pason

Press Release

Pason Reports Third Quarter 2014 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (November 12, 2014) – Pason Systems Inc. (TSX:PSI) announced today its 2014 third quarter results.

Performance Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	**2014**	2013	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**134,041**	104,016	29	**361,066**	295,670	22
Income (Loss)	**26,466**	9,135	190	**64,893**	(633)	—
Per share – basic	**0.32**	0.11	191	**0.79**	(0.01)	—
Per share – diluted	**0.31**	0.11	182	**0.77**	(0.01)	—
EBITDA (1)	**76,090**	50,131	52	**192,558**	82,104	135
As a % of revenue	**56.8**	48.2	18	**53.3**	27.8	92
Funds flow from operations	**63,691**	60,192	6	**164,257**	88,527	86
Per share – basic	**0.77**	0.73	5	**1.99**	1.08	84
Per share – diluted	**0.75**	0.72	4	**1.96**	1.08	81
Cash from operating activities	**50,758**	39,837	27	**171,123**	137,267	25
Free cash flow (1)	**11,110**	17,702	(37)	**96,835**	87,055	11
Per share – basic	**0.13**	0.22	(41)	**1.17**	1.06	10
Per share – diluted	**0.13**	0.21	(38)	**1.15**	1.06	8
Capital expenditures	**39,648**	22,135	79	**74,288**	50,212	48
Working capital	**173,949**	120,346	45	**173,949**	120,346	45
Total assets	**571,422**	555,869	3	**571,422**	555,869	3
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.17**	0.13	31	**0.47**	0.39	21
Shares outstanding end of period (#)	**82,891**	82,132	1	**82,891**	82,132	1

(1) Non-IFRS financial measures are defined in the Management's Discussion and Analysis section.

Q3 2014 vs Q3 2013

The Company generated consolidated revenue of $134.0 million in the third quarter of 2014, up 29% from $104.0 million in the same period of 2013. Growth in US market share, increased rig activity in all of its major markets, continued robust growth in Communications, strong market acceptance of the new Pason Rig Display (PRD), and a strengthening of the US dollar relative to the Canadian dollar all contributed to revenue growth in the third quarter.

Consolidated EBITDA was $76.1 million in the third quarter, an increase of $26.0 million from the third quarter of 2013, due to strong operational performance, our continued ability to leverage our fixed cost structure and the strengthening of the US dollar relative to the Canadian dollar.

Net income increased by $17.4 million to $26.5 million ($0.31 per share) in the third quarter of 2014 from net income of $9.1 million ($0.11 per share) in the prior year period. Earnings were positively impacted by market share growth in the US, increased rig activity, and the appreciation of the US dollar relative to the Canadian dollar.

President’s Message

The drilling environment in North America continued to be favorable during the third quarter of 2014: Drilling industry days in the United States increased by 8% from the third quarter of 2013 and 4% from the previous quarter. In Canada, drilling industry days were up 11% from the previous year.

Pason demonstrated strong operational and financial performance during the period. Total revenue increased 29% from the previous year period to $134.0 million, representing all-time record quarterly revenue for the Company. In addition to a favorable market environment in North America, growth was driven by an increase in US market share, continued growth in product penetration, robust growth in International markets, and a strengthening of the US dollar relative to the Canadian dollar. Foreign Exchange was responsible for 11% of the revenue increase. All of Pason’s major product categories generated revenue growth above industry activity, led by a year-over-year increase in the Communications category of 50% and strong acceptance of the new Pason Rig Display.

EBITDA for the third quarter was $76.1 million, an increase of 52% compared to the previous year period. The Company recorded net income of $26.5 million, or $0.31 per share, compared to $9.1 million, or $0.11 per share, in the third quarter of 2013.

Capital expenditures for the second quarter were $39.6 million, up significantly from $22.1 million the previous year, as deployment of new hardware, including Rig Display and components of the EDR evolution, continued. On September 30, our cash position stood at $151.0 million, plus $14.1 million held in trust for the payment of the dividend in October. There is no debt on the balance sheet. We are holding our quarterly dividend steady at $0.17 per share.

United States

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

The number of drilling industry days in the third quarter of 2014 was up 8% from the third quarter of the previous year and up 4% from the previous quarter. Revenue for the period increased 32% to $79.4 million. Revenue growth above industry day growth was achieved through an increase in market share, higher product penetration and a favorable movement in the exchange rate.

- EDR market share for the third quarter averaged 62%, up one percentage point from the previous quarter and up five percentage points from a year ago. On average, 1,123 US land rigs were operating Pason equipment during the third quarter of 2014, compared to 964 in the same period of 2013.
- Average daily revenue per rig (“Revenue per EDR Day”) increased by 7%, from US$615 to US$656 from the previous year and by 2% from the previous quarter. Communications and EDR peripherals again showed the highest growth rates during the period.

Operating costs increased by 16% year-over-year, primarily due to an increase in field support costs. Our US business unit was able to generate an operating profit of $45.8 million in the third quarter, an increase of 50% over 2013 and up 14% from the previous quarter. Operating profit was 58% of revenue compared to 51% for the previous year period, as the business unit was able to effectively leverage its fixed cost structure and control variable costs.

Canada

Drilling activity in Canada was 11% higher in the third quarter of 2014 than in the previous year. Revenue for the third quarter increased 20% from the prior year period to $38.6 million.

- Market share was 94%, up one percentage point from the previous year period. On average, 349 Canadian land rigs were operating Pason equipment compared to 309 the year before.
- Average daily revenue per rig increased 6% year-over-year to $1,191. Communications and Gas Analyzer showed above average growth rates during the period.

Operating costs increased by 11% year-over-year, primarily due to an increase in field support related costs as in the United States. Our Canadian business unit was able to generate an operating profit of $21.4 million for the third quarter of 2014, an increase of 35% from $15.9 million the year before. Operating profit was 55% of revenue compared to 49% for the previous year period, as the business unit was able to effectively leverage its fixed cost structure and control variable costs.

International

Our International business unit, which includes our businesses in Latin America, Australia, and Offshore & Frontier regions, also had a very strong quarter. Revenue increased by 39% to $16.1 million for the period compared to the previous year period, and was up 31% from the previous quarter. Australia, Argentina and the Middle East/North Africa and Offshore demonstrated strong growth.

Third quarter operating profit was $7.1 million, an increase of 184% over the previous year, and up 101% from the previous quarter. The International Business Unit generated 12% of Pason's total revenue and 10% of operating profit.

Outlook

We have seen rapid and significant declines in oil prices since July and a reduction in near-term and medium term price forecasts. As a result, we expect more conservative CAPEX budgets from producers going forward. This could result in material reductions of active rig counts and drilling days in the North American land market.

While Pason is not immune to reductions in North American land drilling, we believe that we will be able to continue to outgrow underlying drilling activity through increased product penetration and International growth. Our capital expenditure budget for the next 12 months will be up to $124 million, $94 million of which is directed towards new hardware that can generate incremental revenue or save operating costs.

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 12, 2014

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of November 12, 2014, 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 report are expressed in Canadian dollars unless otherwise indicated.

Additional IFRS Measures

In its interim condensed consolidated financial statements, the Corporation uses certain additional IFRS measures. Management believes these measures provide useful supplemental information to readers.

Funds flow from operations

Management believes that funds flow from operations, as reported in the Consolidated Statements of Cash Flows, is a useful additional measure as it represents the cash generated during the period, regardless of the timing of collection of receivables and payment of payables. Funds flow from operations represents the cash flow from continuing operations, excluding non-cash items. Funds flow from operations is defined as net income adjusted for depreciation and amortization expense, non-cash stock-based compensation expense, deferred taxes, and other non-cash items impacting operations.

Cash from operating activities

Cash from operating activities is defined as funds flow from operations adjusted for changes in working capital items.

Non-IFRS Financial Measures

These definitions are not recognized measures under IFRS, and accordingly, may not be comparable to measures used by other companies. These Non-IFRS measures provide readers with additional information regarding the Company's ability to generate funds to finance its operations, fund its research and development and capital expenditure program, and pay dividends.

EBITDA

EBITDA is defined as net income before interest expense, income taxes, stock-based compensation expense, and depreciation and amortization expense.

Free cash flow

Free cash flow is defined as cash from operating activities plus proceeds on disposal of property, plant and equipment, less capital expenditures and deferred development costs.

Overall Performance

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder (1)	**57,265**	45,035	27	**157,519**	128,569	23
Pit Volume Totalizer/ePVT	**18,865**	15,624	21	**52,641**	44,658	18
Communications (1)	**11,366**	7,580	50	**29,578**	20,753	43
Software	**8,509**	7,091	20	**24,014**	20,357	18
AutoDriller	**11,673**	9,698	20	**32,288**	27,549	17
Gas Analyzer	**9,919**	8,267	20	**27,483**	22,916	20
Other	**16,444**	10,721	53	**37,543**	30,868	22
Total revenue	**134,041**	104,016	29	**361,066**	295,670	22

(1) A portion of the Company's USA communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. All comparative figures have been reclassified accordingly. This change had no impact on reported key metrics, EBITDA, cash flow from operating activities, or net income (Q3 2013 - $2,265, YTD 2013 - $6,711).

Electronic Drilling Recorder (EDR) and Pit Volume Totalizer (PVT) rental day performance for Canada and the United States is reported below:

Canada	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	**2014**	2013	Change
	#	#	(%)	#	#	(%)
EDR rental days	**32,000**	28,400	13	**91,100**	83,000	10
PVT rental days	**31,900**	28,000	14	**89,000**	81,400	9

United States	**2014**	2013	Change	**2014**	2013	Change
	#	#	(%)	#	#	(%)
EDR rental days	**103,400**	88,700	17	**290,200**	262,800	10
PVT rental days	**79,600**	68,100	17	**222,900**	197,000	13

Electronic Drilling Recorder

The Pason 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 27% for the third quarter of 2014 compared to the same period in 2013 and 23% on a year-to-date basis. These increases are attributable to continued growth in demand for EDR peripheral devices, the roll-out of the PRD in Canadian and US markets, an increase in US market share in 2014 over the third quarter of 2013 (62% versus 57%), a strengthening US dollar relative to the Canadian dollar, and increased revenue in International markets. Industry activity in the US market increased 8% in the third quarter of 2014 (4% on a year-to-date basis), while third quarter and year to date Canadian rig activity both increased 11% compared to the same periods in 2013. Canadian

EDR days increased 13% in the third quarter of 2014 and 10% year to date compared to the same periods in 2013, while US EDR days increased by 17% for the third quarter of 2014 and 10% year to date.

In the third quarter, the Pason EDR was installed on 94% of all active land rigs in Canada and 62% of the land rigs in the US, compared to 93% and 57% respectively in the third quarter of 2013. On a year to date basis, the Pason EDR was installed on 93% of all active land rigs in Canada and 60% of the land rigs in the US, compared to 95% and 57% respectively in the same period of 2013.

In addition, the Company continues to increase revenue in its International business unit.

Pit Volume Totalizer

The 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 first nine months of 2014 was impacted by rig count activity combined with an increase in product penetration in both the US market and International markets. During the first nine months of 2014, the PVT was installed on 98% of rigs with a Pason EDR in Canada and 77% in the US, compared to 98% and 75% respectively, in the same period of 2013. During the third quarter, the company's new Enhanced PVT (ePVT) reached commercial status and is in the process of being rolled out in the company's major markets.

Communications

Pason's Communications revenue is derived from the provision of communications services including the provision of bandwidth through the Company's automatically-aiming satellite system and terrestrial networks. This system provides reliable 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 complements its satellite equipment with High Speed Packet Access (HSPA), a high-speed wireless ground system which provides automatic fail-over between satellite and terrestrial networks to achieve greater reliability in its service offering.

Communications revenue increased by 43% in the first nine months of 2014 compared to the same period in 2013 in large part due to increased usage of the Company's premium product offerings in both the US and Canadian markets, and the strengthening of the US dollar relative to the Canadian dollar.

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, which allows 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, including remote directional.

During the first nine months of 2014, 98% of the Company's Canadian customers and 91% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 97% and 90%, respectively, in the same period of 2013.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During the nine months ended September 30, 2014, the AutoDriller was installed on 74% of Canadian and 46% of US land rigs operating with a Pason EDR system, compared to 73% and 46%, respectively, in 2013.

Gas Analyzer

The Pason Gas Analyzer 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 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. During the first nine months of 2014, the Gas Analyzer was installed on 62% of Canadian and 24% of US land rigs operating with a Pason EDR system. The penetration in Canada is an increase of approximately 7% in market share over 2013 levels while the US experienced an increase of 1%.

Other

Other is comprised mostly of the rental of service rig recorders in Latin America, the Electronic Choke Actuator, Hazardous Gas Alarm products, Mobilization revenue, sales of sensors and other systems sold by 3PS, and spare parts sold by Pason Offshore. The increase in Other is due mostly to increased sales of sensors by 3PS Inc.

Discussion of Operations

United States Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder (1)	**36,161**	27,885	30	**100,222**	80,138	25
Pit Volume Totalizer/ePVT	**10,970**	8,836	24	**30,625**	25,204	22
Communications (1)	**5,814**	3,331	75	**14,790**	8,580	72
Software	**5,584**	4,491	24	**15,856**	13,038	22
AutoDriller	**6,476**	5,212	24	**18,100**	15,343	18
Gas Analyzer	**4,225**	3,479	21	**11,973**	9,824	22
Other	**10,169**	6,992	45	**23,727**	20,071	18
Total revenue	**79,399**	60,226	32	**215,293**	172,198	25
Operating costs	**25,865**	22,268	16	**72,467**	67,036	8
Depreciation and amortization	**7,746**	7,480	4	**23,439**	22,145	6
Segment operating profit	**45,788**	30,478	50	**119,387**	83,017	44

(1) A portion of the Company's USA communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. All comparative figures have been reclassified accordingly. This change had no impact on reported key metrics, EBITDA, cash flow from operating activities, or net income (Q3 2013 - $2,265, YTD 2013 -$6,711).

	Three Months Ended September 30,			
		2014		2013
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**656**	**715**	615	638
Revenue per industry day	**405**	**441**	351	365

	Nine Months Ended September 30,			
		2014		2013
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**643**	**704**	603	617
Revenue per industry day	**388**	**425**	344	352

US segment revenue increased by 32% in the third quarter over the 2013 comparable period (24% increase when measured in USD). For the first nine months of 2014, US segment revenue increased by 25% over the 2013 comparable period (18% increase when measured in USD).

Industry activity in the US market during the third quarter of 2014 increased 8% from the prior year and 4% year-to-date while revenue from the rental of instrumentation increased by 30% and 26% for the three and nine month periods respectively over 2013 levels. EDR rental days increased by 17% and 10% respectively for the three and nine months ended September 30, 2014 over the same time periods in 2013, while revenue per EDR day in the third quarter of 2014 increased to US$656, an increase of US$41 over the same period in 2013. On a year-to-date basis, revenue per EDR day increased to US$643, an increase of US$40 over the same period in 2013.

Market share gains, increased usage of premium communication services, and a favourable movement in the exchange rate all contributed to revenue growth in the US segment. US market share was 60% during the nine months ended September 30, up from 57% in the same period of 2013.

Operating costs increased by 16% in the third quarter relative to the same period in the prior year primarily due to an increase in field support-related costs, as new equipment continues to be deployed in the field.

Segment profit, as a percentage of revenue, was 58% for the third quarter of 2014 compared to 51% for the corresponding period in 2013, an increase of $15.3 million. On a year-to-date basis, segment profit as a percentage of revenue was 55% compared to 48% for the corresponding period in 2013, an increase of $36.4 million. The US business unit was able to increase its operating margin primarily by leveraging its fixed cost structure, and controlling variable costs.

Canadian Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**15,167**	12,326	23	**41,557**	35,322	18
Pit Volume Totalizer/ePVT	**5,817**	4,983	17	**16,218**	14,363	13
Communications	**5,026**	3,825	31	**13,421**	11,043	22
Software	**2,646**	2,484	7	**7,525**	7,012	7
AutoDriller	**3,632**	3,232	12	**10,159**	9,047	12
Gas Analyzer	**4,414**	3,593	23	**11,902**	9,705	23
Other	**1,889**	1,810	4	**5,508**	5,277	4
Total revenue	**38,591**	32,253	20	**106,290**	91,769	16
Operating costs	**10,446**	9,383	11	**30,836**	26,888	15
Depreciation and amortization	**6,765**	6,995	(3)	**19,160**	18,331	5
Segment operating profit	**21,380**	15,875	35	**56,294**	46,550	21

	Three Months Ended September 30,	
	2014	2013
	CAD	CAD
	$	$
Revenue per EDR day	**1,191**	1,123
Revenue per industry day	**1,119**	1,040

	Nine Months Ended September 30,	
	2014	2013
	CAD	CAD
	$	$
Revenue per EDR day	**1,155**	1,093
Revenue per industry day	**1,079**	1,035

Canadian segment revenue grew by 20% for the three months ended September 30, 2014 and 16% year-to-date compared to the same periods in 2013. This positive growth is a result of an 11% increase in the number of drilling industry days in the third quarter compared to 2013 levels, continued strong adoption of the PRD in conjunction with the rollout of the ePVT, higher Communications revenue and greater penetration of the Gas Analyzer, along with a market share increase to 94% from 93% in the same period of 2013. EDR rental days increased 13% in the third quarter and 10% in the first nine months of 2014 compared to 2013 levels.

The Canadian business unit was able to increase its revenue in the first nine months of 2014 due to a shorter spring break up period in the second quarter along with increased product adoption, notably EDR peripherals, the Gas Analyzer, and Communications revenue.

The factors above combined to result in an increase in revenue per EDR day of $68 to $1,191 during the third quarter of 2014 compared to 2013. On a year-to-date basis, revenue per EDR day increased $62 to $1,155.

Operating costs increased by 11% in the third quarter of 2014 relative to the same period in 2013, primarily due to an increase in field support related costs similar to the United States. Segment operating profit for the third quarter of 2014 of $21.4 million is an increase of $5.5 million over the same period in 2013. On a year-to-date basis, operating costs increased by 15% which was attributable to the increase in satellite bandwidth costs to improve the customer experience at the rig, and field support-related costs. Year-to-date segment operating profit of $56.3 million is an increase of 21% over the prior year.

International Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**5,937**	4,824	23	**15,740**	13,109	20
Pit Volume Totalizer/ePVT	**2,078**	1,805	15	**5,798**	5,091	14
Communications	**526**	424	24	**1,367**	1,130	21
Software	**279**	116	141	**633**	307	106
AutoDriller	**1,565**	1,254	25	**4,029**	3,159	28
Gas Analyzer	**1,280**	1,195	7	**3,608**	3,387	7
Other	**4,386**	1,919	129	**8,308**	5,520	51
Total revenue	**16,051**	11,537	39	**39,483**	31,703	25
Operating costs	**7,020**	7,179	(2)	**20,365**	20,987	(3)
Depreciation and amortization	**1,900**	1,844	3	**5,458**	5,183	5
Segment operating profit	**7,131**	2,514	184	**13,660**	5,533	147

Revenue in the International operations segment increased 39% in the third quarter of 2014 and 25% for the nine months ended compared to the same periods in 2013, with increased revenue from each of the Company's rental products.

Operating profit increased by $4.6 million for the third quarter of 2014 over 2013, an increase of 184%. For the nine months ended, operating profit increased by $8.1 million, an increase of 147% from the same period in 2013.

A number of factors influenced these results:

- Australia revenue increased 22% and 24% for the three and nine month periods ended September 30, 2014, respectively, as drilling activity continues to increase across the region, accompanied by increased penetration of the company's rental products, most significantly EDR peripheral devices, the Gas Analyzer, and an increase in the number of customers using the Pason DataHub.
- Latin America revenue increased 45% in the third quarter and 17% year-to-date compared to prior periods as the Company saw increased activity in the majority of its major markets. In addition, during the third quarter of 2014, the company received a $1.5 million payment related to a contractual foreign exchange and inflationary related adjustment clause with one of its major customers.
- The 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 rig activity in the Gulf of Mexico, resulted in an increase in third quarter revenue of 35% over the same period in 2013 and 67% on a year-to-date basis.

Corporate Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	**2014**	**2013**	Change
(000s)	**($)**	($)	(%)	**($)**	**($)**	(%)
Other expenses						
Research and development	**8,599**	6,557	31	**24,774**	20,432	21
Corporate services	**6,038**	4,414	37	**16,229**	13,054	24
Stock-based compensation	**15,267**	15,746	(3)	**40,071**	26,367	52
Other						
Litigation provision	**—**	—	—	**—**	61,614	(100)
Foreign exchange (gain) loss	**(682)**	629	—	**2,227**	(622)	—
Earn-out provision	**—**	3,071	(100)	**—**	3,071	(100)
Other	**665**	384	73	**1,610**	1,106	46
Total corporate expenses	**29,887**	30,801	(3)	**84,911**	125,022	(32)

Q3 2014 vs Q2 2014

The third quarter of the year is stronger for Pason as compared to the second quarter which is usually the weakest due to the seasonality of Canadian drilling activity. Consolidated revenue was $134.0 million in the third quarter of 2014 compared to $103.9 million in the second quarter of 2014, an increase of $30.1 million or 29%. The Canadian segment earned revenue of $38.6 million in the third quarter as compared to $19.8 million in the second quarter of 2014, an increase of $18.8 million. The US market experienced revenue growth of $7.6 million and the International segment had revenue growth of $3.7 million.

Sequentially, EBITDA increased 65% from $46.0 million in the second quarter of 2014 to $76.1 million in the third quarter of 2014, while funds flow from operations increased to $63.7 million in the third quarter from $44.3 million in the second quarter of 2014.

Net income increased by 50% to $26.5 million ($0.31 per share) in the third quarter of 2014 from $17.6 million ($0.21 per share) in the prior quarter. The effective tax rate for the third quarter of 2014 is significantly higher than the second quarter because of the relatively high amount recorded for the non-deductible, non-cash expense related to the expensing of common share options under the Black-Scholes pricing model.

Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its third quarter 2014 results at 9:00 am (Calgary time) on Thursday, November 13, 2014. 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 1881083.

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.

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2013, 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, 2014**	December 31, 2013
(CDN 000s) (unaudited)	**($)**	($)
Assets		
Current		
Cash and cash equivalents	**150,997**	78,018
Cash held in trust	**14,090**	11,502
Trade and other receivables	**117,891**	87,469
Prepaid expenses	**4,530**	3,121
Income taxes recoverable	**422**	15,752
Total current assets	**287,930**	195,862
Non-current		
Property, plant and equipment	**219,260**	183,601
Intangible assets and goodwill	**64,232**	65,261
Deferred tax assets	**—**	1,152
Total non-current assets	**283,492**	250,014
Total assets	**571,422**	445,876
Liabilities and equity		
Current		
Trade payables and accruals	**55,729**	30,485
Income taxes payable	**2,246**	—
Stock-based compensation liability	**41,916**	25,942
Dividend payable	**14,090**	11,502
Total current liabilities	**113,981**	67,929
Non-current		
Stock-based compensation liability	**12,671**	3,905
Deferred tax liabilities	**14,275**	7,573
Total non-current liabilities	**26,946**	11,478
Equity		
Share capital	**102,709**	80,725
Share-based benefits reserve	**12,927**	12,927
Foreign currency translation reserve	**23,952**	7,958
Retained earnings	**290,907**	264,859
Total equity	**430,495**	366,469
Total liabilities and equity	**571,422**	445,876

Condensed Consolidated Interim Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**134,041**	104,016	**361,066**	295,670
Operating expenses				
Rental services	**38,788**	34,438	**109,541**	101,506
Local administration	**4,543**	4,392	**14,127**	13,405
Depreciation and amortization	**16,411**	16,319	**48,057**	45,659
	59,742	55,149	**171,725**	160,570
Operating profit	**74,299**	48,867	**189,341**	135,100
Other expenses				
Research and development	**8,599**	6,557	**24,774**	20,432
Corporate services	**6,038**	4,414	**16,229**	13,054
Stock-based compensation	**15,267**	15,746	**40,071**	26,367
Other (income) expenses	**(17)**	4,084	**3,837**	65,169
	29,887	30,801	**84,911**	125,022
Income before income taxes	**44,412**	18,066	**104,430**	10,078
Income tax expense	**17,946**	8,931	**39,537**	10,711
Net income (loss)	**26,466**	9,135	**64,893**	(633)
Income (loss) per share				
Basic	**0.32**	0.11	**0.79**	(0.01)
Diluted	**0.31**	0.11	**0.77**	(0.01)

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net income (loss)	**26,466**	9,135	**64,893**	(633)
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	**14,220**	(6,574)	**15,994**	6,885
Total comprehensive income	**40,686**	2,561	**80,887**	6,252

Condensed Consolidated Interim Statements of Changes in Equity

(CDN 000s) (unaudited)	Share Capital ($)	Share-Based Benefits Reserve ($)	Foreign Currency Translation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at January 1, 2013	**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**
Net income	—	—	—	24,288	24,288
Dividends	—	—	—	(11,502)	(11,502)
Other comprehensive income	—	—	9,421	—	9,421
Exercise of stock options	312	—	—	—	312
Balance at December 31, 2013	**80,725**	**12,927**	**7,958**	**264,859**	**366,469**
Net income	—	—	—	64,893	64,893
Dividends	—	—	—	(38,845)	(38,845)
Other comprehensive income	—	—	15,994	—	15,994
Exercise of stock options	21,984	—	—	—	21,984
Balance at September 30, 2014	**102,709**	**12,927**	**23,952**	**290,907**	**430,495**

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Cash from operating activities				
Net income (loss)	**26,466**	9,135	**64,893**	(633)
Adjustment for non-cash items:				
Depreciation and amortization	**16,411**	16,319	**48,057**	45,659
Stock-based compensation	**15,267**	15,746	**40,071**	26,367
Deferred income taxes	**5,145**	17,396	**7,754**	15,257
Unrealized foreign exchange loss	**402**	1,596	**3,482**	1,877
Funds flow from operations	**63,691**	60,192	**164,257**	88,527
Movements in non-cash working capital items:				
Increase in trade and other receivables	**(31,241)**	(12,689)	**(28,352)**	(3,711)
Increase in prepaid expenses	**(1,553)**	(2,076)	**(1,304)**	(588)
Increase (decrease) in income taxes	**10,665**	(11,150)	**23,779**	(14,262)
Increase in litigation provision	**—**	—	**—**	63,159
Increase in trade payables and accruals	**11,073**	7,981	**18,106**	14,477
Effects of exchange rate changes	**1,834**	(2,408)	**834**	181
Cash generated from operating activities	**54,469**	39,850	**177,320**	147,783
Income tax paid	**(3,711)**	(13)	**(6,197)**	(10,516)
Net cash from operating activities	**50,758**	39,837	**171,123**	137,267
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**2,925**	217	**9,960**	1,020
Purchase of stock options	**—**	(3,458)	**(2,589)**	(6,510)
Payment of dividends	**(12,400)**	(10,674)	**(36,257)**	(41,032)
Net cash used in financing activities	**(9,475)**	(13,915)	**(28,886)**	(46,522)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment	**(37,352)**	(18,101)	**(69,014)**	(38,906)
Deferred development costs	**(2,358)**	(4,315)	**(5,520)**	(11,631)
Proceeds on disposal of property, plant and equipment	**62**	281	**246**	325
Changes in non-cash working capital	**4,972**	8	**6,332**	(507)
Net cash used in investing activities	**(34,676)**	(22,127)	**(67,956)**	(50,719)
Effect of exchange rate on cash and cash equivalents	**1,501**	(1,091)	**1,286**	179
Net increase in cash and cash equivalents	**8,108**	2,704	**75,567**	40,205
Cash and cash equivalents, beginning of period	**156,979**	195,445	**89,520**	157,944
Cash and cash equivalents, end of period	**165,087**	198,149	**165,087**	198,149
Cash and cash equivalents consists of:				
Cash and cash equivalents	**150,997**	187,472	**150,997**	187,472
Cash held in trust	**14,090**	10,677	**14,090**	10,677
Cash and cash equivalents, end of period	**165,087**	198,149	**165,087**	198,149

Operating Segments

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

Three Months Ended September 30, 2014	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**38,591**	**79,399**	**16,051**	**134,041**
Operating costs	**10,446**	**25,865**	**7,020**	**43,331**
Depreciation and amortization	**6,765**	**7,746**	**1,900**	**16,411**
Segment operating profit	**21,380**	**45,788**	**7,131**	**74,299**
Research and development				**8,599**
Corporate services				**6,038**
Stock-based compensation				**15,267**
Other income				**(17)**
Income taxes				**17,946**
Net Income				**26,466**
Capital expenditures	**25,279**	**13,146**	**1,223**	**39,648**
Goodwill	**0**	**20,744**	**2,600**	**23,344**
Intangible assets	**32,579**	**6,091**	**2,218**	**40,888**
Segment assets	**191,771**	**309,172**	**70,479**	**571,422**
Segment liabilities	**84,541**	**44,777**	**11,609**	**140,927**

Three Months Ended September 30, 2013				
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 loss				9,135
Capital expenditures	13,493	8,326	316	22,135
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, 2014	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**106,290**	**215,293**	**39,483**	**361,066**
Operating costs	**30,836**	**72,467**	**20,365**	**123,668**
Depreciation and amortization	**19,160**	**23,439**	**5,458**	**48,057**
Segment operating profit	**56,294**	**119,387**	**13,660**	**189,341**
Research and development				**24,774**
Corporate services				**16,229**
Stock-based compensation				**40,071**
Other expenses				**3,837**
Income taxes				**39,537**
Net income				**64,893**
Capital expenditures	**35,168**	**33,848**	**5,272**	**74,288**
Goodwill	**—**	**20,744**	**2,600**	**23,344**
Intangible assets	**32,579**	**6,091**	**2,218**	**40,888**
Segment assets	**191,771**	**309,172**	**70,479**	**571,422**
Segment liabilities	**84,541**	**44,777**	**11,609**	**140,927**

Nine Months Ended September 30, 2013				
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	27,387	18,095	4,730	50,212
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

Other Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
	($)	($)	**($)**	($)
Litigation provision	**—**	0	**—**	61,614
Foreign exchange (gain) loss	**(682)**	629	**2,227**	(622)
Earn-out provision	**—**	3,071	**—**	3,071
Other	**665**	384	**1,610**	1,106
Other (income) expenses	**(17)**	4,084	**3,837**	65,169

Part of the 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. Management concluded that an amount was owing and the Company and previous shareholders of Petron agreed to $3.1 million, which was accrued for in the third quarter of 2013.

Pason Systems Inc.

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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.