Pason Systems Inc.

Annual Information Form

For the Year Ended December 31, 2013

March 19, 2014

Disclaimer: Forward-Looking Information

Certain information regarding contained in this Annual Information Form that do not relate directly and exclusively to historical facts may constitute forward-looking information under applicable securities law, including without limit the Company's current expectations, estimates and projections, all of which are made in light of Pason's experience and perception of industry trends. Such forward-looking information and statements are identified by words such as “anticipate”, "believe", “expect”, "estimate", "forecast", "goal", “may”, "outlook", "project", "proposed", "scheduled" “should”, “will”, or other similar expressions and suggestions of future outcomes, including statements about the Company's growth strategy and related schedules, projected future value, forecast operating and financial results, planned capital expenditures, expected product performance and adoption, including the timing, growth and profitability thereof, potential dividends and dividend growth strategy, future use and development of technology and projected increasing shareholder value. Any such forward-looking statements are based upon various underlying factors and assumptions, including those with regards to the accuracy of Pason's forecasts for customer demand of existing and new products; the state of the economy and the oil and gas exploration and production business, in particular; the industry shift towards more efficient drilling activity and technology to assist in that efficiency; 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 and timely 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 particularly those in the drilling and communications segments of the oil and gas industry, and general economic conditions. Unpredictable or unknown factors not discussed in this cautionary disclaimer could also have material adverse effects on forward-looking statements. The risks and uncertainties the Company faces are discussed in further detail in this Annual Information Form under the heading, "Risk and Uncertainty."

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. Furthermore, the forward-looking statements contained herein 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.

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).

Unless otherwise noted, all financial measures are expressed in Canadian dollars.

Unless otherwise indicated, all financial information included in this annual information form has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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Corporate Information

Corporate Structure

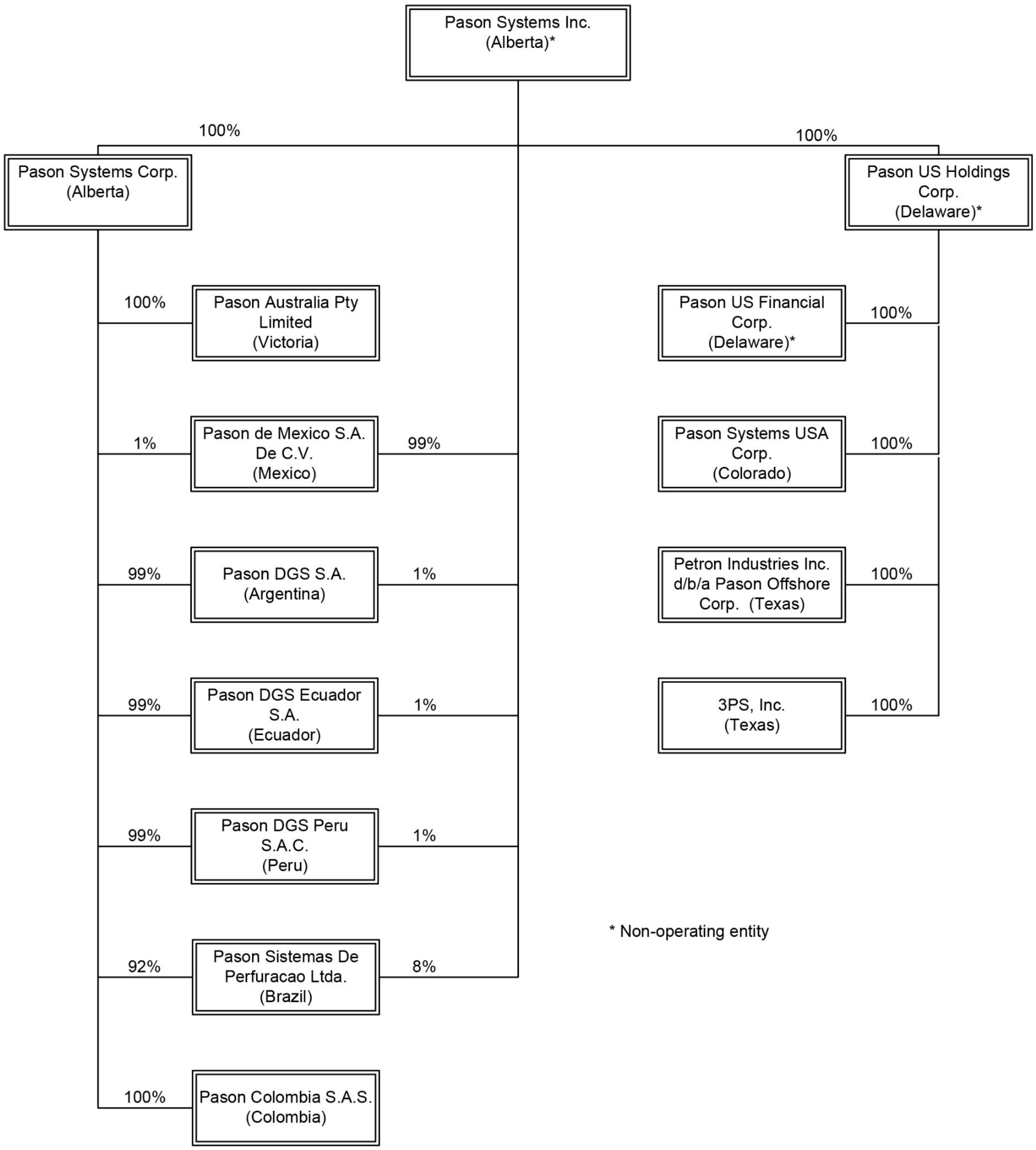
Pason Systems Inc. (“Pason” or the “Company”) is an international oil and gas services company that is publicly traded on the Toronto Stock Exchange under the symbol PSI with the corporate head office located at 6130 Third Street SE, Calgary, Alberta, T2H 1K4 and registered office at 1600, 421 Seventh Avenue SW, Calgary, Alberta, T2P 4K9.

Pason was originally incorporated as Pason Well Services Ltd. under the *Alberta Business Corporations Act* on February 3, 1978. Its name was changed to Pason Systems Corp. pursuant to the articles of amendment dated December 29, 1995.

Pason was then amalgamated under the *Alberta Business Corporations Act* on November 1, 1996 as part of a reverse takeover which occurred on October 31, 1996. Mark 8 Ventures Inc. ("Mark 8"), pursuant to an acquisition agreement among Pason Systems Corp., all of its shareholders and Mark 8, acquired all of the outstanding shares of Pason Systems Corp. Following this acquisition, Mark 8 amalgamated with 693867 Alberta Ltd., a wholly-owned subsidiary of Mark 8, and the name was changed to Pason Systems Inc.

Organizational Structure

The chart below sets out Pason's subsidiaries, their location of incorporation, and ownership structure.



General Development of the Business

Company Profile

Pason is a leading global provider of specialized data management systems for drilling rigs. Pason's solutions, which include data acquisition, wellsite reporting, remote communications, and web-based information management, enables collaboration between the rig and the office. Pason’s customers include oil and gas companies (“Operators”) and drilling contractors (“Contractors”) worldwide.

Company History

Pason began as Pason Well Services Ltd. in February of 1978. Ultimately, the name was changed to Pason Systems Inc., and the company started publicly trading on the Toronto Stock Exchange in December of 1997.

Pason expanded its operations to the United States by forming Pason Rocky Mountain Geo-Engineering Corp., which acquired Rocky Mountain Geo-Engineering Corp. on October 1, 1997. Pason Rocky Mountain Geo-Engineering Corp. changed its name to Pason Systems USA Corp. in December of 1998, and has since expanded to offer the full suite of products and services offered by the Company elsewhere and become the largest contributing subsidiary to the Company's total revenue.

Pason’s first significant venture into international operations, outside of Canada and the United States, was in May 2001, when Pason formed Pason de Mexico S.A. de C.V. (“Pason de Mexico”). The success of this business model, which maintained Pason’s ownership of equipment with the service provided by a local company, worked well and was used again for the expansion of operations into the South American market in 2003, operating under Pason Systems Corp., and in Australia in 2006, creating Pason Australia PTY Limited (“Pason Australia”).

In 2009, Pason acquired Petron Industries Inc. (“Petron”) of Houston, Texas. This acquisition improved Pason’s overall U.S. instrumentation rental market share as the result of an improved market presence in the southern U.S. states. It also provided a platform for Pason to leverage Petron’s existing Research and Development (“R&D”) technology.

With the acquisition of Auxsol, Inc. ("Auxsol") in 2009, the Company began to investigate the frac and produced water treatment market in the United States. Pason also invested funds into three mobile plants in Canada, but in 2011 made the decision to exit both markets and sold those assets. In early 2013, the Company sold the assets held by Auxsol in the United States and wound up Auxsol.

In January 2010, the Company's Australian subsidiary re-purchased the Australian distribution rights from its prior agent.

On December 31, 2010, the Company re-purchased the distribution rights for marketing Pason products in Latin American countries through six share acquisitions from its previous agent in Mexico, Colombia, Brazil, Peru, Ecuador, and Argentina. Duplicative subsidiaries in Brazil and Mexico were subsequently merged.

In August 2011, the Company purchased all of the outstanding shares of 3PS, Inc., a company located in Austin, Texas, which specializes in the design and manufacture of, among other items, a drilling and casing torque and tension sub for the industry that provides real-time accurate torque.

General Description of the Business

Products and Services

Pason's products and services are comprised of instrumentation provided on a rental basis to drilling rigs on land and offshore, as well as component and spare part sales. The revenue from each of these aspects of the business is as follows:

Consolidated Revenue	**2013**	2012	2011
(000s)	**($)**	($)	($)
Electronic Drilling Recorder (1)	**175,120**	168,951	155,313
Pit Volume Totalizer	**60,589**	59,220	58,591
Communications (1)	**28,597**	20,850	22,667
Software	**27,651**	26,950	14,798
Automatic Driller	**37,445**	40,399	39,395
Gas Analyzer/Total Gas System	**31,501**	27,304	21,306
Hazardous Gas Alarm System	**5,152**	7,345	5,258
Mobilization	**11,292**	12,265	9,523
Sales (2)	**13,195**	9,575	8,410
Other	**12,546**	13,655	10,897
Total Revenue	**403,088**	386,514	346,158

(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 restated accordingly. This change had no impact on reported key metrics, EBITDA, cash flow from operating activities, or net income.

(2) Sales and rental services expense for 2012 has been reclassified to conform with 2013 presentation.

United States Operations

	2013	2012	2011
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder (1)	**108,021**	107,160	99,176
Pit Volume Totalizer	**33,959**	33,459	32,623
Communications (1)	**11,997**	4,789	4,374
Software	**17,586**	16,976	7,761
Automatic Driller	**20,467**	23,222	21,900
Gas Analyzer/Total Gas System	**13,285**	11,312	7,906
Hazardous Gas Alarm System	**2,200**	3,169	1,620
Mobilization	**8,551**	9,233	6,939
Sales (2)	**11,998**	7,790	3,148
Other	**3,896**	5,944	3,844
Total revenue	**231,960**	223,054	189,291
Operating costs	**88,697**	85,811	78,105
Depreciation and amortization	**29,366**	32,381	22,535
Segment operating profit	**113,897**	104,862	88,651

(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 restated accordingly. This change had no impact on reported key metrics, EBITDA, cash flow from operating activities, or net income.

(2) Sales and rental services expense for 2012 has been reclassified to conform with 2013 presentation.

Canadian Operations

	2013	2012	2011
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder	**48,943**	46,632	46,163
Pit Volume Totalizer	**19,706**	19,921	21,649
Communications	**15,077**	15,524	18,193
Software	**9,631**	9,461	6,721
Automatic Driller	**12,522**	13,500	15,175
Gas Analyzer/Total Gas System	**13,618**	12,303	11,252
Hazardous Gas Alarm System	**1,482**	2,443	2,603
Mobilization	**496**	638	781
Other	**5,147**	5,316	5,795
Total revenue	**126,622**	125,738	128,332
Operating costs	**37,116**	36,291	42,616
Depreciation and amortization	**26,088**	26,964	25,934
Segment operating profit	**63,418**	62,483	59,782

International Operations

	2013	2012	2011
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder	**18,156**	15,159	9,974
Pit Volume Totalizer	**6,924**	5,840	4,319
Communications	**1,523**	537	100
Software	**434**	513	316
Automatic Driller	**4,456**	3,677	2,320
Gas Analyzer/Total Gas System	**4,598**	3,689	2,148
Hazardous Gas Alarm System	**1,470**	1,733	1,035
Mobilization	**2,245**	2,394	1,803
Sales	**1,197**	1,785	5,262
Other	**3,503**	2,395	1,258
Total revenue	**44,506**	37,722	28,535
Operating costs	**27,702**	23,073	19,967
Depreciation and amortization	**6,717**	8,868	10,096
Segment operating profit (loss)	**10,087**	5,781	(1,528)

Rental Instrumentation

Electronic Drilling Recorder ("EDR")

The Pason EDR remains the Company's prime 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 with 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. Each full EDR system consists of a proprietary doghouse computer (“DHC”), sensors, junction box, and a series of workstations all connected via a local network. EDR workstations operating with the Tool Push Computer (“TPC”) server present drilling data to the Driller, Rig Manager, Tool Push, Geologist, and any other third party in real time at the rig site. Once collected, rig data is transmitted via either High Speed Packet Access ("HSPA"), a high-speed wireless ground system, or by broadband satellite to the DataHub to be centrally stored for use by Operator and Contractor engineers and office staff.

The EDR is also designed to work with various add-on products and systems developed by Pason, such as a small rig floor workstation (“SideKick”), Gas Analyzer, Pit Volume Totalizer, Electronic Choke System, Automatic Driller, and the Gas Alarm System.

Pit Volume Totalizer (“PVT”)

The PVT is used to monitor mud tank levels and mud flow rate out of the wellbore to detect and warn rig crews of impending "kicks" resulting from gas or fluids entering the wellbore while drilling. The PVT provides critical information for maintaining the safe operation and control of the well throughout the drilling process. When used with the EDR, the PVT can collect valuable drilling information.

Communications

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

Software

DataHub is the Company’s data management system that collects, stores, and displays drilling data, reports, and real-time information from drilling operations. DataHub provides access to data through a number of innovative applications or services, including:

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

Automatic Driller

Pason developed the Automatic Driller to control the feed rate of the bit to various pre-set parameters, such as weight on bit, pressure, torque, and rate of penetration. It provides far greater precision, control, and speed as compared to competing systems. The Automatic Driller was the first solution of its kind to employ an electronic control system to improve system performance and reliability. The Company licenses certain functionality of its Automatic Driller, though that license is fully paid-up. royalty-free and irrevocable.

Gas Analyzer and Total Gas System

The Pason Gas Analyzer, which has replaced the Total Gas System ("TGAS") in the Company’s major markets, measures the total hydrocarbon gases (C1 through C4) exiting the wellbore, then calculates the lag time to show the formation depth where the gases were produced. The new Gas Analyzer increases the functionality that was found in the TGAS product to include the actual composition of the gas, much like a gas chromatograph, 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.

Hazardous Gas Alarm

The Pason Hazardous Gas Alarm System monitors lower explosive limit gases and displays the readings on the EDR. If a hazardous rig atmosphere is detected, the system reacts immediately, sounding an alarm and flashing a strobe light. The system then posts a memo to Pason's EDR permanent log stating when the alarm occurred. LEDs on the main control unit pinpoint the location of the alarms, sensor status, and potential equipment malfunctions.

Mobilization

Mobilization revenue is comprised of all services provided to our customers for which they are invoiced, and includes service calls, equipment installations, mileage, satellite transportation, and replacement parts.

Sales

Sales represent sensors and other systems sold by 3PS, Inc. and spare parts sold by Pason Offshore.

Other

Other is comprised mostly of service rig recorder rentals in Latin America and electronic choke actuator rentals.

New Products

Pason Rig Display ("PRD")

Pason's PRD is a ruggedized, touch-screen computer specifically engineered for use outdoors and in hazardous conditions. PRD enables the customer to access services and applications on and around the rig floor. It allows the rig crew to view the EDR, and third-party well construction applications anywhere on the rig.

Versatile Services Platform ("VSP")

The VSP is the evolution of Pason's communications and computing infrastructure at the rig site. This multifaceted technology provides a flexible platform for the increasing communication and application integration needs of our customers. The VSP provides a faster, more reliable Internet connection at the rig, enhances the quality of service and bandwidth management, enables site WiFi, brings the Internet to the doghouse, and allows customers to project their back-office applications (e.g., human resources and health and safety) to the rig site.

Enhanced Pit Volume Totalizer ("ePVT")

The ePVT is the next generation PVT. The ePVT enables drillers to monitor mud volumes during drilling and tripping to identify a gain or loss, which may indicate mud flow onto or returning out of the formation or a gas kick from a formation.

Mobile Viewer

Pason's customers now have the ability to access their well information securely, customize their display, configure drilling data graphs and easily access Pason's DataHub via the Mobile Viewer either from a touchscreen mobile phone or tablet.

International Business Model

Pason's international business model for renting its equipment continues to evolve. With the 2009 acquisition of Petron, the Company now offers instrumentation systems for rent and sale for both land and offshore applications. Pason operates in Australia, Mexico, and in all South American oil-producing countries except Venezuela, from the Company's Latin American base in Bogota, Colombia. The Company has regional offices in Mexico, Ecuador, Peru, Brazil, and Argentina. New Zealand and South East Asia markets are serviced from Pason's Australian operations.

Through distribution partners in Oman and the Kingdom of Saudi Arabia, Pason offers its products and services to the Middle East Markets. Pason continues to explore opportunities in areas where Pason has not operated previously, with a focus on the Eastern Hemisphere and Middle East markets.

Competition

Pason's main source of competition remains the instrumentation divisions of large United States service companies. Indirect competitors offering niche services expertise, such as those offering communications, data acquisition, storage and analytics services, compete with Pason's individual products and services and Pason's ability to bundle that technology offering as such companies attempt to sell the individual components of Pason's bundle.

Research and Development ("R&D")

Pason dedicates significant resources to research and product development, as management believes that remaining competitive is dependent on anticipating and responding to the rapidly changing needs of the oil and gas industry. Pason's R&D department performs two primary functions: support and enhancement of current products, and development of new products and technologies consistent with the technological trends in the oil and gas industry. Pason has assembled an R&D team of 148 employees and 50 full-time outsourced contractors, with appropriate technical skills in hardware and software design and development.

During 2013, Pason invested a total of $41.7 million into research and development, including $27.3 million of expense and $14.4 million of capitalized development costs. Capitalized development costs are amortized over three years once a new product begins generating rental revenue. New product development projects are periodically reviewed and if at any time a product is deemed not viable, the balance of its unamortized deferred costs are written off.

Human Resources

Pason has created an energized and focused work environment that empowers each team member to push the envelope of traditional thinking to create new solutions to old problems.

Pason's corporate culture nurtures imagination in an atmosphere where people are free to perform to their fullest potential in an open and friendly environment that supports and promotes a healthy lifestyle within and outside the workplace while abiding by all employment standards, human rights, and privacy protection legislation.

As a technology-driven company, a significant portion of Pason's highly skilled workforce is engaged in disciplines such as software and hardware design engineering, information technology, geological services, and field services technical support. The remainder of the workforce is engaged in other professional occupations that include marketing and sales, contract manufacturing and supply, warehousing and distribution, finance and accounting, administration, and human resources.

As at December 31, 2013, including executive officers, Pason's total full-time workforce stood at 830 employees, of which 323 were employed in Canada, 361 were employed in the United States, 129 in Latin America, and 17 in Australia.

Environmental Protection Requirements

A corporate insurance program is maintained consistent with industry practice that protects Pason from liabilities due to environmental accidents and disruptions. Pason also has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure.

Pason does not expect costs of compliance with applicable environmental regulations will have a material impact on Pason's competitive position or future capital expenditures, earnings, or operating costs.

Risk and Uncertainty

Pason has implemented a Risk Management framework that helps the Company manage the reality that future events, decisions, or actions may cause undesirable effects. The framework takes a value-based approach to identifying, prioritizing, communicating, mitigating, and monitoring risks, and aligns this with the organization's appetite for risk considering Company culture, strategy, and objectives.

Although a framework can help the Company to manage its risks, the Company's performance is subject to a variety of risks and uncertainties. Although the risks described below are the risks that the Company believes are material, there may also be risks of which Pason is currently unaware, or that are currently regard as immaterial based upon the information available to management and the board of directors. Interested parties should be aware that the occurrence of the events described in these risk factors could have a material adverse effect on Pason's business, operating results, and financial condition.

Operating Risks

Pason derives the majority of its revenue from the rental of instrumentation and data services to oil and gas companies and drilling contractors in Canada, the U.S., Australia, and Latin America. The demand for the Company's products is directly related to land-based or offshore drilling activity funded by energy companies' capital expenditure programs. A substantial or extended decline in energy prices or diversion of funds to large capital programs could adversely affect capital available for drilling activities directly impacting Pason's revenue.

Commodity Prices

Prices for crude oil and natural gas fluctuate in response to a number of factors beyond Pason's control. Factors that affect prices include, but are not limited to, the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability in the Middle East and elsewhere, the foreign supply of crude oil, the price of foreign imports, the availability of alternate fuel sources, and weather conditions. Any of these can reduce the profits of energy companies, reducing the amount of drilling activity.

Seasonality

Drilling activity in Canada is seasonal due to weather that limits access to leases in the spring and summer, making the first and last quarters of each year the peak level of demand for Pason's services due to the higher level of drilling activity. The length of the drilling season can be shortened due to warmer winter weather or rainy seasons. Pason can offset some of this risk, although not eliminate it, through continued growth in the U.S. and internationally, where activity is less seasonal.

Proprietary Rights

Pason relies on innovative technologies and products to protect its competitive position in the market.

To protect Pason's intellectual property, the company employs trademarks, patents, confidentiality agreements, and other measures to protect trade secrets and confidentiality of information. Pason also believes that due to the rapid pace of technological change in the industry, technical expertise, knowledge and innovative skill, combined with an ability to rapidly develop, produce, enhance, and market products, also provides protection in maintaining a competitive position.

Credit Risk

Pason is exposed to credit risk to the extent that its customers, operating primarily in the oil and natural gas industry, may experience financial difficulty and would be unable to meet their obligations.

However, Pason has a large number of customers on both the Operator and Contractor side, which minimizes exposure to any single customer.

Availability of Qualified Personnel

Due to the specialized and technical nature of Pason's business, Pason is highly dependent on attracting and retaining qualified or key personnel. There is competition for qualified personnel in the areas where Pason operates, and there can be no assurance that qualified personnel can be attracted or retained to meet the growth needs of the business. To mitigate this risk, Pason has an experienced Human Resources department and continues to engage the services of recruiters to improve recruiting effectiveness.

Alternative Energies

There continue to be extensive discussions at all levels of government worldwide and by the public concerning the burning of fossil fuels and the impact this may have on the global environment. A number of countries have publicly committed to further advance the reduction of greenhouse gas emissions. Though it is much too early to determine the impact on the oil and gas industry, the global response to these initiatives may lead to, among other things, increased focus on fuel conservation measures, additional research into renewable resources, and stringent limits on the amount of carbon dioxide emissions. The availability of alternative fuel sources, reductions in global consumption, or government regulations aimed at reducing the use of fossil fuels could negatively impact energy companies,which could in turn reduce the available capital for drilling programs, thereby impacting demand for associated drilling rig rental instrumentation.

International Operations

Approximately 90% of the Company's revenues are generated in Canada and the US, which limits exposure to risks and uncertainties in foreign countries. Assets outside of Canada and the US may be adversely affected by changes in governmental policy, social instability or other political or economic developments beyond the Company's control, including expropriation of property, cancellation or modification of contract rights, and restrictions on repatriation of cash. The Company has undertaken measures to mitigate these risks where practical and considered warranted.

Foreign Exchange Exposure

The Company operates internationally and is primarily exposed to exchange risk relative to the US dollar. The Canadian operations are exposed to currency risk on US-denominated financial assets and liabilities with fluctuations in the rate recognized as foreign exchange gains or losses in the Consolidated Statements of Operations. The Company's self-sustaining US subsidiaries expose the Company to exchange rate risk on the translation of their financial assets and liabilities to Canadian dollars for consolidation purposes. Adjustments arising when translating the US subsidiaries into Canadian dollars are reflected in the Consolidated Statements of Comprehensive Income (Loss) as unrealized foreign currency translation adjustments. The Company has not hedged either one of these risks.

Litigations

Patent Litigation

Since 2003, the Company had been defending its position in three patent infringement lawsuits relating to its automatic driller product in the United States District Court for the District of Colorado, the Canadian Federal Court, and the United States District Court for the Western District of Texas. The three separate lawsuits all alleged that the Company's automatic driller infringed a certain patent which expired on April 19, 2013. Pason had been defending its position on the grounds that the asserted claims in the patent were invalid and that in any event the Pason automatic driller does not infringe any of the claims of the patent.

In August 2013, the Company and the plaintiff in the litigation negotiated a final resolution and settlement to all three of these cases, totaling USD $112 million. As a result of this settlement and license agreement, the Company recorded an additional provision in its consolidated financial statements in 2013. The payment required to resolve all claims against the Company regarding this matter was made in the fourth quarter of 2013.

Other Litigation

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in Pason's favour, the Company does not currently believe that the outcome of any pending or threatened proceedings related to these or other matters, or the amounts which the Company may be required to pay by reason thereof, would individually or in the aggregate have a material adverse impact on its financial position, results of operations or liquidity.

Dividend Record and Policy

The amount of cash dividends declared per common share for each of the three most recently completed years is as follows:

Years Ended December 31,	**2013**	2012	2011
Dividends declared per common share	$0.53	$0.46	$0.38

While the Company does not have a formal dividend policy, in 2013 it adopted a quarterly dividend to replace the semi-annual dividend. In 2013, the company declared four dividends, whereas in prior years two dividends per year had been declared. The decision to declare dividends in the future will be made by the Board of Directors.

Description of Capital Structure

Pason is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2013, there were 82,157,598 common shares outstanding and no preferred shares outstanding. On March 19, 2014 there were 82,382,932 common shares outstanding, and no preferred shares outstanding.

Holders of Pason common shares are entitled to receive dividends if, as, and when declared by the Board of Directors. The holders of the common shares are entitled to receive notice of and to attend all meetings of shareholders, and are entitled to one vote per common share held at all such meetings. In the event of the liquidation, dissolution, or winding up of operations or other distribution of assets among Pason shareholders for the purpose of winding up its affairs, Pason's shareholders will be entitled to participate rateably in any distribution of assets.

Pason employees participate in a corporate stock-option plan. Pason directors participated in the stock-option plan until 2011, at which time the granting of stock options was replaced with a deferred share unit plan.

All options are issued at market price and vest over three years and expire after five years.

Market for Common Shares

The common shares of Pason are listed and posted for trading on The Toronto Stock Exchange under the symbol "PSI". The following table outlines the share price trading range and volume of shares traded by month in 2013.

2013	High	Low	Close	Share Volume
January	18.00	16.94	17.01	1,878,840
February	18.25	15.75	16.23	2,336,713
March	17.94	15.76	17.72	1,738,407
April	17.69	16.09	17.25	1,334,706
May	18.26	16.80	17.70	1,614,975
June	19.75	17.61	19.12	1,877,315
July	20.92	18.26	19.47	1,974,844
August	21.67	17.55	21.43	2,203,497
September	22.77	21.01	22.71	2,268,921
October	23.19	21.22	21.67	2,515,933
November	23.77	21.24	22.95	1,559,117
December	23.11	21.46	22.98	2,801,897

Directors and Officers

The following table sets out information in respect of Pason's directors and executive officers:

Directors			
Name and Residence	**Director Since** (1)	**Position(s) and Membership(s)**	**Principal occupation (if not with Pason)**
James D. Hill Alberta, Canada	1996	Chairman of the Board	
James B. Howe Alberta, Canada	1996	Lead Director, Audit Committee (Chair), HR and Compensation Committee	Professional Director and President of Bragg Creek Financial Consultants Ltd., a private financial consulting company.
Murray L. Cobbe Alberta, Canada	2001	Director, Audit Committee, Corporate Governance and Nomination Committee	Chairman and former CEO of Trican Well Service Ltd.
G. Allen Brooks (2) Texas, USA	2007	Director, Corporate Governance and Nomination Committee (Chair), HR and Compensation Committee	Professional Director and President of G. Allen Brooks LLC, a private energy market and financial consulting firm.
Franz J. Fink Texas, USA	2012	Director, Corporate Governance and Nomination Committee	Consultant and former CEO of Gennum Corporation.
Marcel Kessler Alberta, Canada	2012	Director, President and CEO	
T. Jay Collins Texas, USA	2012	Director, HR and Compensation Committee (Chair), Audit Committee	Professional Director and former CEO of Oceaneering International, Inc.

Executive Officers			
Name and Residence	**Officer Since**	**Executive Office**	**Principal occupation (if not with Pason)**
Marcel Kessler Alberta, Canada	2011 (3)	President and Chief Executive Officer	
David Elliott (4) Alberta, Canada	2006	Chief Financial Officer and VP, Finance	
Dean Tremaine Alberta, Canada	2012 (5)	Chief Technology Officer and VP, Product Line Management	
Bryce McLean Alberta, Canada	2012 (6)	Corporate Secretary and VP, Legal	

(1) All directors have been elected to serve a one-year term, and will be deemed to retire from office not later than the close of the next annual general meeting of shareholders (scheduled for May 7, 2014) unless they are re-elected. Pason directors do not have term limits or mandatory retirement.

(2) Mr. Brooks was a director of Turnkey E&P Inc. ("Turnkey"), a reporting issuer in all of the provinces of Canada, until he resigned on February 21, 2010. In late 2009, Turnkey was issued a cease trade order, which still remains in effect, by various securities commissions for failing to file with the appropriate regulatory authorities financial statements, management discussion and analysis and the required certifications relating to the third quarter 2009 financial results of Turnkey.

(3) Prior to his appointment as President and CEO, Mr. Kessler was the President, North America of Exploration Logistics Group, a medical and safety services provided, and prior to that, he was the President and Chief Executive officer of CCR Technologies Ltd., a petrochemical reclamation company, and a partner with McKinsey & Company, a management consulting firm.

(4) On January 16, 2014, Pason announced the hiring of Jon Faber as the new CFO of Pason, effective March 1, 2014. Mr. Faber was formerly an investment banker with National Bank Financial and is a Chartered Financial Analyst and Chartered Business Valuator. He resides in Alberta, Canada.

(5) Prior to his appointment as Chief Technology Officer, Mr. Tremaine had managed Pason's R&D department since 2009.

(6) Prior to his appointment as Corporate Secretary, Mr. McLean was Pason's internal Legal Advisor since 2011. Prior to this he was an Associate at a Calgary law firm.

As of March 19, 2014, the directors and executive officers of Pason, as a group, beneficially owned, directly or indirectly, or exercise control or direction over 14,817,957 common shares representing approximately 18% of the issued and outstanding common shares. In addition, as a group, the directors and executive officers hold options to purchase an additional 615,000 common shares.

Interests of Management and Others in Material Transactions

During the past three years, there have been no material interests, direct or indirect, of any senior officer, director, an associate, or any shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding securities, or any known associate or affiliate of such persons, in any transaction or in any proposed transaction which has materially affected or would materially affect Pason.

Material Contracts

Little of Pason’s business is subject to long-term contracts and, therefore, business prospects are tied to general rig activity levels in Canada, the United States, Australia, and Latin America, including Mexico.

Pason licenses certain of its Automatic Driller functionality from a third party pursuant to a fully paid-up, royalty-free and irrevocable license from the owner of certain patents and technologies directed to automatic drilling. Pason entered that license agreement on August 1, 2014 in connection with the settlement of certain litigation. Pursuant to that "Confidential Global License and Settlement Agreement", National Oilwell Varco, L.P. and its affiliates license a portfolio of patents and technologies to Pason and its affiliates in exchange for mutual releases of claims between the two corporate groups regarding such patents and technologies, and in exchange for the one-time payment from Pason of USD $112 million. The settlement terminated all litigation regarding such patents and technologies that was outstanding between the parties and the license was granted on a retroactive, fully-paid up, royalty-free and irrevocable basis.

Future Accounting Policy Changes

The Company has not applied the following new and revised IFRS standards that have been issued but are not yet effective. Unless otherwise indicated, based upon current facts and circumstances, the Company does not expect to be materially affected by the application of the following standards and is currently determining which date(s) it plans for initial compliance.

In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. These amendments will be applied by Pason on January 1, 2014 and the adoption will only impact Pason's disclosures in the notes to the consolidated financial statements in periods when an impairment loss or impairment reversal is recognized.

In May 2013, the IASB issued IFRIC 21 "Levies," which was developed by the IFRS Interpretations Committee ("IFRIC"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. IFRIC 21 is required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. IFRIC 21 will be applied by Pason on January 1, 2014 and the adoption may have an impact on Pason's accounting for production and similar taxes, which do not meet the definition of an income tax in IAS 12 "Income Taxes." Pason is currently assessing and quantifying the effect on its consolidated financial statements.

The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments." In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

In November 2013, the IASB issued the third phase of IFRS 9 which details the new general hedge accounting model. Hedge accounting remains optional and the new model is intended to allow reporters to better reflect risk management activities in the financial statements and provide more opportunities to apply hedge accounting. Pason does not employ hedge accounting for its risk management contracts currently in place. In July 2013, the IASB deferred the mandatory effective date of IFRS 9 and has left this date open pending the finalization of the impairment and classification and measurement requirements. IFRS 9 is still available for early adoption. The full impact of the standard on Pason's consolidated financial statements will not be known until the project is complete.

Transfer Agent and Registrar

Valiant Trust Company

310, 606 Fourth Street SW

Calgary, Alberta T2P 1T1

Interests of Experts

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation or included in a filing, or referred to in a filing, made under National Instrument 51-102 by us during, or related to, our most recently completed financial year end other than Deloitte LLP, Chartered Accountants, Pason's independent auditors. Deloitte LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

Audit Committee

Audit Committee Mandate

The mandate of the Audit Committee is attached as “Appendix A” to this Annual Information Form.

Composition of Audit Committee

Pason’s Audit Committee consists of James B. Howe (chair of committee), Murray L. Cobbe, and T. Jay Collins. Each member of the Audit Committee is independent and none receives, directly or indirectly, any compensation from Pason other than ordinary course compensation for service as a member of the Board of Directors and its committees. All members of the Audit Committee are financially literate as defined under Multilateral Instrument 52-110 *Audit Committees.*

Relevant Education and Experience of Audit Committee Members

In addition to each member’s general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee Member is as follows:

James B. Howe C.A.

Mr. Howe, 64, of Calgary, Alberta, Canada, has been a director of Pason Systems Inc. since 1996.

Mr. Howe is President of Bragg Creek Financial Consultants Ltd., a private financial consulting company. He has served as Chief Financial Officer of several public companies and also serves on the board of directors and audit committees of Bengal Energy Ltd., and Ensign Energy Services Inc. Mr. Howe earned a B.A. from the Ivey School of Business at the University of Western Ontario and is a member of the Institute of Chartered Accountants of Alberta. He has been a member of Pason’s Audit Committee for seventeen years.

Murray L. Cobbe

Mr. Cobbe, 64, of Calgary, Alberta, Canada, has been a director of Pason Systems Inc. since 2001.

Mr. Cobbe is the Chairman of Trican Well Service Ltd. and has been with the company since its successful IPO in December 1996. He has been in the well services business since 1974 and has overseen operations in Canada, Europe, the Middle East, and the United States. Mr. Cobbe is past Chairman of the Petroleum Services Association of Canada (“PSAC”) (the national association of Canadian oilfield service, supply, and manufacturing companies). He also serves as a director of Bellatrix Exploration Ltd. (an exploration and production company) and of Secure Energy Services Inc.

Mr. Cobbe graduated from the Southern Alberta Institute of Technology in 1970 with a Diploma in Petroleum Engineering (Reservoir). He has been a member of Pason’s Audit Committee for thirteen years.

T. Jay Collins

Mr. Collins, 67, of Houston, Texas, USA has been a director of the Corporation since 2012. Since 2002, Mr. Collins has been a director of Oceaneering International, Inc., a global oilfield provider of engineered service and products primarily to the offshore oil and gas industry.

Mr. Collins served as Chief Executive Officer of Oceaneering from 2006 to 2011, and held numerous senior positions in the company prior to that, including Chief Operating Officer from 1998 to 2006, Executive Vice President – Oilfield Marine Services from 1995 to 1998, and Senior Vice President and Chief Financial Officer from 1993 to 1995. Mr. Collins has substantial knowledge and experience in the oil and gas industry and has served on numerous boards affiliated with the industry, including the National Ocean Industries Association, National Petroleum Council, the American Productivity & Quality Center, the Texas Institute of Science, and the Houston Technology Center. He also serves on the board of Murphy Oil Corporation. Mr. Collins holds an MBA from Harvard Graduate School of Business and both his Bachelor of Arts degree and

Masters of Engineering in Chemical Engineering from Rice University. He has been a member of Pason's Audit Committee for two years.

Pre-Approval Policies and Procedures

Pason's Audit Committee mandate requires the Audit Committee pre-approve all non-audit services to be provided to Pason or any of its subsidiaries by the external auditor, provided that the Audit Committee may satisfy the pre-approval requirement by delegating to the Chairman the authority to pre-approve non-audit services and report to the Audit Committee all pre-approvals.

External Fees by Category

Deloitte LLP has served as Pason's external auditor since November 1996. The following table lists the fees paid to Deloitte LLP, by category, for the last three years:

Service	**2013**	2012	2011
Audit	**$294,000**	$279,000	$210,000
Audit-related (1)	**45,000**	45,000	39,000
Tax fees (2)	**42,000**	168,000	291,000
Other (3)	**28,000**	30,000	109,000
Total fees	**$409,000**	$522,000	$649,000

(1) Audit-related—assurance services related to review of financial statements.

(2) Tax fees—services for tax compliance, advice, and planning. 2012 costs include the review of the new inter-company financing arrangement and a review of the Company's transfer pricing policy. 2011 costs include the preparation of the consolidated US tax returns.

(3) Other—services that do not fall under previous categories. The increased amount in 2011 was mostly due to due diligence work performed on purchase of Latin American distribution rights and the purchase of 3PS.

Additional Information

Additional information relating to Pason is available via the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Additional information, including directors' and officers' remuneration, principal holders of Pason's securities and options to purchase securities, is contained in Pason's Information Circular dated March 19, 2014, which relates to the Annual and Special Meeting of Shareholders to be held on May 7, 2014. Additional financial information is contained in Pason's comparative Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012 and Management's Discussion and Analysis, which are included in Pason's Annual Report for the year ended December 31, 2013.

Mandate & Terms of Reference of the Audit Committee

Currency of the Mandate

This mandate was reviewed and approved by the Board of Directors on February 27, 2014.

Purpose

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Pason Systems Inc. ("Pason") is to assist the Board in fulfilling its oversight responsibilities in relation to the review and approval of the financial statements and financial reporting of Pason and its subsidiaries including; management's assessment of internal controls over financial reporting and other internal and disclosure controls, the performance of external and internal audits, compliance with regulatory and reporting requirements, and the risk management systems and procedures of Pason as they relate to presentation and integrity of financial information. The Committee shall also be directly responsible for overseeing the relationship of the external auditors with Pason. The external auditors shall report directly, and be accountable, to the Committee.

Mandate

Financial Statements and Financial Reporting

With respect to financial statements and reporting the Committee shall:

- Review with management and the external auditors, and recommend to the Board for approval, the annual and periodic financial statements of Pason, the reports of the external auditors thereon and related financial reporting, including Management's Discussion and Analysis ("MD&A") and earnings press releases prior to the public disclosure of such information.
- Review with management and recommend to the Board for approval, any financial statements of Pason, which have not previously been approved by the Board and are to be included in a prospectus of Pason or other documents required by applicable securities law.
- Review with management, management's internal control reports of Pason and the related required disclosures, if any, as required by applicable securities laws, rules and guidelines.
- Review accounting, tax and financial aspects of the operations of Pason and the reporting thereon as the Committee considers appropriate.
- Consider and be satisfied that appropriate processes are in place with respect to applicable certification requirements regarding Pason's annual and interim financial statements and other disclosure.
- Consider and be satisfied that adequate procedures are in place for the review of Pason's public disclosure of financial information extracted or derived from Pason's financial statements and periodically assess the adequacy of such procedures.
- Review with management, the external auditors, and, if necessary, legal counsel, any litigation, claim or contingency, including legal, regulatory compliance and tax assessments that could have a material effect upon the financial position of Pason, and the manner in which these matters may be, or have been, disclosed in the financial statements.
- Review accounting principles and changes thereto, significant accruals, reserves or other estimates, accounting treatment of unusual or non-recurring transactions, compliance with covenants under loan agreements, disclosure requirements for commitments and contingencies and other accounting and auditing principles and practices including off balance sheet items.
- Review with management and recommend to the Board for approval, Pason's Annual Information Form.

Relationship with External Auditors

With respect to matters concerning the external auditors the Committee shall:

- Review and evaluate the external auditors, including the lead partner's performance, assuring rotation of the lead partner and make a recommendation to the Board as to the appointment or re-appointment of the external auditors, ensuring that such auditors are participants in good standing pursuant to applicable securities laws.
- Meet regularly with external auditors without management present.
- Consider and make a recommendation to the Board as to the compensation of the external auditors.
- Review and approve the annual audit plan of the external auditors.
- Oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit work, reviews or attesting services, including review of post audit management letters and the resolution of any disagreements between management and the external auditors.
- Review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with Pason and their affiliates in order to determine the external auditors' independence, including, without limitation, (a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to Pason, (b) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (c) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence.
- As may be required by applicable securities laws, rules and guidelines, either:
    - Pre-approve all non-audit services and the fees for such services, to be provided by the external auditors to Pason or its subsidiaries, or in the case of de minimus non-audit services, approve such non-audit services prior to the completion of the audit; or
    - Adopt specific policies and procedures for the engagement of the external auditors for the purpose of the provision of non-audit services.
- Review and approve the hiring policies of Pason regarding partners, former partners, employees and former employees of the present and former external auditors of Pason.

Internal Controls

With respect to internal controls the Committee shall:

- Review the appropriateness of the accounting practices and policies of Pason and review any proposed changes thereto.
- Review with management and the external auditors, the adequacy and effectiveness of the internal control and management information systems and procedures of Pason (with particular attention given to accounting, financial statements, financial reporting matters and antifraud processes) and satisfy itself that Pason is in compliance with applicable legal and regulatory requirements and relevant Pason policies.
- Review the external auditors' recommendations regarding any matters, including internal control and management information systems and procedures, and management's responses thereto.
- Review with management, on at least an annual basis, their approach to monitoring the performance of the internal controls over financial reporting in accordance with their CEO/

CFO certification process, and any as required by applicable securities laws, rules and guidelines.

- Be responsible for monitoring the Ethics Hotline for financial matters and reporting any material findings to the Board and recommend a course of action.
- Establish procedures for the receipt, retention and treatment of complaints, submissions and concerns, by employees or otherwise, regarding financial reporting and disclosure, accounting, internal accounting controls or auditing matters on an anonymous and confidential basis.
- Review policies and practices concerning the expenses and perquisites of the Chairman and CEO, including the use of the assets of Pason.
- Review with external auditors any corporate transactions in which directors or officers of Pason have a personal interest.

Financial Risk Management

With respect to managing risks the Committee shall:

- Review with management and the external auditors the significant financial risks and exposures of Pason.
- Review and assess the steps, policies and procedures management has taken to mitigate such risks including insurance policies and coverage.
- Report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the businesses of Pason and assessing Pason's risk management policies and procedures.
- Review and, if advisable, approve policies and procedures with respect to officers' and directors' expenses and perquisites and consider the results of any review of these areas by the internal or external auditors.

Membership and Organization

Composition of the Committee

The Committee shall be comprised of not less than three directors of Pason, each of whom is financially literate and independent as defined in National Instrument 52-110. No Committee member shall be an officer or an employee of Pason or any of its subsidiaries, customers or suppliers. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the full Board.

Appointment of Committee Members

Members of the Committee shall be appointed from time to time by, and shall hold office at the pleasure of, the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board shall fill any vacancy if the membership of the Committee is less than three directors.

Meetings

The Committee shall meet at least quarterly and shall meet at such other times during the year as it deems appropriate or as required to review and approve financial statements. In addition, the Chair of the Committee or the Chairman of the Board or any two members of the Committee may call a meeting of the Committee. The Committee shall hold in camera sessions of the members without management and non-independent directors present, at every Committee meeting.

Notice of meetings may be provided by mail, email, personal delivery, facsimile or telephone provided that the method of notification chosen shall be capable of being received by members at least forty-eight hours prior to a meeting.

Absence of Committee Chair
If the Chair of the Committee is not present at any meeting of the Committee, the members of the Committee present at the meeting shall select a chairman to preside over the meeting.

Attendance at Meeting
Members will be considered in attendance at a meeting if they appear in person to the meeting or participate via voice or video call over the Internet or telephone. However, members shall be expected to attend meetings in person unless prevented by extenuating circumstances.

Quorum
Fifty percent of the members of the Committee shall constitute a quorum.

Procedures Records and Reporting
The Corporate Secretary, his or her delegate, or another person the Committee requests shall act as secretary for the meetings. Minutes of meetings shall be recorded and maintained by the Corporate Secretary and approved by the Committee in compliance with the bylaws, relevant securities laws, stock exchange rules or other applicable rules or laws.

Authority to Engage Experts
The Committee has the authority to engage independent counsel and other advisors as it determines advisable to carry out its duties with such engagement to be at Pason's expense.

Review of Terms of Reference
The Committee shall review and reassess the adequacy of this mandate at least once per year, and otherwise as deemed appropriate, and recommend changes to the Board. Such review shall include the evaluation of the performance of the Committee against criteria defined in the Committee and Board mandates.