the manufacturer's standards. As a result, the Company suspended the functionality of this portion of the HGAS while it investigates a solution to the problem. The Company initiated field trials with a new technology in the third quarter of 2013 and while results showed improvements in performance the Company continues to research alternatives.

Discussion of Operations

United States Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012 (reclassified)	Change	**2013**	2012 (reclassified)	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder (1)	**25,620**	24,434	5	**73,427**	75,264	(2)
Pit Volume Totalizer	**8,836**	8,312	6	**25,204**	25,774	(2)
Communications (1)	**5,645**	3,523	60	**15,451**	11,255	37
Software	**4,442**	4,309	3	**12,878**	12,666	2
AutoDriller	**5,212**	5,791	(10)	**15,343**	18,149	(15)
Gas Analyzer/Total Gas System	**3,479**	2,957	18	**9,824**	8,645	14
Hazardous Gas Alarm System	**525**	810	(35)	**1,666**	2,369	(30)
Mobilization	**2,233**	2,334	(4)	**6,387**	6,934	(8)
Other	**4,234**	3,928	8	**12,018**	12,989	(7)
Total revenue	**60,226**	56,398	7	**172,198**	174,045	(1)
Operating costs	**22,268**	20,922	6	**67,036**	67,738	(1)
Depreciation and amortization	**7,480**	8,469	(12)	**22,145**	24,668	(10)
Segment operating profit	**30,478**	27,007	13	**83,017**	81,639	2

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly.

The impact of the accounting reclassification of data transmission costs from revenue to operating costs previously discussed had the following impact on the 2012 comparative figures presented above:

Three Months Ended September 30, 2012	**Reported**	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder (1)	**24,434**	22,800	1,634
Communications (1)	**3,523**	3,402	121
Total revenue	**56,398**	54,643	1,755
Operating costs	**20,922**	19,167	1,755
Revenue per EDR day	**570**	551	19
Revenue per Industry day	**316**	305	11

Nine Months Ended September 30, 2012	**Reported**	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder (1)	**75,264**	70,440	4,824
Communications (1)	**11,255**	10,883	372
Total revenue	**174,045**	168,849	5,196
Operating costs	**67,738**	62,542	5,196
Revenue per EDR day	**560**	542	18
Revenue per Industry day	**316**	306	10

US segment revenue increased by 7% in the third quarter of 2013 over the 2012 comparable period (5% increase when measured in USD), while revenue from the rental of instrumentation equipment increased 6% for the quarter (USD 2%).

For the first nine months of 2013, US segment revenue decreased by 1% (USD 3%) over the previous year.

The number of US drilling days decreased approximately 8% in the third quarter of 2013 versus the third quarter of 2012 due to a pullback in drilling for both natural gas and oil. However, revenue from the rental of instrumentation compared favorably to the drop in activity, with an increase of 6% (USD 2%) over 2012 levels.

Year-to-date drilling days decreased 11% over 2012 levels while rental revenue continued to hold up well against the drop in activity with only a modest decrease of 1% (USD 3%).

Revenue was impacted by the following factors:

- More products on each rig, new product adoption and a favorable exchange rate. Revenue increased as a result of a shift in the business units pricing model for communications service, additional product penetration, primarily with gains in EDR peripheral devices (Workstations and SideKicks), increased PVT market share, customer acceptance of the Company's Live Rig View (LRV) real-time data software, and an increase in the adoption of the Gas Analyzer. These factors combined resulted in an increase in revenue per EDR day in the third quarter of 2013 over 2012 levels of $68 (USD $42).

- A decrease in EDR rental days of 5% for the three months ended September 30, 2013, over the same time period in 2012, and a decrease of 10% for the first nine months of 2013 over 2012 levels.

The factors explained above resulted in the US segment being able to realize revenue per EDR day during the third quarter of 2013 of $638 (USD $615) compared to $570 (USD $573) during the same time period in 2012. For the first nine months, revenue per EDR day increase by $57 (USD $45) to $617 (USD $603) over 2012 amounts.

Revenue per industry day for the third quarter of the year was $365 (USD $351) compared to $316 (USD $317) in 2012. On a year-to-date basis this metric increased by $36 (USD $28) to $352 (USD $344).

US market share was 57% during the first nine months of 2013, a slight increase from the same level as the corresponding period in 2012.

Segment profit, as a percentage of revenue, was 51% for the third quarter of 2013 compared to 48% for the corresponding period in 2012.

The 2013 third quarter and year-to-date segment profit percentage was impacted by the following factors:

- An increase in communication-related expenses due to the US business unit implementing a more robust level of service to its customers. The business unit revised its pricing structure to reflect this increased level of performance.

- Field technician-related costs in the third quarter of 2013 compared to 2012 increased due to an increase in employee benefit related expenses (mostly health care claims) reduced by a drop in field parts, repairs costs, and other consumables due to the change in rig activity.

- Third quarter 2013 depreciation and amortization expense was down compared to the same period in 2012 due to the following:

- the Company began to accelerate the depreciation on its TGAS system in 2012 to recognize the fact that it was being replaced by the Gas Analyzer. The TGAS systems are now fully depreciated, resulting in a drop in depreciation expense.

- in the first quarter of 2012, the Company began to accelerate the depreciation on a portion of its base EDR system, which will become obsolete as a result of the EDR evolution project. Later in 2012, the Company re-evaluated the assumption of when the equipment being replaced will become obsolete and reduced the amount of accelerated depreciation being recorded.

- the above reductions were offset by an increase in depreciation on the Gas Analyzer system and upgrades to its communication infrastructure to accommodate increased functionality.

Canadian Operations

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2013	2012 (reclassified)	Change	**2013**	2012 (reclassified)	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder [(1)]	**12,326**	11,279	9	**35,322**	34,768	2
Pit Volume Totalizer	**4,983**	4,782	4	**14,363**	14,992	(4)
Communications [(1)]	**4,409**	4,122	7	**12,652**	13,015	(3)
Software	**1,899**	1,839	3	**5,402**	5,724	(6)
AutoDriller	**3,232**	3,260	(1)	**9,047**	10,132	(11)
Gas Analyzer/Total Gas System	**3,593**	3,169	13	**9,705**	8,946	8
Hazardous Gas Alarm System	**326**	545	(40)	**1,143**	1,834	(38)
Mobilization	**114**	154	(26)	**355**	460	(23)
Other	**1,371**	1,193	15	**3,780**	3,828	(1)
Total revenue	**32,253**	30,343	6	**91,769**	93,699	(2)
Operating costs	**9,383**	8,518	10	**26,888**	27,433	(2)
Depreciation and amortization	**6,995**	7,245	(3)	**18,331**	20,718	(12)
Segment operating profit	**15,875**	14,580	9	**46,550**	45,548	2

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly.

The impact of the accounting reclassification of data transmission costs from revenue to operating costs previously discussed had the following impact on the 2012 comparative figures presented above:

Three Months Ended September 30, 2012	Reported	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder [1]	**11,279**	10,247	1,032
Communications [1]	**4,122**	3,836	286
Total revenue	**30,343**	29,025	1,318
Operating costs	**8,518**	7,200	1,318
Revenue per EDR day	**1,088**	1,040	48
Revenue per Industry day	**984**	948	36

Nine Months Ended September 30, 2012	Reported	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder [1]	**34,768**	31,362	3,406
Communications [1]	**13,015**	12,099	916
Total revenue	**93,699**	89,377	4,322
Operating costs	**27,433**	23,111	4,322
Revenue per EDR day	**1,058**	1,009	49
Revenue per Industry day	**987**	943	44

Canadian segment revenue increased 6% for the three months ended September 30, 2013, compared to the same period in 2012. This increase is a result of a 1% increase in the number of drilling industry days from 2012 levels, combined with increased product penetration in a number of different products and an increase in market share to 93% vs 91% in 2012. On a year-to-date basis, revenue decreased by 2%, compared to the first nine months of 2012.

EDR rental days increased 3% in the third quarter of 2013 over 2012 levels. The decrease in EDR rental days for the first nine months of 2013 was 5%, compared to a decrease in industry days of 6%.

Canadian market share was 95% during the first nine months of 2013, compared to 94% in the corresponding period in 2012.

The Canadian business unit was able to increase its revenue over and above the change in industry activity in the third quarter mostly through increased product adoption, notably EDR peripherals including SideKicks and Workstations. In addition, the business unit continued to gain market acceptance of the Gas Analyzer. These factors combined to lessen the impact of the drop in AutoDriller revenue and Hazardous Gas Alarm System described previously.

The factors above combined to result in:

- An increase in revenue per EDR day during the third quarter of 2013 compared to 2012 of 3% ($35) to $1,123. For the first nine months of 2013, revenue per EDR increased by $35 to $1,093.

- Third quarter revenue per industry day of $1,041 in 2013 compared to $984 in 2012. This metric for the first nine months of 2013 was $1,034, an increase of 5% over the similar period in 2012.

The segment profit for the third quarter of 2013 of $15.9 million is up $1.3 million over the 2012 amount. Factors impacting the third quarter results include:

- Third quarter activity levels in Canada were modestly stronger year-over-year, although unfavorable weather (flooding in Southern Alberta and wet conditions in Northern Alberta and Northeast British Columbia) impacted drilling activity in the Western Canadian Sedimentary Basin (WCSB).

- Third quarter operating expenses include an increase in satellite bandwidth costs as an additional segment was added to improve the customer experience at the rig. These costs should drop slightly going forward as a portion of the bandwidth considered to be redundant is returned to the supplier.

- A decrease in depreciation and amortization expense due to:

    - the replaced TGAS being fully depreciated, resulting in a decline in the expense, combined with a drop in the acceleration of depreciation on a portion of its base EDR system,

    - the above reductions in depreciation and amortization expense were offset by an increase in depreciation costs relating to the Gas Analyzer, increased costs relating to the amortization of capitalized research and development (R&D) costs (as a result of the deployment of new software applications), and the write-off of previously capitalized R&D costs.

The segment profit, as a percent of revenue, was 49% for the third quarter of 2013, compared to 48% for the 2012 time period. Factors impacting the year-to-date results include weakness in drilling activity in the first half of 2013, which led to a decrease in industry days of 5,900 for the nine months ended, with a corresponding decrease in EDR rental days of 4,400, combined with similar cost factors that impacted the third quarter results, described above.

International Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012 (reclassified)	Change	**2013**	2012 (reclassified)	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder (1)	**4,824**	3,913	23	**13,109**	11,127	18
Pit Volume Totalizer	**1,805**	1,529	18	**5,091**	4,354	17
Communications (1)	**424**	119	256	**1,130**	424	167
Software	**116**	123	(6)	**307**	338	(9)
AutoDriller	**1,254**	884	42	**3,159**	2,708	17
Gas Analyzer/Total Gas System	**1,195**	991	21	**3,387**	2,815	20
Hazardous Gas Alarm System	**389**	426	(9)	**1,125**	1,210	(7)
Mobilization	**599**	692	(13)	**1,653**	1,773	(7)
Other	**931**	844	10	**2,742**	3,026	(9)
Total revenue	**11,537**	9,521	21	**31,703**	27,775	14
Operating costs	**7,179**	5,879	22	**20,987**	16,921	24
Depreciation and amortization	**1,844**	2,138	(14)	**5,183**	6,350	(18)
Segment operating profit	**2,514**	1,504	67	**5,533**	4,504	23

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly.

The impact of the accounting reclassification of data transmission costs from revenue to operating costs previously discussed had the following impact on the 2012 comparative figures presented above:

Three Months Ended September 30, 2012	Reported	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder [(1)]	**3,913**	3,805	108
Communications [(1)]	**119**	119	—
Total revenue	**9,521**	9,413	108
Operating costs	**5,879**	5,771	108
Nine Months Ended September 30, 2012	**Reported**	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder [(1)]	**11,127**	10,914	213
Communications [(1)]	**424**	424	—
Total revenue	**27,775**	27,562	213
Operating costs	**16,921**	16,708	213

Revenue in the International operations increased 21% in the third quarter of 2013 from the same period in 2012. Year-to-date revenue increased 14%.

Operating profit is up by $1.0 million for the third quarter of 2013 over 2012 results. Operating profit for the first nine months of 2013 is up 23% over the similar period in 2012.

A number of factors influenced these results:

- In Latin America, increased activity in Argentina and the Andean region offset continued market weakness in Brazil and Mexico. Revenue was up almost 7% over the similar period in 2012.

- Australia revenue increased almost 60% from 2012 levels as drilling activity continues to increase across the region, translating to a doubling of operating profit.

- Company continues to increase its customer base in areas the Company has identified as "frontier markets", including the Middle East and North Africa (MENA) regions. These new markets, combined with increases in market share in the Gulf of Mexico, resulted in an increase in year-to-date revenue of 45% over 2012 levels.

- Operating costs increased due to importation-related expenses in getting additional equipment into certain markets and one time administrative costs.

Consolidated Results

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012 (restated)	Change	**2013**	2012 (restated)	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Other expenses						
Research and development	**6,557**	5,381	22	**20,432**	15,434	32
Corporate services	**4,414**	3,435	29	**13,054**	11,397	15
Stock-based compensation (1)	**15,746**	5,391	192	**26,367**	16,554	59
Other						
Litigation provision	**—**	—	—	**61,614**	5,413	1,038
Foreign exchange loss (gain)	**629**	1,528	(59)	**(622)**	4,563	—
Earn-out provision	**3,071**	—	—	**3,071**	—	—
Impairment loss	**—**	2,636	(100)	**—**	2,636	(100)
Other	**384**	298	29	**1,106**	517	114
	30,801	18,669	65	**125,022**	56,514	121

(1) During the year ended December 31, 2012, the Company identified a non-cash accounting error related to stock-based compensation being understated. Three months ended September 30, 2012 has been restated by $1,600 and 2012 year-to-date has been restated by $3,700.

Q3 2013 versus Q3 2012

The active rig count in US dropped by approximately 8% over the third quarter of 2012, while the Canadian market increased marginally, while both segments saw an increase in their market share. The International market saw a modest increase in total drilling days, with pockets of significant growth (Offshore, Australia)combined with continued weakness in other markets (Brazil, Mexico). This change in activity, combined with a significant increase in stock-based compensation expense recorded in the third quarter of 2013 and a relatively high effective tax rate led to a decline in net profit in the third quarter of the current year relative to the similar period in 2012.

The Company recorded a net profit of $9.1 million or $0.11 per share in the third quarter of 2013 compared to earnings of $17.7 million or $0.22 per share in the third quarter of 2012. The third quarter consolidated results, when compared to 2012 figures, were impacted by the following significant items:

- An increase in research and development costs in the third quarter of 2013 as the Company completed the hiring of additional staff in the second half of 2012 to support the EDR innovation project and other product development initiatives.

- Corporate service costs relate primarily to personnel located in the corporate headquarters who directly support the field operations and perform other corporate functions. These costs have increased over the third quarter of 2012 as a result of additional resources being dedicated to business development and initiatives to enhance our customers' experience. In addition, the Company incurred legal expenses during the third quarter of 2013 relating to the Autodriller litigation.

- Stock-based compensation expense increased over the third quarter of 2012 due to a significant increase in the Company's stock price during the three months ended September, 2013.

- Part of the 2009 purchase of Petron was an earn-out clause that was conditional on the successful commercialization of a revenue stream generated from a product designed by

Petron. In the third quarter of 2013, the Company and the previous shareholders of Petron agreed to an amount of $3.1 million and a provision for this amount was recorded.

- In the first half of 2012, the Company made a formal decision to dispose of its US water treatment facility. As a result, a non-cash impairment loss of $2.6 million was recorded in the third quarter of 2012.

- The effective tax rate for the third quarter of 2013 is significantly higher than the expected statutory rate of 25% due to the following factors:

    - The significant non-deductible, non-cash expense provision for the expensing of common share options under the Black-Scholes pricing model.

    - The Petron earn-out provision which is non-deductible in the current quarter.

    - Larger profits, in relative terms, realized in tax jurisdictions with higher tax rates than the statutory rate.

Q3 2013 versus Q2 2013

The Company's second quarter is usually its weakest due in most part to the seasonality of the Canadian market. The Canadian business unit realized a profit of $15.9 million for the three months ended September 2013, compared to a $0.3 million profit in the second quarter of 2013. The US business unit realized a profit of $30.5 million for the three months ended September 2013 compared to a $28.7 million profit in the second quarter of 2013.

The following items also impacted the comparison to the second quarter 2013 results:

- In the second quarter of 2013 an additional provision of $61.6 million relating to the AutoDriller litigation was recorded.

- An increase in stock-based compensation expense of $8.8 million compared to the second quarter of the current year due to an increase in the Company's stock price of 19% during the third quarter.

- Increase in depreciation and amortization expense of $1.9 million due to the Company recording into income in the second quarter of 2013 R&D tax credits received combined with a third quarter write-off of previously capitalized R&D costs.

- A foreign exchange loss versus a gain recorded in the previous quarter, due in most part to a weakening Canadian dollar versus the US dollar.

- Petron earn-out provision of $3.1 million recorded in the third quarter of 2013.

Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its third quarter results at 9:00 a.m. (Calgary time) on Tuesday, November 5, 2013. The conference call dial-in number is 1-888-231-8191 or 1-647-427-7450. You can access the seven-day replay by dialing 1-855-859-2056 or 1-416-849-0833, using password 35071566.

Pason Systems Inc. is a leading global provider of specialized data management systems for drilling rigs. Our solutions, which include data acquisition, wellsite reporting, remote communications, and web-based information management, enable collaboration between the rig and the office. Pason's common shares trade on the Toronto Stock Exchange under the symbol PSI.TO.

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2012, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Condensed Consolidated Interim Balance Sheets

As at	September 30, 2013	December 31, 2012
(CDN 000s) (unaudited)	($)	($)
Assets		
Current		
Cash and cash equivalents	**198,149**	157,944
Trade and other receivables	**88,749**	84,506
Prepaid expenses	**3,520**	2,920
Income taxes recoverable	**22,657**	—
Total current assets	**313,075**	245,370
Non-current		
Property, plant and equipment	**177,080**	174,651
Intangible assets	**65,714**	59,593
Deferred tax assets	**—**	8,764
Total non-current assets	**242,794**	243,008
Total assets	**555,869**	488,378
Liabilities and equity		
Current		
Trade payables and accruals	**39,614**	25,674
Litigation provision	**115,192**	19,533
Income taxes payable	**1,341**	3,313
Stock-based compensation liability	**25,905**	13,788
Dividend payable	**10,677**	19,691
Total current liabilities	**192,729**	81,999
Non-current		
Stock-based compensation liability	**10,097**	2,583
Deferred tax liabilities	**9,093**	2,600
Litigation provision	**—**	32,500
Total non-current liabilities	**19,190**	37,683
Equity		
Share capital	**80,413**	79,393
Share-based benefits reserve	**12,927**	12,927
Foreign currency translation reserve	**(1,463)**	(8,348)
Retained earnings	**252,073**	284,724
Total equity	**343,950**	368,696
Total liabilities and equity	**555,869**	488,378

Condensed Consolidated Interim Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012 (reclassified restated)	**2013**	2012 (reclassified restated)
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue				
Equipment rentals and other	**104,016**	96,262	**295,670**	295,519
Operating expenses				
Rental services	**34,438**	31,047	**101,506**	96,617
Local administration	**4,392**	4,272	**13,405**	15,475
Depreciation and amortization	**16,319**	17,852	**45,659**	51,736
	55,149	53,171	**160,570**	163,828
Operating profit	**48,867**	43,091	**135,100**	131,691
Other expenses				
Research and development	**6,557**	5,381	**20,432**	15,434
Corporate services	**4,414**	3,435	**13,054**	11,397
Stock-based compensation	**15,746**	5,391	**26,367**	16,554
Other expenses	**4,084**	4,462	**65,169**	13,129
	30,801	18,669	**125,022**	56,514
Income before income taxes	**18,066**	24,422	**10,078**	75,177
Income taxes	**8,931**	6,680	**10,711**	21,590
Net income (loss)	**9,135**	17,742	**(633)**	53,587
Earnings (loss) per share				
Basic	**0.11**	0.22	**(0.01)**	0.65
Diluted	**0.11**	0.21	**(0.01)**	0.65

Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly. This change has no impact on reported EBITDA, funds flow from operations, or earnings.

Earnings for the three months ended September 30, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $1,600. The 2012 year-to-date correction was $3,700. Per share amounts have been adjusted accordingly.

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012 (restated)	**2013**	2012 (restated)
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net income (loss)	**9,135**	17,742	**(633)**	53,587
Other comprehensive (loss) income				
Foreign currency translation adjustment	**(6,574)**	(9,986)	**6,885**	(5,194)
Total comprehensive income	**2,561**	7,756	**6,252**	48,393

Condensed Consolidated Interim Statements of Changes in Equity

	Share Capital	Share-Based Benefits Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(CDN 000s) (unaudited)	($)	($)	($)	($)	($)
Balance at January 1, 2012	77,613	12,927	(5,835)	282,564	367,269
Net income (restated)	—	—	—	53,587	53,587
Dividends	—	—	—	(18,033)	(18,033)
Other comprehensive loss	—	—	(5,194)	—	(5,194)
Exercise of stock options	1,222	—	—	—	1,222
Balance at September 30, 2012	78,835	12,927	(11,029)	318,118	398,851
Net loss	—	—	—	(13,703)	(13,703)
Dividends	—	—	—	(19,691)	(19,691)
Other comprehensive income	—	—	2,681	—	2,681
Exercise of stock options	558	—	—	—	558
Balance at December 31, 2012	79,393	12,927	(8,348)	284,724	368,696
Net loss	—	—	—	(633)	(633)
Dividends	—	—	—	(32,018)	(32,018)
Other comprehensive income	—	—	6,885	—	6,885
Exercise of stock options	1,020	—	—	—	1,020
Balance at September 30, 2013	**80,413**	**12,927**	**(1,463)**	**252,073**	**343,950**

Earnings for the three months ended September 30, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $1,600. The 2012 year-to-date correction was $3,700. Per share amounts have been adjusted accordingly.

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012 (restated)	**2013**	2012 (restated)
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Cash flows from operating activities				
Net income (loss)	**9,135**	17,742	**(633)**	53,587
Adjustment for non-cash items:				
Depreciation and amortization	**16,319**	17,852	**45,659**	51,736
Impairment loss	**—**	2,636	**—**	2,636
Stock-based compensation	**11,429**	3,051	**16,988**	10,526
Deferred income taxes	**17,396**	(1,475)	**15,257**	2,204
Unrealized foreign exchange loss	**1,647**	355	**2,104**	1,981
Movements in non-cash items:				
(Increase) decrease in trade and other receivables	**(12,689)**	(749)	**(3,711)**	8,985
(Increase) in prepaid expenses	**(2,076)**	(1,883)	**(588)**	(2,847)
(Decrease) increase in income taxes	**(11,150)**	5,510	**(14,262)**	14,559
Increase in litigation provision	**—**	—	**63,159**	4,773
Increase in trade payables and accruals	**7,981**	319	**14,477**	(1,798)
Increase in stock-based compensation liability	**4,266**	2,471	**9,152**	5,876
Effects of exchange rate changes	**(2,408)**	(977)	**181**	(1,030)
Cash generated from operating activities	**39,850**	44,852	**147,783**	151,188
Income tax paid	**(13)**	(2,998)	**(10,516)**	(16,225)
Net cash from operating activities	**39,837**	41,854	**137,267**	134,963
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**217**	393	**1,020**	1,222
Purchase of stock options	**(3,458)**	(3,151)	**(6,510)**	(5,240)
Payment of dividends	**(10,674)**	(18,033)	**(41,032)**	(34,413)
Net cash used in financing activities	**(13,915)**	(20,791)	**(46,522)**	(38,431)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment	**(18,087)**	(14,500)	**(38,753)**	(48,067)
Additions to intangibles	**(14)**	—	**(153)**	(400)
Deferred development costs	**(4,315)**	(2,483)	**(11,631)**	(7,711)
Proceeds on disposal of property, plant and equipment	**281**	—	**325**	300
Acquisitions, net of cash acquired	**—**	44	**—**	(1,230)
Changes in non-cash working capital	**8**	(514)	**(507)**	(2,911)
Net cash used in investing activities	**(22,127)**	(17,453)	**(50,719)**	(60,019)
Effect of exchange rate on cash and cash equivalents	**(1,091)**	(2,409)	**179**	(1,694)
Net increase in cash and cash equivalents	**2,704**	1,201	**40,205**	34,819
Cash and cash equivalents, beginning of period	**195,445**	138,611	**157,944**	104,993
Cash and cash equivalents, end of period	**198,149**	139,812	**198,149**	139,812

Earnings for the three months ended September 30, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $1,600. The 2012 year-to-date correction was $3,700. Per share amounts have been adjusted accordingly.

The Company operates in three geographic segments: Canada, the United States, and International (Latin America, Offshore, and the Eastern Hemisphere). The amounts related to each segment are as follows:

Three Months Ended September 30, 2013	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**32,253**	**60,226**	**11,537**	**104,016**
Operating costs	**9,383**	**22,268**	**7,179**	**38,830**
Depreciation and amortization	**6,995**	**7,480**	**1,844**	**16,319**
Segment operating profit	**15,875**	**30,478**	**2,514**	**48,867**
Research and development				**6,557**
Corporate services				**4,414**
Stock-based compensation				**15,746**
Other expenses				**4,084**
Income taxes				**8,931**
Net income				**9,135**
Capital expenditures	**13,760**	**8,326**	**316**	**22,402**
Goodwill	**—**	**19,379**	**2,600**	**21,979**
Intangible assets	**32,322**	**8,439**	**2,974**	**43,735**
Segment assets	**280,968**	**213,164**	**61,737**	**555,869**
Segment liabilities	**168,663**	**32,518**	**10,738**	**211,919**

Three Months Ended September 30, 2012 (reclassified, restated)				
Revenue	30,343	56,398	9,521	96,262
Operating costs	8,518	20,922	5,879	35,319
Depreciation and amortization	7,245	8,469	2,138	17,852
Segment operating profit	14,580	27,007	1,504	43,091
Research and development				5,381
Corporate services				3,435
Stock-based compensation				5,391
Other expenses				4,462
Income taxes				6,680
Net income				17,742
Capital expenditures	6,748	7,170	3,065	16,983
Goodwill	—	18,206	2,600	20,806
Intangible assets	24,255	11,162	3,522	38,939
Segment assets	117,432	300,501	62,704	480,637
Segment liabilities	54,448	18,568	8,770	81,786

Nine Months Ended September 30, 2013	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue	**91,769**	**172,198**	**31,703**	**295,670**
Operating costs	**26,888**	**67,036**	**20,987**	**114,911**
Depreciation and amortization	**18,331**	**22,145**	**5,183**	**45,659**
Segment operating profit	**46,550**	**83,017**	**5,533**	**135,100**
Research and development				**20,432**
Corporate services				**13,054**
Stock-based compensation				**26,367**
Other expenses				**65,169**
Income taxes				**10,711**
Net loss				**(633)**
Capital expenditures	**27,559**	**18,095**	**4,730**	**50,384**
Goodwill	**—**	**19,379**	**2,600**	**21,979**
Intangible assets	**32,322**	**8,439**	**2,974**	**43,735**
Segment assets	**280,968**	**213,164**	**61,737**	**555,869**
Segment liabilities	**168,663**	**32,518**	**10,738**	**211,919**

Nine Months Ended September 30, 2012 (reclassified, restated)				
Revenue	93,699	174,045	27,775	295,519
Operating costs	27,433	67,738	16,921	112,092
Depreciation and amortization	20,718	24,668	6,350	51,736
Segment operating profit	45,548	81,639	4,504	131,691
Research and development				15,434
Corporate services				11,397
Stock-based compensation				16,554
Other expenses				13,129
Income taxes				21,590
Net income				53,587
Capital expenditures	19,875	30,681	5,222	55,778
Goodwill	—	18,206	2,600	20,806
Intangible assets	24,255	11,162	3,522	38,939
Segment assets	117,432	300,501	62,704	480,637
Segment liabilities	54,448	18,568	8,770	81,786

Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly. This change has no impact on reported EBITDA, cash flow from operating activities, or earnings.

Earnings for the three months ended September 30, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $1,600. The 2012 year-to-date correction was $3,700. Per share amounts have been adjusted accordingly.

Correction of Error

During the year ended December 31, 2012, the Company identified a non-cash accounting error related to stock-based compensation being understated. The error was corrected in the Company's consolidated financial statements for the year ended December 31, 2012. The Company determined the error impacted the interim financial statements for both the three and nine month periods ended September 30, 2012 and has corrected the comparative periods included in these condensed consolidated financial statements.

Three Months Ended September 30, 2012	**Previously Disclosed**	**Adjustment**	**Restated**
	($)	($)	($)
Statement of Operations			
Stock-based compensation expense	3,791	1,600	5,391
Net Income	19,342	(1,600)	17,742

Nine Months Ended September 30, 2012	**Previously Disclosed**	**Adjustment**	**Restated**
	($)	($)	($)
Balance Sheet			
Stock-based compensation liability - current	9,790	3,700	13,490
Retained earnings	321,818	(3,700)	318,118
Statement of Operations			
Stock-based compensation expense	12,854	3,700	16,554
Net Income	57,287	(3,700)	53,587

Other Expenses

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2013	2012	**2013**	2012
	($)	($)	**($)**	($)
Litigation provision	**—**	—	**61,614**	5,413
Foreign exchange loss (gain)	**629**	1,528	**(622)**	4,563
Earn-out provision	**3,071**	—	**3,071**	—
Impairment loss	**—**	2,636	**—**	2,636
Other	**384**	298	**1,106**	517
Other expenses	**4,084**	4,462	**65,169**	13,129

Part of the 2009 purchase of Petron was an earn-out clause that was conditional on the successful commercialization of a revenue stream generated from a product designed by Petron. There had been some uncertainty around whether an amount would be due to the former shareholders of Petron. Management concluded in the third quarter of 2013 that an amount was owing and the Company and previous shareholders of Petron agreed to $3.1 million. The Company anticipates that the payment will be made in the fourth quarter of 2013.

In 2012 the Company made a formal decision to dispose of its US water treatment facility. As a result, a non-cash impairment loss of $2,636 was recorded in the third quarter of 2012.

Pason Systems Inc.

Pason Systems Inc. is a leading global provider of specialized data management systems for drilling rigs. Our solutions, which include data acquisition, wellsite reporting, remote communications, and web-based information management, enable collaboration between the rig and the office. Pason's common shares trade on the Toronto Stock Exchange under the symbol PSI.TO.

For more information about Pason Systems Inc., visit the company's website at www.pason.com or contact:

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Certain information regarding the Company contained herein may constitute forward-looking information under applicable securities law. The words “anticipate”, “expect”, “believe”, “may”, “should”, “will”, “estimate”, “project”, “outlook”, “forecast” or other similar words are used to identify such forward-looking information and statements. Forward-looking statements in this document may include statements, express or implied regarding the anticipated business prospects and financial performance of Pason; expectations or projections about future strategies and goals for growth and expansion; expected and future cash flows and revenues; and expected impact of future commitments. These forward-looking statements are based upon various underlying factors and assumptions, including the state of the economy and the oil and gas exploration and production business, in particular; the Company's business prospects and opportunities; and estimates of the financial and operational performance of Pason.

Forward-looking information and statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking information and statements. Risk factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of Pason to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of Pason's assets and businesses, the price of energy commodities, competitive factors in the energy industry, changes in laws and regulations affecting Pason's businesses, technological developments, and general economic conditions.

Readers are cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such forward looking statements, although considered reasonable by management as of the date hereof, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Additional information on risks and uncertainties and other factors that could affect Pason's operations or financial results are included in Pason's reports on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or through Pason's website (www.pason.com). Furthermore, any forward looking statements contained in this news release are made as of the date of this news release, and Pason does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by securities law.