Press Release

Pason Reports Second Quarter 2017 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (August 9, 2017) – Pason Systems Inc. (TSX:PSI) announced today its 2017 second quarter results.

Performance Data

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	**2017**	2016	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**55,792**	27,173	105	**114,841**	72,986	57
Income (loss)	**6,895**	(11,319)	—	**14,048**	(22,179)	—
Per share – basic	**0.08**	(0.13)	—	**0.17**	(0.26)	—
Per share – diluted	**0.08**	(0.13)	—	**0.17**	(0.26)	—
EBITDA (1)	**21,050**	(2,231)	—	**44,519**	(2,584)	—
As a % of revenue	**37.7**	(8.2)	—	**38.8**	(3.5)	—
Adjusted EBITDA (1)	**19,361**	(1,470)	—	**44,269**	7,293	507
As a % of revenue	**34.7**	(5.4)	—	**38.5**	10.0	29
Funds flow from operations	**18,795**	(974)	—	**39,869**	2,361	1,589
Per share – basic	**0.22**	(0.01)	—	**0.47**	0.03	1,467
Per share – diluted	**0.22**	(0.01)	—	**0.47**	0.03	1,467
Cash from operating activities	**24,201**	2,993	709	**54,032**	14,324	277
Free cash flow (1)	**19,628**	(2,461)	—	**48,139**	1,680	2,765
Capital expenditures	**5,099**	4,929	3	**6,233**	11,509	(46)
Working capital	**197,191**	197,843	—	**197,191**	197,843	—
Total assets	**412,991**	456,894	(10)	**412,991**	456,894	(10)
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.17**	0.17	—	**0.34**	0.34	—
Shares outstanding end of period (#000's)	**84,814**	84,280	1	**84,814**	84,280	1

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

Q2 2017 vs Q2 2016

The Company generated consolidated revenue of $55.8 million in the second quarter of 2017, an increase of 105% from the same period in 2016. Stable commodity prices and continued optimism has led to increased drilling activity in Canada and the US market. Revenue in the second quarter of 2017, when compared to 2016, also benefited by a lower Canadian dollar relative to the US dollar. Revenue from the International business unit increased modestly compared to the second quarter of 2016.

Consolidated adjusted EBITDA increased to $19.4 million in the second quarter, up from a negative $1.5 million in the second quarter of 2016. Strong operational performance in North America gross profit performance led to the rebound in these key measures.

The Company recorded net income of $6.9 million ($0.08 per share) in the second quarter of 2017, compared to a net loss of $11.3 million ($0.13 per share) recorded in the same period in 2016. The increase in Canadian and US revenue combined with cost reduction programs previously implemented and a significant decline in depreciation expense from prior year levels led to the increase in income from 2016 levels. In addition, the strengthening Canadian dollar toward the end of the second quarter of 2017 led to a lower effective tax rate for the second quarter of 2017.

President's Message

The second quarter of each year generally has the lowest drilling activity due to spring break-up in Canada, when many areas are not accessible because of ground conditions. As a result, financial performance in the second quarter is usually weaker than in the first. This was again the case this year. However, due to higher drilling activity in the United States, in Canada, and in certain International markets, as well as lower operating costs, Pason's financial performance improved significantly from the second quarter of 2016.

Revenue for the quarter was up 105% to $55.8 million from the previous year period. Income for the second quarter of 2017 was $6.9 million, or $0.08 per share, compared to a loss of $11.3 million in the previous year. Adjusted EBITDA was $19.4 million, resulting in an adjusted EBITDA margin of 35%. Free Cash Flow for the quarter was $19.6 million. At June 30, 2017, our working capital position stood at $197 million, including cash at $167 million. There is no debt on our balance sheet. We are maintaining our quarterly dividend at $0.17 per share.

The key drivers of improved financial performance were: 1) higher drilling activity in the United States - especially in the Permian region - as well as in Canada; 2) increased US market share; and 3) a significant reduction in operating costs and depreciation.

The impact of previously implemented cost reduction programs is highlighted by comparing this quarter's results with the second quarter of 2015. While revenue was essentially at the same level, EBITDA increased from $7.5 million the second quarter of 2015 to $21.1 million in the second quarter of 2017. Our recorded net income was also much improved. We expect to continue to reap the benefits of our lower fixed cost structure into the foreseeable future.

Since the beginning of this year, growth in land-based drilling activity in North America has exceeded our expectations. The US land rig count now stands at 930 and the average for Canada year-to-date is at 180.

While we don't expect to see immediate reductions in operator capital budgets - and thus drilling activity - we believe growth will be muted going forward. Operator capital budgets are likely to be significantly impacted by future commodity prices, and the potential to return to lower commodity prices, as well as continued pipeline and LNG uncertainty in Canada, may create headwinds to continued growth in industry activity.

Pason's two main objectives for 2017 remain unchanged: 1) to fully participate in the industry's upturn while containing growth of the cost base; and 2) to become a key enabler of drilling automation and big data strategies.

We continue to invest approximately $30 million annually in R&D and IT. In addition to continuously enhancing the functionality and performance of existing products, our development efforts are focused on products that directly improve the efficiency, effectiveness and safety of drilling operations and wellbore quality.

Examples of this include our ePVT Adaptive Alarms and Digital Trip Sheets, AC AutoDriller, abbl Directional Advisor and the deployment of the advanced Exxon Drilling Advisory System. We are building on our acquisition of Verdazo Analytics to provide customers with a holistic platform to analyze drilling, production, and operational data. The deployment of an enhanced Live Rig View (LRV) web service to our cloud-based offering benefits office-based users of Pason data.

Our capital expenditures will be relatively modest going forward with a larger portion of our current development efforts focused on software and analytics. Our very capable and flexible rigsite IT and communications platform can host new Pason and third party software. For 2017, we intend to spend up to $25 million in capital expenditures.

Pason's market position remains very strong and the outlook for our new products and services looks promising. We are the service provider of choice for many leading operators and drilling contractors with Pason equipment installed on over 65% of all active land drilling rigs in the Western Hemisphere and a growing presence in the Middle East.

Marcel Kessler
President and Chief Executive Officer
August 9, 2017

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of August 9, 2017, 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.

Revenue per EDR Day

Revenue per EDR day is defined as the daily revenue generated from all products that the Company has on rent on a drilling rig that has the Company's base EDR installed. This metric provides a key measure on the Company's ability to increase production adoption and evaluate product pricing.

EBITDA

EBITDA is defined as net income before interest expense, income taxes, stock-based compensation expense, depreciation and amortization expense, and gains on disposal of investments.

Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA, adjusted for foreign exchange, impairment of property, plant, and equipment, restructuring costs, and other items which the Company does not consider to be in the normal course of continuing operations.

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 June 30,			Six Months Ended June 30,		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**27,147**	11,462	137	**52,803**	30,617	72
Pit Volume Totalizer/ePVT	**7,723**	3,465	123	**16,299**	9,821	66
Communications	**4,926**	2,258	118	**11,849**	6,589	80
Software	**4,887**	1,791	173	**9,903**	4,922	101
AutoDriller	**3,021**	1,517	99	**6,850**	4,283	60
Gas Analyzer	**3,679**	1,853	99	**8,291**	5,477	51
Other	**4,409**	4,827	(9)	**8,846**	11,277	(22)
Total revenue	**55,792**	27,173	105	**114,841**	72,986	57

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 June 30,			Six Months Ended June 30,		
	2017	2016	Change	**2017**	2016	Change
	#	#	(%)	#	#	(%)
EDR rental days	**9,200**	4,400	109	**33,000**	19,400	70
PVT rental days	**8,800**	4,000	120	**30,600**	18,000	70

United States

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	**2017**	2016	Change
	#	#	(%)	#	#	(%)
EDR rental days	**43,700**	18,400	138	**79,000**	43,600	81
PVT rental days	**34,900**	14,400	142	**62,600**	33,400	87

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.

Total revenue increased 105% and 57% for the three and six months ending June 2017, over the same period in 2016. This increase is attributable to an increase in drilling activity in the Company's North American markets. The second quarter 2017 results benefited from a weaker Canadian dollar relative to the US dollar.

Industry activity in the US market increased 118% in the second quarter of 2017 compared to the corresponding period in 2016 (68% on a year-to-date basis), while second quarter Canadian rig activity increased 141% (93% on a year-to-date basis). Canadian EDR days, which includes some non-oil and gas-related activity, increased 109% in the second quarter of 2017 from 2016 levels (70% on a year-to-date basis), while US EDR days increased by 138% from the second quarter of 2016 (81% on a year-to-date basis).

For the first half of 2017, the Pason EDR was installed on 55% of the land rigs in the US compared to 51% during the same time period in 2016.

The Canadian business unit continued to see increased competition from a number of competitors. For the first half of 2017, the Pason EDR was installed on 89% of the land rigs in the Canadian market; for the same period in 2016 the number of EDR days exceeded the number of reported industry days.

For the purposes of market share, the Company uses the number of EDR days billed and oil and gas drilling days as reported by accepted industry sources.

The Canadian market saw continued pricing pressure during the second quarter of 2017 relative to the same period in 2016.

The revenue generated from the Company's other wellsite instrumentation products tracked the percentage increase in drilling activity. The notable exceptions were:

- increased product adoption of EDR peripherals, including workstations and Pason Rig Display
- continued increase in customer adoption of the communication solutions previously rolled out in the Canadian and US markets
- increased ePVT adoption rates in the US
- increased AutoDriller rentals in both Canada and the US due to the significant increase in drilling activity which led to more mechanical rigs being deployed in 2017 compared to 2016
- decreased revenue of service rig recorders in Latin America due to the drop in drilling activity which impacted other revenue

Included in the software category is revenue from the Company's data analytics subsidiary, Verdazo.

Other revenue is down due to the sale of the net operating assets of 3PS, Inc. (3PS) effective January 1, 2017.

For the second quarter of 2017, the Company saw an increase in rig count in its Australian and Andean operating areas, compared to the corresponding period in 2016. Rig count continues to be depressed in Argentina and Mexico. In the Middle East, the Company is realizing an increase in its share of net income from its Saudi Arabia joint venture as a result of a continuing increases in rig count and market penetration.

Discussion of Operations

United States Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**20,400**	7,383	176	**35,524**	18,070	97
Pit Volume Totalizer/ePVT	**5,594**	2,174	157	**10,197**	5,350	91
Communications	**3,389**	1,172	189	**5,972**	2,717	120
Software	**3,331**	1,338	149	**5,799**	3,095	87
AutoDriller	**1,816**	617	194	**3,224**	1,582	104
Gas Analyzer	**2,278**	1,077	112	**4,043**	2,675	51
Other	**2,387**	2,630	(9)	**4,402**	6,528	(33)
Total revenue	**39,195**	16,391	139	**69,161**	40,017	73
Operating costs	**16,302**	10,749	52	**30,512**	25,994	17
Depreciation and amortization	**4,170**	5,463	(24)	**9,171**	12,236	(25)
Segment operating profit	**18,723**	179	10,360	**29,478**	1,787	1,550

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Revenue per EDR day - USD	**661**	624	**649**	621
Revenue per EDR day - CAD	**889**	804	**866**	827

Momentum in the US land-based drilling count continued in the second quarter of 2017. Although the majority of the absolute rig count gains were seen in the Permian and certain plays in Oklahoma, the Eagle Ford and Bakken participated in the increase.

US segment revenue increased by 139% in the second quarter of 2017 over the 2016 comparable period. For the first six months, revenue increased 73% compared to the prior year. Included in the prior year results was revenue (included in other revenue) from 3PS, the net operating assets of which were sold effective January 1, 2017. Removing 3PS revenue from the comparative figures, revenue increased by 165% in the second quarter of 2017 compared to 2016 (151% increase when measured in USD). The value of the Canadian dollar relative to the US dollar had a positive impact on revenue when measured in Canadian dollars in the second quarter of 2017. For the first half of 2017, revenue increased by 90% (89% when measured in USD) when removing 3PS revenue.

Industry activity in the US market during the second quarter of 2017 increased 118% from the prior year, and 68% for the first six months. US market share was 55% for the second quarter of 2017 compared to 51% during the same period of 2016, primarily driven by market share growth in key US regions combined with changes in the mix of active customers.

EDR rental days increased by 138% for the quarter ended June 30, 2017, over the same time period in 2016, while revenue per EDR day in the second quarter of 2017 increased to US$661, an increase of US$37 over the same period in 2016. This increase is due to an uptick on adoption of certain key products, combined with continued customer acceptance of enhanced communication solutions. Pricing discounts were similar to 2016 levels.

Revenue per EDR day for the first half of 2017 was US$649, up US$28 from the same period in 2016.

Operating costs increased by 52% in the second quarter relative to the same period in the prior year. When measured in USD, and removing 3PS costs, operating costs increased by 68%, which is a direct result of the business unit investing in field costs to meet the significant increase in drilling activity with the largest increases in labour costs and repairs.

Depreciation expense for the second quarter of 2017 decreased 24% over 2016 amounts due to the reduction in the capital program.

Segment profit increased by $18.5 million in the second quarter of 2017 compared to the corresponding period in 2016.

Canadian Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**3,769**	1,853	103	**12,205**	7,687	59
Pit Volume Totalizer/ePVT	**1,502**	827	82	**4,979**	3,359	48
Communications	**1,489**	759	96	**5,341**	3,188	68
Software	**1,458**	401	264	**3,934**	1,696	132
AutoDriller	**709**	301	136	**2,658**	1,405	89
Gas Analyzer	**1,079**	502	115	**3,661**	2,150	70
Other	**473**	357	32	**1,688**	1,340	26
Total revenue	**10,479**	5,000	110	**34,466**	20,825	66
Operating costs	**5,559**	3,995	39	**11,353**	9,319	22
Depreciation and amortization	**5,645**	6,331	(11)	**11,579**	13,913	(17)
Segment operating (loss) profit	**(725)**	(5,326)	86	**11,534**	(2,407)	—

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Revenue per EDR day- CAD	**1,044**	1,103	**994**	1,053

The second quarter showed significant improvement in WCSB rig count, with virtually all operators increasing their activity.

Canadian segment revenue increased by 110% for the quarter ended June 30, 2017 compared to the same period in 2016. This increase is the result of a 141% increase in the number of drilling industry days in the second quarter compared to 2016 levels. Included in the software category is revenue earned by Verdazo.

EDR rental days increased 109% in the second quarter of 2017 compared to 2016 (70% for the first six months of 2017).

Revenue per EDR day decreased by $59 to $1,044 during the second quarter of 2017 compared to 2016, resulting from selective price discounts on certain products. Revenue per EDR day for the first half of 2017 was $994, down $59 from the same period in 2017. The Canadian business unit continues to see competitive pricing pressure relative to prior periods.

Operating costs increased by 39% in the second quarter of 2017 relative to the same period in 2016 (22% on a year-to-date basis), due to increased repair costs combined with the inclusion of Verdazo operating costs.

Depreciation and amortization expense decreased by approximately 11% for the three months ended June 30, 2017. The 2017 amounts include the amortization of investment tax credits received in the second quarter of 2017, offset by the amortization of intangibles that were recognized on the acquisition of Verdazo.

The second quarter 2017 operating loss of $0.7 million is an improvement of $6.1 million from the prior year. Segment operating profit for the first six months of 2017 is $11.5 million compared to a loss of $2.4 million in the prior year.

International Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**2,703**	2,226	21	**5,074**	4,860	4
Pit Volume Totalizer/ePVT	**627**	464	35	**1,123**	1,112	1
Communications	**323**	327	(1)	**536**	684	(22)
Software	**98**	52	88	**170**	131	30
AutoDriller	**496**	599	(17)	**968**	1,296	(25)
Gas Analyzer	**322**	274	18	**587**	652	(10)
Other	**1,549**	1,840	(16)	**2,756**	3,409	(19)
Total revenue	**6,118**	5,782	6	**11,214**	12,144	(8)
Operating costs	**4,773**	4,188	14	**8,965**	9,719	(8)
Depreciation and amortization	**1,008**	1,784	(43)	**2,046**	3,791	(46)
Segment operating profit (loss)	**337**	(190)	—	**203**	(1,366)	—

The international rig count was up in several of the Company's international markets, most notably Australia and portions of the Andean region in South America. As a result, revenue in the International operations segment increased 6% in the second quarter of 2017 compared to the same period in 2016. For the first half of 2017 revenue decreased by 8% from prior years levels as a result of lower activity in the Company's Argentina and Mexico markets.

Operating costs increased by 14% in the second quarter relative to the same period in the prior year as result of increased operating costs in certain key markets. The Company anticipates that future pricing arrangements will reflect these price increases.

Depreciation expense decreased by approximately 43% for the three months ended June 30, 2017.

The segment operating profit was $0.3 million for the second quarter of 2017, an improvement from the $0.1 million loss recorded in the corresponding period in 2016. The year-to-date profit was $0.2 million compared to a loss of $1.4 million in the prior year.

Corporate Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Other expenses						
Research and development	**6,261**	5,629	11	**12,138**	12,257	(1)
Corporate services	**3,536**	4,082	(13)	**7,604**	8,404	(10)
Stock-based compensation	**3,177**	2,238	42	**5,724**	3,200	79
Other						
Restructuring costs	**—**	—	—	**—**	10,861	—
Foreign exchange (gain) loss	**(689)**	396	—	**(466)**	(2,323)	80
Other	**(1,000)**	365	—	**216**	1,339	(84)
Total corporate expenses	**11,285**	12,710	(11)	**25,216**	33,738	(25)

In the first quarter of 2016, the Company initiated additional cost reduction initiatives to address the prolonged downturn in oil and gas drilling activity. As a result, the Company recorded a restructuring charge of $10.9 million in the first quarter of 2016.

Q2 2017 vs Q1 2017

Consolidated revenue was $55.8 million in the second quarter of 2017 compared to $59.0 million in the first quarter of 2017, a decrease of $3.2 million, or 5%. The second quarter is usually the Company's weakest due to the spring break-up in Canada. US activity levels continued to increase from first quarter 2017 levels. The Canadian segment earned revenue of $10.5 million in the second quarter of 2017 compared to $24.0 million in the first quarter of 2017, a decrease of $13.5 million. Revenue in the US market increased by $9.2 million, from $30.0 million in the first quarter of 2017 to $39.2 million in the second quarter of 2017. The International segment experienced a revenue increase of $1.0 million.

The Company recorded a net profit in the second quarter of 2017 of $6.9 million ($0.08 per share) compared to a profit of $7.2 million ($0.08 per share) in the first quarter of 2017.

Sequentially, EBITDA decreased from $23.5 million in the first quarter of 2017 to $21.1 million in the second quarter of 2017. Adjusted EBITDA, which adjusts for foreign exchange and certain non-recurring charges, decreased from $24.9 million in the first quarter of 2017 to $19.4 million in the second quarter of 2017. Funds flow from operations decreased from $21.1 million in the first quarter of 2017 to $18.8 million in the second quarter of 2017.

Second Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its second quarter 2017 results at 9:00 am (Calgary time) on Thursday, August 10, 2017. 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 35710957.

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, web-based information management, and analytics, 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, 2016, 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	June 30, 2017	December 31, 2016
(CDN 000s) (unaudited)	($)	($)
Assets		
Current		
Cash and cash equivalents	**166,520**	146,479
Trade and other receivables	**47,414**	50,721
Prepaid expenses	**3,473**	3,826
Income taxes recoverable	**7,101**	15,066
Assets held for sale	—	8,413
Total current assets	**224,508**	224,505
Non-current		
Property, plant and equipment	**134,220**	150,504
Intangible assets and goodwill	**39,655**	43,698
Deferred tax assets	**14,608**	16,544
Total non-current assets	**188,483**	210,746
Total assets	**412,991**	435,251
Liabilities and equity		
Current		
Trade payables and accruals	**22,889**	24,347
Stock-based compensation liability	**4,428**	1,516
Liabilities held for sale	**—**	223
Total current liabilities	**27,317**	26,086
Non-current		
Stock-based compensation liability	**3,829**	2,941
Onerous lease obligation	**2,697**	2,917
Deferred tax liabilities	**13,282**	16,656
Total non-current liabilities	**19,808**	22,514
Equity		
Share capital	**143,795**	139,730
Share-based benefits reserve	**23,679**	23,026
Foreign currency translation reserve	**58,705**	69,443
Retained earnings	**139,687**	154,452
Total equity	**365,866**	386,651
Total liabilities and equity	**412,991**	435,251

Condensed Consolidated Interim Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**55,792**	27,173	**114,841**	72,986
Operating expenses				
Rental services	**24,099**	16,986	**45,582**	40,757
Local administration	**2,535**	1,946	**5,248**	4,275
Depreciation and amortization	**10,823**	13,578	**22,796**	29,940
	37,457	32,510	**73,626**	74,972
Operating profit (loss)	**18,335**	(5,337)	**41,215**	(1,986)
Other expenses				
Research and development	**6,261**	5,629	**12,138**	12,257
Corporate services	**3,536**	4,082	**7,604**	8,404
Stock-based compensation expense	**3,177**	2,238	**5,724**	3,200
Other (income) expense	**(1,689)**	761	**(250)**	9,877
	11,285	12,710	**25,216**	33,738
Income (loss) before income taxes	**7,050**	(18,047)	**15,999**	(35,724)
Income tax provision (recovery)	**155**	(6,728)	**1,951**	(13,545)
Net income (loss)	**6,895**	(11,319)	**14,048**	(22,179)
Income (loss) per share				
Basic	**0.08**	(0.13)	**0.17**	(0.26)
Diluted	**0.08**	(0.13)	**0.17**	(0.26)

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net income (loss)	**6,895**	(11,319)	**14,048**	(22,179)
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	**(9,733)**	262	**(11,328)**	(24,865)
Reclassification of foreign currency translation gain on disposition of 3PS assets	**—**	—	**590**	—
Other comprehensive (loss) gain	**(9,733)**	262	**(10,738)**	(24,865)
Total comprehensive (loss) income	**(2,838)**	(11,057)	**3,310**	(47,044)

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, 2016	128,067	23,367	85,603	252,411	489,448
Net loss	—	—	—	(22,179)	(22,179)
Dividends	—	—	—	(28,621)	(28,621)
Other comprehensive loss	—	—	(24,865)	—	(24,865)
Exercise of stock options	4,546	(1,424)	—	—	3,122
Expense related to vesting of options	—	1,417	—	—	1,417
Balance at June 30, 2016	132,613	23,360	60,738	201,611	418,322
Net loss	—	—	—	(18,442)	(18,442)
Dividends	—	—	—	(28,717)	(28,717)
Other comprehensive income	—	—	8,705	—	8,705
Exercise of stock options	5,867	(1,913)	—	—	3,954
Expense related to vesting of options	—	1,579	—	—	1,579
Shares issued pursuant to business acquisition	1,250	—	—	—	1,250
Balance at December 31, 2016	139,730	23,026	69,443	154,452	386,651
Net income	—	—	—	14,048	14,048
Dividends	—	—	—	(28,813)	(28,813)
Other comprehensive loss	—	—	(10,738)	—	(10,738)
Exercise of stock options	4,065	(985)	—	—	3,080
Expense related to vesting of options	—	1,638	—	—	1,638
Balance at June 30, 2017	**143,795**	**23,679**	**58,705**	**139,687**	**365,866**

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Cash from (used in) operating activities				
Net income (loss)	**6,895**	(11,319)	**14,048**	(22,179)
Adjustment for non-cash items:				
Depreciation and amortization	**10,823**	13,578	**22,796**	29,940
Stock-based compensation	**3,177**	2,238	**5,724**	3,200
Non-cash restructuring costs	**—**	—	**—**	4,833
Deferred income taxes	**(1,052)**	(5,688)	**(1,941)**	(10,976)
Unrealized foreign exchange (gain) loss and other	**(1,048)**	217	**(758)**	(2,457)
Funds flow from (used in) operations	**18,795**	(974)	**39,869**	2,361
Movements in non-cash working capital items:				
Decrease in trade and other receivables	**3,659**	6,826	**1,816**	18,090
Decrease in prepaid expenses	**700**	868	**258**	1,004
Decrease (increase) in income taxes recoverable	**2,774**	(840)	**9,566**	(3,583)
(Decrease) increase in trade payables, accruals and stock-based compensation liability	**(780)**	(5,641)	**3,134**	461
Effects of exchange rate changes	**(522)**	3,212	**985**	2,306
Cash generated from operating activities	**24,626**	3,451	**55,628**	20,639
Income tax paid	**(425)**	(458)	**(1,596)**	(6,315)
Net cash from operating activities	**24,201**	2,993	**54,032**	14,324
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**2,374**	2,512	**3,080**	3,122
Payment of dividends	**(14,419)**	(14,327)	**(28,813)**	(28,621)
Net cash used in financing activities	**(12,045)**	(11,815)	**(25,733)**	(25,499)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment	**(4,439)**	(3,912)	**(5,280)**	(8,795)
Development costs	**(660)**	(1,017)	**(953)**	(2,714)
Proceeds on disposal of investment and property, plant and equipment	**11**	447	**14**	556
Acquisition	**—**	—	**(4,750)**	—
Proceeds on sale of net operating assets	**—**	—	**7,123**	—
Changes in non-cash working capital	**515**	(972)	**326**	(1,691)
Net cash from (used in) investing activities	**(4,573)**	(5,454)	**(3,520)**	(12,644)
Effect of exchange rate on cash and cash equivalents	**(4,409)**	165	**(4,738)**	(10,045)
Net increase (decrease) in cash and cash equivalents	**3,174**	(14,111)	**20,041**	(33,864)
Cash and cash equivalents, beginning of period	**163,346**	176,093	**146,479**	195,846
Cash and cash equivalents, end of period	**166,520**	161,982	**166,520**	161,982

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 June 30, 2017	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue	**10,479**	**39,195**	**6,118**	**55,792**
Rental services and local administration	**5,559**	**16,302**	**4,773**	**26,634**
Depreciation and amortization	**5,645**	**4,170**	**1,008**	**10,823**
Segment operating (loss) profit	**(725)**	**18,723**	**337**	**18,335**
Research and development				**6,261**
Corporate services				**3,536**
Stock-based compensation				**3,177**
Other income				**(1,689)**
Income taxes				**155**
Net Income				**6,895**
Capital expenditures	**171**	**4,929**	**(1)**	**5,099**
Goodwill	**1,259**	**6,995**	**2,600**	**10,854**
Intangible assets	**28,146**	**655**	**—**	**28,801**
Segment assets	**119,681**	**240,334**	**52,976**	**412,991**
Segment liabilities	**22,209**	**10,182**	**14,734**	**47,125**

Three Months Ended June 30, 2016				
Revenue	5,000	16,391	5,782	27,173
Rental services and local administration	3,995	10,749	4,188	18,932
Depreciation and amortization	6,331	5,463	1,784	13,578
Segment operating (loss) profit	(5,326)	179	(190)	(5,337)
Research and development				5,629
Corporate services				4,082
Stock-based compensation				2,238
Other expense				761
Income taxes				(6,728)
Net loss				(11,319)
Capital expenditures	966	3,884	79	4,929
Goodwill	—	24,218	2,600	26,818
Intangible assets	26,666	171	414	27,251
Segment assets	130,076	271,808	55,010	456,894
Segment liabilities	24,800	8,363	5,409	38,572

Six Months Ended June 30, 2017	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**34,466**	**69,161**	**11,214**	**114,841**
Rental services and local administration	**11,353**	**30,512**	**8,965**	**50,830**
Depreciation and amortization	**11,579**	**9,171**	**2,046**	**22,796**
Segment operating profit	**11,534**	**29,478**	**203**	**41,215**
Research and development				**12,138**
Corporate services				**7,604**
Stock-based compensation				**5,724**
Other expenses				**(250)**
Income tax expense				**1,951**
Net income				**14,048**
Capital expenditures	**118**	**6,215**	**(100)**	**6,233**
Goodwill	**1,259**	**6,995**	**2,600**	**10,854**
Intangible assets	**28,146**	**655**	**—**	**28,801**
Segment assets	**119,681**	**240,334**	**52,976**	**412,991**
Segment liabilities	**22,209**	**10,182**	**14,734**	**47,125**

Six Months Ended June 30, 2016				
Revenue	20,825	40,017	12,144	72,986
Rental services and local administration	9,319	25,994	9,719	45,032
Depreciation and amortization	13,913	12,236	3,791	29,940
Segment operating (loss) profit	(2,407)	1,787	(1,366)	(1,986)
Research and development				12,257
Corporate services				8,404
Stock-based compensation				3,200
Other expense				9,877
Income tax recovery				(13,545)
Net loss				(22,179)
Capital expenditures	2,683	8,658	168	11,509
Goodwill	—	24,218	2,600	26,818
Intangible assets	26,666	171	414	27,251
Segment assets	130,076	271,808	55,010	456,894
Segment liabilities	24,800	8,363	5,409	38,572

Other (Income) Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	**2017**	2016
	($)	($)	**($)**	($)
Foreign exchange loss (gain)	**(689)**	396	**(466)**	(2,323)
Restructuring costs	**—**	—	**—**	10,861
Other	**(1,000)**	365	**216**	1,339
Other (income) expenses	**(1,689)**	761	**(250)**	9,877

In the first quarter of 2016, the Company initiated additional cost reduction initiatives to address the prolonged downturn in oil and gas drilling activity. As a result, the Company recorded a restructuring charge of $10.9 million in the first quarter of 2016.

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, web-based information management, and analytics, 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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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.