Press Release

Pason Reports First Quarter 2019 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (May 1, 2019) – Pason Systems Inc. (TSX:PSI) announced today its 2019 first quarter results.

Performance Data

Three Months Ended March, 31	2019	2018	Change
(CDN 000s, except per share data)	($)	($)	(%)
Revenue	**82,143**	73,813	11
EBITDA (1)	**40,435**	32,220	25
Adjusted EBITDA (1)	**40,641**	34,753	17
As a % of revenue	**49.5**	47.1	240 bps
Funds flow from operations	**35,899**	33,958	6
Per share – basic	**0.42**	0.40	5
Per share – diluted	**0.42**	0.40	5
Cash from operating activities	**8,442**	24,344	(65)
Capital expenditures	**10,317**	5,797	78
Free cash flow (1)	**385**	18,906	(98)
Cash dividends declared	**0.18**	0.17	6
Net Income	**19,044**	12,359	54
Per share – basic	**0.22**	0.15	47
Per share – diluted	**0.22**	0.14	57
Total interest bearing debt	**—**	—	—
Shares outstanding end of period (#000's)	**85,801**	85,172	1

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

Current period amounts are in accordance with IFRS following the adoption of IFRS 16, Leases as discussed in Note 3 in the Consolidated Financial Statements. Prior periods have not been restated.

Q1 2019 vs Q1 2018

The Company generated consolidated revenue of $82.1 million in the first quarter of 2019, an increase of 11% from the same period in 2018. In the US business unit, industry activity increased by 7% while market share increased to 61% from 60% in the prior year. In Canada, industry activity decreased by 32% while market share increased. The International business unit saw increases in activity in each of the Company's major markets.

Adjusted EBITDA increased to $40.6 million in the first quarter, an increase of 17% from the same period in 2018. The increase in adjusted EBITDA was driven by the increase in activity in both the US and International business units, offset by a drop in Canadian gross profit and an increase in research and development expense.

Funds flow from operations increased to $35.9 million in the first quarter, an increase of 6% from the same period in 2018. The increase is driven by the increase in adjusted EBITDA, offset by an increase in current tax expense as a result of the Company no longer having tax loss carry forwards to reduce current tax expense.

Cash from operating activities decreased to $8.4 million in the first quarter of 2019, with the decrease attributable to:

- during the first quarter of 2019, the Company paid withholding tax owing to the CRA of $15.3 million as part of the Bilateral Advanced Pricing Arrangement entered into with the CRA and the IRS. The Company will recover this amount from the IRS when its previous years US tax returns are reassessed.
- during the current quarter, the Company paid out the 2018 short term incentive plan. In prior years, the majority of this payment was made in the same year that it was earned.
- the increase in current income tax expense described above.

Free cash flow was significantly lower than the first quarter of 2018 due to the drop in cash from operating activities described above combined with an increase in capital expenditures in the US business unit.

The Company recorded net income of $19.0 million ($0.22 per share) in the first quarter of 2019, compared to net income of $12.4 million ($0.14 per share) recorded in the same period in 2018. Net income was positively impacted from the increased level of activity in the US and international markets, a smaller foreign exchange loss, offset by an increase in both stock-based compensation expense and research and development costs.

President's Message

Pason continues to perform well in all geographies, and we are pleased with our financial results in the first quarter of 2019. Pason generated revenue of $82.1 million in the period, an increase of 11% compared to the same quarter last year. The main drivers of revenue growth were increased industry activity in the United States, higher activity levels in all Pason's international markets, and an increase in the penetration of new Drilling Intelligence products.

Adjusted EBITDA was $40.6 million for the quarter, an increase of 17%. Adjusted EBITDA as a percentage of revenue was 50% compared to 47% one year ago. The driver of this improvement was the increase in revenue with high incremental margins. Adjusted EBITDA was also positively impacted by the adoption of IFRS 16 (Leases) in the first quarter. Pason recorded net income for the quarter of $19.0 million ($0.22 per share) compared to $12.4 million ($0.15 per share) in the prior year quarter.

At March 31, 2019, our working capital position stood at $258 million, including cash and cash equivalents of $184 million. We are maintaining our quarterly dividend at $0.18 share.

At the beginning of last year, we began reporting our revenue along five product categories to better reflect the changing nature of Pason's business as follows:

- **Drilling Data** contains all products and services associated with acquiring, displaying, storing, and delivering drilling data. Revenue in this segment increased 16% in the first quarter compared to the prior year period and accounted for 53% of our total revenue. The increase was driven by a 7% increase in total US land drilling activity and market share gains in both the United States and Canada, and partially offset by a 32% decline in Canadian drilling activity. Internationally, drilling activity increased in all major markets with the largest absolute increases in Australia and Argentina.
- **Mud Management & Safety** includes products such as the Pit Volume Totalizer, Smart Alarms, Gas Analyzer, Hazardous Gas Alarm, and the Electronic Choke Actuator. In the first quarter, Mud Management & Safety revenue increased 11% and generated 29% of total revenue.
- **Communications** includes satellite and terrestrial Internet bandwidth, Wireless Rigsite, VoIP and Intercom services and accounted for 7% of total revenue. Revenue in this segment is showing negative growth because of the transition from satellite to terrestrial bandwidth with lower pricing, while we share cost savings and provide a better user experience for our customers.
- **Drilling Intelligence** bundles Pason's product offerings targeted at enabling our customers' drilling optimization and automation efforts. It contains products such as autodrillers, abbl Directional Advisor®, the ExxonMobil Drilling Advisory System® and Pivot, a pipe oscillation system for improving slide drilling. Drilling Intelligence is our highest growth segment as revenue increased 30% in the first quarter compared to the prior year and accounted for 7% of our total revenue.
- **Analytics & Other** includes our Verdazo Discovery Analytics product suite, various reports, and other revenue streams. This segment is not as directly correlated to drilling activity, grew 14% and accounted for 4% of total revenue in the first quarter.

R&D and IT expenses, including deferred development costs, grew 13% in the first quarter compared to the prior year period. The drivers of this growth were additions to R&D staff and the ongoing transition to a more cloud-based IT infrastructure, which implies lower capital spending but higher operating costs in the IT space.

From a macro perspective, driven by a solid demand outlook and OPEC and Russia production cuts taking full effect, the oil market sentiments should steadily improve over the course of this year. There are clear signs that E&P investments are starting to normalize as the industry moves toward a more sustainable financial stewardship of the global resource base. This means that higher investments in the international markets are required simply to keep production flat, while North America land is set for somewhat lower investments.

We expect international drilling activity and rig counts to further increase in 2019. Conversely in North American land, we see lower capital spending relative to last year as companies aim to spend within cash flow, repair balance sheets and improve shareholder returns. We expect US land drilling activity and rig counts to trend down slightly from current levels before starting to increase again towards the end of this year. In Canada, infrastructure issues continue to weigh heavily on the outlook for the upstream sector. With drilling activity constrained by operator access to oil and gas markets, Canadian rig counts are expected to remain materially below last year's levels.

In this environment, we are prudently managing our fixed costs and maintaining flexibility for our plans for 2019, which gives us the means and confidence to address any activity scenario. Our capital expenditures will be relatively modest going forward with a larger portion of development efforts focused on software and analytics. We intend to spend up to $30 million in capital expenditures in 2019. Our highly capable and flexible IT and communications platform can host additional new Pason and third-party software at the rigsite and in the cloud.

Our market positions remain strong, and we expect to be able to deliver growth through higher product adoption going forward. 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.

Marcel Kessler
President and Chief Executive Officer
May 1, 2019

Management's Discussion and Analysis

The following discussion and analysis has been prepared by management as of May 1, 2019, 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.

Impact of IFRS 16

The Company adopted IFRS 16, Leases, effective January 1, 2019, using the modified retrospective approach. This new standard supersedes IAS 17, Leases, and introduces a single lessee accounting model by eliminating a lessee's classification of leases as either operating leases or finance leases. Comparative figures have not been restated. Further disclosure is provided in Note 3 to the Condensed Consolidated Interim Financial Statements.

The impact of adopting this new standard on IFRS Measures and Non-IFRS Measures is described below. The figures presented below are the 2019 actual numbers that are classified differently than the 2018 comparative figures. Effectively, the operating expense line items recognized under the previous standard will be bifurcated between depreciation expense and interest expense.

Impact on IFRS Measures

Three Months Ended March 31	**2019**
(000s)	**($)**
Reduction in rental services and local administration	272
Reduction in research and development expenses	233
Reduction in corporate services costs	296
(Increase) in depreciation of right of use assets	(799)
(Increase) in net interest expense on lease liabilities	(130)
Reduction in Income tax provision	32
(Decrease) in net income	**(96)**
Increase in depreciation of right of use assets	799
(Reduction) in Income tax provision	(32)
Total increase in funds flow from operations and cash from operating activities	**671**

Impact on Non-IFRS Measures

Three Months Ended March 31	**2019**
(000s)	**($)**
Decrease in rental services and local administration - Canada operating segment	40
Decrease in rental services and local administration - United States operating segment	197
Decrease in rental services and local administration - International operating segment	35
Decrease in research and development expenses	233
Decrease in corporate services costs	296
Total increase in EBITDA and Adjusted EBITDA	**801**

Additional IFRS Measures

In its Consolidated Financial Statements, the Company 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.

Management believes that EBITDA and Adjusted EBITDA are useful supplemental measures as they provide an indication of the results generated by the Company's principal business activities prior to the consideration of how these results are taxed in multiple jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the Company's accounting policies for equity-based compensation plans.

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 (including changes to non-cash working capital associated with capital expenditures), and deferred development costs. This metric provides a key measure on the Company's ability to generate cash from it's principal business activities after funding the capital expenditure program, and provides an indication of the amount of cash available to finance, among other items, the Company's dividend and other investment opportunities.

Overall Performance

Three Months Ended March, 31	2019	2018	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**43,253**	37,295	16
Mud Management and Safety	**23,674**	21,260	11
Communications	**5,957**	7,798	(24)
Drilling Intelligence	**5,973**	4,581	30
Analytics and Other	**3,286**	2,879	14
Total revenue	**82,143**	73,813	11

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 at 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 11% for the three months ending March 31, 2019, over the same period in 2018. This increase is attributable to an increase in revenue per EDR day in all three operating segments combined with an increase in the activity in the US and International operating segment.

Industry activity in the US market increased 7% in the first quarter of 2019 compared to the corresponding period in 2018, while first quarter Canadian industry activity decreased by 32%.

US EDR days increased by 9% in the first quarter of 2019 compared to the corresponding period in 2018, while Canadian EDR days, which includes non-oil and gas-related activity, decreased 27% from 2018 levels.

In the first quarter of 2019, the Pason EDR was installed on 61% of the land rigs in the US market, an increase of 100bp over the same time period in 2018.

In the first quarter of 2019, the Pason EDR was installed on 94% of the land rigs in the Canadian market compared to 88% during the same period of 2018. 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.

Revenue generated from the Company's other wellsite instrumentation products was largely driven by the increase in drilling activity in the US market combined with increases in the adoption of certain EDR peripherals, most notably the alarms and sensors, and an increase in revenue from the Company's drilling intelligence products. Communication revenue has decreased over the same period in 2018 as the Company continues to share cost savings with its customers.

First quarter revenue was positively impacted by a stronger US dollar relative to the Canadian dollar.

For the first quarter of 2019, the Company saw an increase in activity in all major regions of the International operating segment with the largest increases in Australia and Argentina.

Discussion of Operations

United States Operations

Three Months Ended March, 31	**2019**	2018	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**29,176**	23,698	23
Mud Management and Safety	**17,217**	13,236	30
Communications	**3,229**	3,698	(13)
Drilling Intelligence	**3,152**	2,144	47
Analytics and Other	**1,691**	1,332	27
Total revenue	**54,465**	44,108	23
Rental services and local administration	**19,090**	16,885	13
Depreciation and amortization	**4,774**	3,828	25
Segment gross profit	**30,601**	23,395	31

Current period amounts are in accordance with IFRS following the adoption of IFRS 16, Leases as discussed in Note 3 in the Consolidated Financial Statements. Prior periods have not been restated.

Three Months Ended March, 31	**2019**	2018	Change
(000s)	**(#)**	(#)	(%)
Pason Electronic Drilling Recorder (EDR) Rental Days	**55,700**	50,900	9

Three Months Ended March, 31	**2019**	2018	Change
	($)	($)	(%)
Revenue per EDR day - USD	**728**	678	7
Revenue per EDR day - CAD	**968**	857	13

Revenue from the US operations increased by 23% in the first quarter of 2019 over the 2018 comparable period (17% when measured in USD).

Industry activity in the US market increased by 7% in the first quarter of 2019 over the 2018 comparable period. US market share was 61% for the first quarter of 2019 compared to 60% during the same period in 2018.

EDR rental days increased by 9% in the first quarter of 2019 over the 2018 comparable period. Revenue per EDR day increased to US $728 in the first quarter of 2019, an increase of US$50 over the same period in 2018. The increase in revenue per EDR day was driven by higher adoption of drilling intelligence products and other peripheral products and selective price increases on certain products.

Rental services and local administration increased by 13% in the first quarter of 2019 over the 2018 comparative period (9% when measured in USD). The increase in operating costs is attributable higher field staff levels and higher direct costs to support additional activity.

Depreciation expense increased by 25% in the first quarter of 2019 over the 2018 comparative period. The increase is due to the adoption of IFRS 16, Leases, the stronger US dollar relative to the Canadian dollar, and a slight increase in the capital program.

Segment gross profit increased by $7.2 million or 31% in the first quarter of 2019 over the 2018 comparative period. The Company benefited from a stronger US dollar relative to the Canadian dollar.

Canadian Operations

Three Months Ended March, 31	**2019**	2018	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**8,092**	9,920	(18)
Mud Management and Safety	**4,683**	6,661	(30)
Communications	**2,292**	3,769	(39)
Drilling Intelligence	**2,490**	2,118	18
Analytics and Other	**956**	956	—
Total revenue	**18,513**	23,424	(21)
Rental services and local administration	**5,709**	7,328	(22)
Depreciation and amortization	**4,555**	4,385	4
Segment gross profit	**8,249**	11,711	(30)

Current period amounts are in accordance with IFRS following the adoption of IFRS 16, Leases as discussed in Note 3 in the Consolidated Financial Statements. Prior periods have not been restated.

Three Months Ended March, 31	**2019**	2018	Change
(000s)	**(#)**	(#)	(%)
Pason Electronic Drilling Recorder (EDR) Rental Days	**15,500**	21,100	(27)

Three Months Ended March, 31	**2019**	2018	Change
	($)	($)	(%)
Revenue per EDR day - CAD	**1,142**	1,070	7

Canadian drilling activity in the first quarter of 2019 decreased by 32% relative to the same period in 2018. Rig activity reflected the challenging industry outlook which lead to among other things a lack of urgency on the part of operators to drill.

Canadian segment revenue decreased by 21% in the first quarter of 2019 over the 2018 comparative period. Canadian market share was 94% for the first quarter of 2019 compared to 88% during the same period of 2018.

EDR rental days decreased 27% in the first quarter of 2019 compared to 2018. Revenue per EDR day increased by $72 to $1,142 during the first quarter of 2019 compared to 2018. The increase is driven by the successful introduction of drilling intelligence products.

Rental services and local administration decreased by 22% in the first quarter of 2019 relative to the same period in 2018.

Depreciation and amortization expense increased by 4% in the first quarter of 2019 over the 2018 comparative period. The increase is due to the adoption of IFRS 16, Leases, off set by a greater proportion of research and development project costs being expensed for accounting purposes.

Segment gross profit for the first quarter of 2019 decreased 30% to $8.2 million compared to $11.7 million in segment gross profit in the 2018 comparative period.

International Operations

Three Months Ended March, 31	2019	2018	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**5,985**	3,677	63
Mud Management and Safety	**1,774**	1,363	30
Communications	**436**	331	32
Drilling Intelligence	**331**	319	4
Analytics and Other	**639**	591	8
Total revenue	**9,165**	6,281	46
Rental services and local administration	**5,306**	4,683	13
Depreciation and amortization	**893**	962	(7)
Segment gross profit	**2,966**	636	366

Current period amounts are in accordance with IFRS following the adoption of IFRS 16, Leases as discussed in Note 3 in the Consolidated Financial Statements. Prior periods have not been restated.

Drilling activity increased in all of the Company's major international markets, although the majority of the absolute gains were seen in Australia, Argentina, and the Andean region.

Revenue in the International segment increased by 46% in the first quarter of 2019 compared to the same period in 2018.

Rental services and local administration expenses increased by 13% in the first quarter of 2019 compared to the same period in 2018.

Depreciation expense decreased by 7% in the first quarter of 2019 compared to the same period in 2018.

Segment gross profit was $3.0 million for the first quarter of 2019, an improvement from the $0.6 million profit recorded in the corresponding period in 2018.

Corporate Expenses

Three Months Ended March, 31	2019	2018	Change
(000s)	**($)**	($)	(%)
Other expenses			
Research and development	**7,744**	6,359	22
Corporate services	**3,653**	3,805	(4)
Stock-based compensation	**3,824**	2,534	51
Other			
Foreign exchange loss	**101**	2,404	(96)
Net interest expense - lease liability	**137**	—	—
Interest income - short term investments	**(185)**	—	—
Other	**105**	129	(19)
Total corporate expenses	**15,379**	15,231	1

Current period amounts are in accordance with IFRS following the adoption of IFRS 16, Leases as discussed in Note 3 in the Consolidated Financial Statements. Prior periods have not been restated.

Research and development expenses increased in the first quarter of 2019 over the 2018 comparative period due to additions to the R&D personnel and the Company's continued transition towards more Cloud-based IT infrastructure, focusing on maximizing uptime service to customers and enhancing disaster recovery and business continuity capabilities.

Net interest expense - lease liability is a result of the adoption of the new lease accounting standard.

Q1 2019 vs Q4 2018

Consolidated revenue was $82.1 million in the first quarter of 2019 compared to $82.0 million in the fourth quarter of 2018, an increase of $0.1 million. Industry activity increased in the Canadian and International markets. The US market recorded an increase in revenue per EDR day, offset by a 5% decrease in activity.

Revenue in the US segment was $54.5 million in the first quarter of 2019 compared to $55.3 million in the fourth quarter of 2018. The Canadian segment earned revenue of $18.5 million in the first quarter of 2019 compared to $17.9 million in the fourth quarter of 2018. The International segment earned revenue of $9.2 million in the first quarter of 2019 compared to $8.7 million in the fourth quarter of 2018.

Adjusted EBITDA, which adjusts EBITDA for foreign exchange and certain non-recurring charges, was $40.6 million in the first quarter of 2019 compared to $39.3 million in the fourth quarter of 2018. Funds flow from operations was $35.9 million in the first quarter of 2019 compared to $30.7 million in the fourth quarter of 2018.

The Company recorded net income in the first quarter of 2019 of $19.0 million ($0.22 per share) compared to net income of $20.7 million ($0.24 per share) in the fourth quarter of 2018.

Condensed Consolidated Interim Balance Sheets

As at	March 31, 2019	December 31, 2018
(CDN 000s) (unaudited)	($)	($)
Assets		
Current		
Cash and cash equivalents	**183,931**	203,838
Trade and other receivables	**86,964**	80,020
Income tax recoverable other	**15,304**	15,304
Prepaid expenses	**3,604**	3,934
Income taxes recoverable	**2,483**	6,203
Total current assets	**292,286**	309,299
Non-current		
Property, plant and equipment	**129,318**	120,417
Intangible assets and goodwill	**30,462**	32,000
Lease receivable	**3,967**	—
Total non-current assets	**163,747**	152,417
Total assets	**456,033**	461,716
Liabilities and equity		
Current		
Trade payables and accruals	**25,850**	34,229
Income taxes payable other	**—**	15,304
Stock-based compensation liability	**4,787**	3,301
Lease liability	**3,330**	312
Total current liabilities	**33,967**	53,146
Non-current		
Deferred tax liabilities	**19,003**	17,060
Lease Liability	**12,666**	2,233
Stock-based compensation liability	**4,364**	3,200
Total non-current liabilities	**36,033**	22,493
Equity		
Share capital	**167,138**	164,723
Share-based benefits reserve	**27,986**	27,287
Foreign currency translation reserve	**56,839**	63,574
Retained earnings	**134,070**	130,493
Total equity	**386,033**	386,077
Total liabilities and equity	**456,033**	461,716

Condensed Consolidated Interim Statements of Operations

Three Months Ended March 31,	2019	2018
(CDN 000s) (unaudited)	($)	($)
Revenue	**82,143**	73,813
Operating expenses		
Rental services	**26,794**	26,039
Local administration	**3,311**	2,857
Depreciation and amortization	**10,222**	9,175
	40,327	38,071
Gross profit	**41,816**	35,742
Other expenses		
Research and development	**7,744**	6,359
Corporate services	**3,653**	3,805
Stock-based compensation expense	**3,824**	2,534
Other expense	**158**	2,533
	15,379	15,231
Income before income taxes	**26,437**	20,511
Income tax provision	**7,393**	8,152
Net income	**19,044**	12,359
Income per share		
Basic	**0.22**	0.15
Diluted	**0.22**	0.14

Condensed Consolidated Interim Statements of Other Comprehensive Income

Three Months Ended March 31,	2019	2018
(CDN 000s) (unaudited)	($)	($)
Net income	**19,044**	12,359
Items that may be reclassified subsequently to net income:		
Tax (recovery) expense on net investment in foreign operations related to an inter-company financing	**791**	(989)
Foreign currency translation adjustment	**(7,526)**	9,780
Other comprehensive gain (loss)	**(6,735)**	8,791
Total comprehensive income	**12,309**	21,150

Condensed Consolidated Interim Statements of Cash Flows

Three Months Ended March 31,	2019	2018
(CDN 000s) (unaudited)	($)	($)
Cash from (used in) operating activities		
Net income	**19,044**	12,359
Adjustment for non-cash items:		
Depreciation and amortization	**10,222**	9,175
Stock-based compensation	**3,824**	2,534
Deferred income taxes	**2,775**	7,303
Unrealized foreign exchange loss and other	**34**	2,587
Funds flow from operations	**35,899**	33,958
Movements in non-cash working capital items:		
Increase in trade and other receivables	**(9,254)**	(8,897)
Decrease in prepaid expenses	**279**	481
Decrease in income taxes	**3,525**	65
Decrease in trade payables, accruals and stock-based compensation liability	**(6,998)**	(1,365)
Effects of exchange rate changes	**(73)**	234
Cash generated from operating activities	**23,378**	24,476
Income tax paid	**(14,936)**	(132)
Net cash from operating activities	**8,442**	24,344
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	**2,013**	228
Payment of dividends	**(15,439)**	(14,480)
Repurchase and cancellation of shares under Normal Course Issuer Bid	**(2,022)**	—
Repayment of lease liability	**(671)**	—
Net cash used in financing activities	**(16,119)**	(14,252)
Cash flows (used in) from investing activities		
Additions to property, plant and equipment	**(9,749)**	(4,811)
Development costs	**(568)**	(986)
Proceeds on disposal of investment and property, plant and equipment	**110**	20
Changes in non-cash working capital	**2,150**	339
Net cash used in investing activities	**(8,057)**	(5,438)
Effect of exchange rate on cash and cash equivalents	**(4,173)**	4,059
Net increase in cash and cash equivalents	**(19,907)**	8,713
Cash and cash equivalents, beginning of period	**203,838**	154,129
Cash and cash equivalents, end of period	**183,931**	162,842

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 following table represents a disaggregation of revenue from contracts with customers along with the reportable segment for each category:

Three Months Ended March 31, 2019	**Canada**	**United States**	**International**	**Total**
(CDN 000s) (unaudited)	**($)**	**($)**	**($)**	**($)**
Revenue				
Drilling Data	**8,092**	**29,176**	**5,985**	**43,253**
Mud Management and Safety	**4,683**	**17,217**	**1,774**	**23,674**
Communications	**2,292**	**3,229**	**436**	**5,957**
Drilling Intelligence	**2,490**	**3,152**	**331**	**5,973**
Analytics and Other	**956**	**1,691**	**639**	**3,286**
Total Revenue	**18,513**	**54,465**	**9,165**	**82,143**
Rental services and local administration	**5,709**	**19,090**	**5,306**	**30,105**
Depreciation and amortization	**4,555**	**4,774**	**893**	**10,222**
Segment gross profit	**8,249**	**30,601**	**2,966**	**41,816**
Research and development				**7,744**
Corporate services				**3,653**
Stock-based compensation				**3,824**
Other expense				**158**
Income tax expense				**7,393**
Net Income				**19,044**
Capital expenditures	**904**	**8,782**	**631**	**10,317**
As at March 31, 2019				
Property plant and equipment	**42,624**	**71,960**	**14,734**	**129,318**
Goodwill	**1,259**	**7,625**	**2,600**	**11,484**
Intangible assets	**18,978**	**—**	**—**	**18,978**
Segment assets	**109,912**	**294,585**	**51,536**	**456,033**
Segment liabilities	**39,725**	**25,285**	**4,990**	**70,000**

Three Months Ended March 31, 2018	Canada	United States	International	Total
(CDN 000s) (unaudited)	($)	($)	($)	($)
Revenue				
Drilling Data	9,920	23,698	3,677	37,295
Mud Management and Safety	6,661	13,236	1,363	21,260
Communications	3,769	3,698	331	7,798
Drilling Intelligence	2,118	2,144	319	4,581
Analytics and Other	956	1,332	591	2,879
Total Revenue	23,424	44,108	6,281	73,813
Rental services and local administration	7,328	16,885	4,683	28,896
Depreciation and amortization	4,385	3,828	962	9,175
Segment gross profit	11,711	23,395	636	35,742
Research and development				6,359
Corporate services				3,805
Stock-based compensation				2,534
Other expense				2,533
Income tax expense				8,152
Net income				12,359
Capital expenditures	1,963	3,263	571	5,797
As at March 31, 2018				
Property plant and equipment	43,086	67,724	16,285	127,095
Goodwill	1,259	7,358	2,600	11,217
Intangible assets	22,210	79	—	22,289
Segment assets	123,253	243,962	46,716	413,931
Segment liabilities	44,253	9,399	4,771	58,423

Other Expense

Three Months Ended March 31,	2019	2018
(CDN 000s) (unaudited)	($)	($)
Foreign exchange loss	101	2,404
Net interest expense - lease liabilities	137	—
Interest income - financing lease	(185)	—
Other	105	129
Other expense	158	2,533

Payment of Withholding Tax

During the first quarter of 2019 the Company paid withholding tax owing to the Canada Revenue Agency (CRA) of $15,304 as part of the Bilateral Advanced Pricing Arrangement entered into with the CRA and the Internal Revenue Service (IRS). The Company will recover this amount from the IRS when its previous years US tax returns are reassessed.

Events After the Reporting Period

On May 1, 2019, the Company announced a quarterly dividend of $0.18 per share on the Company's common shares. The dividend will be paid on June 28, 2019 to shareholders of record at the close of business on June 14, 2019.

First Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its first quarter 2019 results at 9:00 am (Calgary time) on Thursday, May 2, 2019. 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 2799989.

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, 2018, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Shareholders are also invited to attend the Company's Annual General on Thursday, May 2, 2019, at 3:30 pm at the offices of Pason Systems Inc., 6120 Third Street SE, Calgary, Alberta.

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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.