



Pason Reports Third Quarter 2015 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (November 4, 2015) – Pason Systems Inc. (TSX:PSI) announced today its 2015 third quarter results.

Performance Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
(CDN 000s, except per share data)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue	68,468	134,041	(49)	225,310	361,066	(38)
(Loss) income	(18,558)	26,466	-	(13,771)	64,893	-
Per share – basic	(0.22)	0.32	-	(0.16)	0.79	-
Per share – diluted	(0.22)	0.31	-	(0.16)	0.77	-
EBITDA ⁽¹⁾	(2,717)	76,090	-	48,894	192,558	(75)
As a % of revenue	(4.0)	56.8	-	21.7	53.3	(59)
Funds flow from operations	23,791	63,691	(63)	76,330	164,257	(54)
Per share – basic	0.28	0.77	(64)	0.91	1.99	(54)
Per share – diluted	0.28	0.75	(63)	0.91	1.96	(54)
Cash from operating activities	16,332	50,758	(68)	119,165	171,123	(30)
Free cash flow ⁽¹⁾	5,902	11,110	(47)	75,419	96,835	(22)
Per share – basic	0.07	0.13	(46)	0.90	1.17	(23)
Per share – diluted	0.07	0.13	(46)	0.90	1.15	(22)
Capital expenditures	10,769	39,648	(73)	44,284	74,288	(40)
Working capital	244,324	173,949	40	244,324	173,949	40
Total assets	541,276	571,422	(5)	541,276	571,422	(5)
Total long-term debt	—	—	—	—	—	—
Cash dividends declared	0.17	0.17	—	0.51	0.47	9
Shares outstanding end of period (#000's)	83,772	82,891	1	83,772	82,891	1

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

Q3 2015 vs Q3 2014

The Company generated consolidated revenue of \$68.5 million in the third quarter of 2015, down 49% from \$134.0 million in the same period of 2014. The continued slowdown in oil and gas drilling activity, combined with a reduction in product adoption on certain products and pricing pressure from customers, contributed to the decrease in revenue, which was partially offset by the strengthening of the US dollar relative to the Canadian dollar.



Press Release

Consolidated EBITDA was a loss of \$2.7 million in the third quarter, a decrease of \$78.8 million from the third quarter of 2014. Included in the 2015 third quarter results are impairment charges related to excess quantities of equipment totaling \$26.6 million.

The Company recorded a net loss of \$18.6 million (\$0.22 per share) in the third quarter, a decrease of \$45.0 million from the net income of \$26.5 million (\$0.31 per share) recorded in same period in 2014.

President's Message

Pason's third-quarter revenue increased 19% sequentially, but decreased 49% compared to the same period last year driven by continuing declines in drilling activity and persistent pricing pressure. Drilling industry days were down 55% in the United States and 51% in Canada year over year. The challenges felt in North America have spread around the world and customers have started pushing for lower service prices internationally.

Third-quarter revenue in the United States was down 49% year over year. We were able to hold market share at 61%, but revenue per EDR day was down 4% (when measured in USD) driven by select price concessions and steep declines in AutoDriller adoption as many non-AC rigs were stacked. In Canada, third-quarter revenue was down 51% in line with industry activity. Revenue per EDR day was down 8% and market share was up to 96%. International revenue dropped by 41% driven by rapid declines in industry activity in Australia, several Latin American countries, and offshore.

With low rental asset usage, and no expectation of a near-term rebound on the horizon, we have taken impairment charges totalling \$26.6 million related to excess quantities of equipment. This has resulted in an EBITDA loss for the quarter of \$2.7 million and a net loss of \$18.6 million or \$0.22 per share.

Funds flow from operations was \$23.8 million for the third quarter while free cash flow was \$5.9 million. On September 30, 2015, our cash position stood at \$198.1 million and working capital at \$244.3 million. There is no debt on the balance sheet. We are maintaining our quarterly dividend at \$0.17 per share.

The short-term outlook remains very challenging and industry activity in all geographies may be reduced further in the fourth quarter and going into 2016. US horizontal rig counts are expected to see more drops and there may not be much of a seasonal winter drilling rebound in Canada. Pricing pressure continues with no signs of abatement as operators continue to seek further reductions in well costs.

At some point, a supply response from curtailed drilling is expected to correct the supply-demand imbalance leading to a gradual improvement in oil prices, but there could be a delay before drilling activity recovers and E&P capital spending will almost certainly be lower in 2016. In addition, natural gas prices may continue to weaken as El Nino promises a warmer than usual winter for large parts of North America. We believe that any meaningful recovery in activity levels for our business will not happen before 2017. However, the longer the recovery takes the sharper it will be, and we believe that North American land drilling will be the quickest to respond.

The implication for Pason is that we need to strike the optimal balance between cost control and investments in future growth. We expect material savings from the operating and capital cost savings initiatives implemented throughout 2015. Our total headcount is more than 20% below where we started the year, and discretionary spending (especially for equipment repairs) is down significantly. Capital expenditures for 2015 are expected to be reduced by approximately 50% in 2015 compared to 2014.

We will continue to invest in future growth, including investments in new product development, in service capabilities, in infrastructure and systems, and in our international footprint. We expect to allocate significant resources for R&D and IT in 2016. We plan to spend approximately \$45 million in capital expenditures in 2016. We are focusing our development efforts on products and services that create significant and visible value, either by cost savings or by increasing revenues, for our customers.

We believe that Pason continues to be well-positioned to maximize returns in the industry's eventual upturn.

A handwritten signature in black ink, appearing to read "Marcel Kessler", with a stylized flourish at the end.

Marcel Kessler
President and Chief Executive Officer
November 4, 2015

Management's Discussion and Analysis

The following discussion and analysis has been prepared by management as of November 4, 2015, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements and accompanying notes.

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

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

Additional IFRS Measures

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

Funds flow from operations

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

Cash from operating activities

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

Non-IFRS Financial Measures

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

EBITDA

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

Free cash flow

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

Overall Performance

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Electronic Drilling Recorder	27,299	57,265	(52)	93,626	157,519	(41)
Pit Volume Totalizer/ePVT	10,340	18,865	(45)	32,086	52,641	(39)
Communications	7,252	11,366	(36)	22,364	29,578	(24)
Software	4,672	8,509	(45)	15,253	24,014	(36)
AutoDriller	4,943	11,673	(58)	16,457	32,288	(49)
Gas Analyzer	4,985	9,919	(50)	16,511	27,483	(40)
Other	8,977	16,444	(45)	29,013	37,543	(23)
Total revenue	68,468	134,041	(49)	225,310	361,066	(38)

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

Canada						
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
	#	#	(%)	#	#	(%)
EDR rental days	17,000	32,000	(47)	51,600	91,100	(43)
PVT rental days	15,900	31,900	(50)	48,600	89,000	(45)

United States						
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
	#	#	(%)	#	#	(%)
EDR rental days	46,000	103,400	(56)	159,200	290,200	(45)
PVT rental days	33,800	79,600	(58)	121,100	222,900	(46)

Electronic Drilling Recorder (EDR)

The Pason EDR remains the Company's primary product. The EDR provides a complete system of drilling data acquisition, data networking, and drilling management tools and reports at both the wellsite and customer offices. The EDR is the base product from which all other wellsite instrumentation products are linked. By linking these products, a number of otherwise redundant elements such as data processing, display, storage, and networking are eliminated. This ensures greater reliability and a more robust system of instrumentation for the customer. Revenue generated from the EDR decreased 52% for the third quarter of 2015 compared to the same period in 2014. This decrease is attributable to the industry slowdown, lower product adoption of certain peripheral devices, and pricing pressures from customers which were offset by a strengthening US dollar relative to the Canadian dollar. Industry activity in the US market decreased 55% in the third quarter of 2015 compared to the corresponding period in 2014 (44% on a year-to-date basis), while third quarter Canadian rig activity decreased 51% compared to the same period in 2014 (49% on a

year-to-date basis). Canadian EDR days decreased 47% in the third quarter of 2015 from 2014 levels (43% on a year-to-date basis), while US EDR days decreased by 56% for the third quarter of 2015 (45% on a year-to-date basis).

During the first nine months of the year, the Pason EDR was installed on 97% of all active land rigs in Canada and 58% of the land rigs in the US, compared to 93% and 60% respectively in the first nine months of 2014.

Pit Volume Totalizer (PVT) and Enhanced Pit Volume Totalizer (ePVT)

The PVT is Pason's proprietary solution for the detection and early warning of "kicks" that are caused by hydrocarbons entering the wellbore under high pressure and expanding as they migrate to the surface. PVT revenue for the first nine months of 2015 was impacted by the decline in rig count activity, offset partially with continued customer adoption of the new ePVT. During the first nine months of 2015, the PVT was installed on 95% of rigs with a Pason EDR in Canada and 75% in the US, compared to 98% and 77% respectively, in the same period of 2014.

Communications

Pason's Communications revenue comes from a number of communication service offerings, including providing customers with bandwidth through the Company's automatically-aiming satellite system and terrestrial networks. This system provides reliable high-speed wellsite communications for email and web application management tools. Pason displays all data in standard forms on its DataHub web application, although if customers require greater analysis or desire to have the information transferred to another supplier's database, data is available for export from the Pason DataHub using WITSML (a specification for transferring data among oilfield service companies, drilling contractors, and operators). The Company complements its satellite equipment with High Speed Packet Access (HSPA), a high-speed wireless ground system which provides automatic fail-over between satellite and terrestrial networks to achieve greater reliability in its service offering.

Communications revenue decreased by 24% in the first nine months of 2015 compared to the same period in 2014 due to the industry slowdown, offset by an increase in customer adoption of new communication solutions rolled out in the Canadian and USA markets (RigSite wireless and VSP Intercom), and the strengthening of the US dollar relative to the Canadian dollar.

Software

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

- Live Rig View (LRV), which provides advanced data viewing, directional drilling, and 3D visualization of drilling data in real time via a web browser.
- LRV Mobile, which allows users to access their data on mobile devices, including iPhone, iPad, BlackBerry, and Android.

- WITSML, which provides seamless data sharing with third-party applications, enhancing the value of data hosted by Pason.
- Additional specialized software, including directional offerings.

During the first three quarters of 2015, 98% of the Company's Canadian customers and 86% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 98% and 91% respectively in the same period in 2014.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During the nine months ended September 30, 2015, the AutoDriller was installed on 62% of Canadian and 33% of US land rigs operating with a Pason EDR system, compared to 74% and 46%, respectively, in 2014.

Gas Analyzer

The Pason Gas Analyzer measures the total hydrocarbon gases (C1 through C4 and CO₂) exiting the wellbore, and then calculates the lag time to show the formation depth where the gases were produced. The Gas Analyzer provides information about the composition of the gas, and further calculates geologic ratios from the gas composition to assist in indicating the type of gas, natural gas liquid, or oil in the formation. During the first nine months of 2015, the Gas Analyzer was installed on 58% of Canadian and 26% of US land rigs operating with a Pason EDR system, compared to 62% and 24% for the Canadian and US segments respectively in the prior year period.

Other

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

Discussion of Operations

United States Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Electronic Drilling Recorder	16,918	36,161	(53)	60,362	100,222	(40)
Pit Volume Totalizer/ePVT	6,315	10,970	(42)	19,356	30,625	(37)
Communications	3,682	5,814	(37)	11,514	14,790	(22)
Software	3,062	5,584	(45)	10,321	15,856	(35)
AutoDriller	2,383	6,476	(63)	8,208	18,100	(55)
Gas Analyzer	2,383	4,225	(44)	8,342	11,973	(30)
Other	5,408	10,169	(47)	18,041	23,727	(24)
Total revenue	40,151	79,399	(49)	136,144	215,293	(37)
Operating costs	17,250	25,865	(33)	61,600	72,467	(15)
Depreciation and amortization	7,862	7,746	1	25,874	23,439	10
Segment operating profit	15,039	45,788	(67)	48,670	119,387	(59)

	Three Months Ended September 30,			
	2015		2014	
	USD	CAD	USD	CAD
	\$	\$	\$	\$
Revenue per EDR day	628	822	656	715
Revenue per industry day	382	500	405	441

	Nine Months Ended September 30,			
	2015		2014	
	USD	CAD	USD	CAD
	\$	\$	\$	\$
Revenue per EDR day	642	809	643	704
Revenue per industry day	375	472	388	425

US segment revenue decreased by 49% in the third quarter of 2015 over the 2014 comparable period (57% decrease when measured in USD). For the first nine months, revenue decreased by 37% (45% decrease when measured in USD).

Industry activity in the US market during the third quarter of 2015 decreased 55% from the prior year, while revenue from the rental of instrumentation decreased by 48% for the quarter over 2014 levels (57% decrease when measured in USD). For the first nine months, industry activity decreased 44% from 2014 levels, while instrumentation revenue decreased 36% (45% decrease when measured in USD).

EDR rental days decreased by 56% for the quarter ended September 30, 2015 over the same time period in 2014, while revenue per EDR day in the third quarter of 2015 decreased to US\$628, a decrease of US\$28 over the same period in 2014. For the first nine months, EDR rental days decreased 45%, while revenue per EDR day was relatively flat when measured in USD.

The decrease in industry activity, combined with pricing pressure from customers and lower product adoption on certain products, accounted for the drop in revenue for both the quarter and nine months ended September 30, 2015. This decrease was offset by the favourable movement in the USD/CAD exchange rate and continued customer usage of premium communication services. US market share was 61% during the three months ended September 30, 2015, down slightly from 62% in the same period of 2014.

Operating costs decreased by 33% in the third quarter relative to the same period in the prior year. When measured in USD, operating costs decreased 38% (20% on a year-to-date basis) as the business unit continues to identify and implement changes to its fixed cost structure to meet the challenging business environment while maintaining customer service.

Depreciation expense for the first nine months of 2015 increased 10% over 2014 amounts. This increase is due to the exchange rate movement noted above combined with the 2014 roll out of capital equipment associated with the commercialization of the ePVT, including the continued roll out of the Rig Display, the upgrade program to the Company's fleet of workstations, and the introduction of the new Versatile Services Platform (VSP) server.

Segment profit, as a percentage of revenue, was 37% for the third quarter of 2015 compared to 58% for the corresponding period in 2014. Segment profit decreased to \$48.7 million for the first nine months of 2015, a drop of 59% from the same period in 2014.

Canadian Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Electronic Drilling Recorder	6,614	15,167	(56)	20,759	41,557	(50)
Pit Volume Totalizer/ePVT	2,945	5,817	(49)	8,969	16,218	(45)
Communications	3,101	5,026	(38)	9,281	13,421	(31)
Software	1,490	2,646	(44)	4,516	7,525	(40)
AutoDriller	1,482	3,632	(59)	4,669	10,159	(54)
Gas Analyzer	2,084	4,414	(53)	6,073	11,902	(49)
Other	1,107	1,889	(41)	3,156	5,508	(43)
Total revenue	18,823	38,591	(51)	57,423	106,290	(46)
Operating costs	6,256	10,446	(40)	21,959	30,836	(29)
Depreciation and amortization	9,447	6,765	40	28,408	19,160	48
Segment operating profit	3,120	21,380	(85)	7,056	56,294	(87)

	Three Months Ended September 30,	
	2015	2014
	CAD	CAD
	\$	\$
Revenue per EDR day	1,095	1,191
Revenue per industry day	1,055	1,119

	Nine Months Ended September 30,	
	2015	2014
	CAD	CAD
	\$	\$
Revenue per EDR day	1,100	1,155
Revenue per industry day	1,069	1,079

Canadian segment revenue decreased by 51% for the quarter ended September 30, 2015 compared to the same period in 2014. This drop is the result of a 51% decrease in the number of drilling industry days in the third quarter compared to 2014 levels, pricing pressures from customers, and lower product adoption on some products. These factors were off-set by an increase in market share, to 96% in the third quarter of 2015 compared to 94% in 2014.

On a year-to-date basis, revenue decreased 46% while industry days declined 49%.

EDR rental days decreased 47% in the third quarter compared to 2014 (43% for the first nine months of 2015).

The factors above combined to result in a decrease in revenue per EDR day of \$96 to \$1,095 during the third quarter of 2015 compared to 2014. Revenue per EDR day for the first nine months of 2015 was \$1,100, down \$55 from the same period in 2014.

Operating costs decreased by 40% in the third quarter of 2015 relative to the same period in 2014 (29% on a year-to-date basis), primarily due to a drop in activity combined with cost control initiatives implemented by all of the business units.

Depreciation expense increased for both the three month and nine month periods ended September 30, 2015 due to the Company's 2014 capital expenditure program explained above in the United States operations update, combined with the amortization of previously capitalized research and development costs.

Third quarter operating profit of \$3.1 million is a decrease of \$18.3 million over the prior year. Segment operating profit for the first nine months of 2015 is down 87% from last year's comparatives.

International Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue						
Electronic Drilling Recorder	3,767	5,937	(37)	12,505	15,740	(21)
Pit Volume Totalizer/ePVT	1,080	2,078	(48)	3,761	5,798	(35)
Communications	469	526	(11)	1,569	1,367	15
Software	120	279	(57)	416	633	(34)
AutoDriller	1,078	1,565	(31)	3,580	4,029	(11)
Gas Analyzer	518	1,280	(60)	2,096	3,608	(42)
Other	2,462	4,386	(44)	7,816	8,308	(6)
Total revenue	9,494	16,051	(41)	31,743	39,483	(20)
Operating costs	7,156	7,020	2	22,723	20,365	12
Depreciation and amortization	1,950	1,900	3	7,297	5,458	34
Segment operating profit	388	7,131	(95)	1,723	13,660	(87)

The market forces impacting the Company's US and Canadian segments also exist in the majority of the Company's International markets.

Revenue in the International operations segment decreased 41% in the third quarter of 2015 compared to the same period in 2014. For the first nine months of 2015, revenue decreased \$7.7 million, or 20%.

Operating profit decreased by \$6.7 million for the third quarter of 2015 over 2014 amounts. Year-to-date profit declined 87%, or \$11.9 million.

A number of factors influenced these results:

- During the third quarter of 2014 , the company received a \$1.5 million payment relating to a contractual foreign exchange and inflationary related adjustment clause with one of its major customers.
- Operating costs increased for the third quarter of 2015 over 2014 levels due to an increase in importation costs in Argentina relating to the deployment of new technology previously rolled out to the Company's North American markets (\$0.6 million of the increase) combined with increased staffing costs in Argentina to support the drilling activity (\$0.3 million of the increase). All other International business units saw a decline in their controllable costs.
- Depreciation costs increased due to 2014 capital expenditures and a write-off of obsolete spare parts.

Corporate Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
(000s)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Other expenses						
Research and development	7,288	8,599	(15)	25,431	24,774	3
Corporate services	5,134	6,038	(15)	15,040	16,229	(7)
Stock-based compensation	808	15,267	(95)	4,596	40,071	(89)
Other						
Restructuring costs	—	—	—	2,572	—	—
Foreign exchange loss (gain)	904	(682)	—	(1,555)	2,227	—
Impairment loss	26,555	—	—	26,555	—	—
Gain on sale of investment	—	—	—	(2,290)	—	—
Other	642	665	(3)	2,091	1,610	30
Total corporate expenses	41,331	29,887	38	72,440	84,911	(15)

In 2014, the company reviewed the level of rental equipment deployed in each respective business unit versus the anticipated decline in usage rates of such equipment due to the reduction in drilling activity as a result of the drop in oil and gas prices. In the third quarter of 2015, management concluded that drilling activity is likely to be at depressed levels for a longer period of time than originally anticipated and this resulted in the company updating its assumptions on equipment usage. This current review identified additional excess equipment based upon management's best estimate of drilling activity in 2016. The net book value of this excess equipment, totaling \$26.6 million, of which \$7.7 million relates to the Canadian operating segment and \$18.9 relates to the US operating segment, was recorded as a non-cash impairment loss in the third quarter of 2015.

In response to the current business environment, the Company reduced its staffing levels during the second quarter of 2015 and recorded a restructuring charge of \$2.6 million.

In the first quarter of 2015, the Company disposed of its investment in a small privately held company and realized a gain of \$2.3 million.

Q3 2015 vs Q2 2015

Consolidated revenue was \$68.5 million in the third quarter of 2015 compared to \$57.4 million in the second quarter of 2015, an increase of \$11.1 million or 19%. The third quarter of the year is usually stronger compared to the second quarter due to the seasonality of Canadian drilling activity. This increase in Canadian activity was offset by a further decline in US activity. The Canadian segment earned revenue of \$18.8 million in the third quarter as compared to \$9.2 million in the second quarter of 2015. Revenue in the US market increased 4%; as a further decline in activity in the third quarter of 2015 was offset by a further weakening of the Canadian dollar compared to the US dollar. The International segment experienced a revenue decrease of \$0.2 million.

The Company recorded a net loss in the third quarter of 2015 of \$18.9 million (\$0.22 per share) compared to a loss of \$9.4 million (\$0.11 per share) in the second quarter of 2015. The increase in operating profit of \$14.9 million over the second quarter of 2015 was more than offset by the third quarter impairment charge of \$26.6 million.

Sequentially, EBITDA decreased from \$7.5 million in the second quarter of 2015 to a negative \$2.7 million in the third quarter of 2015, impacted by the impairment charge. Funds flow from operations increased to \$23.8 million in the third quarter from \$9.3 million in the second quarter of 2015.

In May 2015, shareholders approved a modification to the Option Plan to eliminate the ability for the option holder to settle options for cash. As a result of this change, stock-based compensation expense relating to the Option Plan will be less volatile going forward as the fair value of the option is calculated at the time of grant and is not subsequently re-valued at the end of each reporting period.

Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its third quarter 2015 results at 9:00 am (Calgary time) on Thursday, November 5, 2015. 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 27238683.

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

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2014, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Condensed Consolidated Interim Balance Sheets

As at	September 30, 2015	December 31, 2014
(CDN 000s) (unaudited)	(\$)	(\$)
Assets		
Current		
Cash and cash equivalents	198,115	144,858
Trade and other receivables	55,636	122,494
Prepaid expenses	5,787	5,811
Income taxes recoverable	11,917	491
Total current assets	271,455	273,654
Non-current		
Property, plant and equipment	210,077	234,344
Intangible assets and goodwill	59,744	62,068
Total non-current assets	269,821	296,412
Total assets	541,276	570,066
Liabilities and equity		
Current		
Trade payables and accruals	21,671	47,414
Income taxes payable	—	3,544
Stock-based compensation liability	5,460	16,125
Total current liabilities	27,131	67,083
Non-current		
Stock-based compensation liability	3,800	3,018
Deferred tax liabilities	14,061	16,442
Total non-current liabilities	17,861	19,460
Equity		
Share capital	122,057	113,827
Share-based benefits reserve	24,630	12,927
Foreign currency translation reserve	82,056	32,807
Retained earnings	267,541	323,962
Total equity	496,284	483,523
Total liabilities and equity	541,276	570,066

Condensed Consolidated Interim Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(CDN 000s, except per share data) (unaudited)	(\$)	(\$)	(\$)	(\$)
Revenue	68,468	134,041	225,310	361,066
Operating expenses				
Rental services	26,892	38,788	93,335	109,541
Local administration	3,770	4,543	12,947	14,127
Depreciation and amortization	19,259	16,411	61,579	48,057
	49,921	59,742	167,861	171,725
Operating profit	18,547	74,299	57,449	189,341
Other expenses				
Research and development	7,288	8,599	25,431	24,774
Corporate services	5,134	6,038	15,040	16,229
Stock-based compensation expense	808	15,267	4,596	40,071
Impairment and other expense (income)	28,101	(17)	27,373	3,837
	41,331	29,887	72,440	84,911
(Loss) income before income taxes	(22,784)	44,412	(14,991)	104,430
Income tax (recovery) expense	(4,226)	17,946	(1,220)	39,537
Net (loss) income	(18,558)	26,466	(13,771)	64,893
(Loss) income per share				
Basic	(0.22)	0.32	(0.16)	0.79
Diluted	(0.22)	0.31	(0.16)	0.77

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(CDN 000s) (unaudited)	(\$)	(\$)	(\$)	(\$)
Net (loss) income	(18,558)	26,466	(13,771)	64,893
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	25,119	14,220	49,249	15,994
Total comprehensive income	6,561	40,686	35,478	80,887

Condensed Consolidated Interim Statements of Changes in Equity

	Share Capital	Share-Based Benefits Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(CDN 000s) (unaudited)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at January 1, 2014	80,725	12,927	7,958	264,859	366,469
Net income	—	—	—	64,893	64,893
Dividends	—	—	—	(38,845)	(38,845)
Other comprehensive income	—	—	15,994	—	15,994
Exercise of stock options	21,984	—	—	—	21,984
Balance at September 30, 2014	102,709	12,927	23,952	290,907	430,495
Net income	—	—	—	47,211	47,211
Dividends	—	—	—	(14,156)	(14,156)
Other comprehensive income	—	—	8,855	—	8,855
Exercise of stock options	11,118	—	—	—	11,118
Balance at December 31, 2014	113,827	12,927	32,807	323,962	483,523
Net loss	—	—	—	(13,771)	(13,771)
Dividends	—	—	—	(42,650)	(42,650)
Other comprehensive income	—	—	49,249	—	49,249
Exercise of stock options	8,230	(546)	—	—	7,684
Expense related to vesting of options	—	576	—	—	576
Reclassification of equity settled options	—	11,673	—	—	11,673
Balance at September 30, 2015	122,057	24,630	82,056	267,541	496,284

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(CDN 000s) (unaudited)	(\$)	(\$)	(\$)	(\$)
Cash from (used in) operating activities				
Net (loss) income	(18,558)	26,466	(13,771)	64,893
Adjustment for non-cash items:				
Depreciation and amortization	19,259	16,411	61,579	48,057
Impairment loss	26,555	—	26,555	—
Gain on sale of investment	—	—	(2,290)	—
Stock-based compensation	808	15,267	4,596	40,071
Deferred income taxes	(3,488)	5,145	(3,057)	7,754
Unrealized foreign exchange (gain) loss	(785)	402	2,718	3,482
Funds flow from operations	23,791	63,691	76,330	164,257
Movements in non-cash working capital items:				
(Increase)/decrease in trade and other receivables	(2,665)	(31,241)	75,519	(28,352)
(Increase)/decrease in prepaid expenses	(2,432)	(1,553)	284	(1,304)
Increase in income taxes	188	10,665	808	23,779
(Decrease)/increase in trade payables, accruals and stock-based compensation liability	(452)	11,073	(21,859)	18,106
Effects of exchange rate changes	6,222	1,834	3,864	834
Cash generated from operating activities	24,652	54,469	134,946	177,320
Income tax paid	(8,320)	(3,711)	(15,781)	(6,197)
Net cash from operating activities	16,332	50,758	119,165	171,123
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	1,568	2,925	5,609	9,960
Purchase of stock options	—	—	—	(2,589)
Payment of dividends	(14,238)	(12,400)	(42,650)	(36,257)
Net cash used in financing activities	(12,670)	(9,475)	(37,041)	(28,886)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment and investment in joint venture	(8,672)	(37,352)	(37,702)	(69,014)
Development costs	(2,097)	(2,358)	(6,582)	(5,520)
Proceeds on disposal of investment and property, plant and equipment	339	62	3,627	246
Changes in non-cash working capital	1,489	4,972	(5,764)	6,332
Net cash used in investing activities	(8,941)	(34,676)	(46,421)	(67,956)
Effect of exchange rate on cash and cash equivalents	8,140	1,501	17,554	1,286
Net increase in cash and cash equivalents	2,861	8,108	53,257	75,567
Cash and cash equivalents, beginning of period	195,254	156,979	144,858	89,520
Cash and cash equivalents, end of period	198,115	165,087	198,115	165,087

Operating Segments

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

Three Months Ended September 30, 2015	Canada	United States	International	Total
	(\$)	(\$)	(\$)	(\$)
Revenue	18,823	40,151	9,494	68,468
Operating costs	6,256	17,250	7,156	30,662
Depreciation and amortization	9,447	7,862	1,950	19,259
Segment operating profit	3,120	15,039	388	18,547
Research and development				7,288
Corporate services				5,134
Stock-based compensation				808
Impairment and other expenses				28,101
Income taxes				(4,226)
Net Loss				(18,558)
Capital expenditures	8,562	813	1,394	10,769
Goodwill	—	24,790	2,600	27,390
Intangible assets	30,175	698	1,481	32,354
Segment assets	203,411	291,788	46,077	541,276
Segment liabilities	25,624	13,435	5,933	44,992

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

Nine Months Ended September 30, 2015	Canada	United States	International	Total
	(\$)	(\$)	(\$)	(\$)
Revenue	57,423	136,144	31,743	225,310
Operating costs	21,959	61,600	22,723	106,282
Depreciation and amortization	28,408	25,874	7,297	61,579
Segment operating profit	7,056	48,670	1,723	57,449
Research and development				25,431
Corporate services				15,040
Stock-based compensation				4,596
Impairment and other expenses				27,373
Income taxes				(1,220)
Net Loss				(13,771)
Capital expenditures	19,467	15,982	8,835	44,284
Goodwill	—	24,790	2,600	27,390
Intangible assets	30,175	698	1,481	32,354
Segment assets	203,411	291,788	46,077	541,276
Segment liabilities	25,624	13,435	5,933	44,992

Nine Months Ended September 30, 2014

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

Impairment and Other Expenses (Income)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(\$)	(\$)	(\$)	(\$)
Foreign exchange loss (gain)	904	(682)	(1,555)	2,227
Impairment loss	26,555	—	26,555	—
Gain on sale of investment	—	—	(2,290)	—
Restructuring costs	—	—	2,572	—
Other	642	665	2,091	1,610
Other expenses (income)	28,101	(17)	27,373	3,837

In 2014, the Company reviewed the level of rental equipment deployed in each respective business unit versus the anticipated decline in usage rates of such equipment due to the reduction in drilling activity as a result of the drop in oil and gas prices. In the third quarter of 2015 management concluded that drilling activity is likely to be at depressed levels for a longer period of time than originally anticipated and this resulted in the company updating its assumptions on equipment usage. This current review identified additional excess equipment based upon management's best estimate of drilling activity in 2016. The net book value of this excess equipment, totaling \$26,555, of which \$7,683 relates to the Canadian operating segment and \$18,872 relates to the US operating segment, was recorded as a non-cash impairment loss in the third quarter of 2015.

In response to the current business environment, the Company reduced its staffing levels during the second quarter of 2015 and recorded a restructuring charge of \$2,572.

During the first quarter of 2015, the Company disposed of its investment in a small, privately held company and realized a gain of \$2,290.

Incentive Plan Liabilities

In May 2015, shareholders' approved a modification of the Option Plan to eliminate the ability for the option holder to settle options for cash. As a result of this change;

- The grant date fair value, which is still calculated using the Black-Scholes option pricing model, is no longer revalued at the end of each reporting period, and
- The stock-based compensation liability of \$11,700 (\$10,900 recorded as a current liability and \$800 recorded as a non-current liability) relating to the stock options was reclassified to contributed surplus.

Pason Systems Inc.

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

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

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

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

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

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