Press Release

Pason Reports Third Quarter 2017 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (November 7, 2017) – Pason Systems Inc. (TSX:PSI) announced today its 2017 third quarter results.

Performance Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Change	**2017**	2016	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**64,576**	38,633	67	**179,417**	111,619	61
Income (loss)	**8,813**	(7,117)	—	**22,861**	(29,296)	—
Per share – basic	**0.10**	(0.08)	—	**0.27**	(0.35)	—
Per share – diluted	**0.10**	(0.08)	—	**0.27**	(0.35)	—
EBITDA (1)	**25,493**	8,347	205	**70,012**	5,763	1,115
As a % of revenue	**39.5**	21.6	18	**39.0**	5.2	34
Adjusted EBITDA (1)	**26,158**	8,487	208	**70,427**	15,780	346
As a % of revenue	**40.5**	22.0	19	**39.3**	14.1	25
Funds flow from operations	**19,896**	9,130	118	**59,765**	11,491	420
Per share – basic	**0.23**	0.11	109	**0.71**	0.14	407
Per share – diluted	**0.23**	0.11	109	**0.70**	0.14	400
Cash from operating activities	**15,128**	4,653	225	**69,160**	18,977	264
Free cash flow (1)	**11,002**	4,404	150	**59,141**	6,084	872
Capital expenditures	**5,371**	1,377	290	**11,604**	12,886	(10)
Working capital	**190,518**	191,785	(1)	**190,518**	191,785	(1)
Total assets	**398,926**	438,671	(9)	**398,926**	438,671	(9)
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.17**	0.17	—	**0.51**	0.51	—
Shares outstanding end of period (#000's)	**84,916**	84,367	1	**84,916**	84,367	1

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

Q3 2017 vs Q3 2016

The Company generated consolidated revenue of $64.6 million in the third quarter of 2017, an increase of 67% from the same period in 2016. A stable oil price environment and continued optimism has led to increased drilling activity in Canada and the US market. Revenue in the third quarter of 2017, when compared to 2016, was negatively impacted by a stronger Canadian dollar relative to the US dollar. Revenue from the International business unit was unchanged from the third quarter of 2016.

Consolidated adjusted EBITDA increased to $26.2 million in the third quarter, up from $8.5 million in the third quarter of 2016. Significant increases in operating profit in all of the Company's key markets led to the rebound in this key measure.

The Company recorded net income of $8.8 million ($0.10 per share) in the third quarter of 2017, compared to a net loss of $7.1 million ($0.08 per share) recorded in the same period in 2016. The increase in Canadian and US revenue, combined with cost reduction programs previously implemented and a significant decline in depreciation expense from prior year levels, led to the increase in income from 2016. These factors were partially offset by a strengthening Canadian dollar relative to the US dollar.

President’s Message

We are pleased with Pason’s third quarter results. Pason generated revenue of $64.6 million in the quarter, an increase of 16% from the second quarter and 67% from the prior year quarter. The main drivers of revenue growth were increased drilling activity in the North American land market and market share gains in the United States, both sequentially and year-over-year. Revenue growth in the quarter was negatively impacted by a stronger Canadian dollar relative to the US dollar. Revenue from the International business unit was flat, with improvements in Australia and the Andean region offset by a decrease in activity in Argentina.

Adjusted EBITDA was $26.2 million for the quarter, an increase of 35% from the second quarter and 208% from the prior year quarter. Adjusted EBITDA as a percentage of revenue was 41%, up from 35% in the second quarter. The drivers of this improvement were the significant increase in revenue with high incremental margins and cost reduction programs that were executed during the downturn.

Pason recorded net income of $8.8 million ($0.10 per share) compared to $6.9 million ($0.08 per share) in the second quarter and a loss of $7.1 million ($0.08 per share) in the prior year quarter. In addition to the factors outlined above, a significant decline in depreciation expense led to the increase in income. Free cash flow for the quarter was $11.0 million. At September 30, 2017, our working capital position stood at $191 million, including cash of $159 million. There is no debt on our balance sheet. We are maintaining our quarterly dividend at $0.17 share.

Our customers across the United States and Canada have learned to operate in a "lower for longer" commodity price environment. Operators remain highly focused on the cost and efficiency of drilling operations. Big data analytics remains a high priority for many E&P companies. There is a strong belief that the oil and gas industry has a lot of catching up to do in this area compared to most other industries. In the context of “factory drilling” there is significant value to be unlocked by correlating drilling and completions practices with the lifetime production of a well or a field. In addition, many drilling contractors are looking to differentiate their service offering from their competitors’ through technology.

In response to the evolving needs of our customers, we have increased our investment in R&D and IT with further growth planned going into 2018. In addition to continuously enhancing the functionality and performance of existing products, our development efforts are focused on being a key enabler of big data analytics strategies and of drilling optimization and automation efforts.

Many of our products directly improve the efficiency, effectiveness and safety of drilling operations and wellbore quality. Examples of this include our ePVT Adaptive Alarms, AC AutoDriller, abbl Directional Advisor® and the deployment of the advanced Exxon Drilling Advisory System®. We are building on our acquisition of Verdazo Analytics to provide customers with a holistic platform to analyze drilling, completions, production, financial and operational data. The deployment of an enhanced Pason Live web service to our cloud-based offering benefits office-based users of Pason data.

Our capital expenditures will be relatively modest going forward with a larger portion of development efforts focused on software and analytics. We intend to spend approximately $20 million in capital expenditures in 2017. Our highly capable and flexible IT and communications platform can host new Pason and third party software at the rig site and in the cloud.

The reduction in oil inventories in the third quarter highlights that the oil market is now in balance. As a result, we have recently seen upward movement in oil prices. Comments from several key OPEC countries, as well as from Russia, suggest that a reduction of the existing production cuts beyond the current agreement is a possibility. Further upward movement in oil prices and subsequent growth in global E&P investment are possible in the medium term. This would further stimulate drilling activity worldwide. Pason's market positions are very strong. We are the service provider of choice for many leading operators and drilling contractors with Pason equipment installed on over 65% of all active land drilling rigs in the Western Hemisphere (currently over 800). We are uniquely positioned to participate in the industry's growth.

Marcel Kessler
President and Chief Executive Officer
November 7, 2017

Management's Discussion and Analysis

The following discussion and analysis has been prepared by management as of November 7, 2017, 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.

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

Free cash flow

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

Overall Performance

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**29,547**	16,200	82	**82,350**	46,817	76
Pit Volume Totalizer/ePVT	**9,394**	5,011	87	**25,693**	14,832	73
Communications	**6,565**	3,799	73	**18,414**	10,388	77
Software	**5,343**	2,665	100	**15,246**	7,587	101
AutoDriller	**3,838**	2,259	70	**10,688**	6,542	63
Gas Analyzer	**4,936**	2,804	76	**13,227**	8,281	60
Other	**4,953**	5,895	(16)	**13,799**	17,172	(20)
Total revenue	**64,576**	38,633	67	**179,417**	111,619	61

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,		
	2017	2016	Change	**2017**	2016	Change
	#	#	(%)	#	#	(%)
EDR rental days	**16,900**	10,500	61	**49,900**	29,900	67
PVT rental days	**15,500**	9,600	61	**46,100**	27,600	67

United States

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Change	**2017**	2016	Change
	#	#	(%)	#	#	(%)
EDR rental days	**49,500**	23,800	108	**128,500**	67,400	91
PVT rental days	**38,200**	18,100	111	**100,800**	51,500	96

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.

Total revenue increased 67% and 61% for the three and nine months ending September 2017, over the same period in 2016. This increase is attributable to an increase in drilling activity in the Company's Canadian, US, and certain International markets. The third quarter 2017 results were negatively impacted from a stronger Canadian dollar relative to the US dollar.

Industry activity in the US market increased 102% in the third quarter of 2017 compared to the corresponding period in 2016 (80% on a year-to-date basis), while third quarter Canadian rig activity increased 76% (87% on a year-to-date basis). Canadian EDR days, which includes some non-oil and gas-related activity, increased 61% in the third quarter of 2017 from 2016 levels (67% on a year-to-date basis), while US EDR days increased by 108% from the third quarter of 2016 (91% on a year-to-date basis).

For the first nine months of 2017, the Pason EDR was installed on 56% of the land rigs in the US compared to 53% during the same time period in 2016.

For the nine months ended September 30, 2017, the Pason EDR was installed on 89% of the land rigs in the Canadian market; for the same time period in 2016 the number of EDR days exceeded the number of reported industry days. For the purposes of market share, the Company uses the number of EDR days billed and oil and gas drilling days as reported by accepted industry sources.

Relative to the corresponding period in 2016, the Canadian market saw an increase in pricing pressure in 2017. This pricing pressure has stabilized during 2017.

The revenue generated from the Company's other wellsite instrumentation products tracked the percentage increase in drilling activity. The notable exceptions were:

- increased product adoption of EDR peripherals, including workstations and Pason Rig Display
- increased ePVT adoption rates in the US
- increased AutoDriller rentals in both Canada and the US due to the significant increase in drilling activity which led to more mechanical rigs being deployed in 2017 compared to 2016
- decreased revenue of service rig recorders in Latin America due to the drop in drilling activity which impacted other revenue

Included in the software category is revenue from the Company's data analytics subsidiary, Verdazo.

Other revenue is down due to the sale of the net operating assets of 3PS, Inc. (3PS) effective January 1, 2017.

For the third quarter of 2017, the Company saw an increase in activity in its Australian and Andean operating areas, compared to the corresponding period in 2016. In Argentina, the rig count was lower compared to 2016 levels.

Discussion of Operations

United States Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**20,458**	10,041	104	**55,982**	28,111	99
Pit Volume Totalizer/ePVT	**6,335**	2,902	118	**16,532**	8,252	100
Communications	**3,454**	1,831	89	**9,426**	4,548	107
Software	**3,268**	1,829	79	**9,067**	4,924	84
AutoDriller	**2,057**	955	115	**5,281**	2,537	108
Gas Analyzer	**2,525**	1,428	77	**6,568**	4,103	60
Other	**2,581**	3,332	(23)	**6,983**	9,860	(29)
Total revenue	**40,678**	22,318	82	**109,839**	62,335	76
Operating costs	**17,130**	12,653	35	**47,642**	38,647	23
Depreciation and amortization	**4,151**	5,243	(21)	**13,322**	17,479	(24)
Segment operating profit	**19,397**	4,422	339	**48,875**	6,209	687

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Revenue per EDR day - USD	**647**	652	**648**	632
Revenue per EDR day - CAD	**809**	851	**847**	836

US land-based drilling continued its sequential increase quarter over quarter. Although the majority of the absolute rig count gains were seen in the Permian, the Haynesville and the Bakken regions participated in the increase.

US segment revenue increased by 82% in the third quarter of 2017 over the 2016 comparable period. For the first nine months, revenue increased 76% compared to the prior year. Included in the prior year results was revenue (included in other revenue) from 3PS, the net operating assets of which were sold effective January 1, 2017. Removing 3PS revenue from the comparative figures, revenue increased by 98% in the third quarter of 2017 compared to 2016 (106% increase when measured in USD). The value of the Canadian dollar relative to the US dollar had a negative impact on revenue when measured in Canadian dollars in the third quarter of 2017. For the first nine months of 2017, and removing 3PS, revenue increased by 93% (96% when measured in USD).

Industry activity in the US market during the third quarter of 2017 increased 102% from the prior year, and 80% for the first nine months. US market share was 58% for the third quarter of 2017 compared to 56% during the same period of 2016, primarily driven by market share growth in key US regions combined with changes in the mix of active customers.

EDR rental days increased by 108% for the quarter ended September 30, 2017, over the same time period in 2016, while revenue per EDR day in the third quarter of 2017 decreased to US$647, a decrease of US$5 over the same period in 2016.

Revenue per EDR day for the first nine months of 2017 was US$648, up US$16 from the same period in 2016.

Operating costs increased by 35% in the 2017 third quarter relative to the same period in the prior year. When measured in USD, and removing 3PS costs, operating costs increased by 65%, with the increase attributable to the hiring of additional field staff and higher repair costs to support the increase in activity.

Depreciation expense for the third quarter of 2017 decreased 21% over 2016 amounts due to the reduction in the capital program since 2014.

Segment profit increased by $15.0 million in the third quarter of 2017 compared to the corresponding period in 2016.

Canadian Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**6,689**	4,030	66	**18,894**	11,717	61
Pit Volume Totalizer/ePVT	**2,486**	1,734	43	**7,465**	5,093	47
Communications	**2,872**	1,676	71	**8,213**	4,864	69
Software	**1,945**	778	150	**5,879**	2,474	138
AutoDriller	**1,378**	796	73	**4,036**	2,201	83
Gas Analyzer	**2,099**	1,111	89	**5,760**	3,261	77
Other	**851**	630	35	**2,539**	1,970	29
Total revenue	**18,320**	10,755	70	**52,786**	31,580	67
Operating costs	**6,473**	3,817	70	**17,826**	13,136	36
Depreciation and amortization	**6,053**	6,203	(2)	**17,632**	20,116	(12)
Segment operating profit (loss)	**5,794**	735	688	**17,328**	(1,672)	—

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Revenue per EDR day- CAD	**1,041**	1,011	**1,010**	1,039

The third quarter Canadian rig activity showed significant year-over-year improvement, although activity was range bound for much of the quarter.

Canadian segment revenue increased by 70% for the quarter ended September 30, 2017 compared to the same period in 2016. This increase is the result of a 76% increase in the number of drilling industry days in the third quarter compared to 2016 levels. Included in the software category for 2017 is revenue earned by Verdazo.

EDR rental days increased 61% in the third quarter of 2017 compared to 2016 (67% for the first nine months of 2017).

Revenue per EDR day increased by $30 to $1,041 during the third quarter of 2017 compared to 2016. Revenue per EDR day for the nine months ended September 30, 2017 was $1,010, down $29 from the same period in 2016, driven in most part by customer mix, and the ongoing effects of pricing concessions made in prior periods.

Operating costs increased by 70% in the third quarter of 2017 relative to the same period in 2016 (36% on a year-to-date basis), with repair costs and direct field costs increasing due to higher activity, combined with the inclusion of Verdazo operating costs.

Depreciation and amortization expense decreased by approximately 2% for the three months ended September 30, 2017. The 2017 amounts include the amortization of investment tax credits received in the third quarter of 2017, offset by the amortization of intangibles that were recognized on the acquisition of Verdazo.

The third quarter 2017 operating profit of $5.8 million is an improvement of $5.1 million from the prior year. Segment operating profit for the first nine months of 2017 is $17.3 million compared to a loss of $1.7 million in the prior year.

International Operations

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**2,400**	2,129	13	**7,474**	6,989	7
Pit Volume Totalizer/ePVT	**573**	375	53	**1,696**	1,487	14
Communications	**239**	292	(18)	**775**	976	(21)
Software	**130**	58	124	**300**	189	59
AutoDriller	**403**	508	(21)	**1,371**	1,804	(24)
Gas Analyzer	**312**	265	18	**899**	917	(2)
Other	**1,521**	1,933	(21)	**4,277**	5,342	(20)
Total revenue	**5,578**	5,560	—	**16,792**	17,704	(5)
Operating costs	**4,317**	4,362	(1)	**13,282**	14,081	(6)
Depreciation and amortization	**980**	3,483	(72)	**3,026**	7,274	(58)
Segment operating profit (loss)	**281**	(2,285)	—	**484**	(3,651)	—

The international rig count was up in several of the Company's international markets, most notably Australia and portions of the Andean region in South America. These increases were offset by a decrease in activity in Argentina. As a result, revenue in the International operations segment was flat in the third quarter of 2017 compared to the same period in 2016. For the nine months of 2017, revenue decreased by 5% from prior year levels as a result of lower activity in the Company's Argentina market.

Operating costs decreased by 1% in the third quarter relative to the same period in the prior year as previous year cost reductions were offset by higher field costs in certain regions.

Depreciation expense decreased by approximately 72% for the three months ended September 30, 2017. In the third quarter of 2016 a $1.4 million charge was recorded to recognize obsolete inventory. This charge was included in depreciation expense.

The segment operating profit was $0.3 million for the third quarter of 2017, an improvement from the $2.3 million loss recorded in the corresponding period in 2016. The year-to-date profit was $0.5 million compared to a loss of $3.7 million in the prior year.

Corporate Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Change	**2017**	2016	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Other expenses						
Research and development	**6,945**	5,358	30	**19,083**	17,615	8
Corporate services	**3,553**	3,956	(10)	**11,157**	12,360	(10)
Stock-based compensation	**3,145**	1,457	116	**8,869**	4,657	90
Other						
Restructuring costs	**—**	—	—	**—**	10,861	—
Foreign exchange loss (gain)	**113**	96	18	**(353)**	(2,227)	84
Other	**552**	44	1,155	**768**	1,383	(44)
Total corporate expenses	**14,308**	10,911	31	**39,524**	44,649	(11)

In the first quarter of 2016, the Company initiated additional cost reduction initiatives to address the prolonged downturn in oil and gas drilling activity. As a result, the Company recorded a restructuring charge of $10.9 million in the first quarter of 2016.

Q3 2017 vs Q2 2017

Consolidated revenue was $64.6 million in the third quarter of 2017 compared to $55.8 million in the second quarter of 2017, an increase of $8.8 million, or 16%. The second quarter is usually the Company's weakest due to the spring break-up in Canada. US activity levels increased from second quarter 2017 levels, which were partially offset by the strengthening of the Canadian dollar versus the US dollar. The Canadian segment earned revenue of $18.3 million in the third quarter of 2017 compared to $10.5 million in the second quarter of 2017, an increase of $7.8 million. Revenue in the US market increased by $1.5 million, from $39.2 million in the second quarter of 2017 to $40.7 million in the third quarter of 2017, as both industry activity and the Company's market share increased. The International segment realized a revenue decrease of $0.5 million.

The Company recorded a net profit in the third quarter of 2017 of $8.8 million ($0.10 per share) compared to a profit of $6.9 million ($0.08 per share) in the second quarter of 2017. Included in the third quarter results is an increase in the Company's research and development expenses over the second quarter of $0.7 million and a foreign exchange loss reported of $0.1 million versus a foreign exchange gain of $0.7 million recorded in the second quarter of 2017.

Sequentially, EBITDA increased from $21.1 million in the second quarter of 2017 to $25.5 million in the third quarter of 2017. Adjusted EBITDA, which adjusts for foreign exchange and certain non-recurring charges, increased from $19.4 million in the second quarter of 2017 to $26.2 million in the third quarter of 2017. Funds flow from operations increased from $18.8 million in the second quarter of 2017 to $19.9 million in the third quarter of 2017.

Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its third quarter 2017 results at 9:00 am (Calgary time) on Wednesday, November 8, 2017. 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 82234992.

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, web-based information management, and analytics, 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, 2016, 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, 2017**	December 31, 2016
(CDN 000s) (unaudited)	**($)**	($)
Assets		
Current		
Cash and cash equivalents	**159,437**	146,479
Trade and other receivables	**52,398**	50,721
Prepaid expenses	**4,834**	3,826
Income taxes recoverable	**6,086**	15,066
Assets held for sale	—	8,413
Total current assets	**222,755**	224,505
Non-current		
Property, plant and equipment	**128,033**	150,504
Intangible assets and goodwill	**36,487**	43,698
Deferred tax assets	**11,651**	16,544
Total non-current assets	**176,171**	210,746
Total assets	**398,926**	435,251
Liabilities and equity		
Current		
Trade payables and accruals	**26,170**	24,347
Stock-based compensation liability	**6,067**	1,516
Liabilities held for sale	**—**	223
Total current liabilities	**32,237**	26,086
Non-current		
Stock-based compensation liability	**4,355**	2,941
Onerous lease obligation	**2,527**	2,917
Deferred tax liabilities	**9,493**	16,656
Total non-current liabilities	**16,375**	22,514
Equity		
Share capital	**146,020**	139,730
Share-based benefits reserve	**24,127**	23,026
Foreign currency translation reserve	**46,092**	69,443
Retained earnings	**134,075**	154,452
Total equity	**350,314**	386,651
Total liabilities and equity	**398,926**	435,251

Condensed Consolidated Interim Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**64,576**	38,633	**179,417**	111,619
Operating expenses				
Rental services	**25,245**	18,087	**70,827**	58,844
Local administration	**2,675**	2,745	**7,923**	7,020
Depreciation and amortization	**11,184**	14,929	**33,980**	44,869
	39,104	35,761	**112,730**	110,733
Operating profit	**25,472**	2,872	**66,687**	886
Other expenses				
Research and development	**6,945**	5,358	**19,083**	17,615
Corporate services	**3,553**	3,956	**11,157**	12,360
Stock-based compensation expense	**3,145**	1,457	**8,869**	4,657
Other expense	**665**	140	**415**	10,017
	14,308	10,911	**39,524**	44,649
Income (loss) before income taxes	**11,164**	(8,039)	**27,163**	(43,763)
Income tax provision (recovery)	**2,351**	(922)	**4,302**	(14,467)
Net income (loss)	**8,813**	(7,117)	**22,861**	(29,296)
Income (loss) per share				
Basic	**0.10**	(0.08)	**0.27**	(0.35)
Diluted	**0.10**	(0.08)	**0.27**	(0.35)

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net income (loss)	**8,813**	(7,117)	**22,861**	(29,296)
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	**(12,613)**	3,281	**(23,941)**	(21,584)
Reclassification of foreign currency translation gain on disposition of 3PS assets	**—**	—	**590**	—
Other comprehensive (loss) gain	**(12,613)**	3,281	**(23,351)**	(21,584)
Total comprehensive (loss) income	**(3,800)**	(3,836)	**(490)**	(50,880)

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, 2016	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
Net loss	—	—	—	(11,325)	(11,325)
Dividends	—	—	—	(14,375)	(14,375)
Other comprehensive income	—	—	5,424	—	5,424
Exercise of stock options	4,006	(1,383)	—	—	2,623
Expense related to vesting of options	—	770	—	—	770
Shares issued pursuant to business acquisition	1,250	—	—	—	1,250
Balance at December 31, 2016	139,730	23,026	69,443	154,452	386,651
Net income	—	—	—	22,861	22,861
Dividends	—	—	—	(43,238)	(43,238)
Other comprehensive loss	—	—	(23,351)	—	(23,351)
Exercise of stock options	6,290	(1,516)	—	—	4,774
Expense related to vesting of options	—	2,617	—	—	2,617
Balance at September 30, 2017	**146,020**	**24,127**	**46,092**	**134,075**	**350,314**

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Cash from (used in) operating activities				
Net income (loss)	**8,813**	(7,117)	**22,861**	(29,296)
Adjustment for non-cash items:				
Depreciation and amortization	**11,184**	14,929	**33,980**	44,869
Stock-based compensation	**3,145**	1,457	**8,869**	4,657
Non-cash restructuring costs	**—**	—	**—**	4,833
Deferred income taxes	**(1,429)**	35	**(3,370)**	(10,941)
Unrealized foreign exchange (gain) loss and other	**(1,817)**	(174)	**(2,575)**	(2,631)
Funds flow from (used in) operations	**19,896**	9,130	**59,765**	11,491
Movements in non-cash working capital items:				
(Increase) decrease in trade and other receivables	**(6,954)**	(12,470)	**(5,138)**	5,620
Increase in prepaid expenses	**(1,418)**	(1,713)	**(1,160)**	(709)
Decrease in income taxes recoverable	**3,811**	13,927	**13,377**	10,344
Increase (decrease) in trade payables, accruals and stock-based compensation liability	**2,609**	(2,575)	**5,743**	(2,114)
Effects of exchange rate changes	**(23)**	(1,148)	**962**	1,158
Cash generated from operating activities	**17,921**	5,151	**73,549**	25,790
Income tax paid	**(2,793)**	(498)	**(4,389)**	(6,813)
Net cash from operating activities	**15,128**	4,653	**69,160**	18,977
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**1,694**	1,331	**4,774**	4,453
Payment of dividends	**(14,425)**	(14,342)	**(43,238)**	(42,963)
Net cash used in financing activities	**(12,731)**	(13,011)	**(38,464)**	(38,510)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment	**(5,126)**	(718)	**(10,406)**	(9,513)
Development costs	**(245)**	(659)	**(1,198)**	(3,373)
Proceeds on disposal of investment and property, plant and equipment	**47**	136	**61**	692
Acquisition	**—**	—	**(4,750)**	—
Proceeds on sale of net operating assets	**—**	—	**7,123**	—
Changes in non-cash working capital	**1,198**	992	**1,524**	(699)
Net cash used in investing activities	**(4,126)**	(249)	**(7,646)**	(12,893)
Effect of exchange rate on cash and cash equivalents	**(5,354)**	1,223	**(10,092)**	(8,822)
Net (decrease) increase in cash and cash equivalents	**(7,083)**	(7,384)	**12,958**	(41,248)
Cash and cash equivalents, beginning of period	**166,520**	161,982	**146,479**	195,846
Cash and cash equivalents, end of period	**159,437**	154,598	**159,437**	154,598

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, 2017	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**18,320**	**40,678**	**5,578**	**64,576**
Rental services and local administration	**6,473**	**17,130**	**4,317**	**27,920**
Depreciation and amortization	**6,053**	**4,151**	**980**	**11,184**
Segment operating profit	**5,794**	**19,397**	**281**	**25,472**
Research and development				**6,945**
Corporate services				**3,553**
Stock-based compensation				**3,145**
Other expense				**665**
Income taxes				**2,351**
Net Income				**8,813**
Capital expenditures	**(363)**	**5,213**	**521**	**5,371**
Goodwill	**1,259**	**7,183**	**2,600**	**11,042**
Intangible assets	**25,304**	**141**	**—**	**25,445**
Segment assets	**109,863**	**243,696**	**45,367**	**398,926**
Segment liabilities	**25,954**	**10,253**	**12,405**	**48,612**

Three Months Ended September 30, 2016				
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 expense				140
Income taxes				(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

Nine Months Ended September 30, 2017	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**52,786**	**109,839**	**16,792**	**179,417**
Rental services and local administration	**17,826**	**47,642**	**13,282**	**78,750**
Depreciation and amortization	**17,632**	**13,322**	**3,026**	**33,980**
Segment operating profit	**17,328**	**48,875**	**484**	**66,687**
Research and development				**19,083**
Corporate services				**11,157**
Stock-based compensation				**8,869**
Other expenses				**415**
Income tax expense				**4,302**
Net income				**22,861**
Capital expenditures	**(245)**	**11,428**	**421**	**11,604**
Goodwill	**1,259**	**7,183**	**2,600**	**11,042**
Intangible assets	**25,304**	**141**	**—**	**25,445**
Segment assets	**109,863**	**243,696**	**45,367**	**398,926**
Segment liabilities	**25,954**	**10,253**	**12,405**	**48,612**

Nine Months Ended September 30, 2016				
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 expense				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

Other Expenses (Income)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	**2017**	2016
	($)	($)	**($)**	($)
Foreign exchange loss (gain)	**113**	96	**(353)**	(2,227)
Restructuring costs	**—**	—	**—**	10,861
Other	**552**	44	**768**	1,383
Other expenses	**665**	140	**415**	10,017

In the first quarter of 2016, the Company initiated additional cost reduction initiatives to address the prolonged downturn in oil and gas drilling activity. As a result, the Company recorded a restructuring charge of $10.9 million in the first quarter of 2016.

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.