Press Release

Pason Reports First Quarter 2018 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (May 2, 2018) – Pason Systems Inc. (TSX:PSI) announced today its 2018 first quarter results.

Performance Data

Three Months Ended March 31,	**2018**	2017 (Restated)	Change
(CDN 000s, except per share data)	**($)**	($)	(%)
Revenue	**73,813**	59,049	25
Net Income (1)	**12,359**	6,804	82
Per share – basic (1)	**0.15**	0.08	81
Per share – diluted (1)	**0.14**	0.08	81
EBITDA (2)	**32,220**	23,469	37
As a % of revenue	**43.7**	39.7	4
Adjusted EBITDA (2)	**34,753**	24,908	40
As a % of revenue	**47.1**	42.2	5
Funds flow from operations	**33,958**	21,074	61
Per share – basic	**0.40**	0.25	60
Per share – diluted	**0.40**	0.25	60
Cash from operating activities	**24,344**	29,831	(18)
Free cash flow (2)	**18,906**	28,511	(34)
Capital expenditures	**5,797**	1,134	411
Working capital	**211,703**	203,224	4
Total assets	**413,931**	427,075	(3)
Total long-term debt	**—**	—	—
Cash dividends declared	**0.17**	0.17	—
Shares outstanding end of period (#000's)	**85,172**	84,672	1

(1) As disclosed in Note 2 to the consolidated financial statements, the Company identified an immaterial non-cash re-classification error with respect to a component of its deferred income tax expense associated with accounting for the deferred tax on its net investment in foreign operations related to an inter-company financing. The reclassification is between the deferred tax provision in the statement of operations and foreign currency translation reserve in equity. This adjustment has been corrected on a retrospective basis with all prior period comparative figures being restated.

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

Q1 2018 vs Q1 2017

The Company generated consolidated revenue of $73.8 million in the first quarter of 2018, an increase of 25% from the same period in 2017. Stabilized oil prices have resulted in increased number of active drilling rigs in the US. In Canada, the weak natural gas prices and uncertainly within the industry have led to declines in activity compared to the prior year. The International business unit saw increases in activity in each of the Company's major markets.

Consolidated adjusted EBITDA increased to $34.8 million in the first quarter, up from $24.9 million in the first quarter of 2017. Significant increases in operating profit in the US business unit led to the improvement in this key measure.

The Company recorded net income of $12.4 million ($0.14 per share) in the first quarter of 2018, compared to a net income of $6.8 million ($0.08 per share) recorded in the same period in 2017. The increase in US revenue and a significant decline in depreciation expense from prior year levels led to the increase in income from 2017. These factors were partially offset by a strengthening Canadian dollar relative to the US dollar and higher recorded foreign exchange losses.

President's Message

Pason achieved solid first quarter 2018 results. We generated revenue of $73.8 million in the period, an increase of 25% from the prior year quarter and up 11% from the fourth quarter 2017. The main drivers of revenue growth were increased drilling activity and market share gains in the United States and higher product penetration in both Canada and the United States. Revenue from the International business unit was up 23% year over year, driven by activity improvements in Argentina and Australia.

Adjusted EBITDA was $34.8 million for the quarter, an increase of 40% from the prior year quarter and up 26% sequentially. Adjusted EBITDA as a percentage of revenue increased to 47%. The biggest driver of this improvement was the significant increase in revenue with high incremental margins

Pason recorded net income of $12.4 million ($0.14 per share) compared to $6.8 million ($0.08 per share) in the prior year quarter, an increase of 82%. Capital expenditures for the quarter were $5.8 million and free cash flow was $18.9 million.

At March 31, 2018, our working capital position stood at $211.7 million, including cash of $162.8 million. There is no debt on our balance sheet. We are maintaining our quarterly dividend at $0.17 share.

Starting this quarter, we are breaking down our revenue along five product categories to better reflect the changing nature of Pason's business, aligned with how we think about our investments in new products and services:

- *Drilling Data* contains all products and services associated with acquiring, displaying, storing, and delivering drilling data. This includes our core product, the Electronic Drilling Recorder (and all its peripherals); Pason Live / DataHub, various data feed services; and the Electronic Service Recorder. The Drilling Data segment currently accounts for about half of Pason's total revenue.
- *Mud Management & Safety* includes products such as the Pit Volume Totalizer (PVT), Gas Analyzer, Hazardous Gas Alarm, and the Electronic Choke Actuator. In the first quarter, Mud Management & Safety generated 29% of total revenue.
- The *Communications* segment includes satellite and terrestrial Internet bandwidth, Wireless Rigsite, VOIP, and Intercom services and accounted for 11% of total revenue.
- The *Drilling Intelligence* segment bundles Pason's offers targeted at enabling our customers' drilling optimization and automation efforts. It contains product such as AutoDrillers, abbl Directional Advisor™ and the deployment of the advanced ExxonMobil Drilling Advisory System™. In the first quarter, Drilling Intelligence generated 6% of total revenue.
- Finally, *Analytics & Other* includes our Verdazo Discovery Analytics product suite, various types of reports, and other, which accounted for 4% of revenue.

Our level of confidence in the successful commercialization of new products and services has steadily grown through the first quarter of 2018 as the number of successful technical and commercial trials has increased. During the peak of the winter drilling season, we had over 70 concurrent installations of new Drilling Intelligence products in Canada, resulting in a year-over-year increase of Revenue per EDR Day of 10%.

We have increased our investment in R&D and IT in the first quarter compared to the previous year period, with a particular focus on machine learning algorithms, with some further growth planned during the remainder of 2018.

Our capital expenditures will be relatively modest going forward with a larger portion of development efforts focused on software and analytics. We intend to spend up to $25 million in capital expenditures in 2018. Our highly capable and flexible IT and communications platform can host additional new Pason and third-party software at the rig site and in the cloud.

Supported by the OPEC- and Russia-led production cuts, there were no increases in global oil stocks during the first quarter. In addition, after three years of underinvestment in global E&P spending, the worldwide production base has started to show signs of decline with year-over-year production decreases in several countries. This has led to higher oil prices and confirms that the oil market is now coming into balance. It is becoming increasingly likely that the industry will face supply challenges over the coming years and a significant increase in global E&P investment will be required to minimize the impending deficit. The only major sources of short-term supply growth to address global production decline are Saudi Arabia, Kuwait, the UAE, Russia, and the US shale oil industry.

Pason's market positions remain very strong. We are the service provider of choice for many leading operators and drilling contractors with Pason equipment installed on over 65% of all active land drilling rigs in the Western Hemisphere. We are uniquely positioned to participate in the industry's growth.

Marcel Kessler
President and Chief Executive Officer
May 2, 2018

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of May 2, 2018, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements and accompanying notes.

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

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

Additional IFRS Measures

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

Funds flow from operations

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

Cash from operating activities

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

Non-IFRS Financial Measures

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

Revenue per EDR Day

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

EBITDA

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

Adjusted EBITDA

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

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

Free cash flow

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

Overall Performance

Three Months Ended March 31,	**2018**	2017	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**37,295**	28,768	30
Mud Management and Safety	**21,260**	17,514	21
Communications	**7,798**	6,493	20
Drilling Intelligence	**4,581**	3,993	15
Analytics and Other	**2,879**	2,281	26
Total revenue	**73,813**	59,049	25

The Pason Electronic Drilling Recorder (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.

EDR rental day performance for Canada and the United States is reported below:

Pason Electronic Drilling Recorder (EDR)Rental Days

Three Months Ended March 31,	**2018**	2017	Change
	#	#	(%)
Canada	**21,100**	23,800	(11)
United States	**50,900**	35,300	44

Total revenue increased 25% for the three months ending March 2018, over the same period in 2017. This increase is attributable to an increase in drilling activity in the Company's US and certain International markets, partially offset by lower Canadian activity. The first quarter 2018 results were negatively impacted from a stronger Canadian dollar relative to the US dollar.

Industry activity in the US market increased 32% in the first quarter of 2018 compared to the corresponding period in 2017, while first quarter Canadian rig activity decreased 9%. Canadian EDR days, which includes some non-oil and gas-related activity, decreased 11% in the first quarter of 2018 from 2017 levels, while US EDR days increased by 44% from the first quarter of 2017.

For the first three months of 2018, the Pason EDR was installed on 60% of the land rigs in the US compared to 55% during the same time period in 2017.

For the three months ended March 31, 2018, the Pason EDR was installed on 88% of the land rigs in the Canadian market; for the same time period in 2017 the Pason EDR was installed on 90% of the land rigs. For the purposes of market share, the Company uses the number of EDR days billed and oil and gas drilling days as reported by accepted industry sources.

Revenue generated from the Company's other wellsite instrumentation products was largely driven by the increases in drilling activity. The Company also benefited from increased adoption of certain EDR peripherals and higher-tiered communications offerings. In Canada, despite the decrease in industry activity, the Company saw increased revenue from its Drilling Intelligence products, including the Company’s implementation of the Drilling Advisory System™ technology licensed from ExxonMobil ™.

For the first quarter of 2018, the Company saw an increase in activity in all major regions of the International segment with the largest increases in Australia and Argentina.

Discussion of Operations

United States Operations

Three Months Ended March 31,	2018	2017	Change
(000s)	($)	($)	(%)
Revenue			
Drilling Data	**23,698**	15,276	55
Mud Management and Safety	**13,236**	9,499	39
Communications	**3,698**	2,597	42
Drilling Intelligence	**2,144**	1,484	44
Analytics and Other	**1,332**	1,110	20
Total revenue	**44,108**	29,966	47
Rental services and local administration	**16,885**	14,210	19
Depreciation and amortization	**3,828**	5,001	(23)
Segment gross profit	**23,395**	10,755	118

Three Months Ended March 31,	2018	2017
	$	$
Revenue per EDR day - USD	**678**	634
Revenue per EDR day - CAD	**857**	839

US land-based drilling continued its sequential increase quarter over quarter resulting from the improvement of global commodity price fundamentals and the continued WTI pricing in excess of $60 USD. These fundamentals continue to support an increase in rig count in all the major regions.

US segment revenue increased by 47% in the first quarter of 2018 over the 2017 comparable period (54% when measured in USD). The value of the Canadian dollar relative to the US dollar had a negative impact on revenue when measured in Canadian dollars in the first quarter of 2018 compared to the first quarter of 2017.

Industry activity in the US market during the first quarter of 2018 increased 32% from the prior year. US market share was 60% for the first quarter of 2018 compared to 55% during the same period of 2017, primarily driven by market share growth in key US regions combined with changes in the mix of active customers.

EDR rental days increased by 44% for the quarter ended March 31, 2018 over the same time period in 2017, while revenue per EDR day in the first quarter of 2018 increased to US$678, an increase of US$44 over the same period in 2017. The increase was driven by higher adoption of certain peripheral products and selective price increases on certain products.

Operating costs increased by 19% in the 2018 first quarter relative to the same period in the prior year. When measured in USD, operating costs increased by 27%, with the increase attributable higher field staff levels and higher direct costs to support additional activity.

Depreciation expense for the first quarter of 2018 decreased 23% over 2017 amounts due to the reduction in the capital program since 2014.

Segment profit increased by $12.6 million in the first quarter of 2018 compared to the corresponding period in 2017.

Canadian Operations

Three Months Ended March 31,	**2018**	2017	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**9,920**	10,445	(5)
Mud Management and Safety	**6,661**	6,992	(5)
Communications	**3,769**	3,683	2
Drilling Intelligence	**2,118**	2,032	4
Analytics and Other	**956**	835	14
Total revenue	**23,424**	23,987	(2)
Rental services and local administration	**7,328**	5,794	26
Depreciation and amortization	**4,385**	5,934	(26)
Segment gross profit	**11,711**	12,259	(4)

Three Months Ended March 31,	**2018**	2017
	$	$
Revenue per EDR day- CAD	**1,070**	975

The first quarter Canadian rig activity showed year-over-year decrease in activity. Industry uncertainty and lower natural gas prices caused a reduction of activity compared to the prior year.

Canadian segment revenue decreased by 2% for the quarter ended March 31, 2018 compared to the same period in 2017. This decrease is the result of a 9% decrease in the number of drilling industry days in the first quarter compared to 2017 levels.

EDR rental days decreased 11% in the first quarter of 2018 compared to 2017.

Revenue per EDR day increased by $95 to $1,070 during the first quarter of 2018 compared to 2017. The increase is driven by higher adoption of certain communication solutions and the successful introduction of ExxonMobil DAS™ in the Canadian market.

Operating costs increased by 26% in the first quarter of 2018 relative to the same period in 2017, with repair costs and other direct field costs responsible for the increase.

Depreciation and amortization expense decreased by approximately 26% for the three months ended March 31, 2018. The decrease is a result of lower capital programs since 2014.

Operating profit for the first quarter of 2018 was $11.7million, down $0.5 million from the same quarter in 2017.

International Operations

Three Months Ended March 31,	**2018**	2017	Change
(000s)	**($)**	($)	(%)
Revenue			
Drilling Data	**3,677**	3,047	21
Mud Management and Safety	**1,363**	1,023	33
Communications	**331**	213	55
Drilling Intelligence	**319**	477	(33)
Analytics and Other	**591**	336	76
	6,281	5,096	23
Rental services and local administration	**4,683**	4,192	12
Depreciation and amortization	**962**	1,038	(7)
Segment gross profit (loss)	**636**	(134)	—

The international rig count was up in all of the Company's major International markets with the largest increases in Australia and Argentina. The increase in activity in Argentina was offset by a weaker Argentinian Peso compared to the prior year. Revenue in the International operations segment increased in the first quarter of 2018 by 23% compared to the same period in 2017.

Operating costs increased by 12% in the first quarter relative to the same period as a result of increased field costs in certain regions.

Depreciation expense decreased by approximately 7% for the three months ended March 31, 2018.

The segment operating profit was $0.6 million for the first quarter of 2018, an improvement from the $0.1 million loss recorded in the corresponding period in 2017.

Corporate Expenses

Three Months Ended March 31,	**2018**	2017	Change
(000s)	**($)**	($)	(%)
Other expenses			
Research and development	**6,359**	5,877	8
Corporate services	**3,805**	4,068	(6)
Stock-based compensation	**2,534**	2,547	(1)
Other			
Foreign exchange loss	**2,404**	223	978
Other	**129**	1,216	(89)
Total corporate expenses	**15,231**	13,931	9

Q1 2018 vs Q4 2017

Consolidated revenue was $73.8 million in the first quarter of 2018 compared to $66.2 million in the fourth quarter of 2017, an increase of $7.6 million or 11%. The first quarter of the year is typically the strongest for the Company due to the seasonality of Canadian drilling activity. An increase in US activity also contributed to the increase in revenue.

The Canadian segment earned revenue of $23.4 million in the first quarter of 2018 compared to $17.7 million in the fourth quarter of 2017, an increase of $5.7 million. Revenue in the US market increased by $2.0 million; from $42.1 million in the fourth quarter of 2017 to $44.1 million in the first quarter of 2018, as both industry activity and revenue per EDR day increased. The International segment realized a revenue decrease of $0.1 million.

The Company recorded a net profit in the first quarter of 2018 of $12.4 million ($0.14 per share) compared to a profit of $5.0 million ($0.06 per share) in the fourth quarter of 2017. The increase in net income is mainly attributable to improved operating results in both the Canadian and US business segments compared to the fourth quarter of 2017 and a higher effective tax rate in the fourth quarter of 2017 due to a one-time tax adjustment relating to the Company's change in transfer pricing methodology.

Sequentially, EBITDA increased from $26.7 million in the fourth quarter of 2017 to $32.2 million in the first quarter of 2018. Adjusted EBITDA, which adjusts for foreign exchange and certain non-recurring charges, increased from $27.8 million in the fourth quarter of 2017 to $34.8 million in the first quarter of 2018. Funds flow from operations increased from $27.4 million in the fourth quarter of 2017 to $34.0 million in the first quarter of 2018.

First Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its first quarter 2018 results at 9:00 am (Calgary time) on Thursday, May 3, 2018. 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 4273819.

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

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2017, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Shareholders are also invited to attend the Company's Annual General and Special Meeting on Thursday, May 3, 2018, at 3:30 pm at the offices of Pason Systems Inc., 6120 Third Street SE, Calgary, Alberta.

Condensed Consolidated Interim Balance Sheets

As at	March 31, 2018	December 31, 2017
(CDN 000s) (unaudited)	($)	($)
Assets		
Current		
Cash and cash equivalents	**162,842**	154,129
Trade and other receivables	**64,999**	55,069
Income tax recoverable other	**17,881**	17,881
Prepaid expenses	**3,594**	4,028
Income taxes recoverable	**4,014**	3,946
Total current assets	**253,330**	235,053
Non-current		
Property, plant and equipment	**127,095**	127,685
Intangible assets and goodwill	**33,506**	34,318
Deferred tax assets	**—**	1,390
Total non-current assets	**160,601**	163,393
Total assets	**413,931**	398,446
Liabilities and equity		
Current		
Trade payables and accruals	**19,615**	20,391
Income taxes payable other	**17,881**	17,881
Stock-based compensation liability	**4,131**	3,089
Total current liabilities	**41,627**	41,361
Non-current		
Stock-based compensation liability	**3,104**	2,758
Onerous lease obligation	**2,323**	2,326
Deferred tax liabilities	**11,369**	4,515
Total non-current liabilities	**16,796**	9,599
Equity		
Share capital	**151,156**	150,887
Share-based benefits reserve	**25,508**	24,425
Foreign currency translation reserve	**49,149**	40,358
Retained earnings	**129,695**	131,816
Total equity	**355,508**	347,486
Total liabilities and equity	**413,931**	398,446

Condensed Consolidated Interim Statements of Operations

Three Months Ended March 31,	2018	2017 (Restated)
(CDN 000s, except per share data) (unaudited)	**($)**	($)
Revenue	**73,813**	59,049
Operating expenses		
Rental services	**26,039**	21,483
Local administration	**2,857**	2,713
Depreciation and amortization	**9,175**	11,973
	38,071	36,169
Gross profit	**35,742**	22,880
Other expenses		
Research and development	**6,359**	5,877
Corporate services	**3,805**	4,068
Stock-based compensation expense	**2,534**	2,547
Other expense	**2,533**	1,439
	15,231	13,931
Income before income taxes	**20,511**	8,949
Income tax provision	**8,152**	2,145
Net income	**12,359**	6,804
Income per share		
Basic	**0.15**	0.08
Diluted	**0.14**	0.08

Condensed Consolidated Interim Statements of Other Comprehensive Income

Three Months Ended March 31,	2018	2017 (Restated)
(CDN 000s) (unaudited)	**($)**	($)
Net income	**12,359**	6,804
Items that may be reclassified subsequently to net income:		
Tax expense on net investment in foreign operations related to an inter-company financing	**(989)**	349
Foreign currency translation adjustment	**9,780**	(1,005)
Other comprehensive gain (loss)	**8,791**	(656)
Total comprehensive income	**21,150**	6,148

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, 2017 - Previously reported	139,730	23,026	69,443	154,452	386,651
Correction of error	—	—	(9,871)	9,871	—
Balance at January 1, 2017 - Currently reported	139,730	23,026	59,572	164,323	386,651
Net income - as restated	—	—	—	6,804	6,804
Dividends	—	—	—	(14,394)	(14,394)
Other comprehensive loss - as restated	—	—	(656)	—	(656)
Exercise of stock options	953	(247)	—	—	706
Expense related to vesting of options	—	837	—	—	837
Balance at March 31, 2017	140,683	23,616	58,916	156,733	379,948
Net income - as restated	—	—	—	18,386	18,386
Dividends	—	—	—	(43,303)	(43,303)
Other comprehensive income	—	—	(18,558)	—	(18,558)
Exercise of stock options	8,454	(2,000)	—	—	6,454
Expense related to vesting of options	—	2,809	—	—	2,809
Verdazo Acquisition	1,750	—	—	—	1,750
Balance at December 31, 2017	150,887	24,425	40,358	131,816	347,486
Net income	—	—	—	12,359	12,359
Dividends	—	—	—	(14,480)	(14,480)
Other comprehensive loss	—	—	8,791	—	8,791
Exercise of stock options	269	(41)	—	—	228
Expense related to vesting of options	—	1,124	—	—	1,124
Balance at March 31, 2018	**151,156**	**25,508**	**49,149**	**129,695**	**355,508**

Condensed Consolidated Interim Statements of Cash Flows

Three Months Ended March 31,	2018	2017 (Restated)
(CDN 000s) (unaudited)	($)	($)
Cash from (used in) operating activities		
Net income	**12,359**	6,804
Adjustment for non-cash items:		
Depreciation and amortization	**9,175**	11,973
Stock-based compensation	**2,534**	2,547
Deferred income taxes	**7,303**	(540)
Unrealized foreign exchange loss and other	**2,587**	290
Funds flow from operations	**33,958**	21,074
Movements in non-cash working capital items:		
Increase in trade and other receivables	**(8,897)**	(1,843)
Decrease (increase) in prepaid expenses	**481**	(442)
Decrease in income taxes recoverable	**65**	6,792
(Decrease) increase in trade payables, accruals and stock-based compensation liability	**(1,365)**	3,914
Effects of exchange rate changes	**234**	1,507
Cash generated from operating activities	**24,476**	31,002
Income tax paid	**(132)**	(1,171)
Net cash from operating activities	**24,344**	29,831
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	**228**	706
Payment of dividends	**(14,480)**	(14,394)
Net cash used in financing activities	**(14,252)**	(13,688)
Cash flows (used in) from investing activities		
Additions to property, plant and equipment	**(4,811)**	(841)
Development costs	**(986)**	(293)
Proceeds on disposal of investment and property, plant and equipment	**20**	3
Acquisition	**—**	(4,750)
Proceeds on sale of net operating assets	**—**	7,123
Changes in non-cash working capital	**339**	(189)
Net cash (used in) from investing activities	**(5,438)**	1,053
Effect of exchange rate on cash and cash equivalents	**4,059**	(329)
Net increase in cash and cash equivalents	**8,713**	16,867
Cash and cash equivalents, beginning of period	**154,129**	146,479
Cash and cash equivalents, end of period	**162,842**	163,346

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

Three Months Ended March 31, 2018	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	9,920	23,698	3,677	37,295
Mud Management and Safety	6,661	13,236	1,363	21,260
Communications	3,769	3,698	331	7,798
Drilling Intelligence	2,118	2,144	319	4,581
Analytics and Other	956	1,332	591	2,879
Total Revenue	23,424	44,108	6,281	73,813
Rental services and local administration	7,328	16,885	4,683	28,896
Depreciation and amortization	4,385	3,828	962	9,175
Segment gross profit	11,711	23,395	636	35,742
Research and development				6,359
Corporate services				3,805
Stock-based compensation				2,534
Other expenses				2,533
Income tax expense				8,152
Net income				12,359
Capital expenditures	1,963	3,263	571	5,797
As at March 31, 2018				
Property plant and equipment	43,086	67,724	16,285	127,095
Goodwill	1,259	7,358	2,600	11,217
Intangible assets	22,210	79	—	22,289
Segment assets	123,253	243,962	46,716	413,931
Segment liabilities	44,253	9,399	4,771	58,423

Three Months Ended March 31, 2017 (restated)	**Canada**	**United States**	**International**	**Total**
	($)	($)	($)	($)
Revenue				
Drilling Data	10,445	15,276	3,047	28,768
Mud Management and Safety	6,992	9,499	1,023	17,514
Communications	3,683	2,597	213	6,493
Drilling Intelligence	2,032	1,484	477	3,993
Analytics and Other	835	1,110	336	2,281
Total Revenue	23,987	29,966	5,096	59,049
Rental services and local administration	5,794	14,210	4,192	24,196
Depreciation and amortization	5,934	5,001	1,038	11,973
Segment gross profit (loss)	12,259	10,755	(134)	22,880
Research and development				5,877
Corporate services				4,068
Stock-based compensation				2,547
Other expenses				1,439
Income tax expense				2,145
Net income				6,804
Capital expenditures	(53)	1,286	(99)	1,134
As at March 31, 2017				
Property plant and equipment	50,186	70,227	20,398	140,811
Goodwill	1,259	7,181	2,600	11,040
Intangible assets	29,771	709	—	30,480
Segment assets	122,216	253,754	51,105	427,075
Segment liabilities	20,429	11,795	14,903	47,127

Correction of Error

During the fourth quarter of 2017, the Company adjusted for a re-classification of an immaterial non-cash error in the recognition of a component of its deferred income tax expense. The error was a result of the Company recognizing in the statement of operations the deferred income tax effect of the future taxable foreign exchange gain adjustment associated with its net investment in foreign operations related to an inter-company financing, when the amount should have been adjusted through the foreign currency translation reserve within equity. Accordingly, this adjustment has been corrected on a retrospective basis with all prior period comparative figures being restated.

The cumulative impact of this error as of January 1, 2017 was to increase retained earnings and reduce Foreign Currency Translation Reserve by $9,871.

For the first quarter of 2017 the income tax provision increased by $349 with a corresponding decrease to net income.

Management is reviewing tax planning strategies to address this taxable gain and is confident that the Company can mitigate taxes owing when the inter-company financing expires. The Company believes that the impact is not material to its results of operations, financial position or cash flows.

Other Expenses

Three Months Ended March 31,	**2018**	2017
	($)	($)
Foreign exchange loss	**2,404**	223
Other	**129**	1,216
Other expenses	**2,533**	1,439

Events After the Reporting Period

On May 2, 2018, the Company announced a quarterly dividend of $0.17 per share on the Company's common shares. The dividend will be paid on June 29, 2018 to shareholders of record at the close of business on June 15, 2018.

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, web-based information management, and analytics, enable collaboration between the rig and the office. Pason's common shares trade on the Toronto Stock Exchange under the symbol PSI.

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

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President and CEO
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Chief Financial Officer
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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.