Performance Data

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(CDN 000s, except per share data) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**68,410**	81,965	(17)	**295,642**	306,393	(4)
EBITDA (1,2)	**25,555**	38,418	(33)	**124,763**	138,335	(10)
Adjusted EBITDA (1,2)	**26,615**	39,415	(32)	**129,644**	146,004	(11)
As a % of revenue	**38.9**	48.1	(920) bps	**43.9**	47.7	(380) bps
Funds flow from operations	**22,126**	30,711	(28)	**111,718**	128,544	(13)
Per share – basic	**0.26**	0.36	(28)	**1.31**	1.51	(13)
Per share – diluted	**0.26**	0.36	(28)	**1.30**	1.50	(13)
Cash from operating activities	**24,714**	23,407	6	**108,547**	107,177	1
Capital expenditures	**5,587**	8,450	(34)	**24,178**	23,876	1
Free cash flow (1)	**19,955**	16,603	20	**85,954**	85,522	1
Cash dividends declared	**0.19**	0.18	6	**0.74**	0.70	6
Net income	**10,096**	20,720	(51)	**53,803**	62,944	(15)
Net income attributable to Pason	**10,405**	20,720	(50)	**54,112**	62,944	(14)
Per share – basic	**0.12**	0.24	(49)	**0.63**	0.74	(14)
Per share – diluted	**0.12**	0.24	(49)	**0.63**	0.73	(14)
Total interest bearing debt	**—**	—	—	**—**	—	—
Shares outstanding end of period (#000's)	**84,538**	85,783	(1)	**84,538**	85,783	(1)

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

(2) Prior period amounts have been restated to conform with current year's presentation.

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

Q4 2019 vs Q4 2018

The Company generated consolidated revenue of $68.4 million in the fourth quarter of 2019, a decrease of 17% from the same period in 2018. The decrease is attributable to a drop in North American drilling activity, offset by a slight increase in activity in the International business unit, increased market share in the US business unit , and continued increases in product penetration in all major business units, leading to increases in Revenue per EDR day.

Adjusted EBITDA decreased to $26.6 million in the fourth quarter, a decrease of 32% from the same period in 2018. The decrease in adjusted EBITDA was driven by the decrease in consolidated gross profit and a lower proportion of R&D costs being capitalized.

Funds flow from operations was $22.1 million in the fourth quarter, a decrease of 28% from the same period in 2018. Cash from operating activities was $24.7 million in the fourth quarter of 2019, an increase of 6% from the same period in 2018. This financial metric was impacted by movements in working capital, mostly due to the release of trade and other receivables.

Free cash flow was $20.0 million in the fourth quarter of 2019, an increase of 20% from the same period in 2018. The increase was driven by the increase in cash from operating activities and a decline in capital expenditures.

The Company recorded net income attributable to Pason of $10.4 million ($0.12 per share) in the fourth quarter of 2019, compared to net income of $20.7 million ($0.24 per share) recorded in the same period in 2018. Net income was negatively impacted by the drop in drilling activity, and this combined with the

Company's fixed cost structure, led to a drop in consolidated gross profit. These factors were offset by a drop in stock-based compensation expense in the fourth quarter of 2019 compared to the 2018 comparative figure.

President’s Message

The price for a barrel of WTI crude oil remained between US$50 and US$60 for most of the fourth quarter of 2019 and many operators constrained E&P capital spending within cash flows. As a result, Pason’s operating environment across North America deteriorated further in the period. Drilling industry activity decreased by 24% in the United States and by 23% in Canada compared to the same period in 2018.

These headwinds were partially offset by higher activity in Pason’s international markets, market share gains in the United States, and continued growth in product penetration in all geographies. Revenue per EDR Day for the quarter was US$732 in the United States, a 4% increase from the fourth quarter of 2018, and C$1,292 in Canada, a 9% increase.

Pason generated revenue of $68.4 million in the period, a decrease of 17% compared to the same quarter of last year. Adjusted EBITDA was $26.6 million for the quarter, a decrease of 32%. Adjusted EBITDA as a percentage of revenue was 39% compared to 48% one year ago, highlighting our largely fixed cost structure. Pason recorded net income for the quarter of $10.4 million ($0.12 per share), down from $20.7 million ($0.24 per share) in the fourth quarter of 2018.

Capital expenditures for the quarter were $5.6 million and free cash flow was $20.0 million. At December 31, 2019, our working capital position stood at $184 million, including cash and short-term investments of $161 million. We are maintaining our quarterly dividend at $0.19 per share.

For the full year 2019 compared to 2018 revenue decreased 4% to $296 million, adjusted EBITDA decreased 11% to $130 million, net income decreased 14% to $54 million, and free cash flow grew 1% to $86 million.

We believe capital discipline by our customers will remain a prevailing theme in the North American land market. In the United States, we expect industry activity for the year to be similar to that experienced during the second half of 2019, which would imply a modest increase from current levels. Canadian drilling activity has started 2020 ahead of expectations.

Considering the uncertainty regarding potential demand impacts from the Covid-19 pandemic, some analysts have cut their oil price forecasts significantly. In this environment, we are maintaining flexibility for our go-forward plans, which gives us the means and confidence to address any activity scenario. Our capital expenditures will be relatively modest going forward with a large portion of development efforts focused on software. We intend to spend up to $25 million in capital expenditures in 2020, which includes the capitalized portion of R&D.

Our new product offerings continue to gain momentum with customers. DataLink, Pason’s Data Delivery solution for automated delivery of large, complex data sets from the field to corporate databases and applications is currently being utilized on over 300 active drilling rigs.

ExxonMobil DAS / AutoDriller, Pason’s drilling automation software package has been deployed on over 270 drilling rigs for construction of over 1,700 wells since launch. Drilling performance is improving considerably when the optimization system is used in terms of higher rate of penetration (faster drilling) and minimized damaging vibrations, leading to longer life of the drill bit.

Our market positions remain strong. We are the service provider of choice for many leading operators and drilling contractors with Pason equipment installed on over 65% of all active land drilling rigs in the Western Hemisphere. We expect to be able to deliver growth through higher product adoption going forward.

In September 2019, we announced the acquisition of a majority interest of Energy Toolbase (“ETB”), a US-based software-as-a-service company. ETB provides an industry-leading software package to model the economics and build proposals for solar and energy storage (battery) projects. The ETB product is utilized by distributed energy project developers, primarily in the United States. There are currently 1,100 active ETB software licenses with 1,800 users and the numbers continue to grow. Over the past two years, Pason Power has been building a foundation in the solar and energy storage market through its iEMS control system and Energy DataHub products. With the combined capabilities of Pason Power and ETB we are positioning ourselves for meaningful long-term growth in the solar and energy storage market.

We remain focused on maintaining our distinctive technology position and unique capability set. Pason's highly capable and flexible IT and communications platforms can host additional new Pason and third-party software in the field and in the cloud. Our service capabilities are unrivalled, as is our expertise for user interface design and ruggedization for field users. These strengths, along with our exceptional workforce and strong balance sheet, are the foundation for our ability to continue to deliver significant value to our customers and achieve long-term success.

Marcel Kessler
President and Chief Executive Officer
February 26, 2020

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of February 26, 2020, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the Consolidated Financial Statements and accompanying notes.

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

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

Impact of IFRS 16

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

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

Impact on IFRS Measures

	Three Months Ended December 31, 2019	Year Ended December 31, 2019
(000s) (unaudited)	($)	($)
Reduction in rental services and local administration expenses	263	1,090
Reduction in research and development expenses	98	332
Reduction in corporate services costs	341	1,257
(Increase) in depreciation of right of use assets	(647)	(2,580)
(Increase) in net interest expense on lease liabilities	(112)	(457)
Reduction in Income tax provision	16	97
(Decrease) in net income	**(41)**	**(261)**
Increase in depreciation of right of use assets	647	2,580
(Reduction) in Income tax provision	(16)	(97)
Total increase in funds flow from operations and cash from operating activities	**590**	**2,222**

Impact on Non-IFRS Measures

	Three Months Ended December 31, 2019	Year Ended December 31, 2019
(000s)	($)	($)
Reduction in rental services and local administration - Canada operating segment	40	160
Reduction in rental services and local administration - United States operating segment	198	794
Reduction in rental services and local administration - International operating segment	25	136
Reduction in research and development expenses	98	332
Reduction in corporate services costs	341	1,257
Total increase in EBITDA and Adjusted EBITDA	**702**	**2,679**

Impact of Hyperinflation

In 2018, the Company concluded that its Argentinian subsidiary is operating in a hyperinflationary economy. This conclusion impacts the application of two accounting standards, IAS 21, The Effects of Changes in Foreign Exchange, and IAS 29, Financial Reporting in Hyperinflationary Economies.

The impact of applying IAS 21 to the operating results of Argentina subsidiary for the fourth quarter of 2019 was to increase revenue and reduce segment gross profit by $792 and $41 respectively. For the twelve months ending December 31, 2019, the impact was to reduce both revenue by $955 and segment gross profit by $991.

The impact of applying IAS 29 to the non-monetary assets and liabilities, and shareholders' equity of the Argentina subsidiary was to record a non-cash net monetary adjustment of $212 for the three months ended December 31, 2019. This non-cash net monetary adjustment for the 12 months ended December 31, 2019 was $2,588.

Impact on IFRS Measures

	Three Months Ended December 31, 2019	Year Ended December 31, 2019
(000s)	($)	($)
Increase (decrease) in revenue	792	(955)
(Increase) decrease in rental services and local administration expenses	(493)	562
(Increase) in depreciation expense	(340)	(598)
(Decrease) in segment gross profit	**(41)**	**(991)**
Income inclusion presented in other expenses	212	2,588
(Increase) decrease in income tax expenses	(40)	40
Increase in net income	**131**	**1,637**

Impact on Non-IFRS Measures

	Three Months Ended December 31, 2019	Year Ended December 31, 2019
(000s)	($)	($)
Increase (decrease) in revenue	792	(955)
(Increase) decrease in rental services and local administration expenses	(493)	562
Income inclusion presented in other expenses	212	2,588
Increase in EBITDA	**511**	**2,195**
(Elimination) of income inclusion presented in other expenses	(212)	(2,588)
Increase (decrease) in Adjusted EBITDA	**299**	**(393)**

Additional IFRS Measures

In its Consolidated Financial Statements, the Company uses certain additional IFRS measures. Management believes these measures provide useful supplemental information to readers.

Funds flow from operations

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

Cash from operating activities

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

Non-IFRS Financial Measures

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

Revenue per EDR day

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

EBITDA

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

Adjusted EBITDA

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

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

Free cash flow

Free cash flow is defined as cash from operating activities plus proceeds on disposal of property, plant, and equipment, less capital expenditures (including changes to non-cash working capital associated with capital expenditures), and deferred development costs. This metric provides a key measure on the Company's ability to generate cash from its principal business activities after funding the capital expenditure program, and provides an indication of the amount of cash available to finance, among other items, the Company's dividend and other investment opportunities.

Overall Performance

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**35,915**	42,357	(15)	**156,208**	157,162	(1)
Mud Management and Safety	**19,768**	23,089	(14)	**85,827**	85,952	—
Communications	**4,438**	6,764	(34)	**19,760**	28,177	(30)
Drilling Intelligence	**4,619**	6,720	(31)	**20,321**	22,786	(11)
Analytics and Other	**3,670**	3,035	21	**13,526**	12,316	10
Total revenue	**68,410**	81,965	(17)	**295,642**	306,393	(4)

The Pason Electronic Drilling Recorder (EDR) remains the Company's primary product. The EDR provides a complete system of drilling data acquisition, data networking, and drilling management tools and reports at both the wellsite and at customer offices. The EDR is the base product from which all other wellsite instrumentation products are linked. By linking these products, a number of otherwise redundant elements such as data processing, display, storage, and networking are eliminated. This ensures greater reliability and a more robust system of instrumentation for the customer.

Total revenue decreased by 17% in the fourth quarter of 2019 compared to the corresponding period in 2018.

Communication revenue decreased 34% in the fourth quarter of 2019 compared to the corresponding period in 2018. In the Company's major operating segments, wellsite communications have been transitioning from satellite to terrestrial bandwidth. The transition has resulted in a lower rental service cost to Pason with cost savings shared with its customers.

Drilling intelligence revenue decreased 31% in the fourth quarter of 2019 compared to the corresponding period in 2018 as a result of the decrease in drilling activity in the North American markets as well as the mix of rig types and customers which were active in the period.

Analytics and other revenue increased 21% in the fourth quarter of 2019 compared to the corresponding period in 2018 predominately as a result of the revenue generated from the ETB LLC acquisition.

Industry activity in the US market decreased by 24% in the fourth quarter of 2019 compared to the corresponding period in 2018, while fourth quarter Canadian industry activity decreased by 23%. The Canadian and US business units both experienced a decline in drilling activity as producers reduced capital spending. For the fourth quarter of 2019, the Company saw an increase in revenue in the International business unit with gains in all of its significant markets.

US EDR days decreased by 24% in the fourth quarter of 2019 compared to the corresponding period in 2018, while Canadian EDR days, which includes non-oil and gas-related activity, decreased 29% from 2018 levels.

In the fourth quarter of 2019, the Pason EDR was installed on 62% of the land rigs in the US market, an increase of 60bps over the same time period in 2018.

In the fourth quarter of 2019, the Pason EDR was installed on 85% of the land rigs in the Canadian market, a decrease of 600bps over the same period in 2018. For the purposes of market share, the Company uses the number of EDR days billed and oil and gas drilling days as reported by accepted industry sources.

Discussion of Operations

United States Operations

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**24,084**	29,918	(19)	**109,482**	110,229	(1)
Mud Management and Safety	**14,016**	16,268	(14)	**64,189**	59,421	8
Communications	**2,297**	3,733	(38)	**11,339**	15,730	(28)
Drilling Intelligence	**2,105**	3,866	(46)	**11,158**	12,693	(12)
Analytics and Other	**1,716**	1,546	11	**5,946**	5,813	2
Total revenue	**44,218**	55,331	(20)	**202,114**	203,886	(1)
Rental services and local administration	**18,730**	19,364	(3)	**77,453**	72,021	8
Depreciation and amortization	**5,004**	4,121	21	**19,375**	16,249	19
Segment gross profit	**20,484**	31,846	(36)	**105,286**	115,616	(9)

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

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(000s) (unaudited)	**(#)**	(#)	(%)	**(#)**	(#)	(%)
Electronic Drilling Recorder (EDR) Rental Days	**44,800**	58,900	(24)	**204,900**	223,500	(8)

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue per EDR day - USD	**732**	705	4	**735**	697	5
Revenue per EDR day - CAD	**966**	932	4	**975**	903	8

Revenue from the US operations decreased by 20% in the fourth quarter of 2019 over the 2018 comparable period (21% when measured in USD).

Industry activity in the US market decreased by 24% in the fourth quarter of 2019 over the 2018 comparable period. For the year, industry activity in the US market decreased by 10%. Active rig count declined in most major plays.

US market share was 62% for the fourth quarter of 2019 compared to 61% during the same period in 2018.

EDR rental days decreased by 24% in the fourth quarter of 2019 over the 2018 comparable period. Revenue per EDR day increased to US$732 in the fourth quarter of 2019, an increase of US$27 over the same period in 2018. The increase in revenue per EDR day is due to increased adoption of certain products and select price increases initiated in 2019.

Rental services and local administration decreased by 3% in the fourth quarter of 2019 over the 2018 comparative period. Included in the US business segment are the results of both Pason Power and ETB LLC. When measured in USD, and excluding Pason Power and ETB LLC, expenses declined by 11%. The decrease in operating costs is attributable to the Company managing field and office staff levels to support the current level of activity.

Depreciation expense increased by 21% in the fourth quarter of 2019 over the 2018 comparative period. The majority of this increase is due to the amortization of intangibles associated with the Company's acquisition of ETB LLC.

Canadian Operations

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**5,793**	7,191	(19)	**23,108**	29,095	(21)
Mud Management and Safety	**3,594**	4,766	(25)	**14,071**	19,722	(29)
Communications	**1,703**	2,641	(36)	**6,807**	10,944	(38)
Drilling Intelligence	**2,147**	2,519	(15)	**7,828**	8,623	(9)
Analytics and Other	**983**	776	27	**3,980**	3,613	10
Total revenue	**14,220**	17,893	(21)	**55,794**	71,997	(23)
Rental services and local administration	**5,343**	6,864	(22)	**21,226**	26,374	(20)
Depreciation and amortization	**4,407**	2,519	75	**17,071**	15,027	14
Segment gross profit	**4,470**	8,510	(47)	**17,497**	30,596	(43)

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

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(000s) (unaudited)	**(#)**	(#)	(%)	**(#)**	(#)	(%)
Electronic Drilling Recorder (EDR) Rental Days	**10,300**	**14,500**	(29)	**42,000**	60,000	(30)

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue per EDR day - CAD	**1,292**	1,183	9	**1,244**	1,145	9

Canadian drilling activity in the fourth quarter of 2019 decreased by 23% relative to the same period in 2018, while EDR rental days decreased 29% in the fourth quarter of 2019 compared to 2018. For the year, Canadian drilling activity decreased 30% and EDR rental days declined a similar amount.

Revenue in the Canadian business unit decreased by 21% in the fourth quarter of 2019 over the 2018 comparative period. Canadian market share was 85% for the fourth quarter of 2019 compared to 91% in the comparative period in 2018.

Revenue per EDR day increased by $109 to $1,292 during the fourth quarter of 2019 compared to the same period in 2018. The increase is driven by increased usage of data drilling and drilling intelligence products.

Rental services and local administration decreased by 22% in the fourth quarter of 2019 relative to the same period in 2018, primarily due to the bandwidth cost savings the Company has achieved in its communications category and the implementation of cost saving measures.

Analytics and other increased 27% during the fourth quarter of 2019 compared to the same period in 2018 as a result of an increase in Verdazo revenue.

Depreciation and amortization expense increased by 75% in the fourth quarter of 2019 over the 2018 comparative period. The increase is due to the adoption of IFRS 16, Leases and the Company initiating the amortization of previously deferred research and development projects.

Segment gross profit for the fourth quarter of 2019 decreased 47% to $4.5 million compared to $8.5 million in segment gross profit in the 2018 comparative period.

International Operations

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**6,038**	5,248	15	**23,618**	17,838	32
Mud Management and Safety	**2,158**	2,055	5	**7,567**	6,809	11
Communications	**438**	390	12	**1,614**	1,503	7
Drilling Intelligence	**367**	335	10	**1,335**	1,470	(9)
Analytics and Other	**971**	713	36	**3,600**	2,890	25
Total revenue	**9,972**	8,741	14	**37,734**	30,510	24
Rental services and local administration	**5,942**	5,227	14	**21,313**	19,109	12
Depreciation and amortization	**1,302**	916	42	**4,384**	3,579	22
Segment gross profit	**2,728**	2,598	5	**12,037**	7,822	54

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

In 2018, management concluded that its Argentinian subsidiary is operating in a hyperinflationary economy. The impact of applying hyperinflation accounting to this subsidiary is provided above in the section called "***Impact of Hyperinflation***" . The impact for 2018 was not material.

Revenue in the International business unit increased by 14% in the fourth quarter of 2019 compared to the same period in 2018. Revenue increased in all of the Company's major international markets, with the majority of the absolute gains realized in Australia.

Rental services and local administration expenses increased by 14% in the fourth quarter of 2019 compared to the same period in 2018. Depreciation expense increased by 42% in the fourth quarter of 2019 compared to the same period in 2018.

Segment gross profit was $2.7 million for the fourth quarter of 2019, an increased of 5% compared to the same period in 2018. Hyperinflation accounting on the Argentinian subsidiary had a nominal effect on segment gross profit.

Corporate Expenses

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Change	**2019**	2018	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Other expenses						
Research and development	**7,470**	7,310	2	**30,439**	26,997	13
Corporate services	**4,240**	3,897	9	**15,653**	15,905	(2)
Stock-based compensation	**1,481**	3,335	(56)	**10,840**	12,313	(12)
Other						
Foreign exchange loss	**930**	1,007	(8)	**2,199**	7,682	(71)
Net interest expense - lease liability	**174**	—	—	**578**	—	—
Interest income - short term investments	**(755)**	(385)	96	**(1,481)**	(935)	58
Derecognition of lease receivable	**—**	—	—	**4,289**	—	—
Net monetary gain	**(511)**	—	—	**(2,887)**	—	—
Equity income	**70**	(112)	—	**(86)**	(17)	406
Other	**641**	(10)	—	**1,280**	(13)	—
Total corporate expenses	**13,740**	15,042	(9)	**60,824**	61,932	(2)

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

Stock-based compensation decreased 56% in the fourth quarter of 2019 over the 2018 comparative period due to the drop in the Company's stock price in the fourth quarter of 2019.

The majority of the foreign exchange loss recorded in the year ending December 31, 2019 and the previous year relate to unrealized foreign exchange losses on inter-company advances made to the Company's Argentinian subsidiary as a result of the devaluation of the Argentina peso relative to the Canadian dollar.

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

In July 2019, the Company was notified that the tenant that was leasing the Company’s previous office space in Colorado, USA filed for Chapter 7 bankruptcy. As a result, the Company derecognized the lease receivable that it had previously recorded and reported a non-cash charge of $4.3 million in the second quarter of 2019. Management is researching various options to reduce the Company's future obligations.

In 2018, the Company commenced applying IAS 29, Financial Reporting in Hyperinflationary Economies for its Argentina subsidiary. Accordingly, the application of hyperinflation accounting has been applied to the non-monetary assets and liabilities, and shareholders' equity of the Argentina subsidiary. In the fourth quarter of 2019, a non-cash net monetary gain of $0.5 million was recorded. The impact of applying this accounting standard on 2018 amounts was not material.

Q4 2019 vs Q3 2019

Consolidated revenue was $68.4 million in the fourth quarter of 2019 compared to $72.2 million in the third quarter of 2019, a decrease of $3.8 million.

Revenue in the US business unit was $44.2 million in the fourth quarter of 2019 compared to $49.8 million in the third quarter of 2019. Sequentially, both EDR rental days and industry activity decreased 11%.

Revenue in the Canadian business unit was $14.2 million in the fourth quarter of 2019 compared to $13.8 million in the third quarter of 2019.

The International business unit reported revenue of $10.0 million in the fourth quarter of 2019 compared to $8.5 million in the third quarter of 2019.

Adjusted EBITDA, which adjusts EBITDA for foreign exchange and certain non-recurring charges, was $26.6 million in the fourth quarter of 2019 compared to $31.6 million in the third quarter of 2019. The drop in this financial metric was mostly attributable to the drop in segment gross profit in the US business unit of $5.4 million.

Funds flow from operations was $22.1 million in the fourth quarter of 2019 compared to $29.9 million in the third quarter of 2019.

The Company recorded net income attributable to Pason in the fourth quarter of 2019 of $10.4 million ($0.12 per share) compared to net income of $15.4 million ($0.18 per share) in the third quarter of 2019.

Summary of Quarterly Results

Three Months Ended	Mar 31, 2018	Jun 30, 2018	Sept 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sept 30, 2019	**Dec 31, 2019**
(000s, except per share data) (unaudited)	($)	($)	($)	($)	($)	($)	($)	($)
Revenue	73,813	68,271	82,344	81,965	82,143	72,894	72,195	**68,410**
EBITDA [(1)]	32,220	23,614	44,633	38,803	40,435	25,606	33,167	**25,555**
Adjusted EBITDA [(1)]	34,753	29,458	42,473	39,303	40,641	30,675	31,557	**26,615**
Funds flow from operations	33,958	27,836	36,039	30,711	35,899	23,794	29,899	**22,126**
Per share – basic	0.40	0.33	0.42	0.36	0.42	0.28	0.35	**0.26**
Per share – diluted	0.40	0.32	0.42	0.36	0.42	0.28	0.35	**0.26**
Cash from operating activities	24,344	27,617	31,809	23,407	8,442	37,938	37,453	**24,714**
Free cash flow [(1)]	18,906	23,133	26,880	16,603	385	32,547	33,067	**19,955**
Net Income	12,359	5,479	24,386	20,720	19,044	9,245	15,418	**10,096**
Net Income attributable to Pason	12,359	5,479	24,386	20,720	19,044	9,245	15,418	**10,405**
Per share – basic	0.15	0.06	0.29	0.24	0.22	0.11	0.18	**0.12**
Per share – diluted	0.14	0.06	0.28	0.24	0.22	0.11	0.18	**0.12**

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

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

Reconcile Income to EBITDA

Three Months Ended	Mar 31, 2018	Jun 30, 2018	Sept 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sept 30, 2019	**Dec 31, 2019**
(000s) (unaudited)	($)	($)	($)	($)	($)	($)	($)	($)
Net Income	12,359	5,479	24,386	20,720	19,044	9,245	15,418	**10,096**
Add:								
Income taxes	8,152	5,060	8,754	7,192	7,393	3,469	5,485	**3,846**
Depreciation and amortization	9,175	9,220	8,904	7,556	10,222	9,978	9,917	**10,713**
Stock-based compensation	2,534	3,855	2,589	3,335	3,824	3,089	2,446	**1,481**
Net interest income [(1)]	(10)	(76)	(464)	(385)	(48)	(175)	(99)	**(581)**
EBITDA [(2)]	32,210	23,538	44,169	38,418	40,435	25,606	33,167	**25,555**

(1) Prior period amounts have been restated to conform with current year's presentation.

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

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

Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Mar 31, 2018	Jun 30, 2018	Sept 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sept 30, 2019	**Dec 31, 2019**
(000s) (unaudited)	($)	($)	($)	($)	($)	($)	($)	**($)**
EBITDA	32,210	23,538	44,169	38,418	40,435	25,606	33,167	**25,555**
Add:								
Foreign exchange	2,404	5,787	(1,516)	1,007	101	553	615	**930**
Derecognition of lease	—	—	—	—	—	4,289	—	**—**
Net monetary gain	—	—	—	—	—	—	(2,376)	**(511)**
Other [(1)]	11	159	(173)	(10)	263	293	83	**641**
Adjusted EBITDA [(2)]	34,625	29,484	42,480	39,415	40,799	30,741	31,489	**26,615**

(1) Prior period amounts have been restated to conform with current year's presentation.

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

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

Reconcile cash from operating activities to free cash flow

Three Months Ended	Mar 31, 2018	Jun 30, 2018	Sept 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sept 30, 2019	**Dec 31, 2019**
(000s) (unaudited)	($)	($)	($)	($)	($)	($)	($)	**($)**
Cash from operating activities	24,344	27,617	31,809	23,407	8,442	37,938	37,453	**24,714**
Less:								
Net additions to property, plant and equipment	(4,452)	(3,227)	(3,890)	(5,621)	(7,489)	(5,510)	(3,726)	**(4,143)**
Deferred development costs	(986)	(1,257)	(1,039)	(1,183)	(568)	119	(660)	**(616)**
Free cash flow (1)	18,906	23,133	26,880	16,603	385	32,547	33,067	**19,955**

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

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

Pason’s quarterly financial results vary quarter to quarter due in part to the seasonality of the oil and gas service industry in Canada, which is somewhat offset by the less seasonal nature of US and International operations. The first quarter is generally the strongest quarter for the Company due to strong activity in Canada, where location access is best during the winter. The second quarter is typically the slowest due to spring break-up in Canada, when many areas are not accessible due to ground conditions, and, therefore, do not permit the movement of heavy equipment. Activity generally increases in the third quarter, depending on the year, as ground conditions have often improved and location access becomes available; however, a rainy summer can have a significant adverse effect on drilling activity. By the fourth quarter, access to most areas in Canada becomes available when the ground freezes. Consequently, the performance of the Company may not be comparable quarter to consecutive quarter, but should be considered on the basis of results for the whole year, or by comparing results in a quarter with results in the same quarter for the previous year.

Liquidity and Capital Resources

As at December 31,	2019	2018	Change
(000s) (unaudited)	($)	($)	(%)
Cash and cash equivalents	**161,016**	203,838	(21)
Working capital	**183,769**	256,153	(28)
Funds flow from operations	**111,718**	128,544	(13)
Capital expenditures	**24,178**	23,876	1
As a % of funds flow (1)	**21.6%**	18.6%	300 bps

(1) Calculated by dividing capital expenditures by funds flow from operations.

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

Acquisition

Energy Toolbase LLC

In the third quarter of 2019, the Company made a US$20.0 million investment to acquire the majority interest in Energy Toolbase LLC (ETB), a private, US-based software-as-a-service (SaaS) company. A portion of the consideration is payable in 2020.

ETB is an industry leading software platform that specializes in modeling and proposing the economics of solar PV and energy storage projects. Over one thousand leading distributed energy organizations throughout the United States use the SaaS platform to accurately, objectively and transparently analyze their projects and create customer facing proposals.

Investment

Intelligent Wellhead Systems Inc.

In the fourth quarter of 2019, the Company entered into an agreement to invest CDN$25.0 million to acquire a minority interest in Intelligent Wellhead Systems Inc. (“IWS”). IWS is a privately-owned oil and gas technology and service company that provides proprietary and unique surface control systems for various markets globally. The investment consists of an initial cash payment of $10.0 million, which mas made in the fourth quarter of 2019, and three put options, exercisable at the discretion of IWS, of $5.0 million each.

Normal Course Issuer Bid (NCIB)

In 2018, the Company implemented an NCIB which ended on December 17, 2019. The Company renewed the expiring NCIB, which commenced on December 18, 2019 and expires on December 17, 2020. Under the new NCIB, the Company may purchase for cancellation, from time to time, as the Company considers advisable, up to a maximum of 6,777 common shares, which represent 10% of the public float.

The actual number of common shares that may be purchased for cancellation and the timing of any such purchases will be determined by the Company, subject to a maximum daily purchase limitation of 44 common shares. The Company may make one block purchase per calendar week which exceeds the daily purchase restriction.

In the fourth quarter of 2019 , the Company purchased 856 common shares for cancellation, for a total cash consideration of $11.0 million. For the year ended December 31, 2019, the Company purchased 1,538 common shares for cancellation, for a total cash consideration of $24.0 million.

Payment of Income Tax - Other

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

Income Tax Provision

In 2019, the Province of Alberta announced a reduction to corporate income tax rates that decrease the provincial corporate income tax rate from 12% to 8% by 2022. The reduction in the Alberta provincial corporate income tax rate is considered enacted and accordingly the Company recorded its Canadian tax provision based upon these new rates. This change did not have a material impact on the Company's 2019 tax provision.

Contractual Obligations

	Less than 1 year	1–3 years	Thereafter	Total
(000s)	($)	($)	($)	($)
Operating leases and other contracts	6,847	10,577	4,653	22,077

Contractual obligations relate primarily to minimum future lease payments required primarily for operating leases of certain facilities. A portion of these future obligations have been recognized on the balance sheet as a leased asset and a corresponding liability, in accordance with IRFS 16, Leases.

The Company has available a $5.0 million demand revolving credit facility. At December 31, 2019, no amount had been drawn on the facility.

Disclosure of Outstanding Share and Options Data

As at December 31, 2019, there were 84,538 common shares and 5,111 options issued and outstanding.

SEDAR

Additional information relating to the Company can be accessed on the Company's website at www.pason.com and on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Critical Accounting Estimates

The preparation of the Consolidated Financial Statements requires that certain estimates and judgments be made with respect to the reported amounts of revenue and expenses and the carrying value of assets and liabilities. These estimates are based on historical experience and management's judgments, and as a result, the estimates used by management involve uncertainty and may change as additional experience is acquired.

Depreciation and Amortization

The accounting estimate that has the greatest impact on the Company's financial statements is depreciation and amortization. Depreciation of the Company's capital assets includes estimates of useful lives. These estimates may change with experience over time so that actual results could differ significantly from these estimates.

Carrying Value of Assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Judgments and assessments are made to determine whether an event has occurred that indicates a possible impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year.

Stock-Based Payments

The fair value of stock-based payments is calculated using a Black-Scholes option pricing model. There are a number of estimates used in the calculation, such as the future forfeiture rate, expected option life, and the future price volatility of the underlying security, which can vary from actual future events. The factors applied in the calculation are management's best estimates based on historical information and future forecasts.

Income Taxes

The calculation of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences, tax losses, and other tax credits will reverse. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change.

The estimation of deferred tax assets and liabilities includes uncertainty with respect to the reversal of temporary differences.

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits when it is probable that taxable income will be available to utilize unused tax losses and unused tax credits. This requires estimation of future taxable income and usage of tax loss carry-forwards for a considerable period into the future. Income tax expense in future periods may be affected to the extent actual taxable income is not sufficient or available to use the temporary differences giving rise to the deferred tax asset.

Risk and Uncertainties

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 our 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 we believe are material, there may also be risks of which we are currently unaware, or that we currently regard as immaterial based upon the information available to us. Interested parties should be aware that the occurrence of the events described in these risk factors could have a material adverse effect on our 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 US, Australia, and Latin America. The demand for our 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. The factors that affect prices include, but are not limited to, the following: 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 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 US 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, employment 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.

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 day-to-day business operations.

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 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 a Human Resources department within each significant business unit to support that function.

Alternative Energies

There continues to be extensive discussion 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. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, which could lead to potentially increased capital expenditures and operating costs. Implementation of strategies for reducing greenhouse gases could have a material impact on the nature of operations of the Company. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and the possible resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Company.

International Operations

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, exchange rate fluctuations, and restrictions on repatriation of cash. The Company has mitigated these risks where practical and considered warranted. Approximately 90% of the Company's revenues are generated in Canada and the US, which limits exposure to risks and uncertainties in foreign countries. The Company's Argentinian subsidiary is operating in a highly inflationary economy and its operating results are being impacted by a weakening Argentina peso relative to the Canadian dollar.

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 foreign 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 foreign subsidiaries into Canadian dollars are reflected in the Consolidated Statements of Operations and Other Comprehensive Income as unrealized foreign currency translation adjustments. The Company has not hedged either one of these risks.

The Company does not employ any financial instruments to manage risk or hedge its activities. The vast majority of the Company's activities are conducted in Canada and the US, where local revenue is earned against local expenses and the Company is therefore naturally hedged.

Major Customers

Pason has a large customer base, consisting of both operators and contractors, and does not rely on any single customer for a significant portion of its revenue. No single customer accounted for more than 10% of the consolidated revenues of the Company. The loss of one or more customers, or a reduction in the amount of business Pason does with any of its customers, if not offset by obtaining new customers or increasing the amount of business it does with existing customers, could have a detrimental impact on Pason's revenue.

Key Personnel

Pason's success depends to a significant extent on the contributions of a number of its officers and key employees. The Company does not carry "key person" insurance on any of its key employees. As such, the loss of services of one or more of these key employees could have a material adverse effect on Pason's business, operating results, or financial condition.

Dividends

The decision to pay dividends and the amount paid is at the discretion of Pason's Board of Directors, which regularly reviews the Company's financial position, operating results, and industry outlook. Pason's ability to pay dividends is dependent on the Company's ability to generate cash flow in excess of its operating and investment needs and the Company's financial position.

Taxation

Pason and its subsidiaries are subject to income and other forms of taxation in the various jurisdictions in which they operate. Pason attempts to structure its operations in a tax efficient manner in light of prevailing tax regimes. Any adverse change to existing taxation measures, policies or regulations, or the introduction of new taxation measures, policies or regulations in any of the jurisdictions in which Pason operates could have a negative impact on Pason's business, operating results, or financial condition.

The management of Pason believes that the provision for income taxes is adequate and in accordance with both generally accepted accounting principles and appropriate regulations. However, the tax filing positions of the Company are subject to review and audit by tax authorities who may challenge and succeed in management's interpretation of the applicable tax legislation.

Information Security

Pason's business operations use an extensive network of communications and computer hardware and software systems. In addition, Pason's equipment captures, transmits, and stores significant quantities of drilling data on behalf of its customers. The Company takes measures to protect the security and integrity of its information systems and data, however, there is a risk that these measures may not fully protect against a potential security breach, which could have a negative impact on the Company's ability to operate or its reputation with existing and potential customers.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The preparation and presentation of the Company's Consolidated Financial Statements and the overall reasonableness of the Company's financial reporting are the responsibility of management. The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility with the assistance of the Audit Committee of the Board of Directors.

Management’s Report on Disclosure Controls and Procedures (DC&P)

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to the President and Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Board of Directors to ensure appropriate and timely decisions are made regarding public disclosure.

For the year ended December 31, 2019, an evaluation of the Company’s Disclosure Controls and Procedures was conducted by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and CFO have concluded that our DC&P, as defined in National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), was effective to ensure that the information required by Canadian Securities regulatory authorities will be recorded, processed, and reported within the prescribed timelines.

Management’s Report on Internal Control over Financial Reporting (ICFR)

Management, under the supervision and participation of the Company’s CEO and CFO, is responsible for establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that assets are safeguarded and that reliable financial information is produced for preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles. The assessment has been based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An evaluation of the Company’s ICFR was conducted by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and CFO have concluded that as at December 31, 2019, our ICFR, as defined in NI 52-109, was effective. There were no changes in our ICFR during the year ended December 31, 2019 that have materially affected, or are reasonably likely to affect, our ICFR.

Corporate Information

Directors

James D. Hill
Chairman of the Board
Pason Systems Inc.
Calgary, Alberta

James B. Howe(1)(6)(7)
President
Bragg Creek Financial
Consultants Ltd.
Calgary, Alberta

Marcel Kessler
President & CEO
Pason Systems Inc.
Calgary, Alberta

T. Jay Collins(2)(3)
Director
Oceaneering International Inc.
Houston, Texas

Judi Hess(4)(5)
CEO & Director
Copperleaf Technologies Inc.
Vancouver, British Columbia

Laura Schwinn(2)(4)(6)
President Specialty Catalysts
W. R. Grace & Co.
Columbia, Maryland

(1) Audit Committee Chair
(2) Audit Committee Member
(3) HR and Compensation Committee Chair
(4) HR and Compensation Committee Member
(5) Corporate Governance and Nominations Committee Chair
(6) Corporate Governance and Nomination Committee Member
(7) Lead Director

Officers & Key Personnel

Marcel Kessler
President
& Chief Executive Officer

Jon Faber
Chief Financial Officer

David Elliott
Vice President, Finance

Timur Kuru
Vice President, Operations – United States

Bryce McLean
Vice President, Operations – Canada

Russell Smith
Vice President, Operations – International & Offshore

Ryan Van Beurden
Vice President, Rig-site Research & Development

Lars Olesen
Vice President, Product Management

Kevin Boston
Vice President, Business Development

Reid Wuntke
President, Energy Toolbase Software Inc.

Natalie Fenez
General Counsel & Corporate Secretary

Fiona Mueller-Thode
President, Verdazo Analytics Inc.

Corporate Head Office

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InvestorRelations@pason.com
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Auditors

Deloitte LLP
Calgary, Alberta

Banker

Royal Bank of Canada
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Stock Trading

Toronto Stock Exchange
Trading Symbol: PSI.TO

Eligible Dividend Designation

Pursuant to the Canadian Income Tax Act, dividends paid by the Company to Canadian residents are considered to be “eligible” dividends.

Annual Meeting

Shareholders are invited to attend the Company's Annual General Meeting on Thursday, April 30, 2020 at 3:30 pm at the offices of Pason Systems Inc., 6120 Third Street SE, Calgary, Alberta.

Historical Review

Selected Financial Data

Years Ended December 31,

(CDN 000s, except per share data) (unaudited)	**2019**	2018	2017	2016	2015	2014	2013	2012	2011	2010
	($)	($)	($)	($)	($)	($)	($)	($)	($)	($)
Operating Results										
Revenue	**295,642**	306,393	245,643	160,446	285,148	499,272	403,088	386,514	346,158	260,397
Expenses										
Rental services	**105,496**	104,398	95,912	80,115	120,445	153,151	134,874	125,269	113,568	94,299
Corporate services	**15,653**	15,905	15,141	16,758	20,040	22,243	17,373	15,723	12,975	17,770
Research and development	**30,439**	26,997	25,219	22,848	31,733	35,427	27,252	22,467	17,366	16,472
Stock-based compensation	**10,840**	12,313	11,762	6,195	7,398	19,471	32,511	23,792	1,309	11,233
Depreciation and amortization	**40,830**	34,588	45,681	55,384	81,381	69,201	62,171	68,213	58,565	49,108
EBITDA[(1)]	**124,763**	139,270	96,663	3,472	71,920	251,623	136,647	151,753	171,661	110,867
As a % of revenue	**42.2**	45.5	39.4	2.2	25.2	50.4	33.9	39.3	49.6	47.1
Funds flow from operations	**111,718**	128,544	87,121	26,815	94,263	224,204	134,930	158,948	145,358	93,973
Per share – basic	**1.31**	1.51	1.03	0.32	1.13	2.71	1.64	1.94	1.78	1.15
Income (loss)	**53,803**	62,944	25,190	(41,792)	(7,917)	114,637	25,458	39,895	86,223	36,474
Per share – basic	**0.63**	0.74	0.30	(0.49)	(0.09)	1.39	0.31	0.49	1.05	0.45
Capital expenditures	**24,178**	23,876	20,764	12,856	50,811	121,188	70,664	71,424	78,357	50,164
Financial Position										
Total assets	**437,841**	461,716	398,446	435,251	529,625	570,066	445,876	488,378	455,901	402,082
Working capital	**183,769**	256,153	193,692	198,419	244,972	206,571	127,933	163,371	126,605	105,815
Total equity	**378,577**	386,077	347,486	386,651	489,448	483,523	366,469	368,696	367,269	309,684
Return on total equity %[(2)]	**28**	17	7	(9)	(3)	26	6	11	25	12
Common Share Data										
Common shares outstanding (#)										
At December 31	**84,538**	85,783	85,158	84.628	84,063	83,363	82,158	82,049	81,904	81,714
Weighted average	**85,409**	85,357	84,821	84.365	83,675	82,647	82,098	81,968	81,851	81,525
Share trading										
High ($)	**21.31**	24.57	22.36	20.29	23.10	35.51	23.77	18.12	16.53	14.82
Low ($)	**12.45**	16.05	16.65	14.46	16.51	20.82	15.74	12.04	11.53	10.31
Close ($)	**13.11**	18.29	18.19	19.64	19.39	21.89	22.98	17.15	12.00	13.96
Volume (#)	**40,952**	31,598	24,503	42,898	37,476	37,538	24,105	25,053	24,658	23,793
Dividends ($)	**0.74**	0.70	0.68	0.68	0.68	0.64	0.53	0.46	0.38	0.33

(1) Non-IFRS financial measures are defined in the Management's Discussion and Analysis section.
(2) Return on total equity is calculated as earnings over the simple average of the beginning and ending total equity.
Current period amounts are in accordance with IFRS following the adoption of IFRS 16, Leases as discussed in Note 3 in the Consolidated Financial Statements. Prior periods have not been restated.