Press Release

Pason Reports Third Quarter 2020 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (November 4, 2020) – Pason Systems Inc. (TSX:PSI) announced today its 2020 third quarter results.

Performance Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(CDN 000s, except per share data) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**23,068**	72,195	(68)	**123,878**	227,232	(45)
EBITDA [1,2]	**2,348**	33,167	(93)	**40,088**	99,208	(60)
Adjusted EBITDA [1,2]	**(1,118)**	31,489	—	**31,339**	103,029	(70)
As a % of revenue	**(4.8)**	43.6	—	**25.3**	45.3	(2,000) bps
Funds flow from operations	**4,765**	29,899	(84)	**31,621**	89,592	(65)
Per share – basic	**0.06**	0.35	(83)	**0.38**	1.05	(64)
Per share – diluted	**0.06**	0.35	(83)	**0.38**	1.04	(63)
Cash from operating activities	**5,754**	37,453	(85)	**61,300**	83,833	(27)
Capital expenditures	**807**	4,058	(80)	**4,694**	18,591	(75)
Free cash flow [1]	**4,141**	33,067	(87)	**56,964**	65,999	(14)
Cash dividends declared	**0.05**	0.19	(74)	**0.43**	0.55	(22)
Net (loss) income	**(3,957)**	15,418	—	**7,796**	43,707	(82)
Net (loss) income attributable to Pason	**(3,698)**	15,418	—	**8,734**	43,707	(80)
Per share – basic	**(0.04)**	0.18	—	**0.10**	0.51	(80)
Per share – diluted	**(0.04)**	0.18	—	**0.10**	0.51	(80)
Total interest bearing debt	**—**	—	—	**—**	—	—
Shares outstanding end of period (#000's)	**83,690**	85,299	(2)	**83,690**	85,299	(2)

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

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

Q3 2020 vs Q3 2019

Following the significant decline in North America and International rig count during the first half of 2020, the third quarter saw the North American rig count stabilize before increasing slightly toward the end of the quarter, with the majority of the increase in Canada. International activity increased as COVID related restrictions eased, however, industry activity remains at or near historic lows in all the Company's key markets.

This collapse in drilling activity resulted in consolidated revenue of $23.1 million in the third quarter of 2020, a decrease of $49.1 million from the corresponding period in 2019. An increase in North American market share had a positive impact on revenue.

Adjusted EBITDA decreased to a loss of $1.1 million in the third quarter, a decrease of $32.6 million from the corresponding period in 2019. The decline in adjusted EBITDA was attributable to the $32.6 million reduction in gross profit.

Cash from operating activities was $5.8 million in the third quarter of 2020, a decrease of 85% from the corresponding period in 2019. Cash from operating activities was negatively impacted by the reduction in gross profit, offset by the Company receiving $3.3 million in government wage subsidies.

Free cash flow was $4.1 million in the third quarter of 2020, compared to $33.1 million from the corresponding period in 2019. This decrease is due to the reduction in cash from operating activities, partially offset by an 80% reduction in capital expenditures.

The Company recorded a net loss attributable to Pason of $3.7 million ($0.04 per share) in the third quarter of 2020 compared to net income attributable to Pason of $15.4 million ($0.18 per share) recorded in the corresponding period in 2019.

President's Message

The third quarter of 2020 represented the most challenging industry conditions that Pason has encountered in its history, as the ongoing COVID-19 pandemic continued to have devastating impacts on the global economy in addition to the significant health concerns it has caused. With less than 300 active land drilling rigs in North America during the quarter, industry activity was 28% lower than the second quarter and down 72% from a year ago.

Pason's revenue remains highly correlated to North American land drilling activity and, as a result, third quarter revenue of $23 million was down 68% from the third quarter of 2019. We also continue to have significantly more operating leverage than most of our energy services peers, as many of our costs are fixed in nature. As a result, we posted an Adjusted EBITDA loss of $1 million compared to positive Adjusted EBITDA of $31 million a year ago and our free cash flow was down 87% year-over-year to $4 million in the quarter.

It is notable that our quarterly Adjusted EBITDA was similar to that recorded during the depths of the previous downturn in the second quarter of 2016, yet North American land drilling activity was 35% lower in Q3-2020 than that period of time. This highlights the significant adjustments we have made to our operating cost structure over the past several years in response to lower levels of drilling. We have also been focused on reducing the capital intensity of our business, and in the third quarter recorded total capital expenditures of $807 thousand, down 80% from 2019 levels. As industry activity recovers, we expect that capital expenditures will normalize at levels more similar to those experienced in 2019; however, we expect to be able to absorb meaningful revenue growth within our existing operating cost structure.

The third quarter represents the first time we are presenting our financial results under reporting segments which better reflect how our business is managed under our streamlined organizational structure. Our North American business unit has been combined under common commercial and operational leadership and we expect to see benefits from this structure in terms of operating efficiency and how we manage our important customer relationships. We are also presenting the financial results of Energy Toolbase, our emerging business in the solar and energy storage space, separately to allow investors to better evaluate our progress in this area.

Our competitive position remained strong in the third quarter. In North America, revenue per industry day was essentially unchanged from 2019 levels, as market share gains offset reductions in revenue per EDR day driven by customer mix and a continued focus on cost reductions by customers in the face of unprecedented challenges in the industry. As a result, our 71% decrease in North American revenue closely mirrored the 72% decrease in industry activity. Our international revenue decreased 55%, reflecting the somewhat more resilient nature of activity in our major operating regions.

Energy Toolbase (ETB) continued to enhance its software suite that enables solar and energy storage developers and asset owners to model their site's expected financial returns, control the in-field assets, and monitor their performance in real-time. As the industry-leading economic analysis and proposal generation software, ETB Developer is also used to source opportunities to deploy its control systems and monitoring software. Subscriptions for ETB Developer remained consistent despite the effects of the pandemic and the sale of additional control systems through the ETB platform has strengthened our conviction that the combination of the modeling, control and monitoring tools under a common platform provides a compelling value proposition for customers.

Our balance sheet remains strong. We ended the third quarter with $169 million of cash and cash equivalents, as a result of constraining operating and capital costs, continued working capital discipline, and a lower dividend payment.

As we look to the future, the worst appears to be behind us in terms of oil and gas drilling activity. Global demand for oil has begun to recover from its lows in the second quarter, and we have seen similar strength in gas markets. The global picture for supply and demand for oil has become more balanced and the WTI oil price has stabilized around US$40 per barrel. In recent weeks, we have seen the North American land drilling count stabilize and begin to slowly increase, and activity in our international jurisdictions has also been increasing, particularly in regions where drilling was effectively shut down earlier during the pandemic.

Significant uncertainty remains around near-term forecasts of industry activity. Potential demand impacts from further waves of COVID-19 cases and questions about ongoing OPEC compliance with production agreements will impact commodity prices and drilling activity. The current consensus of industry analysts is that industry rig counts will remain low through the first half of 2021 before increasing to exit the year at much higher levels. Consolidation of the customer base has accelerated recently, both as a result of business combinations and companies exiting the industry due to financial distress. As the industry recovers, it will be characterized by a smaller number of companies with a heightened focus on technology. We have made the decision to continue to invest in critical technology and service capabilities to ensure our strong competitive position to serve those customers. This decision puts pressure on our financial results through the worst parts of the downturn, however we will remain the service provider of choice as the industry recovers.

Pason has a long history of success based on both its technology and its people and we will seize on opportunities to build on that history. I am deeply humbled and honoured to be asked to lead this organization as its next President and Chief Executive Officer and I thank our employees, customers, suppliers, shareholders and Board for their continued support of our great company.

Jon Faber

President and Chief Executive Officer
November 4, 2020

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of November 4, 2020, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the Consolidated Financial Statements and accompanying notes.

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

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

Changes in Reportable Segments

Prior to the third quarter of 2020, the Company presented three operating segments, based upon the geographic segments of the Company's core business of servicing the oil and gas industry, consisting of Canada, the United States, and International. The United States segment included Energy Toolbase Software Inc, which is the operating entity of the Company's solar and energy storage business.

In response to ongoing low activity levels across the North American land drilling market, the Company streamlined its structure and operations in the third quarter by consolidating its core US and Canadian operations. As a result of this consolidation, along with the continued investment in solar and energy storage business, the Company determined that the prior operating segments no longer reflected how management monitored and evaluated operating results. This conclusion was reached in part due to the fact that solar and energy storage business is distinct from its core business and that anticipated future operating results will be significant enough to warrant a distinct segment, as well as the consolidation of management of North American operations. These new reportable segments reflect how the Chief Executive Officer and management allocates resources and assess the performance of the Company.

All comparative figures have been reclassified to conform to the new presentation.

Impact of Hyperinflation

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

The impact of applying IAS 21 to the operating results of Argentina subsidiary for the third quarter of 2020 was to decrease revenue by $173 and reduce segment gross profit by $372. The impact of applying IAS 29 to the non-monetary assets and liabilities, and shareholders' equity of the Argentina subsidiary was to record a non-cash net monetary adjustment of $465 for the third quarter of 2020.

Impact on IFRS Measures

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
(Decrease) in revenue	**(173)**	(1,747)	(90)	**(469)**	(1,747)	(73)
Decrease in rental services and local administration expenses	**159**	1,055	(85)	**369**	1,055	(65)
(Increase) in depreciation expense	**(358)**	(258)	39	**(769)**	(258)	198
(Decrease) in segment gross profit	**(372)**	**(950)**	(61)	**(869)**	**(950)**	(9)
Net monetary gain presented in other expenses	**465**	2,376	(80)	**1,280**	2,376	(46)
(Increase) decrease in income tax provision	**(1)**	80	—	**—**	80	—
Increase in net income	**92**	**1,506**	(94)	**411**	**1,506**	(73)

Impact on Non-IFRS Measures

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
(Decrease) in revenue	**(173)**	(1,747)	(90)	**(469)**	(1,747)	(73)
Decrease in rental services and local administration expenses	**159**	1,055	(85)	**369**	1,055	(65)
Net monetary gain presented in other expenses	**465**	2,376	(80)	**1,280**	2,376	(46)
Increase in EBITDA	**451**	1,684	(73)	**1,180**	1,684	(30)
(Elimination) of net monetary gain presented in other expenses	**(465)**	(2,376)	(80)	**(1,280)**	(2,376)	(46)
(Decrease) in Adjusted EBITDA	**(14)**	(692)	(98)	**(100)**	(692)	(86)

Additional IFRS Measures

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

Funds flow from operations

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

Cash from operating activities

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

Non-IFRS Financial Measures

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

Revenue per Industry day

Revenue per Industry day is defined as the daily revenue generated from all products that the Company is renting over all active drilling rigs in the North American business unit. This metric provides a key measure of the Company's ability to evaluate and manage product adoption, pricing, and market share penetration. Drilling days are calculated by using accepted industry sources.

EBITDA

EBITDA is defined as net income before interest income and expense, income taxes, stock-based compensation expense, and depreciation and amortization expense.

Adjusted EBITDA

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

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

Free cash flow

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

Overall Performance

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**12,218**	37,771	(68)	**64,982**	120,293	(46)
Mud Management and Safety	**6,515**	21,243	(69)	**36,132**	66,059	(45)
Communications	**965**	4,783	(80)	**6,980**	15,322	(54)
Drilling Intelligence	**1,052**	5,141	(80)	**7,657**	15,702	(51)
Analytics and Other	**2,318**	3,257	(29)	**8,127**	9,856	(18)
Total revenue	**23,068**	72,195	(68)	**123,878**	227,232	(45)

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

As a result of the change in reportable segments described previously, the Company, effective for the third quarter of 2020, reports on three strategic business units: The North American (Canada and the United States) and International (Latin America, including Mexico, Offshore, the Eastern Hemisphere, and the Middle East) business units, all of which offer services to the oil and gas industry, and the Solar and Energy Storage business unit, which provides services to solar and storage developers. Revenue associated with the Solar and Energy Storage business unit is reported in analytics and other. All comparative figures have been reclassified to conform to the new presentation.

The COVID-19 pandemic has had a significant negative impact on the demand for fossil fuels and this combined with a supply imbalance has led to a decline in oil prices. As a result, the Company's customers have reduced their capital expenditure programs which has led to a precipitous fall in the active rig count in all major markets the Company operates in, which has had a significant impact on the Company's revenue.

Total revenue decreased by 68% in the third quarter of 2020 compared to the corresponding period in 2019. The decrease is attributable to the decrease in industry activity in the North American and International operating segments, partially offset by an increase in revenue from the Solar and Energy Storage business unit.

The Solar and Energy Storage business unit experienced a significant increase in revenue during the third quarter of 2020 compared to the corresponding period in 2019. The increase in revenue is predominately due to the acquisition of Energy Toolbase LLC in 2019.

Discussion of Operations

North American Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**10,100**	32,561	(69)	**55,921**	102,713	(46)
Mud Management and Safety	**5,291**	19,416	(73)	**31,388**	60,650	(48)
Communications	**887**	4,464	(80)	**6,406**	14,146	(55)
Drilling Intelligence	**1,011**	4,785	(79)	**7,241**	14,734	(51)
Analytics and Other	**991**	2,294	(57)	**4,105**	7,017	(41)
Total revenue	**18,280**	63,520	(71)	**105,061**	199,260	(47)
Rental services and local administration	**10,948**	24,239	(55)	**46,033**	73,405	(37)
Depreciation and amortization	**6,554**	8,813	(26)	**23,528**	27,015	(13)
Segment gross profit	**778**	30,468	(97)	**35,500**	98,840	(64)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue per Industry day	**667**	668	—	**704**	665	6

Industry activity in the North American market decreased by 72% in the third quarter of 2020 over the 2019 comparable period. Industry activity was lowest at the start of the quarter and experienced a modest recovery throughout the quarter, most notably in Canada.

Revenue per Industry day was $667 during the third quarter of 2020, unchanged from the comparable period in 2019. A decline in product adoption and certain price concessions negatively impacted revenue per Industry day as contractors and operators continue to manage drilling costs. These factors were offset by an increase in market share. This increase in market share was primarily due to the type of rigs operating during the quarter as well as customer mix, combined with a slight uptick in new customers.

Rental services and local administration decreased by 55% in the third quarter of 2020 over the 2019 comparative period. The decrease in operating costs is attributable to the Company restructuring its organization to support current and anticipated activity levels.

Depreciation and amortization was down in the third quarter of 2020 due to the Company recognizing research and development tax credits.

International Operations

(000s) (unaudited)	Three Months Ended September 30, 2020 ($)	2019 ($)	Change (%)	Nine Months Ended September 30, 2020 ($)	2019 ($)	Change (%)
Revenue						
Drilling Data	**2,118**	5,210	(59)	**9,061**	17,580	(48)
Mud Management and Safety	**1,224**	1,827	(33)	**4,744**	5,409	(12)
Communications	**78**	319	(76)	**574**	1,176	(51)
Drilling Intelligence	**41**	356	(88)	**416**	968	(57)
Analytics and Other	**417**	837	(50)	**1,370**	2,629	(48)
Total revenue	**3,878**	8,549	(55)	**16,165**	27,762	(42)
Rental services and local administration	**2,812**	4,525	(38)	**11,466**	15,371	(25)
Depreciation and amortization	**944**	1,097	(14)	**2,983**	3,082	(3)
Segment gross profit	**122**	2,927	(96)	**1,716**	9,309	(82)

The International business unit's revenue decreased by 55% in the third quarter of 2020 over the 2019 comparative period.

Activity levels in the Company's major international markets experienced the significant reduction in activity witnessed in North America.

Rental services and local administration decreased by 38% in the third quarter of 2020 over the 2019 comparative period. The decrease in operating costs is attributable to the Company managing staffing levels to support its current activity.

Segment gross profit was $0.1 million during the third quarter of 2020 compared to $2.9 million in the 2019 comparative period.

Solar and Energy Storage Operations

(000s) (unaudited)	Three Months Ended September 30, 2020 ($)	2019 ($)	Change (%)	Nine Months Ended September 30, 2020 ($)	2019 ($)	Change (%)
Revenue						
Analytics and Other	**910**	126	622	**2,652**	210	1,163
Total revenue	**910**	126	622	**2,652**	210	1,163
Operating expenses and local administration [(1)]	**1,363**	445	206	**4,587**	1,201	282
Depreciation and amortization	**5**	7	(29)	**18**	20	(10)
Segment gross (loss)	**(458)**	(326)	40	**(1,953)**	(1,011)	93

(1) Included in rental services and local administration in the Condensed Consolidated Interim Statements of Operations.

Revenue generated by the Solar and Energy Storage business unit was $0.9 million in the third quarter of 2020 compared to $0.1 million during the 2019 comparative period.

Revenue in the third quarter of 2020 reflects revenue generated from Energy Toolbase Software Inc. (ETS), the Company formed through the amalgamation of the former Pason Power entity and Energy Toolbase LLC (ETB), which was acquired in 2019 while the revenue in the third quarter of 2019 was generated from Pason Power.

Operating expenses and local administration was $1.4 million during the third quarter of 2020 compared to $0.4 million during the comparable period. The increase reflects the acquisition of ETB.

ETS and Pason Power incurred the following research and development costs, which are included in research and development in the Condensed Consolidated Interim Statement of Operations. These costs are excluded from the segment gross loss table above.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Research and development	**759**	652	16	**2,534**	1,966	29

Segment gross loss was $0.5 million for the third quarter of 2020 compared to a segment gross loss of $0.3 million during the 2019 comparable period.

Corporate Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
Research and development	**6,237**	7,564	(18)	**21,036**	22,969	(8)
Corporate services	**2,469**	3,865	(36)	**8,981**	11,413	(21)
Stock-based compensation	**276**	2,446	(89)	**2,022**	9,359	(78)
Other (income) expenses						
Derecognition of onerous lease	**—**	—	—	**(5,757)**	—	—
Government wage assistance	**(3,334)**	—	—	**(7,697)**	—	—
Reorganization costs	**—**	—	—	**5,554**	—	—
Derecognition of lease receivable	**—**	—	—	**—**	4,289	—
Foreign exchange loss	**113**	615	(82)	**145**	1,269	(89)
Net interest expense - lease liability	**33**	159	(79)	**279**	404	(31)
Interest income - short term investments	**(138)**	(258)	(47)	**(1,120)**	(726)	54
Net monetary gain	**(465)**	(2,376)	(80)	**(1,280)**	(2,376)	(46)
Equity loss (income)	**357**	68	425	**436**	(156)	(379)
Other	**220**	83	165	**286**	639	(55)
Total corporate expenses	**5,768**	12,166	(53)	**22,885**	47,084	(51)

During the third quarter of 2020, due to the decline in revenue, the Company was eligible for the Canada Emergency Wage Subsidy (CEWS) program. As a result, a CEWS benefit of $3.3 million was recorded as government wage assistance. On a year to date basis, $7.7 million of CEWS benefit was recorded as government wage assistance.

During the second quarter of 2020, the Company entered into an agreement to terminate the lease at its previous US head office in Golden, Colorado. As a result, a recovery of $5.8 million was recorded as other income, which is comprised of the derecognition of a previously recorded onerous lease liability, offset by a termination payment.

During the second quarter of 2020, the Company initiated staff reduction initiatives to address the anticipated prolonged downturn in oil and gas drilling activity in all of its markets. Accordingly, the Company recorded reorganization expense of $5.6 million, which is comprised of termination and other staff related costs. This reorganization led to a decline in research and development and corporate service expenses compared to 2019.

During the second quarter of 2019, the Company was notified that the tenant leasing the Company's previous office space in Colorado, USA filed for Chapter 7 bankruptcy. As a result, the Company derecognized the lease receivable and reported $4.3 million in other expenses.

Net monetary gain is as a result of applying hyperinflation accounting to the Company's Argentinian subsidiary.

Q3 2020 vs Q2 2020

Following the significant decline in North America and International rig count during the first half of 2020, the third quarter saw North American rig count relatively stable before increasing slightly toward the end of the quarter, with the majority of the increase in Canada. However, industry activity remains at or near historic lows in all the Company's key markets.

Consolidated revenue was $23.1 million in the third quarter of 2020, a 14% decrease compared to consolidated revenue of $26.8 million in the second quarter of 2020.

Revenue in the North American business unit was $18.3 million in the third quarter of 2020, a 20% decrease compared to revenue of $23.0 million in the second quarter of 2020.

The International business unit reported revenue of $3.9 million in the third quarter of 2020, a 30% increase compared to revenue of $3.0 million in the second quarter of 2020. The increase in revenue is attributable to the easing of COVID related restrictions in certain markets, most notably in Argentina.

Adjusted EBITDA, which adjusts EBITDA for foreign exchange and certain non-recurring charges, was a loss of $1.1 million in the third quarter of 2020 compared to a loss of $0.8 million during the second quarter of 2020.

Cash from operating activities was $5.8 million in the third quarter of 2020, compared to $30.0 million in the second quarter of 2020. During the second quarter of 2020, cash from operating activities was positively impacted by the release of working capital.

The Company recorded a net loss attributable to Pason in the third quarter of 2020 of $3.7 million ($0.04 per share) compared to a net loss attributable to Pason of $4.5 million ($0.05 per share) in the second quarter of 2020.

Condensed Consolidated Interim Balance Sheets

As at	September 30, 2020	December 31, 2019
(CDN 000s) (unaudited)	($)	($)
Assets		
Current		
Cash and cash equivalents	**169,254**	161,016
Trade and other receivables	**20,098**	59,716
Income taxes recoverable - other	**15,304**	15,304
Prepaid expenses	**2,318**	3,621
Income taxes recoverable	**5,302**	2,382
Total current assets	**212,276**	242,039
Non-current		
Property, plant and equipment	**103,722**	118,522
Investments	**25,824**	26,265
Intangible assets and goodwill	**47,481**	51,015
Total non-current assets	**177,027**	195,802
Total assets	**389,303**	437,841
Liabilities and equity		
Current		
Trade payables and accruals	**28,023**	34,420
Income taxes payable	**2,461**	3,133
Stock-based compensation liability	**2,332**	2,442
Lease liability	**2,471**	3,275
Investment - put option	**10,000**	15,000
Total current liabilities	**45,287**	58,270
Non-current		
Deferred tax liabilities	**9,651**	8,566
Lease liability	**4,513**	11,532
Stock-based compensation liability	**3,921**	3,479
Obligation under put option	**9,797**	9,540
Total non-current liabilities	**27,882**	33,117
Equity		
Share capital	**162,798**	166,701
Share-based benefits reserve	**32,536**	30,863
Foreign currency translation reserve	**63,575**	57,830
Equity reserve	**(8,375)**	(8,375)
Retained earnings	**66,902**	99,806
Total equity attributable to equity holders of the Company	**317,436**	346,825
Non-controlling interest	**(1,302)**	(371)
Total equity	**316,134**	346,454
Total liabilities and equity	**389,303**	437,841

Condensed Consolidated Interim Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**23,068**	72,195	**123,878**	227,232
Operating expenses				
Rental services	**12,956**	25,779	**53,291**	79,837
Local administration	**2,167**	3,430	**8,795**	10,140
Depreciation and amortization	**7,503**	9,917	**26,529**	30,117
	22,626	39,126	**88,615**	120,094
Gross profit	**442**	33,069	**35,263**	107,138
Other expenses				
Research and development	**6,237**	7,564	**21,036**	22,969
Corporate services	**2,469**	3,865	**8,981**	11,413
Stock-based compensation expense	**276**	2,446	**2,022**	9,359
Other (income) expenses	**(3,214)**	(1,709)	**(9,154)**	3,343
	5,768	12,166	**22,885**	47,084
(Loss) income before income taxes	**(5,326)**	20,903	**12,378**	60,054
Income tax provision	**(1,369)**	5,485	**4,582**	16,347
Net (loss) income	**(3,957)**	15,418	**7,796**	43,707
Net (loss) income attributable to:				
Shareholders of Pason	**(3,698)**	15,418	**8,734**	43,707
Non-controlling interest	**(259)**	—	**(938)**	—
Net (loss) income	**(3,957)**	15,418	**7,796**	43,707
(Loss) Income per share				
Basic	**(0.04)**	0.18	**0.10**	0.51
Diluted	**(0.04)**	0.18	**0.10**	0.51

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net (loss) income	**(3,957)**	15,418	**7,796**	43,707
Items that may be reclassified subsequently to net income:				
Tax recovery on net investment in foreign operations related to an inter-company financing	**—**	9,690	**—**	10,481
Foreign currency translation adjustment	**(6,476)**	(5,567)	**5,752**	(12,274)
Other comprehensive (loss) gain	**(6,476)**	4,123	**5,752**	(1,793)
Total comprehensive (loss) income	**(10,433)**	19,541	**13,548**	41,914
Total comprehensive (loss) income attributed to:				
Shareholders of Pason	**(10,190)**	19,541	**14,479**	41,914
Non-controlling interest	**(243)**	—	**(931)**	—
Total comprehensive (loss) income	**(10,433)**	19,541	**13,548**	41,914

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Cash from (used in) operating activities				
Net (loss) income	**(3,957)**	15,418	**7,796**	43,707
Adjustment for non-cash items:				
Depreciation and amortization	**7,503**	9,917	**26,529**	30,117
Stock-based compensation	**276**	2,446	**2,022**	9,359
Deferred income taxes	**1,253**	2,101	**975**	3,520
Derecognition of onerous lease	**—**	—	**(5,757)**	**—**
Derecognition of lease receivable	**—**	—	**—**	4,289
Hyperinflation adjustment	**(451)**	(1,506)	**(1,182)**	**(1,506)**
Unrealized foreign exchange loss and other	**141**	1,523	**1,238**	106
Funds flow from operations	**4,765**	29,899	**31,621**	89,592
Movements in non-cash working capital items:				
Decrease in trade and other receivables	**3,955**	4,922	**39,896**	9,021
(Increase) decrease in prepaid expenses	**(561)**	(1,066)	**1,308**	(45)
(Decrease) increase in income taxes	**(3,063)**	3,476	**1,360**	4,699
Increase (decrease) in trade payables, accruals and stock-based compensation liability	**3,063**	2,270	**(8,079)**	(3,894)
Effects of exchange rate changes	**82**	(1,850)	**(61)**	(262)
Cash generated from operating activities	**8,241**	37,651	**66,045**	99,111
Income tax paid	**(2,487)**	(198)	**(4,745)**	(15,278)
Net cash from operating activities	**5,754**	37,453	**61,300**	83,833
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**—**	239	**—**	3,366
Payment of dividends	**(4,201)**	(16,199)	**(36,265)**	(47,055)
Repurchase and cancellation of shares under NCIB	**(2,193)**	(1,944)	**(6,276)**	(13,063)
Repayment of lease liability	**(667)**	(840)	**(1,910)**	(1,893)
Net cash used in financing activities	**(7,061)**	(18,744)	**(44,451)**	(58,645)
Cash flows (used in) from investing activities				
Payment on investment - put option	**—**	—	**(5,000)**	—
Acquisition	**—**	(23,830)	**—**	(23,830)
Additions to property, plant and equipment	**(476)**	(3,398)	**(4,520)**	(17,482)
Development costs	**(331)**	(660)	**(174)**	(1,109)
Proceeds on disposal of investment and property, plant and equipment	**81**	188	**888**	806
Changes in non-cash working capital	**(887)**	(516)	**(530)**	(49)
Net cash used in investing activities	**(1,613)**	(28,216)	**(9,336)**	(41,664)
Effect of exchange rate on cash and cash equivalents	**(4,312)**	1,239	**725**	(6,497)
Net (decrease) increase in cash and cash equivalents	**(7,232)**	(8,268)	**8,238**	(22,973)
Cash and cash equivalents, beginning of period	**176,486**	189,133	**161,016**	203,838
Cash and cash equivalents, end of period	**169,254**	180,865	**169,254**	180,865

Operating Segments

The Company operates three strategic business units: The North American (Canada and the United States) and International (Latin America, including Mexico, Offshore, the Eastern Hemisphere, and the Middle East) business units, all of which offer services to the oil and gas industry, but are managed separately. The Solar and energy storage business unit offer services to solar and storage developers. For each of the strategic business units, the Group's senior management reviews internal management reports on a monthly basis.

Previously, the Company's operating segments were oil and gas centric and reported by geographic segment: Canada, the United States, and International (Latin America, Offshore, the Eastern Hemisphere, and the Middle East). The solar and energy storage business was previously reported under the United States business unit.

All comparative figures have been reclassified to conform to the new presentation.

The following table represents a disaggregation of revenue from contracts with customers along with the reportable segment for each category:

Three Months Ended September 30, 2020	North America	International	Solar and Energy Storage	Total
(unaudited)	($)	($)	($)	($)
Revenue				
Drilling Data	10,100	2,118	—	12,218
Mud Management and Safety	5,291	1,224	—	6,515
Communications	887	78	—	965
Drilling Intelligence	1,011	41	—	1,052
Analytics and Other	991	417	910	2,318
Total Revenue	18,280	3,878	910	23,068
Rental services and local administration	10,948	2,812	1,363	15,123
Depreciation and amortization	6,554	944	5	7,503
Segment gross profit (loss)	778	122	(458)	442
Research and development				6,237
Corporate services				2,469
Stock-based compensation				276
Other (income)				(3,214)
Income tax provision				(1,369)
Net loss				(3,957)
Net loss attributable to Pason				(3,698)
Capital expenditures	807	—	—	807
As at September 30, 2020				
Property plant and equipment	91,781	11,822	119	103,722
Intangible assets	8,986	—	4,395	13,381
Goodwill	8,871	2,600	22,629	34,100
Segment assets	362,464	26,273	566	389,303
Segment liabilities	68,032	4,183	954	73,169

Three Months Ended September 30, 2019 (restated)	North America	International	Solar and Energy Storage	Total
(unaudited)	($)	($)	($)	($)
Revenue				
Drilling Data	32,561	5,210	—	37,771
Mud Management and Safety	19,416	1,827	—	21,243
Communications	4,464	319	—	4,783
Drilling Intelligence	4,785	356	—	5,141
Analytics and Other	2,294	837	126	3,257
Total Revenue	63,520	8,549	126	72,195
Rental services and local administration	24,239	4,525	445	29,209
Depreciation and amortization	8,813	1,097	7	9,917
Segment gross profit (loss)	30,468	2,927	(326)	33,069
Research and development				7,564
Corporate services				3,865
Stock-based compensation				2,446
Other (income)				(1,709)
Income tax provision				5,485
Net income				15,418
Net income attributable to Pason				15,418
Capital expenditures	3,167	891	—	4,058
As at September 30, 2019				
Property plant and equipment	107,025	15,316	130	122,471
Intangible assets	44,453	—	—	44,453
Goodwill	8,816	2,600	—	11,416
Segment assets	390,233	54,572	1,357	446,162
Segment liabilities	69,293	6,066	61	75,420

Nine Months Ended September 30, 2020	North America	International	Solar and Energy Storage	Total
(unaudited)	($)	($)	($)	($)
Revenue				
Drilling Data	**55,921**	**9,061**	**—**	**64,982**
Mud Management and Safety	**31,388**	**4,744**	**—**	**36,132**
Communications	**6,406**	**574**	**—**	**6,980**
Drilling Intelligence	**7,241**	**416**	**—**	**7,657**
Analytics and Other	**4,105**	**1,370**	**2,652**	**8,127**
Total Revenue	**105,061**	**16,165**	**2,652**	**123,878**
Rental services and local administration	**46,033**	**11,466**	**4,587**	**62,086**
Depreciation and amortization	**23,528**	**2,983**	**18**	**26,529**
Segment gross profit (loss)	**35,500**	**1,716**	**(1,953)**	**35,263**
Research and development				**21,036**
Corporate services				**8,981**
Stock-based compensation				**2,022**
Other (income)				**(9,154)**
Income tax provision				**4,582**
Net income				**7,796**
Net income attributable to Pason				**8,734**
Capital expenditures	**4,694**	**—**	**—**	**4,694**
As at September 30, 2020				
Property plant and equipment	**91,781**	**11,822**	**119**	**103,722**
Intangible assets	**8,986**	**—**	**4,395**	**13,381**
Goodwill	**8,871**	**2,600**	**22,629**	**34,100**
Segment assets	**362,464**	**26,273**	**566**	**389,303**
Segment liabilities	**68,032**	**4,183**	**954**	**73,169**

Nine Months Ended September 30, 2019 (restated)	North America	International	Solar and Energy Storage	Total
(unaudited)	($)	($)	($)	($)
Revenue				
Drilling Data	102,713	17,580	—	120,293
Mud Management and Safety	60,650	5,409	—	66,059
Communications	14,146	1,176	—	15,322
Drilling Intelligence	14,734	968	—	15,702
Analytics and Other	7,017	2,629	210	9,856
Total Revenue	199,260	27,762	210	227,232
Rental services and local administration	73,405	15,371	1,201	89,977
Depreciation and amortization	27,015	3,082	20	30,117
Segment gross profit (loss)	98,840	9,309	(1,011)	107,138
Research and development				22,969
Corporate services				11,413
Stock-based compensation				9,359
Other expenses				3,343
Income tax provision				16,347
Net income				43,707
Net income attributable to Pason				43,707
Capital expenditures	15,835	2,756	—	18,591
As at September 30, 2019				
Property plant and equipment	107,025	15,316	130	122,471
Intangible assets	44,453	—	—	44,453
Goodwill	8,816	2,600	—	11,416
Segment assets	390,233	54,572	1,357	446,162
Segment liabilities	69,293	6,066	61	75,420

Other (Income) Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Derecognition of onerous lease	**—**	—	**(5,757)**	—
Government wage assistance	**(3,334)**	—	**(7,697)**	—
Reorganization costs	**—**	—	**5,554**	—
Derecognition of lease receivable	**—**	—	**—**	4,289
Foreign exchange loss	**113**	615	**145**	1,269
Net interest expense - lease liabilities	**33**	159	**279**	404
Interest income - short term investments	**(138)**	(258)	**(1,120)**	(726)
Net monetary gain	**(465)**	(2,376)	**(1,280)**	(2,376)
Equity loss (income)	**357**	68	**436**	(156)
Other	**220**	83	**286**	639
Other (income) expenses	**(3,214)**	(1,709)	**(9,154)**	3,343

During the third quarter of 2020, due to the decline in revenue, the Company was eligible for the Canada Emergency Wage Subsidy (CEWS) program. As a result, a CEWS benefit of $3,334 was recorded as government wage assistance. On a year to date basis, $7,697 of CEWS benefit was recorded as government wage assistance.

During the second quarter of 2020, the Company entered into an agreement to terminate the lease at its previous US head office in Golden, Colorado. As a result, a recovery of $5,757 was recorded as other income, which is comprised of the derecognition of a previously recorded onerous lease liability, offset by a termination payment.

During the second quarter of 2020, the Company initiated staff reduction initiatives to address the anticipated prolonged downturn in oil and gas drilling activity in all of its markets. Accordingly, the Company recorded reorganization expense of $5,554, which is comprised of termination and other staff related costs. This reorganization led to a decline in research and development and corporate service expenses compared to 2019.

During the second quarter of 2019, the Company was notified that the tenant leasing the Company’s previous office space in Colorado, USA filed for Chapter 7 bankruptcy. As a result, the Company derecognized the lease receivable and reported $4,289 in other expenses.

Net monetary gain is as a result of applying hyperinflation accounting to the Company's Argentinian subsidiary.

Events After the Reporting Period

On November 4, 2020, the Company announced a quarterly dividend of $0.05 per share on the Company’s common shares. The dividend will be paid on December 30, 2020 to shareholders of record at the close of business on December 16, 2020.

Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its third quarter 2020 results at 9:00 am (Calgary time) on Thursday, November 5, 2020. 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 5584292.

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, 2019, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

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