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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	**2020**	2019	Change
(000s) (unaudited)	**($)**	($)	(%)	**($)**	($)	(%)
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.

Summary of Quarterly Results

Three Months Ended	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sept 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	**Sep 30, 2020**
(000s, except per share data) (unaudited)	($)	($)	($)	($)	($)	($)	($)	($)
Revenue	81,965	82,143	72,894	72,195	68,410	73,962	26,848	**23,068**
EBITDA [(1)]	38.418	40,435	25,606	33,167	25,555	33,469	4,271	**2,348**
Adjusted EBITDA [(1)]	39,415	40,799	30,741	31,489	26,615	33,305	(848)	**(1,118)**
Funds flow from operations	30,711	35,899	23,794	29,899	22,126	26,722	134	**4,765**
Per share – basic	0.36	0.42	0.28	0.35	0.26	0.32	0.00	**0.06**
Per share – diluted	0.36	0.42	0.28	0.35	0.26	0.32	0.00	**0.06**
Cash from operating activities	23,407	8,442	37,938	37,453	24,714	25,593	29,953	**5,754**
Free cash flow [(1)]	16,603	385	32,547	33,067	19,955	22,935	29,888	**4,141**
Net income (loss)	20,720	19,044	9,245	15,418	10,096	16,552	(4,799)	**(3,957)**
Net income (loss) attributable to Pason	20,720	19,044	9,245	15,418	10,405	16,919	(4,487)	**(3,698)**
Per share – basic	0.24	0.22	0.11	0.18	0.12	0.20	(0.05)	**(0.04)**
Per share – diluted	0.24	0.22	0.11	0.18	0.12	0.20	(0.05)	**(0.04)**

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

Reconcile Income to EBITDA

Three Months Ended	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sept 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	**Sep 30, 2020**
(000s) (unaudited)	($)	($)	($)	($)	($)	($)	($)	($)
Net income (loss)	20,720	19,044	9,245	15,418	10,096	16,552	(4,799)	**(3,957)**
Add:								
Income taxes	7,192	7,393	3,469	5,485	3,846	7,023	(1,072)	**(1,369)**
Depreciation and amortization	7,556	10,222	9,978	9,917	10,713	10,414	8,612	**7,503**
Stock-based compensation	3,335	3,824	3,089	2,446	1,481	(122)	1,868	**276**
Net interest income	(385)	(48)	(175)	(99)	(581)	(398)	(338)	**(105)**
EBITDA [(1)]	38,418	40,435	25,606	33,167	25,555	33,469	4,271	**2,348**

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

Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sept 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	**Sep 30, 2020**
(000s) (unaudited)	($)	($)	($)	($)	($)	($)	($)	**($)**
EBITDA	38,418	40,435	25,606	33,167	25,555	33,469	4,271	**2,348**
Add:								
Foreign exchange (gain) loss	1,007	101	553	615	930	(47)	79	**113**
Derecognition of onerous lease	—	—	—	—	—	—	(5,757)	**—**
Government wage assistance	—	—	—	—	—	—	(4,363)	**(3,334)**
Reorganization costs	—	—	—	—	—	—	5,554	**—**
Derecognition of lease receivable	—	—	4,289	—	—	—	—	**—**
Net monetary gain	—	—	—	(2,376)	(511)	(419)	(396)	**(465)**
Other	(10)	263	293	83	641	302	(236)	**220**
Adjusted EBITDA [(1)]	39,415	40,799	30,741	31,489	26,615	33,305	(848)	**(1,118)**

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

Reconcile cash from operating activities to free cash flow

Three Months Ended	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sept 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	**Sep 30, 2020**
(000s) (unaudited)	($)	($)	($)	($)	($)	($)	($)	**($)**
Cash from operating activities	23,407	8,442	37,938	37,453	24,714	25,593	29,953	**5,754**
Less:								
Net additions to property, plant and equipment	(5,621)	(7,489)	(5,510)	(3,726)	(4,143)	(2,236)	(644)	**(1,282)**
Deferred development costs	(1,183)	(568)	119	(660)	(616)	(422)	579	**(331)**
Free cash flow (1)	16,603	385	32,547	33,067	19,955	22,935	29,888	**4,141**

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

Pason's quarterly financial results vary quarter to quarter due in part to the seasonality of the oil and gas service industry in the North American business unit, which is somewhat offset by the less seasonal nature the International and Solar and Energy Storage business units. The first quarter is generally the strongest quarter for the North American business unit due to strong activity in Canada, where location access is best during the winter. The second quarter is typically the slowest due to spring break-up in Canada, when many areas are not accessible due to ground conditions, and, therefore, do not permit the movement of heavy equipment. Activity generally increases in the third quarter, depending on the year, as ground conditions have often improved and location access becomes available; however, a rainy summer can have a significant adverse effect on drilling activity. By the fourth quarter, access to most areas in Canada becomes available when the ground freezes. Consequently, the performance of the Company may not be comparable quarter to consecutive quarter, but should be considered on the basis of results for the whole year, or by comparing results in a quarter with results in the corresponding quarter for the previous year.

Liquidity and Capital Resources

As at September 30,	2020	2019	Change
(000s) (unaudited)	($)	($)	(%)
Cash and cash equivalents	**169,254**	180,865	(6)
Working capital	**166,989**	230,210	(27)
Funds flow from operations (1)	**31,621**	89,592	(65)
Capital expenditures (1)	**4,694**	18,591	(75)
As a % of funds flow (1) (2)	**14.8 %**	20.8 %	(600) bps

(1) Figures are for the nine months ended September 30.
(2) Calculated by dividing capital expenditures by funds flow from operations.

Contractual Obligations

	Less than 1 year	1–3 years	Thereafter	Total
(000s) (unaudited)	($)	($)	($)	($)
Operating leases and other contracts	5,133	9,575	2,337	17,045

Contractual obligations relate primarily to minimum future lease payments required primarily for operating leases of certain facilities. A portion of these future obligations have been recognized on the balance sheet as a leased asset and a corresponding liability, in accordance with IFRS 16, Leases.

The Company has available a $5.0 million demand revolving credit facility. At September 30, 2020, no amount had been drawn on the facility.

Disclosure of Outstanding Share and Options Data

As at September 30, 2020, there were 83,690 common shares and 4,546 options issued and outstanding.

SEDAR

Additional information relating to the Company can be accessed on the Company's website at www.pason.com and on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Critical Accounting Estimates

The preparation of the Consolidated Financial Statements requires that certain estimates and judgments be made with respect to the reported amounts of revenue and expenses and the carrying value of assets and liabilities. These estimates are based on historical experience and management's judgments, and as a result, the estimates used by management involve uncertainty and may change as additional experience is acquired.

Depreciation and Amortization

The accounting estimate that has the greatest impact on the Company's financial statements is depreciation and amortization. Depreciation of the Company's capital assets includes estimates of useful lives. These estimates may change with experience over time so that actual results could differ significantly from these estimates.

Carrying Value of Assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Judgments and assessments are made to determine whether an event has occurred that indicates a possible impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year.

At June 30, 2020, the Company performed an impairment test on property, plant, and equipment and goodwill and concluded that there was no impairment. Management believes there was no significant change to the recoverable amounts calculated at June 30, 2020 and accordingly did not perform an impairment test as at September 30, 2020. Given the uncertainty facing the oil and gas industry, as a result of COVID-19 and over-supply of oil, the Company will perform another impairment test at December 31, 2020.

Stock-Based Payments

The fair value of stock-based payments is calculated using a Black-Scholes option pricing model. There are a number of estimates used in the calculation, such as the future forfeiture rate, expected option life, and the future price volatility of the underlying security, which can vary from actual future events. The factors applied in the calculation are management's best estimates based on historical information and future forecasts.

Income Taxes

The calculation of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences, tax losses, and other tax credits will reverse. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change.

The estimation of deferred tax assets and liabilities includes uncertainty with respect to the reversal of temporary differences.

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits when it is probable that taxable income will be available to utilize unused tax losses and unused tax credits. This requires estimation of future taxable income and usage of tax loss carry-forwards for a considerable period into the future. Income tax expense in future periods may be affected to the extent actual taxable income is not sufficient or available to use the temporary differences giving rise to the deferred tax asset.

Risk and Uncertainties

Pason has implemented a risk management framework that helps the Company manage the reality that future events, decisions, or actions may cause undesirable effects. The framework takes a value-based approach to identifying, prioritizing, communicating, mitigating, and monitoring risks, and aligns this with the organization's appetite for risk considering our culture, strategy, and objectives.

Although a framework can help the Company to manage its risks, the Company's performance is subject to a variety of risks and uncertainties. Although the risks described below are the risks that we believe are material, there may also be risks of which we are currently unaware, or that we currently regard as immaterial based upon the information available to us. Interested parties should be aware that the occurrence of the events described in these risk factors could have a material adverse effect on our business, operating results, and financial condition.

COVID-19

On March 11th, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. COVID-19's negative impact on the demand for oil has been significant and this combined with an over-supply of oil has led to a decline in oil prices. As a result, Pason customers have reduced their capital expenditure programs which has led to a precipitous fall in the active rig count in Pason's major markets. This supply / demand imbalance is having a direct impact on Pason's revenue. The ultimate impact of COVID-19 on future oil demand is unknown at the present time and thus it is not possible to predict the long-term effects of COVID-19 on the Company's operating results.

Operating Risks

Pason derives the majority of its revenue from the rental of instrumentation and data services to oil and gas companies and drilling contractors in Canada, the US, Australia, and Latin America. The demand for our products is directly related to land-based or offshore drilling activity funded by energy companies' capital expenditure programs. A substantial or extended decline in energy prices or diversion of funds to large capital programs could adversely affect capital available for drilling activities, directly impacting Pason's revenue.

Commodity Prices

Prices for crude oil and natural gas fluctuate in response to a number of factors beyond Pason's control. The factors that affect prices include, but are not limited to, the following: the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability in the Middle East and elsewhere, the foreign supply of crude oil, the price of foreign imports, the availability of alternate fuel sources, and weather conditions. Any of these can reduce the amount of drilling activity.

Seasonality

Drilling activity in Canada is seasonal due to weather that limits access to leases in the spring and summer, making the first and last quarters of each year the peak level of demand for Pason's services due to the higher level of drilling activity. The length of the drilling season can be shortened due to warmer winter weather or rainy seasons. Pason can offset some of this risk, although not eliminate it, through continued growth in the US and internationally, where activity is less seasonal.

Proprietary Rights

Pason relies on innovative technologies and products to protect its competitive position in the market. To protect Pason's intellectual property, the Company employs trademarks, patents, employment agreements, and other measures to protect trade secrets and confidentiality of information. Pason also believes that due to the rapid pace of technological change in the industry, technical expertise, knowledge, and innovative skills, combined with an ability to rapidly develop, produce, enhance, and market products, also provides protection in maintaining a competitive position.

Litigation

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in Pason's favour, the Company does not currently believe that the outcome of any pending or threatened proceedings related to these or other matters, or the amounts which the Company may be required to pay by reason thereof, would individually or in the aggregate have a material adverse impact on its day-to-day business operations.

Credit Risk

Pason is exposed to credit risk to the extent that its customers, operating primarily in the oil and natural gas industry, may experience financial difficulty and be unable to meet their obligations. However, Pason has a large number of customers on both the Operator and Contractor side, which minimizes exposure to any single customer.

Availability of Qualified Personnel

Due to the specialized and technical nature of Pason's business, Pason is highly dependent on attracting and retaining qualified or key personnel. There is competition for qualified personnel in the areas where Pason operates, and there can be no assurance that qualified personnel can be attracted or retained to meet the growth needs of the business. To mitigate this risk, Pason has a Human Resources department within each significant business unit to support that function.

Alternative Energies

There continues to be extensive discussion at all levels of government worldwide and by the public concerning the burning of fossil fuels and the impact this may have on the global environment. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, which could lead to potentially increased capital expenditures and operating costs. Implementation of strategies for reducing greenhouse gases could have a material impact on the nature of operations of the Company. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and the possible resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Company.

International Operations

Assets outside of Canada and the US may be adversely affected by changes in governmental policy, social instability, or other political or economic developments beyond the Company's control, including expropriation of property, exchange rate fluctuations, and restrictions on repatriation of cash. The Company has mitigated these risks where practical and considered warranted. Approximately 90% of the Company's revenues are generated in Canada and the US, which limits exposure to risks and uncertainties in foreign countries. The Company's Argentinian subsidiary is operating in a highly inflationary economy and its operating results are being impacted by a weakening Argentina peso relative to the Canadian dollar.

Foreign Exchange Exposure

The Company operates internationally and is primarily exposed to exchange risk relative to the US dollar. The Canadian operations are exposed to currency risk on US denominated financial assets and liabilities with fluctuations in the rate recognized as foreign exchange gains or losses in the Consolidated Statements of Operations. The Company's self-sustaining foreign subsidiaries expose the Company to exchange rate risk on the translation of their financial assets and liabilities to Canadian dollars for consolidation purposes.

Adjustments arising when translating the foreign subsidiaries into Canadian dollars are reflected in the Consolidated Statements of Operations and Other Comprehensive Income as unrealized foreign currency translation adjustments. The Company has not hedged either one of these risks.

The Company does not employ any financial instruments to manage risk or hedge its activities. The vast majority of the Company's activities are conducted in Canada and the US, where local revenue is earned against local expenses and the Company is therefore naturally hedged.

Major Customers

Pason has a large customer base, consisting of both operators and contractors, and does not rely on any single customer for a significant portion of its revenue. No single customer accounted for more than 10% of the consolidated revenues of the Company. The loss of one or more customers, or a reduction in the amount of business Pason does with any of its customers, if not offset by obtaining new customers or increasing the amount of business it does with existing customers, could have a detrimental impact on Pason's revenue.

Key Personnel

Pason's success depends to a significant extent on the contributions of a number of its officers and key employees. The Company does not carry "key person" insurance on any of its key employees. As such, the loss of services of one or more of these key employees could have a material adverse effect on Pason's business, operating results, or financial condition.

Dividends

The decision to pay dividends and the amount paid is at the discretion of Pason's Board of Directors, which regularly reviews the Company's financial position, operating results, and industry outlook. Pason's ability to pay dividends is dependent on the Company's ability to generate cash flow in excess of its operating and investment needs and the Company's financial position.

Taxation

Pason and its subsidiaries are subject to income and other forms of taxation in the various jurisdictions in which they operate. Pason attempts to structure its operations in a tax efficient manner in light of prevailing tax regimes. Any adverse change to existing taxation measures, policies or regulations, or the introduction of new taxation measures, policies or regulations in any of the jurisdictions in which Pason operates could have a negative impact on Pason's business, operating results, or financial condition.

The management of Pason believes that the provision for income taxes is adequate and in accordance with both generally accepted accounting principles and appropriate regulations. However, the tax filing positions of the Company are subject to review and audit by tax authorities who may challenge and succeed in management's interpretation of the applicable tax legislation.

Information Security

Pason's business operations use an extensive network of communications and computer hardware and software systems. In addition, Pason's equipment captures, transmits, and stores significant quantities of drilling data on behalf of its customers. The Company takes measures to protect the security and integrity of its information systems and data, however, there is a risk that these measures may not fully protect against a potential security breach, which could have a negative impact on the Company's ability to operate or its reputation with existing and potential customers.

Corporate Information

Directors

Marcel Kessler
Chairman of the Board
Pason Systems Inc.
Victoria, British Colombia

T. Jay Collins(2)(3)
Director
Oceaneering International Inc.
Houston, Texas

Jon Faber
President & CEO
Pason Systems Inc.
Calgary, Alberta

Judi Hess(4)(5)
CEO & Director
Copperleaf Technologies Inc.
Vancouver, British Columbia

James B. Howe(1)(6)(7)
President
Bragg Creek Financial
Consultants Ltd.
Calgary, Alberta

Laura Schwinn(2)(4)(6)
President Specialty Catalysts
W. R. Grace & Co.
Columbia, Maryland

(1) Audit Committee Chair
(2) Audit Committee Member
(3) HR and Compensation Committee Chair
(4) HR and Compensation Committee Member
(5) Corporate Governance and Nominations Committee Chair
(6) Corporate Governance and Nomination Committee Member
(7) Lead Director

Officers & Key Personnel

Jon Faber
President
& Chief Executive Officer

David Elliott
Chief Financial Officer

Kevin Boston
Vice President, Commercial

Natalie Fenez
Vice President, Legal & Corporate Secretary

Bryce McLean
Vice President, Operations

Fiona Mueller-Thode
President, Verdazo Analytics Inc.

Lars Olesen
Vice President, Product Technology

Russell Smith
Vice President, International

Ryan Van Beurden
Vice President, Rig-site Research & Development

Reid Wuntke
President, Energy Toolbase Software Inc.

Corporate Head Office

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Auditors

Deloitte LLP
Calgary, Alberta

Banker

Royal Bank of Canada
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Stock Trading

Toronto Stock Exchange
Trading Symbol: PSI.TO

Eligible Dividend Designation

Pursuant to the Canadian Income Tax Act, dividends paid by the Company to Canadian residents are considered to be "eligible" dividends.