Press Release

Pason Reports Third Quarter 2016 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (November 9, 2016) – Pason Systems Inc. (TSX:PSI) announced today its 2016 third quarter results.

Performance Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	**2016**	2015	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**38,633**	68,468	(44)	**111,619**	225,310	(50)
Loss	**(7,117)**	(18,558)	62	**(29,296)**	(13,771)	(113)
Per share – basic	**(0.08)**	(0.22)	64	**(0.35)**	(0.16)	(119)
Per share – diluted	**(0.08)**	(0.22)	64	**(0.35)**	(0.16)	(119)
EBITDA (1)	**8,347**	(2,717)	—	**5,763**	48,894	(88)
As a % of revenue	**21.6**	(4.0)	—	**5.2**	21.7	(17)
Adjusted EBITDA (1)	**8,487**	24,742	(66)	**15,780**	76,332	(79)
As a % of revenue	**22.0**	36.1	(14)	**14.1**	33.9	(20)
Funds flow from operations	**9,130**	23,791	(62)	**11,491**	76,330	(85)
Per share – basic	**0.11**	0.28	(61)	**0.14**	0.91	(85)
Per share – diluted	**0.11**	0.28	(61)	**0.14**	0.91	(85)
Cash from operating activities	**4,653**	16,332	(72)	**18,977**	119,165	(84)
Free cash flow (1)	**3,412**	5,902	(42)	**6,783**	75,419	(91)
Per share – basic	**0.04**	0.07	(43)	**0.08**	0.90	(91)
Per share – diluted	**0.04**	0.07	(43)	**0.08**	0.90	(91)
Capital expenditures	**1,377**	10,769	(87)	**12,886**	44,284	(71)
Working capital	**191,785**	244,324	(22)	**191,785**	244,324	(22)
Total assets	**438,671**	541,276	(19)	**438,671**	541,276	(19)
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.17**	0.17	—	**0.51**	0.51	—
Shares outstanding end of period (#000's)	**84,367**	83,772	1	**84,367**	83,772	1

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

Q3 2016 vs Q3 2015

The Company generated consolidated revenue of $38.6 million in the third quarter of 2016, down 44% from $68.5 million in the same period of 2015. Continuing depressed commodity prices have led to reduced activity in the all of the company's major markets compared to the same period in the prior year.

Consolidated EBITDA was $8.3 million in the third quarter, an increase of $11.1 million from the third quarter of 2015. Included in EBITDA in the prior year is an impairment charge of $26.6 million related to excess quantities of rental equipment. Adjusted EBITDA, which adjusts for foreign exchange and certain non-recurring charges, including impairment charges, decreased to $8.5 million, down from $24.7 million in the third quarter of 2015.

The Company recorded a net loss of $7.1 million ($0.08 per share) in the third quarter of 2016, compared to a net loss of $18.6 million ($0.22 per share) recorded in the same period in 2015. The third quarter 2015 results include an impairment charge referred to above. Cost reduction programs previously implemented and a significant decline in depreciation expense from 2015 levels also impacted the comparison of third quarter 2016 results to 2015 amounts.

President's Message

The environment for oilfield services remained very challenging worldwide during the third quarter. US drilling activity, as measured in industry days, dropped 39% from the previous year period, and declined 53% for the first nine months of 2016. Canadian drilling activity experienced a 38% year-over-year reduction for the quarter and a 45% reduction for the first nine months. Most international markets continued to be similarly affected.

Pason's third quarter results directly reflect these declines in drilling activity. Revenue for the quarter was $38.6 million, a 44% decline from the previous year. Adjusted EBITDA was $8.5 million, compared to $24.7 million in the previous year period and free cash flow was $3.4 million. The company incurred a loss for the quarter of $7.1 million or $0.08 per share. Significant previously implemented cost reductions, and lower depreciation expenses, partially offset the revenue decline.

US and Canadian EDR market share was essentially unchanged from the previous quarter. Revenue per EDR day in the US was up 4% for the third quarter compared to the previous year, driven by higher adoption of certain products. In Canada, Revenue per EDR day was down 8% year-over-year resulting from price concessions and lower adoption of certain peripheral products.

At September 30, 2016, our cash position stood at $155 million and working capital at $192 million. There is no debt on our balance sheet. We are maintaining our quarterly dividend at $0.17 share.

In the United States, drilling activity has followed a rebound in oil prices from February's low of US$26 a barrel to more than US$45.The Baker Hughes active rig count climbed above 550 for the first time since February, up from a low of 404 in May. However, the number of active rigs is still down by more than 200 over the same period in 2015. Almost half of the active rigs are operating in Texas and most of the recent growth came in the Permian Basin.

It is likely that the second quarter of 2016 was the low point for North American drilling activity both seasonally and cyclically and that we are in an environment of gradually improving drilling activity. However, oil prices continue to be volatile and the outlook remains uncertain. We don't expect significant increases in oil company capital spending plans in the near term. We also don't expect any improvements in pricing for some time. We believe that many producers will be reluctant to significantly dial up spending levels even as crude markets show tentative signs of recovery.

For the remainder of 2016, we aim to strike the optimal balance between cost control and investments in future growth. Our objective is to generate positive free cash flow before the dividend for the year. In Canada, we are experiencing increased competitive and pricing pressures. We are fully committed to holding onto our position as the service provider of choice for key operator and drilling contractor customers.

We are continuing to invest in future growth, including investing in new product development, service capabilities, infrastructure and systems, and in our international footprint. We plan to continue to allocate resources for R&D and IT and we intend to spend up to $20 million in capital expenditures in 2016. We are focusing our product development efforts on our “on-bottom” and “off-bottom” product road maps.

We are building on our strong market position and reputation, and seek opportunities where we can take advantage of our significant strengths. We believe that Pason continues to be well-positioned to maximize returns in the industry's upturn.

Marcel Kessler
President and Chief Executive Officer
November 9, 2016

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of November 9, 2016, 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.

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 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, and other items which the Company does not consider to be in the normal course of continuing operations.

Free cash flow

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

Overall Performance

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	**2016**	2015	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder (1)	**16,200**	29,722	(45)	**46,817**	98,014	(52)
Pit Volume Totalizer/ePVT	**5,011**	8,933	(44)	**14,832**	30,679	(52)
Communications (1)	**3,799**	6,236	(39)	**10,388**	19,383	(46)
Software	**2,665**	4,672	(43)	**7,587**	15,253	(50)
AutoDriller	**2,259**	4,943	(54)	**6,542**	16,457	(60)
Gas Analyzer	**2,804**	4,985	(44)	**8,281**	16,511	(50)
Other	**5,895**	8,977	(34)	**17,172**	29,013	(41)
Total revenue	**38,633**	68,468	(44)	**111,619**	225,310	(50)

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. 2015 comparative figures have been reclassified to conform with 2016 presentation. (Q3 2016 - $1,016 and YTD 2015- $2,981).

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

Canada

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	**2016**	2015	Change
	#	#	(%)	**#**	#	(%)
EDR rental days	**10,500**	17,000	(38)	**29,900**	51,600	(42)
PVT rental days	**9,600**	15,900	(40)	**27,600**	48,600	(43)

United States

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	**2016**	2015	Change
	#	#	(%)	**#**	#	(%)
EDR rental days	**23,800**	46,000	(48)	**67,400**	159,200	(58)
PVT rental days	**18,100**	33,800	(46)	**51,500**	121,100	(57)

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 45% for the third quarter and 52% for the first nine months of 2016 compared to the corresponding period in 2015. This decrease is attributable to the industry slowdown, lower product adoption of certain EDR peripheral devices, and pricing pressures from customers. Industry activity in the US market decreased 39% in the third quarter of 2016 compared to the corresponding period in 2015 (53% on a year-to-date basis), while third quarter Canadian rig activity decreased 38% compared to the same period in 2015 (45% on a year-to-date basis). Canadian EDR days, which includes non-oil and gas-related activity, decreased 38% in the third quarter of 2016 from 2015 levels (42% on a year-to-date basis), while US EDR days decreased by 48% from the third quarter of 2015 (58% on a year-to-date basis).

The Canadian business unit saw increased competition during the third quarter, including continued pricing pressure and the introduction and commercialization of a new EDR offering from an existing competitor. The Company does not believe these factors had a significant effect on the number of EDR days billed in the quarter.

The Pason EDR was installed on 53% of active land rigs in the US during the first nine months of 2016, compared to 58% in the same period of 2015. This change in market share was primarily driven by changes in the mix of active customers and regions.

For 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.

The Company's International business unit is experiencing the same market conditions as the North American market except for Argentina, where drilling activity has not been impacted to the same degree seen in North America,and the Middle East, where the Company is realizing an increase in its share of net income from its Saudi Arabia joint venture as a result of a continuing increases in rig count and market penetration.

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

The ePVT is Pason's proprietary solution for the detection and early warning of “kicks” that are caused by hydrocarbons entering the wellbore under high pressure and expanding as they migrate to the surface. PVT revenue for the first nine months of 2016 was impacted by the decline in rig count activity, offset partially with continued customer adoption of the new ePVT. During the three months ended September 30, 2016, the ePVT was installed on 91% of rigs with a Pason EDR in Canada and 76% in the US, compared to 94% and 74% respectively, in the same period of 2015.

Communications

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

Communications revenue decreased by 39% in the third quarter of 2016 compared to the same period in 2015 due to the industry slowdown, offset by an increase in customer adoption of new communication solutions rolled out in the Canadian and US markets.

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 third quarter of 2016, 98% of the Company's Canadian customers and 89% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 97% and 86% respectively in 2015.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During the nine months ended September 30, 2016, the AutoDriller adoption rates continue to decline and the Company anticipates this to continue due in most part to the drop in the number of mechanical rigs being deployed.

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 third quarter of 2016, the Gas Analyzer was installed on 58% of Canadian and 31% of US land rigs operating with a Pason EDR system, compared to 62% and 26% 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.

Discussion of Operations

United States Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	**2016**	2015	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder (1)	**10,041**	19,120	(47)	**28,111**	64,135	(56)
Pit Volume Totalizer/ePVT	**2,902**	4,908	(41)	**8,252**	17,949	(54)
Communications (1)	**1,831**	2,887	(37)	**4,548**	9,148	(50)
Software	**1,829**	3,062	(40)	**4,924**	10,321	(52)
AutoDriller	**955**	2,383	(60)	**2,537**	8,208	(69)
Gas Analyzer	**1,428**	2,383	(40)	**4,103**	8,342	(51)
Other	**3,332**	5,408	(38)	**9,860**	18,041	(45)
Total revenue	**22,318**	40,151	(44)	**62,335**	136,144	(54)
Operating costs	**12,653**	17,250	(27)	**38,647**	61,600	(37)
Depreciation and amortization	**5,243**	7,862	(33)	**17,479**	25,874	(32)
Segment operating profit	**4,422**	15,039	(71)	**6,209**	48,670	(87)

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. 2015 comparative figures have been reclassified to conform with 2016 presentation. (Q3 2015 - $795 and YTD 2015 - $2,366).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenue per EDR day - USD	**652**	628	**632**	642
Revenue per EDR day - CAD	**851**	822	**836**	809

US segment revenue decreased by 44% in the third quarter of 2016 over the 2015 comparable period (46% decrease when measured in USD). For the first nine months, revenue decreased by 54% (58% decrease when measured in USD).

Industry activity in the US market during the third quarter of 2016 decreased 39% from the prior year, and 53% for the first nine months. US market share was 52% for the third quarter of 2016 compared to 61% during the three months ended September 30, 2015, primarily driven by changes in the mix of active customers and regions.

EDR rental days decreased by 48% for the quarter ended September 30, 2016, over the same time period in 2015, while revenue per EDR day in the third quarter of 2016 increased to US$652, an increase of US$24 over the same period in 2015. This increase is due to an uptick on adoption of certain key products, combined with continued customer acceptance of enhanced communication solutions, offset by selective pricing discounts on certain products.

For the first nine months, EDR rental days decreased 58%, while revenue per EDR day decreased by US$12 to US$632.

The decrease in industry activity, combined with a drop in market share accounted for the drop in revenue for both the quarter and nine months ended September 30, 2016.

Operating costs decreased by 27% in the third quarter relative to the same period in the prior year. When measured in USD, operating costs decreased 29% 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. The Company announced in the first quarter of 2016 that it would be closing its US business unit office in Golden, Colorado and consolidating all activities to its Houston, Texas office. This consolidation was completed in the third quarter of 2016.

Depreciation expense for the first nine months of 2016 decreased 33% over 2015 amounts, largely due to the asset impairment charges recorded in prior years and a significantly lower capital program.

Segment profit decreased by $10.6 million in the third quarter of 2016 compared to the corresponding period in 2015. Operating profit is down 87% for the nine months ending September, 2016 compared to 2015 levels.

Canadian Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	**2016**	2015	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder [1]	**4,030**	6,814	(41)	**11,717**	21,339	(45)
Pit Volume Totalizer/ePVT	**1,734**	2,945	(41)	**5,093**	8,969	(43)
Communications [1]	**1,676**	2,901	(42)	**4,864**	8,701	(44)
Software	**778**	1,490	(48)	**2,474**	4,516	(45)
AutoDriller	**796**	1,482	(46)	**2,201**	4,669	(53)
Gas Analyzer	**1,111**	2,084	(47)	**3,261**	6,073	(46)
Other	**630**	1,107	(43)	**1,970**	3,156	(38)
Total revenue	**10,755**	18,823	(43)	**31,580**	57,423	(45)
Operating costs [2]	**3,817**	6,821	(44)	**13,136**	23,729	(45)
Depreciation and amortization	**6,203**	9,447	(34)	**20,116**	28,408	(29)
Segment operating profit (loss)	**735**	2,555	(71)	**(1,672)**	5,286	—

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. The 2015 comparative figures have been reclassified to conform with the 2016 presentation. (Q3 2015 - $200 and YTD 2015 - $580).

(2) Certain expenses previously recorded in Other Expenses are now included as a business unit cost, to better reflect the nature of such costs. The 2015 comparative figures have been reclassified to conform with the 2016 presentation (Q3 2015 - $565 and YTD -$1,770).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenue per EDR day- CAD	**1,011**	1,095	**1,039**	1,100

Canadian segment revenue decreased by 43% for the quarter ended September 30, 2016 compared to the same period in 2015. This drop is the result of a 38% decrease in the number of drilling industry days in the third quarter compared to 2015 levels.

EDR rental days decreased 38% in the third quarter of 2016 compared to 2015 (42% for the first nine months of 2016).

Revenue per EDR day decreased by $84 to $1,011 during the third quarter of 2016 compared to 2015, resulting from selective price discounts on certain products and lower product adoption on certain peripheral products, offset by higher adoption of key products. Revenue per EDR day for the first nine months of 2016 was $1,039, down $61 from the same period in 2015.

Operating costs decreased by 44% in the third quarter of 2016 relative to the same period in 2015 (45% 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 decreased by approximately 34% and 29% for the three and nine months periods ended September 30, 2016, due to prior year's impairment charges and lower capital expenditures.

The third quarter operating income of $0.7 million is a decrease of $1.8 million from the prior year. Segment operating loss for the first nine months of 2016 is $1.7 million, compared to a profit of $5.3 million in the prior year.

International Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	**2016**	2015	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder [(1)]	**2,129**	3,788	(44)	**6,989**	12,540	(44)
Pit Volume Totalizer/ePVT	**375**	1,080	(65)	**1,487**	3,761	(60)
Communications [(1)]	**292**	448	(35)	**976**	1,534	(36)
Software	**58**	120	(52)	**189**	416	(55)
AutoDriller	**508**	1,078	(53)	**1,804**	3,580	(50)
Gas Analyzer	**265**	518	(49)	**917**	2,096	(56)
Other	**1,933**	2,462	(21)	**5,342**	7,816	(32)
Total revenue	**5,560**	9,494	(41)	**17,704**	31,743	(44)
Operating costs [(2)]	**4,362**	7,233	(40)	**14,081**	23,178	(39)
Depreciation and amortization	**3,483**	1,950	79	**7,274**	7,297	—
Segment operating (loss) profit	**(2,285)**	311	—	**(3,651)**	1,268	—

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue.The 2015 comparative figures have been reclassified to conform with the 2016 presentation. (Q3 2015- $21 and YTD 2015 - $35).

(2) Certain expenses previously recorded in Other Expenses are now included as a business unit cost, to better reflect the nature of such expenses. The 2015 comparative figures have been reclassified to conform with the 2016 presentation (Q3 2015 - $77 and YTD 2015 - $455).

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

Revenue in the International operations segment decreased 41% in the third quarter of 2016 compared to the same period in 2015. Impacting the comparison of third quarter results of 2016 to the prior year was the devaluation of the Argentinian peso, which occurred in the fourth quarter of 2015. For the first nine months of 2016 revenue decreased $14.0 million, or 44%.

During the third quarter of 2016 the Company recorded a $1.4 million charge to recognize obsolete inventory. This charge is included in depreciation expense.

The segment operating loss was $2.3 million for the third quarter of 2016, compared to a small operating profit in the corresponding period in 2015. The year-to-date loss was $3.7 million compared to a profit of $1.3 million in the prior year.

Corporate Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	Change	**2016**	2015	Change
(000s)	**($)**	($)	(%)	**($)**	**($)**	(%)
Other expenses						
Research and development	**5,358**	7,288	(26)	**17,615**	25,431	(31)
Corporate services	**3,956**	5,134	(23)	**12,360**	15,040	(18)
Stock-based compensation	**1,457**	808	80	**4,657**	4,596	1
Other						
Restructuring costs	**—**	—	—	**10,861**	2,572	322
Foreign exchange loss (gain)	**96**	904	(89)	**(2,227)**	(1,555)	43
Impairment charge	**—**	26,555	—	**—**	26,555	—
Gain on sale of investment	**—**	—	—	**—**	(2,290)	—
Other (1)	**44**	—	—	**1,383**	(134)	—
Total corporate expenses	**10,911**	40,689	(73)	**44,649**	70,215	(36)

(1) Certain expenses previously recorded in Other Expenses are now included as a business unit cost, to better reflect the nature of such expenses. The 2015 comparative figures have been reclassified to conform with the 2016 presentation (Q3 2015 - $642 and YTD 2015 $2,225).

In the first quarter of 2016, the Company initiated additional cost reduction initiatives to address the prolonged downturn in oil and gas drilling activity. These actions included further staff reductions and office space consolidation. As a result, the Company recorded a restructuring charge of $10,861 in the first quarter, which is comprised of $6,028 for employee termination and other staff-related costs, an onerous lease obligation charge of $3,682, which is calculated at the present value of the expected net cost of continuing with the lease after adjusting for sublease rentals, and the write-off of leasehold improvements and other related costs totaling $1,151. A similar initiative was completed in the second quarter of 2015 and a restructuring charge of $2,572 was recorded. In the third quarter 2015 results include an impairment charge related to excess quantities of equipment totaling $26,555.

Q3 2016 vs Q2 2016

Consolidated revenue was $38.6 million in the third quarter of 2016 compared to $27.2 million in the second quarter of 2016, an increase of $11.4 million or 42%. The third quarter of the year is usually stronger compared to the second quarter due to the seasonality of the Canadian drilling activity. Activity in the WCSB showed only modest seasonal improvements as a result of wet weather in many parts and continued cautious spending from operators. The Canadian segment earned revenue of $10.8 million in the third quarter as compared to $5.0 million in the second quarter of 2016, an increase of $5.8 million. Revenue in the US market increased by $5.9 million, from $16.4 million in the second quarter of 2016 to $22.3 million in the third quarter of 2016. The US land rig count increased by approximately six rigs per week during the third quarter. US market share was consistent at 52%. The International segment experienced a revenue decrease of $0.2 million.

The Company recorded a net loss in the third quarter of 2016 of $7.1 million ($0.08 per share) compared to a loss of $11.3 million ($0.13 per share) in the second quarter of 2016.

Sequentially, EBITDA increased from a negative $2.2 million in the second quarter of 2016 to $8.3 million in the third quarter of 2016. Adjusted EBITDA, which adjusts for foreign exchange and certain non-recurring charges, increased from a negative $1.5 million in the second quarter of 2016 to $8.5 million in the third quarter. Funds flow from operations increased from a negative $1.0 million in the second quarter of 2016 to $9.1 million in the third quarter of 2016.

Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its third quarter 2016 results at 9:00 am (Calgary time) on Thursday, November 10, 2016. 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 82116078.

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, 2015, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Condensed Consolidated Interim Balance Sheets

As at	September 30, 2016	December 31, 2015
(CDN 000s) (unaudited)	**($)**	($)
Assets		
Current		
Cash and cash equivalents	**154,598**	195,846
Trade and other receivables	**37,208**	48,613
Prepaid expenses	**4,302**	3,719
Income taxes recoverable	**13,770**	17,468
Total current assets	**209,878**	265,646
Non-current		
Property, plant and equipment	**165,378**	201,436
Intangible assets and goodwill	**52,733**	57,643
Deferred tax assets	**10,682**	4,900
Total non-current assets	**228,793**	263,979
Total assets	**438,671**	529,625
Liabilities and equity		
Current		
Trade payables and accruals	**14,524**	18,454
Stock-based compensation liability	**3,569**	2,220
Total current liabilities	**18,093**	20,674
Non-current		
Stock-based compensation liability	**3,891**	3,059
Onerous lease obligation	**2,811**	—
Deferred tax liabilities	**11,592**	16,444
Total non-current liabilities	**18,294**	19,503
Equity		
Share capital	**134,474**	128,067
Share-based benefits reserve	**23,639**	23,367
Foreign currency translation reserve	**64,019**	85,603
Retained earnings	**180,152**	252,411
Total equity	**402,284**	489,448
Total liabilities and equity	**438,671**	529,625

Condensed Consolidated Interim Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**38,633**	68,468	**111,619**	225,310
Operating expenses				
Rental services	**18,087**	27,534	**58,844**	95,560
Local administration	**2,745**	3,770	**7,020**	12,947
Depreciation and amortization	**14,929**	19,259	**44,869**	61,579
	35,761	50,563	**110,733**	170,086
Operating profit	**2,872**	17,905	**886**	55,224
Other expenses				
Research and development	**5,358**	7,288	**17,615**	25,431
Corporate services	**3,956**	5,134	**12,360**	15,040
Stock-based compensation expense	**1,457**	808	**4,657**	4,596
Restructuring and other expense (income)	**140**	27,459	**10,017**	25,148
	10,911	40,689	**44,649**	70,215
Loss before income taxes	**(8,039)**	(22,784)	**(43,763)**	(14,991)
Income tax recovery	**(922)**	(4,226)	**(14,467)**	(1,220)
Net loss	**(7,117)**	(18,558)	**(29,296)**	(13,771)
Loss per share				
Basic	**(0.08)**	(0.22)	**(0.35)**	(0.16)
Diluted	**(0.08)**	(0.22)	**(0.35)**	(0.16)

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net loss	**(7,117)**	(18,558)	**(29,296)**	(13,771)
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	**3,281**	25,119	**(21,584)**	49,249
Total comprehensive (loss) income	**(3,836)**	6,561	**(50,880)**	35,478

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, 2015	113,827	12,927	32,807	323,962	483,523
Net loss	—	—	—	(13,771)	(13,771)
Dividends	—	—	—	(42,650)	(42,650)
Other comprehensive income	—	—	49,249	—	49,249
Exercise of stock options	8,230	(1,128)	—	—	7,102
Expense related to vesting of options	—	1,158	—	—	1,158
Reclassification of equity settled options	—	11,673	—	—	11,673
Balance at September 30, 2015	122,057	24,630	82,056	267,541	496,284
Net loss	—	—	—	(841)	(841)
Dividends	—	—	—	(14,289)	(14,289)
Other comprehensive income	—	—	3,547	—	3,547
Exercise of stock options	6,010	(2,043)	—	—	3,967
Expense related to vesting of options	—	780	—	—	780
Balance at December 31, 2015	128,067	23,367	85,603	252,411	489,448
Net loss	—	—	—	(29,296)	(29,296)
Dividends	—	—	—	(42,963)	(42,963)
Other comprehensive loss	—	—	(21,584)	—	(21,584)
Exercise of stock options	6,407	(1,954)	—	—	4,453
Expense related to vesting of options	—	2,226	—	—	2,226
Balance at September 30, 2016	**134,474**	**23,639**	**64,019**	**180,152**	**402,284**

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Cash from (used in) operating activities				
Net loss	**(7,117)**	(18,558)	**(29,296)**	(13,771)
Adjustment for non-cash items:				
Depreciation and amortization	**14,929**	19,259	**44,869**	61,579
Impairment loss	**—**	26,555	**—**	26,555
Gain on sale of investment	**—**	—	**—**	(2,290)
Stock-based compensation	**1,457**	808	**4,657**	4,596
Non-cash restructuring costs	**—**	—	**4,833**	—
Deferred income taxes	**35**	(3,488)	**(10,941)**	(3,057)
Unrealized foreign exchange (gain) loss and other	**(174)**	(785)	**(2,631)**	2,718
Funds flow from operations	**9,130**	23,791	**11,491**	76,330
Movements in non-cash working capital items:				
(Increase)/decrease in trade and other receivables	**(12,470)**	(2,665)	**5,620**	75,519
(Increase) decrease in prepaid expenses	**(1,713)**	(2,432)	**(709)**	284
Decrease in income taxes recoverable	**13,927**	188	**10,344**	808
Decrease in trade payables, accruals and stock-based compensation liability	**(2,575)**	(452)	**(2,114)**	(21,859)
Effects of exchange rate changes	**(1,148)**	6,222	**1,158**	3,864
Cash generated from operating activities	**5,151**	24,652	**25,790**	134,946
Income tax paid	**(498)**	(8,320)	**(6,813)**	(15,781)
Net cash from operating activities	**4,653**	16,332	**18,977**	119,165
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**1,331**	1,568	**4,453**	5,609
Payment of dividends	**(14,342)**	(14,238)	**(42,963)**	(42,650)
Net cash used in financing activities	**(13,011)**	(12,670)	**(38,510)**	(37,041)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment	**(718)**	(8,672)	**(9,513)**	(37,702)
Development costs	**(659)**	(2,097)	**(3,373)**	(6,582)
Proceeds on disposal of investment and property, plant and equipment	**136**	339	**692**	3,627
Changes in non-cash working capital	**992**	1,489	**(699)**	(5,764)
Net cash used in investing activities	**(249)**	(8,941)	**(12,893)**	(46,421)
Effect of exchange rate on cash and cash equivalents	**1,223**	8,140	**(8,822)**	17,554
Net (decrease) increase in cash and cash equivalents	**(7,384)**	2,861	**(41,248)**	53,257
Cash and cash equivalents, beginning of period	**161,982**	195,254	**195,846**	144,858
Cash and cash equivalents, end of period	**154,598**	198,115	**154,598**	198,115

Operating Segments

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

Three Months Ended September 30, 2016	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**10,755**	**22,318**	**5,560**	**38,633**
Rental services and local administration	**3,817**	**12,653**	**4,362**	**20,832**
Depreciation and amortization	**6,203**	**5,243**	**3,483**	**14,929**
Segment operating profit (loss)	**735**	**4,422**	**(2,285)**	**2,872**
Research and development				**5,358**
Corporate services				**3,956**
Stock-based compensation				**1,457**
Other expenses				**140**
Income tax recovery				**(922)**
Net Loss				**(7,117)**
Capital expenditures	**247**	**1,148**	**(18)**	**1,377**
Goodwill	**—**	**24,634**	**2,600**	**27,234**
Intangible assets	**25,141**	**158**	**200**	**25,499**
Segment assets	**128,006**	**259,184**	**51,481**	**438,671**
Segment liabilities	**25,165**	**5,845**	**5,377**	**36,387**
Three Months Ended September 30, 2015				
Revenue	18,823	40,151	9,494	68,468
Rental services and local administration	6,821	17,250	7,233	31,304
Depreciation and amortization	9,447	7,862	1,950	19,259
Segment operating profit	2,555	15,039	311	17,905
Research and development				7,288
Corporate services				5,134
Stock-based compensation				808
Other expense				27,459
Income tax recovery				(4,226)
Net loss				(18,558)
Capital expenditures	8,562	813	1,394	10,769
Goodwill	—	24,790	2,600	27,390
Intangible assets	30,175	698	1,481	32,354
Segment assets	203,411	291,788	46,077	541,276
Segment liabilities	25,624	13,435	5,933	44,992

Nine Months Ended September 30, 2016	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**31,580**	**62,335**	**17,704**	**111,619**
Rental services and local administration	**13,136**	**38,647**	**14,081**	**65,864**
Depreciation and amortization	**20,116**	**17,479**	**7,274**	**44,869**
Segment operating (loss) profit	**(1,672)**	**6,209**	**(3,651)**	**886**
Research and development				**17,615**
Corporate services				**12,360**
Stock-based compensation				**4,657**
Other expenses				**10,017**
Income tax recovery				**(14,467)**
Net loss				**(29,296)**
Capital expenditures	**2,930**	**9,806**	**150**	**12,886**
Goodwill	**—**	**24,634**	**2,600**	**27,234**
Intangible assets	**25,141**	**158**	**200**	**25,499**
Segment assets	**128,006**	**259,184**	**51,481**	**438,671**
Segment liabilities	**25,165**	**5,845**	**5,377**	**36,387**

Nine Months Ended September 30, 2015				
Revenue	57,423	136,144	31,743	225,310
Rental services and local administration	23,729	61,600	23,178	108,507
Depreciation and amortization	28,408	25,874	7,297	61,579
Segment operating profit	5,286	48,670	1,268	55,224
Research and development				25,431
Corporate services				15,040
Stock-based compensation				4,596
Other income				25,148
Income tax recovery				(1,220)
Net loss				(13,771)
Capital expenditures	19,467	15,982	8,835	44,284
Goodwill	—	24,790	2,600	27,390
Intangible assets	30,175	698	1,481	32,354
Segment assets	203,411	291,788	46,077	541,276
Segment liabilities	25,624	13,435	5,933	44,992

Other Expenses (Income)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
	($)	($)	**($)**	($)
Foreign exchange loss (gain)	**96**	904	**(2,227)**	(1,555)
Impairment loss	**—**	26,555	**—**	26,555
Gain on sale of investment	**—**	—	**—**	(2,290)
Restructuring costs	**—**	—	**10,861**	2,572
Other	**44**	—	**1,383**	(134)
Other expenses (income)	**140**	27,459	**10,017**	25,148

In the first quarter of 2016, the Company initiated additional cost reduction initiatives to address the prolonged downturn in oil and gas drilling activity. These actions included further staff reductions and office space consolidation. As a result, the Company recorded a restructuring charge of $10,861 in the first quarter, which is comprised of $6,028 for employee termination and other staff-related costs, an onerous lease obligation charge of $3,682, which is calculated at the present value of the expected net cost of continuing with the lease after adjusting for sublease rentals, and the write-off of leasehold improvements and other related costs totaling $1,151. The current portion of the onerous lease provision is included in trade payables and accruals while the non-current portion is separately disclosed on the Condensed Consolidated Interim Balance Sheet. A similar initiative was completed in the second quarter of 2015 and a restructuring charge of $2,572 was recorded. In addition, the third quarter 2015 results include an impairment charge related to excess quantities of equipment totaling $26,555.

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:

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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.