Press Release

Pason Reports Second Quarter 2014 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (August 6, 2014) – Pason Systems Inc. (TSX:PSI) announced today its 2014 second quarter results.

Performance Data

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	**2014**	2013	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**103,851**	82,387	26	**227,025**	191,654	18
Income (Loss)	**17,606**	(39,376)	—	**38,427**	(9,768)	—
Per share – basic	**0.21**	(0.48)	—	**0.47**	(0.12)	—
Per share – diluted	**0.21**	(0.48)	—	**0.47**	(0.12)	—
EBITDA (1)	**45,999**	(27,817)	—	**116,468**	31,973	264
As a % of revenue	**44.3**	N/A	—	**51.3**	16.7	207
Funds flow from (used in) operations	**44,255**	(22,172)	—	**100,566**	27,918	260
Per share – basic	**0.54**	(0.27)	—	**1.22**	0.34	259
Per share – diluted	**0.53**	(0.27)	—	**1.20**	0.34	253
Cash from operating activities	**55,980**	51,236	9	**120,365**	97,430	24
Free cash flow (1)	**37,763**	37,059	2	**85,725**	69,309	24
Per share – basic	**0.46**	0.45	2	**1.04**	0.84	24
Per share – diluted	**0.45**	0.45	—	**1.02**	0.84	21
Capital expenditures	**18,315**	14,177	29	**34,824**	28,121	24
Working capital	**162,896**	109,718	48	**162,896**	109,718	48
Total assets	**503,254**	536,183	(6)	**503,254**	536,183	(6)
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.15**	0.13	15	**0.30**	0.26	15
Shares outstanding end of period (#)	**82,678**	82,114	1	**82,678**	82,114	1

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

Q2 2014 vs Q2 2013

The Company generated consolidated revenue of $103.9 million in the second quarter of 2014, up 26% from $82.4 million in the same period of 2013. Growth in US market share, increased rig activity in all of its major markets, continued robust growth in Communications, Software, and the Gas Analyzer categories, strong market acceptance of the new Pason Rig Display (PRD), and a strengthening of the US dollar relative to the Canadian dollar all contributed to revenue growth in the second quarter.

Consolidated EBITDA was $46.0 million in the second quarter, an increase of $73.8 million from the second quarter of 2013, due to strong operational performance, combined with the fact that in the second quarter of 2013 the Company recorded an additional litigation provision as a result of the AutoDriller lawsuit settlement.

Net income increased by $57.0 million to $17.6 million ($0.21 per share) in the second quarter of 2014 from a net loss of $39.4 million ($0.48 per share) in the prior year period. Earnings were positively impacted by market share growth in the US, increased rig activity and the appreciation of the US dollar relative to the Canadian dollar. Earnings for the comparative period were impacted by the litigation provision that was recognized in the second quarter of 2013.

President's Message

The second quarter is usually the weakest for Pason due to the seasonality of Canadian drilling activity. However, drilling industry days in Canada were up 35% in the second quarter of 2014 compared to the previous year due to a longer winter drilling season and a drier-than-usual spring break-up. Drilling industry days in the United States also increased by 5% during the period.

Against this backdrop, Pason demonstrated strong operational and financial performance. Total revenue increased 26% from the previous year period to $103.9 million, representing record second quarter revenue for the Company. In addition to a favorable market environment in North America, this growth was driven by an increase in US market share, continued growth in product penetration, new revenue in frontier and offshore markets, and a strengthening of the US dollar relative to the Canadian dollar. The changes in foreign exchange rates were responsible for about 15% of the revenue increase. All of Pason's major product categories generated revenue growth above industry activity, led by a year-over-year increase in the Communications category of 55%.

EBITDA for the second quarter was $46.0 million, compared to negative EBITDA in the previous year period due to a significant litigation provision. The Company recorded net income of $17.6 million, or $0.21 per share, compared to a net loss of $39.4 million, or $0.48 per share, in the second quarter of 2013.

Capital expenditures for the second quarter were $18.3 million, up from $14.2 million the previous year, as deployment of new hardware, including Rig Display and components of the EDR evolution, continued. On June 30, our cash position stood at $144.6 million, plus $12.4 million held in trust for the payment of the dividend in July. There is no debt on the balance sheet.

We are increasing our quarterly dividend by 13% to $0.17 per share.

United States

The US segment, our largest business unit, includes our US rental business and 3PS Inc., our Austin-based sensor manufacturer.

The number of drilling industry days in the second quarter of 2014 was up 5% from the second quarter of the previous year and up 6% from the previous quarter. Revenue for the period increased 23% to $71.8 million. Revenue growth above industry day growth was achieved through an increase in market share, higher product penetration and a favourable movement in the exchange rate. EDR market share for the second quarter averaged 61%, up two percentage points from the previous quarter and up four percentage points from a year ago. On average, 1,074 US land rigs were operating Pason equipment during the second quarter of 2014, compared to 969 in the same period of 2013.

Average daily revenue per rig increased by 7%, from US$603 to US$643 from the previous year and by 2% from the previous quarter. Communications and EDR peripherals again showed above average growth rates during the period.

Our US business unit was able to generate an operating profit of $40.2 million in the second quarter, an increase of 40% over 2013. Operating profit was 56% of revenue compared to 49% for the previous year, as the business unit was able to effectively leverage its fixed cost structure and control variable costs.

Canada

Drilling activity in Canada was significantly higher in the second quarter of 2014 than in the previous year, with industry days up 35% due to favorable weather conditions. Revenue for the second quarter increased 46%

from the prior year period to $19.8 million. Market share was 90%, up three percentage points from the previous year period. On average, 180 Canadian land rigs were operating Pason equipment compared to 130 the year before.

Average daily revenue per rig increased 5% year-over-year to $1,195. Communications, Gas Analyzer and Software showed above average growth rates during the period.

Operating costs increased by 20% year-over-year, primarily due to the acquisition of an additional segment of satellite bandwidth. Our Canadian business unit was able to generate an operating profit of $4.5 million for the second quarter of 2014 compared to $0.3 million the year before.

International

Our International business unit, which includes our businesses in Latin America, Australia, and Offshore & Frontier regions, also had a solid quarter. Revenue increased by 19% to $12.3 million for the period compared to the previous year period, and was up 10% from the previous quarter. Australia, Argentina and the Middle East/North Africa and Offshore demonstrated strong growth. This was partially offset by the devaluation of the Argentine Peso.

The International business unit was able to generate a quarterly operating profit of $3.5 million, an increase of 218% over the previous year, and up 19% from the previous quarter. The International Business Unit was thus able to generate 12% of Pason's total revenue and 7% of operating profit.

Outlook

Analyst outlooks for drilling industry activity in North America are modestly positive for the remainder of 2014 and going into 2015 driven, in part, by LNG-related gas drilling activity in Canada and the United States.

We expect that some of the new products and product enhancements, both on the hardware and software sides, will continue to gain traction in the North American market. This includes the new Rig Display (a ruggedized 19-inch touch screen computer) and the enhanced Pit Volume Totalizer (ePVT). We also expect continued growth in the Gulf of Mexico, the Middle East, and other frontier regions.

We plan for an increase in our R&D, IT and Corporate Services costs as we make important investments in our technical infrastructure and systems, as well as in our business development capabilities. Our capital expenditure forecast for the next 12 months is up to $125 million, $92 million of which is directed towards new hardware that can generate incremental revenue or save operating costs. Our cash-generating capacity and our cash position are more than sufficient to cover new business development, planned equipment upgrades and the dividend.

Marcel Kessler
President and Chief Executive Officer
August 6, 2014

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of August 6, 2014, 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.

Funds flow from operations and cash from operating activities were impacted by the Company's accounting for the litigation provision. Before 2013, the Company recorded it as a non-cash add back to arrive at funds flow from operations. In 2013, the provision and settlement was treated as a change in working capital to calculate cash from operating activities.

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, and depreciation and amortization expense.

Free cash flow

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

Overall Performance

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder (1)	**46,739**	36,660	27	**100,254**	83,534	20
Pit Volume Totalizer	**15,135**	12,164	24	**33,776**	29,034	16
Communications (1)	**8,057**	5,208	55	**18,212**	13,173	38
Software	**6,795**	5,124	33	**15,505**	13,266	17
AutoDriller	**9,136**	7,341	24	**20,615**	17,851	15
Gas Analyzer	**7,514**	5,915	27	**17,564**	14,649	20
Other	**10,475**	9,975	5	**21,099**	20,147	5
Total revenue	**103,851**	82,387	26	**227,025**	191,654	18

(1) A portion of the Company's USA communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. All comparative figures have been reclassified accordingly. This change had no impact on reported key metrics, EBITDA, cash flow from operating activities, or net income (Q2 2013 - $2,205, YTD 2013 - $4,415).

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

Canada

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	**2014**	2013	Change
	#	#	(%)	#	#	(%)
EDR rental days	**16,400**	11,800	39	**59,100**	54,600	8
PVT rental days	**15,800**	11,600	36	**57,100**	53,400	7

United States

	2014	2013	Change	**2014**	2013	Change
	#	#	(%)	#	#	(%)
EDR rental days	**97,700**	88,200	11	**186,800**	174,100	7
PVT rental days	**75,000**	65,300	15	**143,300**	128,900	11

Electronic Drilling Recorder

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 increased 27% for the second quarter of 2014 compared to the same period in 2013 and 20% on a year-to-date basis. These increases are attributable to continued growth in demand for EDR peripheral devices, the roll-out of the Rig Display in Canadian and US markets, an increase in US market share in 2014 over the second quarter of 2013 (61% versus 57%), a strengthening US dollar relative to the Canadian dollar, and increased revenue in International markets. Industry activity in the US market increased 5% in the second quarter of 2014 (3% on a year-to-date basis), while second quarter Canadian rig activity increased 35% compared to the same period in 2013 and 11% year to date. Canadian EDR days increased 39% in the second quarter of 2014 and 8% year to date compared to the same periods in 2013, while US EDR days increased by 11% for the second quarter of 2014 and 7% year to date.

During the first half of 2014, the Pason EDR was installed on 94% of all active land rigs in Canada and 60% of the land rigs in the US, compared to 96% and 57% respectively in the same period of 2013.

In addition, the Company continues to increase revenue in its International business unit.

Pit Volume Totalizer

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 six months of 2014 was impacted by an increase in product penetration in both the US market and International markets. During the first six months of 2014, the PVT was installed on 98% of rigs with a Pason EDR in Canada and 77% in the US, compared to 98% and 74% respectively, in the same period of 2013.

Communications

Pason's Communications rental revenue is derived from the Company's automatically-aiming satellite system. This system provides high-speed wellsite communications for email and web application management tools. Pason displays all data in standard forms on its DataHub web application, although if customers require greater analysis or desire to have the information transferred to another supplier's database, data is available for export from the Pason DataHub using WITSML (a specification for transferring data among oilfield service companies, drilling contractors, and operators). The Company continues to complement its satellite equipment with High Speed Packet Access (HSPA), a high-speed wireless ground system that requires lower capital cost, less service, and lower cost per Internet kilobyte, benefiting Company margins.

Communications revenue increased by 38% in the first half of 2014 compared to the same period in 2013 in large part due to increased product penetration in the US market, 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.
- Mobile Viewer, 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 remote directional.

During the first six months of 2014, 97% of the Company's Canadian customers and 91% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 96% and 89%, respectively, in the same period of 2013.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During the six months ended June 30, 2014, the AutoDriller was installed on 74% of Canadian and 45% of US land rigs operating with a Pason EDR system, compared to 71% and 46%, respectively, in 2013.

Gas Analyzer

The Pason Gas Analyzer measures the total hydrocarbon gases (C1 through C4) 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. The Company continues to realize increased product penetration for this product. During the first six months of 2014, the Gas Analyzer was installed on 60% of Canadian and 24% of US land rigs operating with a Pason EDR system. The penetration in Canada is an increase of approximately 8% in market share over 2013 levels while the US experienced an increase of 1%.

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 June 30,			Six Months Ended June 30,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder [(1)]	**33,608**	26,693	26	**64,061**	52,253	23
Pit Volume Totalizer	**10,262**	8,349	23	**19,655**	16,368	20
Communications [(1)]	**5,194**	3,269	59	**8,976**	5,249	71
Software	**5,223**	4,238	23	**10,272**	8,547	20
AutoDriller	**6,126**	5,151	19	**11,624**	10,131	15
Gas Analyzer	**4,118**	3,343	23	**7,748**	6,345	22
Other	**7,231**	7,445	(3)	**13,558**	13,079	4
Total revenue	**71,762**	58,488	23	**135,894**	111,972	21
Operating costs	**23,455**	22,528	4	**46,602**	44,768	4
Depreciation and amortization	**8,133**	7,281	12	**15,693**	14,665	7
Segment operating profit	**40,174**	28,679	40	**73,599**	52,539	40

(1) A portion of the Company's USA communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. All comparative figures have been reclassified accordingly. This change had no impact on reported key metrics, EBITDA, cash flow from operating activities, or net income (Q2 2013 - $2,205, 2013 YTD -$4,415).

	Three Months Ended June 30,			
		2014		2013
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**643**	**704**	603	617
Revenue per industry day	**390**	**427**	347	355

	Six Months Ended June 30,			
		2014		2013
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**636**	**698**	597	606
Revenue per industry day	**379**	**416**	340	345

US segment revenue increased by 23% in the second quarter over the 2013 comparable period (18% increase when measured in USD). For the first six months of 2014, US segment revenue increased by 21% over the 2013 comparable period (14% increase when measured in USD).

Industry activity in the US market during the second quarter of 2014 increased 5% from the prior year and 3% year to date while revenue from the rental of instrumentation increased by 26% and 23% for the three and six month periods respectively over 2013 levels. EDR rental days increased by 11% and 7% respectively for the three and six months ended June 30, 2014 over the same time periods in 2013, while revenue per EDR day in the second quarter of 2014 increased to $704, an increase of $87 over the same period in 2013. On a year-to-date basis, revenue per EDR day increased to $698, an increase of $92 over the same period in 2013.

Market share gains, increased usage of communication services, and a favourable movement in the exchange rate all contributed to revenue growth in the US segment. US market share was 60% during the six months ended June 30, 2014, up from 57% in the same period of 2013.

Segment profit, as a percentage of revenue, was 56% for the second quarter of 2014 compared to 49% for the corresponding period in 2013, an increase of $11.5 million. On a year-to-date basis, segment profit as a percentage of revenue was 54% compared to 47% for the corresponding period in 2013, an increase of $21.1 million. The US business unit was able to increase its operating margin primarily by leveraging its fixed cost structure and controlling variable costs.

Canadian Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**7,952**	5,622	41	**26,390**	22,996	15
Pit Volume Totalizer	**2,954**	2,089	41	**10,401**	9,380	11
Communications	**2,401**	1,569	53	**8,395**	7,218	16
Software	**1,377**	795	73	**4,879**	4,528	8
AutoDriller	**1,711**	1,196	43	**6,527**	5,815	12
Gas Analyzer	**2,243**	1,458	54	**7,488**	6,112	23
Other	**1,200**	832	44	**3,619**	3,467	4
Total revenue	**19,838**	13,561	46	**67,699**	59,516	14
Operating costs	**9,467**	7,898	20	**20,390**	17,505	16
Depreciation and amortization	**5,916**	5,315	11	**12,395**	11,336	9
Segment operating profit	**4,455**	348	1,180	**34,914**	30,675	14

Canadian segment revenue grew by 46% for the three months ended June 30, 2014 and 14% year to date compared to the same periods in 2013. This positive growth is a result of a 35% increase in the number of drilling industry days in the second quarter compared to 2013 levels, combined with greater penetration of the Gas Analyzer, along with a market share increase to 90% from 87% in the comparable period of 2013. EDR rental days increased 39% in the second quarter and 8% in the first six months of 2014 compared to 2013 levels.

The Canadian business unit was able to increase its revenue in the first six months of 2014 due to a shorter spring break up period in the second quarter along with increased product adoption, notably EDR peripherals, the Gas Analyzer and AutoDriller.

The factors above combined to resulted in an increase in revenue per EDR day of $56 to $1,195 during the second quarter of 2014 compared to 2013. On a year-to-date basis, revenue per EDR day increased $58 to $1,136.

Operating costs increased by 20% in the second quarter of 2014 relative to the same period in 2013, primarily due to a $0.8 million increase in satellite bandwidth costs, as an additional segment was added to improve the customer experience at the rig. Segment operating profit for the second quarter of 2014 of $4.5 million is an increase of $4.1 million over the same period in 2013. On a year-to-date basis, operating costs increased by

16% which was attributable to the increase in satellite bandwidth discussed above and increased field support related costs. Segment operating profit of $34.9 million is an increase of 14% over the prior year.

International Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**5,179**	4,345	19	**9,803**	8,285	18
Pit Volume Totalizer	**1,919**	1,726	11	**3,720**	3,286	13
Communications	**462**	370	25	**841**	706	19
Software	**195**	91	114	**354**	191	85
AutoDriller	**1,299**	994	31	**2,464**	1,905	29
Gas Analyzer	**1,153**	1,114	4	**2,328**	2,192	6
Other	**2,044**	1,698	20	**3,922**	3,601	9
Total revenue	**12,251**	10,338	19	**23,432**	20,166	16
Operating costs	**6,854**	7,414	(8)	**13,345**	13,808	(3)
Depreciation and amortization	**1,855**	1,810	2	**3,558**	3,339	7
Segment operating profit	**3,542**	1,114	218	**6,529**	3,019	116

Revenue in the International operations segment increased 19% in the second quarter of 2014 and 16% for the six months ended compared to the same periods in 2013, with increased revenue from each of the Company's rental products.

Operating profit increased by $2.4 million for the second quarter of 2014 over 2013, an increase of 218%. For the six months ended, operating profit increased by $3.5 million, an increase of 116% from the same period in 2013.

A number of factors influenced these results:

- Australia revenue increased 13% and 21% for the three and six month periods ended June 30, 2014 as drilling activity continues to increase across the region, accompanied by increased penetration of the company's rental products, most significantly EDR peripheral devices and the Gas Analyzer.
- Latin America revenue increased 10% in the second quarter and 3% year to date compared to prior periods as the Company saw increased activity in Argentina with revenue increases of 41% and 36% for the three and six month periods respectively.
- The Company continues to increase its customer base in areas the Company has identified as "frontier markets" including the Middle East and North Africa (MENA) regions. These new markets, combined with increases in market share in the Gulf of Mexico, resulted in an increase in second quarter revenue of 85% over the same period in 2013 and 92% on a year-to-date basis.

Corporate Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Other expenses						
Research and development	**8,517**	7,349	16	**16,175**	13,875	17
Corporate services	**5,715**	4,480	28	**10,191**	8,640	18
Stock-based compensation	**7,136**	6,871	4	**24,804**	10,621	134
Other						
Litigation provision	**—**	61,614	(100)	**—**	61,614	(100)
Foreign exchange loss (gain)	**3,359**	(1,471)	—	**2,909**	(1,251)	—
Other	**485**	392	24	**945**	722	31
Total corporate expenses	**25,212**	79,235	(68)	**55,024**	94,221	(42)

Q2 2014 vs Q1 2014

The first quarter of the year is typically the strongest for Pason due to the seasonality of Canadian drilling activity while the second quarter is usually the weakest. Consolidated revenue was $103.9 million in the second quarter of 2014 compared to $123.2 million in the first quarter of 2014, a decrease of $19.3 million or 16%. The Canadian segment earned revenue of $19.8 million in the second quarter as compared to $47.9 million in the first quarter of 2014, a decrease of $28.1 million. This decrease was offset by revenue growth of $7.6 million in the US market and $1.1 million growth in the International segment.

Sequentially, EBITDA decreased 35%, from $70.5 million in the first quarter of 2014 to $46.0 million in the second quarter of 2014, while funds flow from operations decreased to $44.3 million in the second quarter from $56.3 million in the first quarter of 2014.

Net income decreased by 15% to $17.6 million ($0.21 per share) in the second quarter of 2014 from $20.8 million ($0.25 per share) in the prior quarter. Net income decreased to a lesser extent compared to the other key financial metrics due to the significant stock-based compensation expense recorded in the first quarter of 2014 due to the significant increase in the Company's share price during that quarter. The effective tax rate for the second quarter of 2014 is significantly lower than the first quarter because of the relatively low amount recorded for the non-deductible, non-cash expense of the expensing of common share options under the Black-Scholes pricing model.

Second Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its second quarter results at 9:00 am (Calgary time) on Thursday, August 7, 2014. 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 58978571.

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, 2013, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Condensed Consolidated Interim Balance Sheets

As at	June 30, 2014	December 31, 2013
(CDN 000s) (unaudited)	($)	($)
Assets		
Current		
Cash and cash equivalents	**144,580**	78,018
Cash held in trust	**12,399**	11,502
Trade and other receivables	**83,587**	87,469
Prepaid expenses	**2,889**	3,121
Income taxes recoverable	**7,241**	15,752
Total current assets	**250,696**	195,862
Non-current		
Property, plant and equipment	**188,767**	183,601
Intangible assets and goodwill	**63,791**	65,261
Deferred tax assets	**—**	1,152
Total non-current assets	**252,558**	250,014
Total assets	**503,254**	445,876
Liabilities and equity		
Current		
Trade payables and accruals	**38,742**	30,485
Income taxes payable	**2,287**	—
Stock-based compensation liability	**34,372**	25,942
Dividend payable	**12,399**	11,502
Total current liabilities	**87,800**	67,929
Non-current		
Stock-based compensation liability	**9,481**	3,905
Deferred tax liabilities	**8,958**	7,573
Total non-current liabilities	**18,439**	11,478
Equity		
Share capital	**95,825**	80,725
Share-based benefits reserve	**12,927**	12,927
Foreign currency translation reserve	**9,732**	7,958
Retained earnings	**278,531**	264,859
Total equity	**397,015**	366,469
Total liabilities and equity	**503,254**	445,876

Condensed Consolidated Interim Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	**2014**	2013
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**103,851**	82,387	**227,025**	191,654
Operating expenses				
Rental services	**35,181**	33,192	**70,753**	67,068
Local administration	**4,595**	4,648	**9,584**	9,013
Depreciation and amortization	**15,904**	14,406	**31,646**	29,340
	55,680	52,246	**111,983**	105,421
Operating profit	**48,171**	30,141	**115,042**	86,233
Other expenses				
Research and development	**8,517**	7,349	**16,175**	13,875
Corporate services	**5,715**	4,480	**10,191**	8,640
Stock-based compensation	**7,136**	6,871	**24,804**	10,621
Other expenses	**3,844**	60,535	**3,854**	61,085
	25,212	79,235	**55,024**	94,221
Income (loss) before income taxes	**22,959**	(49,094)	**60,018**	(7,988)
Income tax expense (recovery)	**5,353**	(9,718)	**21,591**	1,780
Net income (loss)	**17,606**	(39,376)	**38,427**	(9,768)
Income (loss) per share				
Basic	**0.21**	(0.48)	**0.47**	(0.12)
Diluted	**0.21**	(0.48)	**0.47**	(0.12)

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	**2014**	2013
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net income (loss)	**17,606**	(39,376)	**38,427**	(9,768)
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	**(6,896)**	7,609	**1,774**	13,459
Total comprehensive income (loss)	**10,710**	(31,767)	**40,201**	3,691

Condensed Consolidated Interim Statements of Changes in Equity

(CDN 000s) (unaudited)	Share Capital ($)	Share-Based Benefits Reserve ($)	Foreign Currency Translation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at January 1, 2013	**79,393**	**12,927**	**(8,348)**	**284,724**	**368,696**
Net loss	—	—	—	(9,768)	(9,768)
Dividends	—	—	—	(21,341)	(21,341)
Other comprehensive income	—	—	13,459	—	13,459
Exercise of stock options	803	—	—	—	803
Balance at June 30, 2013	**80,196**	**12,927**	**5,111**	**253,615**	**351,849**
Net income	—	—	—	33,423	33,423
Dividends	—	—	—	(22,179)	(22,179)
Other comprehensive income	—	—	2,847	—	2,847
Exercise of stock options	529	—	—	—	529
Balance at December 31, 2013	**80,725**	**12,927**	**7,958**	**264,859**	**366,469**
Net income	—	—	—	38,427	38,427
Dividends	—	—	—	(24,755)	(24,755)
Other comprehensive income	—	—	1,774	—	1,774
Exercise of stock options	15,100	—	—	—	15,100
Balance at June 30, 2014	**95,825**	**12,927**	**9,732**	**278,531**	**397,015**

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	**2014**	2013
(CDN 000s) (unaudited)			**($)**	($)
Cash from (used in) operating activities				
Net income (loss)	**17,606**	(39,376)	**38,427**	(9,768)
Adjustment for non-cash items:				
Depreciation and amortization	**15,904**	14,406	**31,646**	29,340
Stock-based compensation	**7,136**	6,871	**24,804**	10,621
Deferred income taxes	**(48)**	(3,859)	**2,609**	(2,139)
Unrealized foreign exchange loss (gain)	**3,657**	(214)	**3,080**	(136)
Funds flow from (used in) operations	**44,255**	(22,172)	**100,566**	27,918
Movements in non-cash working capital items:				
Decrease in trade and other receivables	**12,483**	18,659	**2,889**	8,978
(Increase) decrease in prepaid expenses	**(675)**	1,082	**249**	1,488
(Increase) decrease in income taxes	**2,340**	(9,982)	**13,114**	(3,112)
Increase in litigation provision	**—**	63,752	**—**	63,752
Increase in trade payables and accruals	**1,740**	4,535	**7,033**	6,496
Effects of exchange rate changes	**(2,778)**	1,365	**(1,000)**	2,413
Cash generated from operating activities	**57,365**	57,239	**122,851**	107,933
Income tax paid	**(1,385)**	(6,003)	**(2,486)**	(10,503)
Net cash from operating activities	**55,980**	51,236	**120,365**	97,430
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**3,473**	785	**7,035**	803
Purchase of stock options	**—**	(1,130)	**(2,589)**	(3,052)
Payment of dividends	**(12,356)**	(10,667)	**(23,857)**	(30,358)
Net cash used in financing activities	**(8,883)**	(11,012)	**(19,411)**	(32,607)
Cash flows (used in) investing activities				
Additions to property, plant and equipment	**(17,209)**	(10,604)	**(31,662)**	(20,805)
Deferred development costs	**(1,106)**	(3,573)	**(3,162)**	(7,316)
Proceeds on disposal of property, plant and equipment	**98**	—	**184**	44
Changes in non-cash working capital	**363**	239	**1,360**	(515)
Net cash used in investing activities	**(17,854)**	(13,938)	**(33,280)**	(28,592)
Effect of exchange rate on cash and cash equivalents	**(1,423)**	291	**(215)**	1,270
Net increase in cash and cash equivalents	**27,820**	26,577	**67,459**	37,501
Cash and cash equivalents, beginning of period	**129,159**	168,868	**89,520**	157,944
Cash and cash equivalents, end of period	**156,979**	195,445	**156,979**	195,445
Cash and cash equivalents consists of:				
Cash and cash equivalents	**144,580**	184,771	**144,580**	184,771
Cash held in trust	**12,399**	10,674	**12,399**	10,674
Cash and cash equivalents, end of period	**156,979**	195,445	**156,979**	195,445

Operating Segments

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

Three Months Ended June 30, 2014	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue	**19,838**	**71,762**	**12,251**	**103,851**
Operating costs	**9,467**	**23,455**	**6,854**	**39,776**
Depreciation and amortization	**5,916**	**8,133**	**1,855**	**15,904**
Segment operating profit	**4,455**	**40,174**	**3,542**	**48,171**
Research and development				**8,517**
Corporate services				**5,715**
Stock-based compensation				**7,136**
Other expenses				**3,844**
Income taxes				**5,353**
Net Income				**17,606**
Capital expenditures	**6,160**	**9,684**	**2,471**	**18,315**
Goodwill	**—**	**19,759**	**2,600**	**22,359**
Intangible assets	**32,395**	**6,504**	**2,533**	**41,432**
Segment assets	**152,415**	**288,690**	**62,149**	**503,254**
Segment liabilities	**62,702**	**32,784**	**10,753**	**106,239**
Three Months Ended June 30, 2013				
Revenue	13,561	58,488	10,338	82,387
Operating costs	7,898	22,528	7,414	37,840
Depreciation and amortization	5,315	7,281	1,810	14,406
Segment operating profit	348	28,679	1,114	30,141
Research and development				7,349
Corporate services				4,480
Stock-based compensation				6,871
Other expenses				60,535
Income taxes				(9,718)
Net loss				(39,376)
Capital expenditures	6,911	5,458	1,808	14,177
Goodwill	—	19,456	2,600	22,056
Intangible assets	30,496	8,995	3,269	42,760
Segment assets	216,212	259,290	60,681	536,183
Segment liabilities	102,941	71,918	9,475	184,334

Six Months Ended June 30, 2014	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue	**67,699**	**135,894**	**23,432**	**227,025**
Operating costs	**20,390**	**46,602**	**13,345**	**80,337**
Depreciation and amortization	**12,395**	**15,693**	**3,558**	**31,646**
Segment operating profit	**34,914**	**73,599**	**6,529**	**115,042**
Research and development				**16,175**
Corporate services				**10,191**
Stock-based compensation				**24,804**
Other expenses				**3,854**
Income taxes				**21,591**
Net income				**38,427**
Capital expenditures	**10,073**	**20,702**	**4,049**	**34,824**
Goodwill	**—**	**19,759**	**2,600**	**22,359**
Intangible assets	**32,395**	**6,504**	**2,533**	**41,432**
Segment assets	**152,415**	**288,690**	**62,149**	**503,254**
Segment liabilities	**62,702**	**32,784**	**10,753**	**106,239**

Six Months Ended June 30, 2013				
Revenue	59,516	111,972	20,166	191,654
Operating costs	17,505	44,768	13,808	76,081
Depreciation and amortization	11,336	14,665	3,339	29,340
Segment operating profit	30,675	52,539	3,019	86,233
Research and development				13,875
Corporate services				8,640
Stock-based compensation				10,621
Other expenses				61,085
Income taxes				1,780
Net loss				(9,768)
Capital expenditures	13,938	9,769	4,414	28,121
Goodwill	—	19,456	2,600	22,056
Intangible assets	30,496	8,995	3,269	42,760
Segment assets	216,212	259,290	60,681	536,183
Segment liabilities	102,941	71,918	9,475	184,334

Other Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	**2014**	2013
	($)	($)	**($)**	($)
Litigation provision	**—**	61,614	**—**	61,614
Foreign exchange loss (gain)	**3,359**	(1,471)	**2,909**	(1,251)
Other	**485**	392	**945**	722
Other expenses	**3,844**	60,535	**3,854**	61,085

In August 2013, the Company negotiated a final settlement relating to the three AutoDriller patent infringement lawsuits filed against it. The June 30, 2013 condensed consolidated interim statement of operations includes the additional provision required to reflect the final payment to resolve all claims.

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.