Press Release

Pason Reports First Quarter 2016 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (May 10, 2016) – Pason Systems Inc. (TSX:PSI) announced today its 2016 first quarter results.

Performance Data

Three Months Ended March 31,	**2016**	2015	Change
(CDN 000s, except per share data)	**($)**	($)	(%)
Revenue	**45,813**	99,402	(54)
(Loss) income	**(10,860)**	14,191	—
Per share – basic	**(0.13)**	0.17	—
Per share – diluted	**(0.13)**	0.17	—
EBITDA [(1)]	**(353)**	44,126	—
As a % of revenue	**(0.8)**	44.4	—
Adjusted EBITDA [(1)]	**8,763**	41,679	(79)
As a % of revenue	**19.1**	41.9	(54)
Funds flow from operations	**3,335**	43,262	(92)
Per share – basic	**0.04**	0.52	(92)
Per share – diluted	**0.04**	0.52	(92)
Cash from operating activities	**11,331**	71,533	(84)
Free cash flow [(1)]	**4,860**	48,219	(90)
Per share – basic	**0.06**	0.58	(90)
Per share – diluted	**0.06**	0.58	(90)
Capital expenditures	**6,580**	23,513	(72)
Working capital	**214,538**	236,446	(9)
Total assets	**482,620**	592,223	(19)
Total long-term debt	**—**	—	—
Cash dividends declared	**0.17**	0.17	—
Shares outstanding end of period (#000's)	**84,108**	83,559	1

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

Q1 2016 vs Q1 2015

The Company generated consolidated revenue of $45.8 million in the first quarter of 2016, down 54% from $99.4 million in the same period of 2015. Oil and gas producers in all of the Company's major markets continue to reduce their drilling programs due to depressed commodity pricing, and this drop in activity is resulting in both contractors and operators focusing their efforts on controlling costs, leading to increased pricing concessions and reduction in the adoption of certain products. These negative factors were partially offset by a stronger US dollar relative to the Canadian dollar in 2016 compared to the same period in 2015.

Consolidated EBITDA was a negative $0.4 million in the first quarter, a decrease of $44.5 million from the first quarter of 2015. Included in the 2016 first quarter results are restructuring charges related to the reduction of personnel and consolidation of office space totaling $10.9 million. Adjusted EBITDA, which adjusts for foreign exchange and restructuring costs, decreased to $8.8 million, a decline of 79% from the first quarter of 2015.

The Company recorded a net loss of $10.9 million ($0.13 per share) in the first quarter, a decrease of $25.1 million from the net income of $14.2 million ($0.17 per share) recorded in same period in 2015.

President's Message

Pason's performance during the first quarter of 2016 was solid in the context of our industry. However, demand for oilfield services and technology worldwide was dismal. Pason's revenue for the quarter was down 54% to $45.8 million from the previous year. A further steep reduction in drilling activity was the main driver of the decline. Drilling industry activity decreased 61% in the United States and 56% in Canada compared to the first quarter of 2015. Drilling activity in North America is now at the lowest point since the 1940's. Activity in international markets has also declined considerably.

The company incurred a net loss of $10.9 million for the period. This includes a restructuring charge related to staff reductions and office consolidations. Over the last 12 months, the Pason workforce has been reduced by 350 people, or 38%, and total annual run-rate expenses have been reduced by over $60 million.

Adjusted EBITDA for the quarter was $8.8 million and free cash flow was $4.9 million. On March 31, 2016, our cash position stood at $176.1 million and working capital at $214.5 million. The main driver of the reduction of the cash balance is the strengthening of the Canadian dollar vs. the US dollar during the first quarter. There is no debt on our balance sheet. We are maintaining our quarterly dividend at $0.17 share.

The industry is in the deepest crisis in generations. We expect conditions to worsen for Pason in the next few quarters. Drilling activity may be reduced further in all geographies. Pressures on pricing and product usage continue as operators seek further cost reductions from service companies. It is possible that we will lose market share in this environment as some competitors are currently offering extremely low pricing. Also, successful commercialization of new products and services is very challenging at the current time.

We operate in a highly cyclical industry, and the current slump will not continue forever. Our medium-term outlook is more optimistic. The re-balancing of the oil markets is accelerating as the steep E&P capital expenditure reductions are finally starting to have an impact. The oversupply situation could be over in early 2017 and solid growth may return to the industry in 2018. We believe that North American land drilling will be the quickest to respond.

For the remainder of 2016, we aim to strike the optimal balance between cost control and investments in future growth to be well-positioned to maximize returns in the industry's eventual upturn. Our objective is to continue to generate positive free cash flow before the dividend (excluding restructuring costs), while holding on to our position as the service provider of choice for key operator and drilling contractor customers.

We will continue to invest in future growth, including investing in new product development, service capabilities, infrastructure and systems, and in our international footprint. We plan to continue to allocate resources for R&D and IT and we intend to spend up to $30 million in capital expenditures in 2016. We are focusing our development efforts on products and services that create significant and visible value, either by saving costs or by increasing revenues, for our customers.

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

We thank all our customers, partners, shareholders, and employees for their continued support during these challenging times.

Marcel Kessler
President and Chief Executive Officer
May 10, 2016

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of May 10, 2016, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements and accompanying notes.

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

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

Additional IFRS Measures

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

Funds flow from operations

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

Cash from operating activities

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

Non-IFRS Financial Measures

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

Revenue per EDR day and Revenue per Industry day

Revenue per EDR day is defined as the daily revenue generated from all products that the Company has on rent on a drilling rig that has the Company's base EDR installed. This metric provides a key measure on the Company's ability to increase production adoption and evaluate product pricing.

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 a particular operating segment. This metric provides in additional measure to that of Revenue per EDR day, which is market share penetration.

EBITDA

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

Adjusted EBITDA

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

Free cash flow

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

Overall Performance

Three Months Ended March 31,	2016	2015	Change
(000s)	($)	($)	(%)
Revenue			
Electronic Drilling Recorder (1)	**19,155**	42,676	(55)
Pit Volume Totalizer/ePVT	**6,356**	14,167	(55)
Communications (1)	**4,331**	8,688	(50)
Software	**3,131**	6,679	(53)
AutoDriller	**2,766**	7,606	(64)
Gas Analyzer	**3,624**	7,681	(53)
Other	**6,450**	11,905	(46)
Total revenue	**45,813**	99,402	(54)

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. 2015 comparative figures have been reclassified to conform with 2016 presentation. (Q1 2015- $1,275).

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

Canada

Three Months Ended March 31,	2016	2015	Change
	#	#	(%)
EDR rental days	**15,000**	26,200	(43)
PVT rental days	**14,000**	24,800	(44)

United States

Three Months Ended March 31,	2016	2015	Change
	#	#	(%)
EDR rental days	**25,200**	66,000	(62)
PVT rental days	**19,000**	51,900	(63)

Electronic Drilling Recorder (EDR)

The Pason EDR remains the Company's primary product. The EDR provides a complete system of drilling data acquisition, data networking, and drilling management tools and reports at both the wellsite and customer offices. The EDR is the base product from which all other wellsite instrumentation products are linked. By linking these products, a number of otherwise redundant elements such as data processing, display, storage, and networking are eliminated. This ensures greater reliability and a more robust system of instrumentation for the customer. Revenue generated from the EDR decreased 55% for the first quarter of 2016 compared to the same period in 2015. This decrease is attributable to the industry slowdown, lower product adoption of certain peripheral devices, and pricing pressures from customers which were offset by a stronger US dollar relative to the Canadian dollar compared to prior year. Industry activity in the US market decreased 61% in the first quarter of 2016 compared to the corresponding period in 2015, while first quarter Canadian rig activity decreased 56% compared to the same period in 2015. Canadian EDR days, which includes non oil and gas related activity, decreased 43% in the first quarter of 2016 from 2015 levels, while US EDR days decreased by 62% from the first quarter of 2015.

During the first three months of the year, the Pason EDR was installed on 99% of all active land rigs in Canada and 54% of the land rigs in the US, compared to 99% and 55% respectively in the first three months of 2015. For purposes of market share, the Company uses oil and gas drilling days as reported by accepted industry sources.

The Company's International business unit is experiencing the same market conditions as the North American market except for the Middle East, where the Company is realizing an increase in its share of net income from its Saudi Arabia joint venture as a result of a continuing increases in rig count and market penetration.

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

The PVT is Pason's proprietary solution for the detection and early warning of “kicks” that are caused by hydrocarbons entering the wellbore under high pressure and expanding as they migrate to the surface. PVT revenue for the first three months of 2016 was impacted by the decline in rig count activity, offset partially with continued customer adoption of the new ePVT. During the first three months of 2016, the PVT was installed on 93% of rigs with a Pason EDR in Canada and 75% in the US, compared to 95% and 79% respectively, in the same period of 2015.

Communications

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

Communications revenue decreased by 50% in the first three months of 2016 compared to the same period in 2015 due to the industry slowdown, offset by an increase in customer adoption of new communication solutions rolled out in the Canadian and US markets.

Software

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

- Live Rig View (LRV), which provides advanced data viewing, directional drilling, and 3D visualization of drilling data in real time via a web browser.
- LRV Mobile, which allows users to access their data on mobile devices, including iPhone, iPad, BlackBerry, and Android.
- WITSML, which provides seamless data sharing with third-party applications, enhancing the value of data hosted by Pason.
- Additional specialized software, including directional offerings.

During the first quarter of 2016, 96% of the Company's Canadian customers and 84% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 95% and 87% respectively in the same period in 2015.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During the three months ended March 31, 2016, the AutoDriller was installed on 53% of Canadian and 24% of US land rigs operating with a Pason EDR system, compared to 65% and 37%, respectively, in 2015. The Company anticipates that adoption of the AutoDriller will continue to decline due in most part to the drop in the number of mechanical rigs being deployed.

Gas Analyzer

The Pason Gas Analyzer measures the total hydrocarbon gases (C1 through C4 and CO_2) exiting the wellbore, and then calculates the lag time to show the formation depth where the gases were produced. The Gas Analyzer provides information about the composition of the gas, and further calculates geologic ratios from the gas composition to assist in indicating the type of gas, natural gas liquid, or oil in the formation. During the first three months of 2016, the Gas Analyzer was installed on 57% of Canadian and 31% of US land rigs operating with a Pason EDR system, compared to 58% and 28% for the Canadian and US segments respectively in the prior year period.

Other

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

Discussion of Operations

United States Operations

Three Months Ended March 31,	**2016**	2015	Change
(000s)	**($)**	($)	(%)
Revenue			
Electronic Drilling Recorder (1)	**10,687**	26,778	(60)
Pit Volume Totalizer/ePVT	**3,176**	8,036	(60)
Communications (1)	**1,545**	3,652	(58)
Software	**1,757**	4,206	(58)
AutoDriller	**965**	3,722	(74)
Gas Analyzer	**1,598**	3,604	(56)
Other	**3,898**	7,517	(48)
Total revenue	**23,626**	57,515	(59)
Operating costs	**15,245**	24,975	(39)
Depreciation and amortization	**6,773**	9,758	(31)
Segment operating profit	**1,608**	22,782	(93)

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. 2015 comparative figures have been reclassified to conform with 2016 presentation. (Q1 2015- $946).

Three Months Ended March 31,	**2016**		2015	
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**618**	**850**	672	834
Revenue per industry day	**336**	**462**	371	461

US segment revenue decreased by 59% in the first quarter of 2016 over the 2015 comparable period (65% decrease when measured in USD).

Industry activity in the US market during the first quarter of 2016 decreased 61% from the prior year, while revenue from the rental of instrumentation decreased by 61% for the quarter over 2015 levels (65% decrease when measured in USD).

EDR rental days decreased by 62% for the quarter ended March 31, 2016 over the same time period in 2015, while revenue per EDR day in the first quarter of 2016 decreased to US$618, a decrease of US$54 over the same period in 2015.

The decrease in industry activity, combined with pricing pressure from customers and lower product adoption on certain products, accounted for the drop in revenue in the first quarter. This decrease was offset by a favourable USD/CAD exchange rate compared to the prior year. US market share was 54% during the three months ended March 31, 2016, down slightly from 55% in the same period of 2015.

Operating costs decreased by 39% in the first quarter relative to the same period in the prior year. When measured in USD, operating costs decreased 44% as the business unit continues to identify and implement changes to its fixed cost structure to meet the challenging business environment while maintaining customer service. The Company made the decision in the first quarter of 2016 to close its US business unit office in Golden, Colorado and consolidate all activities to its Houston, Texas office. This consolidation is anticipated to be completed by the third quarter of 2016 and will allow the US business unit to maximize business efficiencies.

Depreciation expense for the first three months of 2016 decreased 31% over 2015 amounts, largely to the asset impairment charges recorded in prior years and a significantly lower capital program in 2015 compared to 2014.

Segment profit, as a percentage of revenue, was 7% for the first quarter of 2016 compared to 40% for the corresponding period in 2015.

Canadian Operations

Three Months Ended March 31,	**2016**	2015	Change
(000s)	**($)**	($)	(%)
Revenue			
Electronic Drilling Recorder (1)	**5,834**	10,994	(47)
Pit Volume Totalizer/ePVT	**2,532**	4,553	(44)
Communications (1)	**2,429**	4,473	(46)
Software	**1,295**	2,308	(44)
AutoDriller	**1,104**	2,497	(56)
Gas Analyzer	**1,648**	3,098	(47)
Other	**983**	1,436	(32)
Total revenue	**15,825**	29,359	(46)
Operating costs (2)	**5,324**	9,512	(44)
Depreciation and amortization	**7,582**	9,629	(21)
Segment operating profit	**2,919**	10,218	(71)

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. 2015 comparative figures have been reclassified to conform with 2016 presentation. (Q1 2015 - $320).

(2) Certain expenses previously recorded in Other Expenses are now included as a business unit cost, to better reflect the nature of such costs. 2015 comparative figures have been reclassified to conform with 2016 presentation (Q1 2015 - $607).

Three Months Ended March 31,	**2016**	2015
	CAD	CAD
	$	$
Revenue per EDR day	**1,039**	1,110
Revenue per industry day	**1,029**	1,099

Canadian segment revenue decreased by 46% for the quarter ended March 31, 2016 compared to the same period in 2015. This drop is the result of a 56% decrease in the number of drilling industry days in the first quarter compared to 2015 levels, pricing pressures from customers, and lower product adoption on some products. Market share in the first quarter remained consistent compared to 2015 levels.

EDR rental days decreased 43% in the first quarter of 2016 compared to 2015. EDR days will include non oil and gas activity.

The factors above combined to result in a decrease in revenue per EDR day of $71 to $1,039 during the first quarter of 2016 compared to 2015.

Operating costs decreased by 44% in the first quarter of 2016 relative to the same period in 2015, primarily due to a drop in activity combined with cost control initiatives implemented by all of the business units.

Depreciation expense decreased for three months ended March 31, 2016 due to prior year's impairment charges.

First quarter operating profit of $2.9 million is a decrease of $7.3 million from the prior year.

International Operations

Three Months Ended March 31,	2016	2015	Change
(000s)	($)	($)	(%)
Revenue			
Electronic Drilling Recorder (1)	**2,634**	4,904	(46)
Pit Volume Totalizer/ePVT	**648**	1,578	(59)
Communications (1)	**357**	563	(37)
Software	**79**	165	(52)
AutoDriller	**697**	1,387	(50)
Gas Analyzer	**378**	979	(61)
Other	**1,569**	2,952	(47)
Total revenue	**6,362**	12,528	(49)
Operating costs (2)	**5,531**	8,720	(37)
Depreciation and amortization	**2,007**	2,335	(14)
Segment operating (loss) profit	**(1,176)**	1,473	—

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. 2015 comparative figures have been reclassified to conform with 2016 presentation. (Q1 2015- $9).

(2) Certain expenses previously recorded in Other Expenses are now included as a business unit cost, to better reflect the nature of such expenses. 2015 comparative figures have been reclassified to conform with 2016 presentation (Q1 2015 - $188).

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

Revenue in the International operations segment decreased 49% in the first quarter of 2016 compared to the same period in 2015. Impacting the first quarter results was the devaluation of the Argentinian peso which occurred in the fourth quarter of 2015.

Operating profit decreased by $2.7 million for the first quarter of 2016 from 2015 amounts.

Corporate Expenses

Three Months Ended March 31,	2016	2015	Change
(000s)	($)	($)	(%)
Other expenses			
Research and development	**6,628**	9,330	(29)
Corporate services	**4,322**	5,186	(17)
Stock-based compensation	**962**	(1,775)	—
Other			
Restructuring costs	**10,861**	—	—
Foreign exchange gain	**(2,719)**	(2,447)	11
Gain on sale of investment	**—**	(2,290)	—
Other [(1)]	**974**	—	—
Total corporate expenses	**21,028**	8,004	163

(1) Certain expenses previously recorded in Other Expenses are now included as a business unit cost, to better reflect the nature of such expenses. 2015 comparative figures have been reclassified to conform with 2016 presentation (Q1 2015 - $795).

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

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

Q1 2016 vs Q4 2015

Consolidated revenue was $45.8 million in the first quarter of 2016 compared to $59.8 million in the fourth quarter of 2015, a decrease of $14.0 million or 23%. The first quarter of the year is typically the strongest for the Company due to the seasonality of Canadian drilling activity, however this did not hold true in 2016 due the continued industry slowdown. The Canadian segment earned revenue of $15.8 million in the first quarter as compared to $16.4 million in the fourth quarter of 2015, a decrease of $0.6 million. Revenue in the US market decreased by $11.1 million, from $34.7 million in the fourth quarter of 2015 to $23.6 million in the first quarter of 2016, as rig count continues to decline, while the International segment experienced a revenue decrease of $2.3 million.

The Company recorded a net loss in the first quarter of 2016 of $10.9 million ($0.13 per share) compared to a loss of $0.8 million ($0.01 per share) in the fourth quarter of 2015. Included in the 2016 first quarter results is an additional restructuring charge of $10.9 million.

Sequentially, EBITDA decreased from $20.7 million in the fourth quarter of 2015 to a negative $0.4 million in the first quarter of 2016, impacted by the restructuring charge, a decline in rig activity in the US market of 30% from the fourth quarter of 2015, and an additional drop in product adoption. Adjusted EBITDA declined from $20.2 million in the fourth quarter of 2015 to $8.8 million in the first quarter of 2016. Funds flow from operations decreased to $3.3 million in the first quarter of 2016 from $17.9 million in the fourth quarter of 2015.

First Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its first quarter 2016 results at 9:00 am (Calgary time) on Wednesday, May 11, 2016. The conference call dial-in number is 1-888-231-8191 or 1-647-427-7450. You can access the seven-day replay by dialing 1-855-859-2056 or 1-416-849-0833, using password 63290335.

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

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2015, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Condensed Consolidated Interim Balance Sheets

As at	**March 31, 2016**	December 31, 2015
(CDN 000s) (unaudited)	**($)**	($)
Assets		
Current		
Cash and cash equivalents	**176,093**	195,846
Trade and other receivables	**34,277**	48,613
Prepaid expenses	**3,505**	3,719
Income taxes recoverable	**25,954**	17,468
Total current assets	**239,829**	265,646
Non-current		
Property, plant and equipment	**183,277**	201,436
Intangible assets and goodwill	**55,259**	57,643
Deferred tax assets	**4,255**	4,900
Total non-current assets	**242,791**	263,979
Total assets	**482,620**	529,625
Liabilities and equity		
Current		
Trade payables and accruals	**22,806**	18,454
Stock-based compensation liability	**2,485**	2,220
Total current liabilities	**25,291**	20,674
Non-current		
Stock-based compensation liability	**3,106**	3,059
Onerous lease obligation	**3,008**	—
Deferred tax liabilities	**10,798**	16,444
Total non-current liabilities	**16,912**	19,503
Equity		
Share capital	**128,992**	128,067
Share-based benefits reserve	**23,692**	23,367
Foreign currency translation reserve	**60,476**	85,603
Retained earnings	**227,257**	252,411
Total equity	**440,417**	489,448
Total liabilities and equity	**482,620**	529,625

Condensed Consolidated Interim Statements of Operations

Three Months Ended March 31,	2016	2015
(CDN 000s, except per share data) (unaudited)	($)	($)
Revenue	**45,813**	99,402
Operating expenses		
Rental services	**23,771**	38,291
Local administration	**2,329**	4,916
Depreciation and amortization	**16,362**	21,722
	42,462	64,929
Operating profit	**3,351**	34,473
Other expenses		
Research and development	**6,628**	9,330
Corporate services	**4,322**	5,186
Stock-based compensation expense	**962**	(1,775)
Restructuring and other expense (income)	**9,116**	(4,737)
	21,028	8,004
(Loss) income before income taxes	**(17,677)**	26,469
Income tax (recovery) expense	**(6,817)**	12,278
Net (loss) income	**(10,860)**	14,191
(Loss) income per share		
Basic	**(0.13)**	0.17
Diluted	**(0.13)**	0.17

Condensed Consolidated Interim Statements of Other Comprehensive Income

Three Months Ended March 31,	2016	2015
(CDN 000s) (unaudited)	($)	($)
Net (loss) income	**(10,860)**	14,191
Items that may be reclassified subsequently to net income:		
Foreign currency translation adjustment	**(25,127)**	30,959
Total comprehensive (loss) income	**(35,987)**	45,150

Condensed Consolidated Interim Statements of Changes in Equity

(CDN 000s) (unaudited)	Share Capital ($)	Share-Based Benefits Reserve ($)	Foreign Currency Translation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at January 1, 2015	113,827	12,927	32,807	323,962	483,523
Net income	—	—	—	14,191	14,191
Dividends	—	—	—	(14,193)	(14,193)
Other comprehensive income	—	—	30,959	—	30,959
Exercise of stock options	3,784	—	—	—	3,784
Balance at March 31, 2015	117,611	12,927	63,766	323,960	518,264
Net loss	—	—	—	(28,803)	(28,803)
Dividends	—	—	—	(42,746)	(42,746)
Other comprehensive income	—	—	21,837	—	21,837
Exercise of stock options	10,456	(3,171)	—	—	7,285
Expense related to vesting of options	—	1,938	—	—	1,938
Reclassification of equity settled options	—	11,673	—	—	11,673
Balance at December 31, 2015	128,067	23,367	85,603	252,411	489,448
Net loss	—	—	—	(10,860)	(10,860)
Dividends	—	—	—	(14,294)	(14,294)
Other comprehensive loss	—	—	(25,127)	—	(25,127)
Exercise of stock options	925	(315)	—	—	610
Expense related to vesting of options	—	640	—	—	640
Balance at March 31, 2016	**128,992**	**23,692**	**60,476**	**227,257**	**440,417**

Condensed Consolidated Interim Statements of Cash Flows

Three Months Ended March 31,	2016	2015
(CDN 000s) (unaudited)	($)	($)
Cash from (used in) operating activities		
Net (loss) income	**(10,860)**	14,191
Adjustment for non-cash items:		
Depreciation and amortization	**16,362**	21,722
Gain on sale of investment	**—**	(2,290)
Non-cash restructuring costs	**4,833**	—
Stock-based compensation	**962**	(1,775)
Deferred income taxes	**(5,288)**	8,022
Unrealized foreign exchange (gain) loss	**(2,674)**	3,392
Funds flow from operations	**3,335**	43,262
Movements in non-cash working capital items:		
Decrease in trade and other receivables	**11,264**	44,590
Decrease in prepaid expenses	**136**	1,261
(Increase)/decrease in income taxes recoverable	**(2,743)**	4,488
Increase/(decrease) in trade payables, accruals and stock-based compensation liability	**6,102**	(13,047)
Effects of exchange rate changes	**(906)**	(3,189)
Cash generated from operating activities	**17,188**	77,365
Income tax paid	**(5,857)**	(5,832)
Net cash from operating activities	**11,331**	71,533
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	**610**	2,693
Payment of dividends	**(14,294)**	(14,193)
Net cash used in financing activities	**(13,684)**	(11,500)
Cash flows (used in) from investing activities		
Additions to property, plant and equipment	**(4,883)**	(21,435)
Development costs	**(1,697)**	(2,078)
Proceeds on disposal of investment and property, plant and equipment	**109**	3,288
Changes in non-cash working capital	**(719)**	(5,127)
Net cash used in investing activities	**(7,190)**	(25,352)
Effect of exchange rate on cash and cash equivalents	**(10,210)**	12,247
Net (decrease) increase in cash and cash equivalents	**(19,753)**	46,928
Cash and cash equivalents, beginning of period	**195,846**	144,858
Cash and cash equivalents, end of period	**176,093**	191,786

Operating Segments

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

Three Months Ended March 31, 2016	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue	**15,825**	**23,626**	**6,362**	**45,813**
Rental services and local administration	**5,324**	**15,245**	**5,531**	**26,100**
Depreciation and amortization	**7,582**	**6,773**	**2,007**	**16,362**
Segment operating profit (loss)	**2,919**	**1,608**	**(1,176)**	**3,351**
Research and development				**6,628**
Corporate services				**4,322**
Stock-based compensation				**962**
Other expenses				**9,116**
Income taxes				**(6,817)**
Net loss				**(10,860)**
Capital expenditures	**1,717**	**4,774**	**89**	**6,580**
Goodwill	**—**	**24,008**	**2,600**	**26,608**
Intangible assets	**27,820**	**184**	**647**	**28,651**
Segment assets	**156,355**	**264,895**	**61,370**	**482,620**
Segment liabilities	**19,063**	**10,767**	**12,373**	**42,203**

Three Months Ended March 31, 2015				
Revenue	29,359	57,515	12,528	99,402
Rental services and local administration	9,512	24,975	8,720	43,207
Depreciation and amortization	9,629	9,758	2,335	21,722
Segment operating profit	10,218	22,782	1,473	34,473
Research and development				9,330
Corporate services				5,186
Stock-based compensation				(1,775)
Other income				(4,737)
Income taxes				12,278
Net Income				14,191
Capital expenditures	5,924	11,822	5,767	23,513
Goodwill	—	23,474	2,600	26,074
Intangible assets	31,233	2,170	1,879	35,282
Segment assets	159,178	353,989	79,056	592,223
Segment liabilities	28,969	32,616	12,374	73,959

Restructuring and Other Expenses (Income)

	Three Months Ended March 31,	
	2016	2015
	($)	($)
Foreign exchange gain	**(2,719)**	(2,447)
Gain on sale of investment	**—**	(2,290)
Restructuring costs	**10,861**	—
Other	**974**	—
Other expenses (income)	**9,116**	(4,737)

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

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

Contingency

In March of 2016 the Company announced that all claims, answers, affirmative defenses and counterclaims, asserted by the defendant against the Company and by the Company against the defendant relating to the alleged AutoDriller patent infringement lawsuit initially filed in February 2015 have been dismissed with prejudice by the United States District Court for the Southern District of Texas

Pason Systems Inc.

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

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

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Certain information regarding the Company contained herein may constitute forward-looking information under applicable securities law. The words “anticipate”, “expect”, “believe”, “may”, “should”, “will”, “estimate”, “project”, “outlook”, “forecast” or other similar words are used to identify such forward-looking information and statements. Forward-looking statements in this document may include statements, express or implied regarding the anticipated business prospects and financial performance of Pason; expectations or projections about future strategies and goals for growth and expansion; expected and future cash flows and revenues; and expected impact of future commitments. These forward-looking statements are based upon various underlying factors and assumptions, including the state of the economy and the oil and gas exploration and production business, in particular; the Company's business prospects and opportunities; and estimates of the financial and operational performance of Pason.

Forward-looking information and statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking information and statements. Risk factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of Pason to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of Pason's assets and businesses, the price of energy commodities, competitive factors in the energy industry, changes in laws and regulations affecting Pason's businesses, technological developments, and general economic conditions.

Readers are cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such forward looking statements, although considered reasonable by management as of the date hereof, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Additional information on risks and uncertainties and other factors that could affect Pason's operations or financial results are included in Pason's reports on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or through Pason's website (www.pason.com). Furthermore, any forward looking statements contained in this news release are made as of the date of this news release, and Pason does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by securities law.