Press Release

Pason Reports Second Quarter 2015 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (August 11, 2015) – Pason Systems Inc. (TSX:PSI) announced today its 2015 second quarter results.

Performance Data

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	**2015**	2014	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**57,440**	103,851	(45)	**156,842**	227,025	(31)
(Loss) income	**(9,404)**	17,606	-	**4,787**	38,427	(88)
Per share – basic	**(0.11)**	0.21	-	**0.06**	0.47	(87)
Per share – diluted	**(0.11)**	0.21	-	**0.06**	0.47	(87)
EBITDA [1]	**7,485**	45,999	(84)	**51,611**	116,468	(56)
As a % of revenue	**13.0**	44.3	(71)	**32.9**	51.3	(36)
Funds flow from operations	**9,277**	44,255	(79)	**52,539**	100,566	(48)
Per share – basic	**0.11**	0.54	(80)	**0.63**	1.22	(48)
Per share – diluted	**0.11**	0.53	(79)	**0.63**	1.20	(48)
Cash from operating activities	**31,300**	55,980	(44)	**102,833**	120,365	(15)
Free cash flow [1]	**21,298**	37,763	(44)	**69,517**	85,725	(19)
Per share – basic	**0.25**	0.46	(46)	**0.83**	1.04	(20)
Per share – diluted	**0.25**	0.45	(44)	**0.83**	1.02	(19)
Capital expenditures	**10,002**	18,315	(45)	**33,515**	34,824	(4)
Working capital	**227,046**	162,896	39	**227,046**	162,896	39
Total assets	**549,310**	503,254	9	**549,310**	503,254	9
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.17**	0.15	13	**0.34**	0.30	13
Shares outstanding end of period (#000's)	**83,656**	82,678	1	**83,656**	82,678	1

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

Q2 2015 vs Q2 2014

The Company generated consolidated revenue of $57.4 million in the second quarter of 2015, down 45% from $103.9 million in the same period of 2014. The continued slowdown in oil and gas drilling activity, combined with a reduction in product adoption on certain products and pricing pressure from customers, contributed to the decrease in revenue, which was partially offset by the strengthening of the US dollar relative to the Canadian dollar.

Consolidated EBITDA was $7.5 million in the second quarter, a decrease of $38.5 million from the second quarter of 2014.

The Company recorded a net loss of $9.4 million ($0.11 per share) in the second quarter, a decrease of $27.0 million from the net income of $17.6 million ($0.21 per share) recorded in same period in 2014. Included in the 2015 second quarter results are restructuring costs totaling $2.6 million.

President’s Message

The second quarter is usually the weakest for Pason due to the seasonality of Canadian drilling activity. More importantly, the full impact of the downturn caused by low oil prices has adversely impacted Pason’s financial results in the second quarter.

On June 25, 2014, the price for West Texas Intermediate (WTI) oil was US$106.50. Since reaching that peak, the oil price has declined sharply with the Organization of Petroleum Exporting Countries (OPEC) and North American shale fighting for market share. Oil bottomed out at US$43.46 on March 26 this year before recovering to above US$55 by the beginning of June. As I write this message, it is again below US$45.

Operators looking to conserve cash in this lower oil price environment, particularly in the United States and in Canada, have cut capital expenditures, staffing levels, and existing operations. Land drilling activity in North America is down more than 50% compared to one year ago. As a result, we have experienced a severe contraction in revenue and margins.

Pason generated revenue of $57.4 million in the second quarter of 2015, down 45% from $103.9 million in the same period of 2014. The continued slowdown in oil and gas drilling activity, combined with a reduction in product adoption for certain products and pricing pressure from customers, contributed to the decrease in revenue. EBITDA was $7.5 million in the second quarter, a decrease of $38.5 million from the second quarter of 2014. Pason recorded a net loss of $9.4 million ($0.11 per share), a decrease of $27.0 million from the net income of $17.6 million in the same period last year.

Over the last several months, we responded to this challenging environment by taking the necessary steps to ensure Pason remains a strong and viable company by reducing our capital expenditures and lowering operating costs. Our capital expenditure plan for 2015 is $65 million compared to $121 million in 2014. We reduced our staffing levels (employees and contractors) by 20% which resulted in the Company recording a restructuring charge of $2.6 million in the second quarter of 2015 (for a run-rate savings of approximately $15.0 million per annum) and cut back on discretionary spending. We are closely monitoring the industry outlook to determine if, and when, further operating (including excess satellite bandwidth) and capital reductions may be required.

It is encouraging that we have been able to defend our market share in all core markets and that declines in revenue per EDR day have been relatively modest, attesting to the value of our product suite and our pricing power.

Based on what we know today, it looks unlikely that industry activity, and Pason’s results, will rebound as quickly as they did in the last downturn six years ago. Analysts are calling for an oil price of approximately US$60 for 2016 to 2018. As operators look to conserve cash, new capital expenditures will likely be delayed or canceled. This will particularly affect offshore and heavy oil projects. North American shale, with its enormous resources, scalability, and flexible development, will be more resilient but also very volatile. Shale developments will also expand internationally in regions like Vaca Muerte, in Argentina.

At current oil prices, new North American shale developments are operating at, or below, break-even, despite the fact that costs have fallen around US$20/barrel over the last year as drilling and completions efficiency has increased (and operators have received significant pricing concessions from service companies). We therefore expect that the emphasis on efficiency and pricing will persist going forward.

Implications for Pason are twofold: 1) more than ever, we are focusing efforts to develop and market products and services that create significant and visible value, either by saving costs, or by increasing revenue for our customers; and 2) we are strengthening our market presence in OPEC countries, with a focus on the Middle East.

It is clear that we need to continue to invest in future growth, including investments in new product development, in service capabilities, in infrastructure and systems, and in our international footprint as outlined below:

- New Product Development: Our product development objectives are structured around four themes:

  1) Innovating EDR and key peripherals for advanced drilling rigs

  2) Providing reliable, fast, and price competitive communication and IT services to rigsite users

  3) Pursuing opportunities in advanced well control and mud management

  4) Developing real-time, collaborative drilling optimization and wellbore quality applications.

- Service Capabilities: We continue to enhance our service capabilities, which includes our Field Technicians and Technical Support.

- Infrastructure and Systems: We continue to focus on improving the stability and reliability, security, and disaster recovery capability of core infrastructure and systems.

- International Footprint: We are increasing our international footprint, including our Saudi joint venture, and we recently opened a small business development office in Dubai.

On June 30, 2015, our cash position stood at $195.3 million and working capital at $227.0 million. There is no debt on the balance sheet. We are maintaining our quarterly dividend at $0.17 per share.

Marcel Kessler
President and Chief Executive Officer
August 11, 2015

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of August 11, 2015, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements and accompanying notes.

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

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

Additional IFRS Measures

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

Funds flow from operations

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

Cash from operating activities

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

Non-IFRS Financial Measures

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

EBITDA

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

Free cash flow

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

Overall Performance

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	**2015**	2014	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**24,926**	46,739	(47)	**66,327**	100,254	(34)
Pit Volume Totalizer/ePVT	**7,579**	15,135	(50)	**21,746**	33,776	(36)
Communications	**5,149**	8,057	(36)	**15,112**	18,212	(17)
Software	**3,902**	6,795	(43)	**10,581**	15,505	(32)
AutoDriller	**3,908**	9,136	(57)	**11,514**	20,615	(44)
Gas Analyzer	**3,845**	7,514	(49)	**11,526**	17,564	(34)
Other	**8,131**	10,475	(22)	**20,036**	21,099	(5)
Total revenue	**57,440**	103,851	(45)	**156,842**	227,025	(31)

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,		
	2015	2014	Change	**2015**	2014	Change
	#	#	(%)	#	#	(%)
EDR rental days	**8,400**	16,400	(49)	**34,600**	59,100	(41)
PVT rental days	**7,900**	15,800	(50)	**32,700**	57,100	(43)

United States

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	**2015**	2014	Change
	#	#	(%)	#	#	(%)
EDR rental days	**47,200**	97,700	(52)	**113,200**	186,800	(39)
PVT rental days	**35,400**	75,000	(53)	**87,300**	143,300	(39)

Electronic Drilling Recorder (EDR)

The Pason EDR remains the Company's primary product. The EDR provides a complete system of drilling data acquisition, data networking, and drilling management tools and reports at both the wellsite and customer offices. The EDR is the base product from which all other wellsite instrumentation products are linked. By linking these products, a number of otherwise redundant elements such as data processing, display, storage, and networking are eliminated. This ensures greater reliability and a more robust system of instrumentation for the customer. Revenue generated from the EDR decreased 47% for the second quarter of 2015 compared to the same period in 2014. This decrease is attributable to the industry slowdown, lower product adoption of certain peripheral devices, and pricing pressures from customers which were offset by a strengthening US dollar relative to the Canadian dollar and the continued acceptance of the Company's Rig Display. Industry activity in the US market decreased 51% in the second quarter of 2015 compared to the corresponding period in 2014 (37% on a year-to-date basis), while second quarter

Canadian rig activity decreased 52% compared to the same period in 2014 (47% on a year-to-date basis). Canadian EDR days decreased 49% in the second quarter of 2015 from 2014 levels (41% on a year-to-date basis), while US EDR days decreased by 52% for the second quarter of 2015 (39% on a year-to-date basis).

During the first half of the year, the Pason EDR was installed on 97% of all active land rigs in Canada and 57% of the land rigs in the US, compared to 94% and 60% respectively in the first half of 2014.

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

The PVT is Pason's proprietary solution for the detection and early warning of “kicks” that are caused by hydrocarbons entering the wellbore under high pressure and expanding as they migrate to the surface. PVT revenue for the first six months of 2015 was impacted by the decline in rig count activity, offset partially with continued customer adoption of the new ePVT. During the first six months of 2015, the PVT was installed on 94% of rigs with a Pason EDR in Canada and 77% in the US, compared to 97% and 76% respectively, in the same period of 2014.

Communications

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

Communications revenue decreased by 17% in the first six months of 2015 compared to the same period in 2014 due to the industry slowdown, offset by both the increased usage of the Company's premium product offerings in the Canadian and US markets, and the strengthening of the US dollar relative to the Canadian dollar.

Software

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

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

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

During the first half of 2015, 96% of the Company's Canadian customers and 88% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 97% and 91% respectively in the first half of 2014.

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, 2015, the AutoDriller was installed on 64% of Canadian and 35% of US land rigs operating with a Pason EDR system, compared to 74% and 46%, respectively, in 2014.

Gas Analyzer

The Pason Gas Analyzer measures the total hydrocarbon gases (C1 through C4 and CO_2) exiting the wellbore, and then calculates the lag time to show the formation depth where the gases were produced. The Gas Analyzer provides information about the composition of the gas, and further calculates geologic ratios from the gas composition to assist in indicating the type of gas, natural gas liquid, or oil in the formation. During the first six months of 2015, the Gas Analyzer was installed on 57% of Canadian and 28% of US land rigs operating with a Pason EDR system, compared to 60% and 24% for the Canadian and US segments respectively in the prior year period.

Other

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

Discussion of Operations

United States Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	**2015**	2014	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**17,612**	33,608	(48)	**43,444**	64,061	(32)
Pit Volume Totalizer/ePVT	**5,005**	10,262	(51)	**13,041**	19,655	(34)
Communications	**3,234**	5,194	(38)	**7,832**	8,976	(13)
Software	**3,053**	5,223	(42)	**7,259**	10,272	(29)
AutoDriller	**2,103**	6,126	(66)	**5,825**	11,624	(50)
Gas Analyzer	**2,355**	4,118	(43)	**5,959**	7,748	(23)
Other	**5,116**	7,231	(29)	**12,633**	13,558	(7)
Total revenue	**38,478**	71,762	(46)	**95,993**	135,894	(29)
Operating costs	**19,375**	23,455	(17)	**44,350**	46,602	(5)
Depreciation and amortization	**8,254**	8,133	1	**18,012**	15,693	15
Segment operating profit	**10,849**	40,174	(73)	**33,631**	73,599	(54)

	Three Months Ended June 30,			
		2015		2014
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**620**	**761**	643	704
Revenue per industry day	**373**	**458**	390	427

	Six Months Ended June 30,			
		2015		2014
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**650**	**803**	636	698
Revenue per industry day	**372**	**460**	379	416

US segment revenue decreased by 46% in the second quarter of 2015 over the 2014 comparable period (53% decrease when measured in USD). For the first six months, revenue decreased by 29% (38% decrease when measured in USD).

Industry activity in the US market during the second quarter of 2015 decreased 51% from the prior year, while revenue from the rental of instrumentation decreased by 48% for the quarter over 2014 levels (53% decrease when measured in USD). For the first six months, industry activity decreased 37% from 2014 levels, while instrumentation revenue decreased 30% (38% decrease when measured in USD).

EDR rental days decreased by 52% for the quarter ended June 30, 2015 over the same time period in 2014, while revenue per EDR day in the second quarter of 2015 decreased to US$620, a decrease of US$23 over the same period in 2014. For the first six months, EDR rental days decreased 39%, while revenue per EDR day increased by US$14 to US$650.

The decrease in industry activity, combined with pricing pressure from customers and lower product adoption on certain products accounted for the drop in revenue for both the quarter and six months ended June 30, 2015. This decrease was offset by the favourable movement in the USD/CAD exchange rate and continued customer usage of premium communication services. US market share was 60% during the three months ended June 30, 2015, down slightly from 61% in the same period of 2014.

Operating costs decreased by 17% in the second quarter relative to the same period in the prior year. When measured in USD, operating costs decreased 27% (USD 15% on a year-to-date basis) as the business unit continues to identify and implement changes to its fixed cost structure to meet the challenging business environment while maintaining customer service.

Depreciation expense for the first six months of 2015 increased 15% over 2014 amounts. This increase is due to the roll out of the capital equipment associated with the commercialization of the ePVT, including the continued roll out of the Rig Display, the upgrade program to the Company's fleet of workstations, and the introduction of the new Versatile Services Platform (VSP) server, all of which occurred during the latter half of 2014.

Segment profit, as a percentage of revenue, was 28% for the second quarter of 2015 compared to 56% for the corresponding period in 2014, or a decrease of $29.3 million. Segment profit decreased to $33.6 million for the first six months of 2015, a drop of 54% from the same period in 2014.

Canadian Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	**2015**	2014	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**3,471**	7,952	(56)	**14,145**	26,390	(46)
Pit Volume Totalizer/ePVT	**1,471**	2,954	(50)	**6,024**	10,401	(42)
Communications	**1,387**	2,401	(42)	**6,180**	8,395	(26)
Software	**718**	1,377	(48)	**3,026**	4,879	(38)
AutoDriller	**690**	1,711	(60)	**3,187**	6,527	(51)
Gas Analyzer	**891**	2,243	(60)	**3,989**	7,488	(47)
Other	**613**	1,200	(49)	**2,049**	3,619	(43)
Total revenue	**9,241**	19,838	(53)	**38,600**	67,699	(43)
Operating costs	**6,798**	9,467	(28)	**15,703**	20,390	(23)
Depreciation and amortization	**9,332**	5,916	58	**18,961**	12,395	53
Segment operating (loss) profit	**(6,889)**	4,455	-	**3,936**	34,914	(89)

	Three Months Ended June 30,	
	2015	2014
	CAD	CAD
	$	$
Revenue per EDR day	**1,082**	1,195
Revenue per industry day	**1,032**	1,070

	Six Months Ended June 30,	
	2015	2014
	CAD	CAD
	$	$
Revenue per EDR day	**1,103**	1,136
Revenue per industry day	**1,135**	1,064

Canadian segment revenue decreased by 53% for the quarter ended June 30, 2015 compared to the same period in 2014. This drop is the result of a 52% decrease in the number of drilling industry days in the second quarter compared to 2014 levels, pricing pressures from customers, and lower product adoption on some products. On a year-to-date basis, revenue decreased 43% while industry days declined 47%.

EDR rental days decreased 49% in the second quarter compared to 2014 (41% for the first six months of 2015).

The factors above combined to result in a decrease in revenue per EDR day of $113 to $1,082 during the second quarter of 2015 compared to 2014. Revenue per EDR day for the first half of 2015 was $1,103, down $33 from the same period in 2014.

Operating costs decreased by 28% in the second quarter of 2015 relative to the same period in 2014 (23% on a year-to-date basis), primarily due to a drop in activity combined with cost control initiatives implemented by all of the business units.

Depreciation expense increased by approximately 50% for both the three month and six month periods ended June 30, 2015 due to the Company's 2014 capital expenditure program explained above in the United States operations update, combined with the amortization of previously deferred research and development costs.

Second quarter operating loss of $6.9 million is a decrease of $11.3 million over the prior year. Segment operating profit for the first six months of 2015 is down 89% from last year's comparatives.

International Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	**2015**	2014	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**3,843**	5,179	(26)	**8,738**	9,803	(11)
Pit Volume Totalizer/ePVT	**1,103**	1,919	(43)	**2,681**	3,720	(28)
Communications	**528**	462	14	**1,100**	841	31
Software	**131**	195	(33)	**296**	354	(16)
AutoDriller	**1,115**	1,299	(14)	**2,502**	2,464	2
Gas Analyzer	**599**	1,153	(48)	**1,578**	2,328	(32)
Other	**2,402**	2,044	18	**5,354**	3,922	37
Total revenue	**9,721**	12,251	(21)	**22,249**	23,432	(5)
Operating costs	**7,035**	6,854	3	**15,567**	13,345	17
Depreciation and amortization	**3,012**	1,855	62	**5,347**	3,558	50
Segment operating (loss)profit	**(326)**	3,542	(109)	**1,335**	6,529	(80)

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

Revenue in the International operations segment decreased 21% in the second quarter of 2015 compared to the same period in 2014. For the first half of 2015, revenue decreased $1.2 million, or 5%.

Operating profit decreased by $3.9 million for the second quarter of 2015 over 2014 amounts. Year-to-date profit declined 80%, or $5.2 million.

A number of factors influenced these results:

- Argentina revenue increased $0.8 million or 21% for the second quarter of 2015 compared to 2014. For the first six months of 2015 revenue increased 41% or $2.9 million.
- Operating costs increased for the first six months due to the increased drilling activity in Argentina combined with an increase in equipment importation costs for Argentina. All International business units saw a decline in their controllable costs.
- Depreciation costs increased due to 2014 capital expenditures and a write-off of obsolete spare parts.

Corporate Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	**2015**	**2014**	Change
(000s)	**($)**	($)	(%)	**($)**	**($)**	(%)
Other expenses						
Research and development	**8,813**	8,517	3	**18,143**	16,175	12
Corporate services	**4,720**	5,715	(17)	**9,906**	10,191	(3)
Stock-based compensation	**5,563**	7,136	(22)	**3,788**	24,804	(85)
Other						
Restructuring costs	**2,572**	—	—	**2,572**	—	—
Foreign exchange (gain) loss	**(12)**	3,359	—	**(2,459)**	2,909	—
Gain on sale of investment	**—**	—	—	**(2,290)**	—	—
Other	**654**	485	35	**1,449**	945	53
Total corporate expenses	**22,310**	25,212	(12)	**31,109**	55,024	(43)

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

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

Q2 2015 vs Q1 2015

Consolidated revenue was $57.4 million in the second quarter of 2015 compared to $99.4 million in the first quarter of 2015, a decrease of $42.0 million or 42%. The second quarter is usually the Company's weakest due to the spring break-up in Canada, but the second quarter of 2015 was impacted further by a continuing deterioration in drilling activity in most major markets. The Canadian segment earned revenue of $9.2 million in the second quarter as compared to $29.4 million in the first quarter of 2015, a decrease of $20.2 million. Revenue in the US market decreased by $19.0 million while the International segment experienced a revenue decrease of $2.8 million.

Sequentially, EBITDA decreased from $44.1 million in the first quarter of 2015 to $7.5 million in the second quarter of 2015, while funds flow from operations decreased to $9.3 million in the second quarter from $43.3 million in the first quarter of 2015.

The Company recorded a net loss in the second quarter of 2015 of $9.4 million ($0.11 per share) compared to net income of $14.2 million ($0.17 per share) in the first quarter of 2015. A continuing decline in activity during the second quarter, an increase in stock-based compensation expense due to the increase in the Company's share price, and the restructuring costs contributed to the reported loss.

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

Second Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its second quarter 2015 results at 9:00 am (Calgary time) on Wednesday, August 12, 2015. The conference call dial-in number is 1-888-231-8191 or 1-647-427-7450. You can access the seven-day replay by dialing 1-855-859-2056 or 1-416-849-0833, using password 48514919.

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

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

Condensed Consolidated Interim Balance Sheets

As at	**June 30, 2015**	December 31, 2014
(CDN 000s) (unaudited)	**($)**	($)
Assets		
Current		
Cash and cash equivalents	**195,254**	144,858
Trade and other receivables	**49,734**	122,494
Prepaid expenses	**3,234**	5,811
Income taxes recoverable	**5,312**	491
Total current assets	**253,534**	273,654
Non-current		
Property, plant and equipment	**235,330**	234,344
Intangible assets and goodwill	**60,446**	62,068
Total non-current assets	**295,776**	296,412
Total assets	**549,310**	570,066
Liabilities and equity		
Current		
Trade payables and accruals	**19,931**	47,414
Income taxes payable	**1,497**	3,544
Stock-based compensation liability	**5,060**	16,125
Total current liabilities	**26,488**	67,083
Non-current		
Stock-based compensation liability	**3,962**	3,018
Deferred tax liabilities	**17,049**	16,442
Total non-current liabilities	**21,011**	19,460
Equity		
Share capital	**119,667**	113,827
Share-based benefits reserve	**24,870**	12,927
Foreign currency translation reserve	**56,937**	32,807
Retained earnings	**300,337**	323,962
Total equity	**501,811**	483,523
Total liabilities and equity	**549,310**	570,066

Condensed Consolidated Interim Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**57,440**	103,851	**156,842**	227,025
Operating expenses				
Rental services	**28,947**	35,181	**66,443**	70,753
Local administration	**4,261**	4,595	**9,177**	9,584
Depreciation and amortization	**20,598**	15,904	**42,320**	31,646
	53,806	55,680	**117,940**	111,983
Operating profit	**3,634**	48,171	**38,902**	115,042
Other expenses				
Research and development	**8,813**	8,517	**18,143**	16,175
Corporate services	**4,720**	5,715	**9,906**	10,191
Stock-based compensation expense	**5,563**	7,136	**3,788**	24,804
Other expense (income)	**3,214**	3,844	**(728)**	3,854
	22,310	25,212	**31,109**	55,024
(Loss) income before income taxes	**(18,676)**	22,959	**7,793**	60,018
Income tax (recovery) expense	**(9,272)**	5,353	**3,006**	21,591
Net (loss) income	**(9,404)**	17,606	**4,787**	38,427
(Loss) income per share				
Basic	**(0.11)**	0.21	**0.06**	0.47
Diluted	**(0.11)**	0.21	**0.06**	0.47

Condensed Consolidated Interim Statements of Other Comprehensive (Loss) Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net (loss) income	**(9,404)**	17,606	**4,787**	38,427
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	**(6,829)**	(6,896)	**24,130**	1,774
Total comprehensive (loss) income	**(16,233)**	10,710	**28,917**	40,201

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, 2014	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
Net income	—	—	—	73,677	73,677
Dividends	—	—	—	(28,246)	(28,246)
Other comprehensive income	—	—	23,075	—	23,075
Exercise of stock options	18,002	—	—	—	18,002
Balance at December 31, 2014	113,827	12,927	32,807	323,962	483,523
Net income	—	—	—	4,787	4,787
Dividends	—	—	—	(28,412)	(28,412)
Other comprehensive income	—	—	24,130	—	24,130
Exercise of stock options	5,840	(306)	—	—	5,534
Expense related to vesting of options	—	576	—	—	576
Reclassification of equity settled options	—	11,673	—	—	11,673
Balance at June 30, 2015	**119,667**	**24,870**	**56,937**	**300,337**	**501,811**

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Cash from (used in) operating activities				
Net (loss) income	**(9,404)**	17,606	**4,787**	38,427
Adjustment for non-cash items:				
Depreciation and amortization	**20,598**	15,904	**42,320**	31,646
Gain on sale of investment	**—**	—	**(2,290)**	—
Stock-based compensation	**5,563**	7,136	**3,788**	24,804
Deferred income taxes	**(7,591)**	(48)	**431**	2,609
Unrealized foreign exchange loss	**111**	3,657	**3,503**	3,080
Funds flow from operations	**9,277**	44,255	**52,539**	100,566
Movements in non-cash working capital items:				
Decrease in trade and other receivables	**33,594**	12,483	**78,184**	2,889
Decrease/(increase) in prepaid expenses	**1,455**	(675)	**2,716**	249
(Decrease)/increase in income taxes	**(3,868)**	2,340	**620**	13,114
(Decrease)/increase in trade payables, accruals and stock-based compensation liability	**(8,360)**	1,740	**(21,407)**	7,033
Effects of exchange rate changes	**831**	(2,778)	**(2,358)**	(1,000)
Cash generated from operating activities	**32,929**	57,365	**110,294**	122,851
Income tax paid	**(1,629)**	(1,385)	**(7,461)**	(2,486)
Net cash from operating activities	**31,300**	55,980	**102,833**	120,365
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**1,348**	3,473	**4,041**	7,035
Purchase of stock options	**—**	—	**—**	(2,589)
Payment of dividends	**(14,219)**	(12,356)	**(28,412)**	(23,857)
Net cash used in financing activities	**(12,871)**	(8,883)	**(24,371)**	(19,411)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment and investment in joint venture	**(7,595)**	(17,209)	**(29,030)**	(31,662)
Deferred development costs	**(2,407)**	(1,106)	**(4,485)**	(3,162)
Proceeds on disposal of investment and property, plant and equipment	**—**	98	**3,288**	184
Changes in non-cash working capital	**(2,126)**	363	**(7,253)**	1,360
Net cash used in investing activities	**(12,128)**	(17,854)	**(37,480)**	(33,280)
Effect of exchange rate on cash and cash equivalents	**(2,833)**	(1,423)	**9,414**	(215)
Net increase in cash and cash equivalents	**3,468**	27,820	**50,396**	67,459
Cash and cash equivalents, beginning of period	**191,786**	129,159	**144,858**	89,520
Cash and cash equivalents, end of period	**195,254**	156,979	**195,254**	156,979

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, 2015	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**9,241**	**38,478**	**9,721**	**57,440**
Operating costs	**6,798**	**19,375**	**7,035**	**33,208**
Depreciation and amortization	**9,332**	**8,254**	**3,012**	**20,598**
Segment operating (loss) profit	**(6,889)**	**10,849**	**(326)**	**3,634**
Research and development				**8,813**
Corporate services				**4,720**
Stock-based compensation				**5,563**
Other expenses				**3,214**
Income taxes				**(9,272)**
Net loss				**(9,404)**
Capital expenditures	**4,981**	**3,347**	**1,674**	**10,002**
Goodwill	**—**	**23,087**	**2,600**	**25,687**
Intangible assets	**31,394**	**1,600**	**1,765**	**34,759**
Segment assets	**139,763**	**333,969**	**75,578**	**549,310**
Segment liabilities	**10,284**	**16,859**	**20,356**	**47,499**
Three Months Ended June 30, 2014				
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

Six Months Ended June 30, 2015	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue	38,600	95,993	22,249	156,842
Operating costs	15,703	44,350	15,567	75,620
Depreciation and amortization	18,961	18,012	5,347	42,320
Segment operating profit	3,936	33,631	1,335	38,902
Research and development				18,143
Corporate services				9,906
Stock-based compensation				3,788
Other income				(728)
Income taxes				3,006
Net Income				4,787
Capital expenditures	10,905	15,169	7,441	33,515
Goodwill	—	23,087	2,600	25,687
Intangible assets	31,394	1,600	1,765	34,759
Segment assets	139,763	333,969	75,578	549,310
Segment liabilities	10,284	16,859	20,356	47,499

Six Months Ended June 30, 2014				
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

Other Expenses (Income)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
	($)	($)	**($)**	($)
Foreign exchange (gain) loss	**(12)**	3,359	**(2,459)**	2,909
Gain on sale of investment	**—**	—	**(2,290)**	—
Restructuring costs	**2,572**	—	**2,572**	—
Other	**654**	485	**1,449**	945
Other expenses (income)	**3,214**	3,844	**(728)**	3,854

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

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

Incentive Plan Liabilities

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

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

Pason Systems Inc.

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

Marcel Kessler	**Jon Faber**
President and CEO	Chief Financial Officer
403-301-3400	403-301-3400
marcel.kessler@pason.com	jon.faber@pason.com

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.