Press Release

Pason Reports Third Quarter 2018 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (November 7, 2018) – Pason Systems Inc. (TSX:PSI) announced today its 2018 third quarter results.

Performance Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017 (Restated)	Change	**2018**	2017 (Restated)	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**82,344**	64,576	28	**224,428**	179,417	25
Net Income [(1)]	**24,386**	7,404	229	**42,224**	20,176	109
Per share – basic [(1)]	**0.29**	0.08	228	**0.50**	0.24	106
Per share – diluted [(1)]	**0.28**	0.08	227	**0.49**	0.24	105
EBITDA [(2)]	**44,633**	25,493	75	**100,467**	70,012	43
As a % of revenue	**54.2**	39.5	1,470 bps	**44.8**	39.0	574 bps
Adjusted EBITDA [(2)]	**42,473**	26,158	62	**106,684**	70,427	51
As a % of revenue	**51.6**	40.5	1,107 bps	**47.5**	39.3	828 bps
Funds flow from operations	**36,039**	19,896	81	**97,833**	59,765	64
Per share – basic	**0.42**	0.23	80	**1.15**	0.71	63
Per share – diluted	**0.42**	0.23	80	**1.14**	0.70	62
Cash from operating activities	**31,809**	15,128	110	**83,770**	69,160	21
Free cash flow [(2)]	**26,880**	11,002	144	**68,919**	59,141	17
Capital expenditures	**4,858**	5,371	(10)	**15,426**	11,604	33
Working capital	**234,771**	190,518	23	**234,771**	190,518	23
Total assets	**429,684**	398,926	8	**429,684**	398,926	8
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.18**	0.17	6	**0.52**	0.51	2
Shares outstanding end of period (#000's)	**85,431**	84,916	1	**85,431**	84,916	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.

Q3 2018 vs Q3 2017

The Company generated consolidated revenue of $82.3 million in the third quarter of 2018, an increase of 28% from the same period in 2017. In the US operations, industry activity increased by 12% while market share increased to 61% from 59%. In Canada, industry activity was comparable while market share decreased to 85% from 88%. The International business unit saw increases in activity in each of the Company's major markets. In the Argentinian business unit, the increase in activity was partially offset by the weakness in the Argentinian peso.

Consolidated adjusted EBITDA increased to $42.5 million in the third quarter, an increase of 62% from the same period in 2017. For the nine-month period, consolidated adjusted EBITDA was $106.7 million, an increase of 51% over the 2017 comparative period. Increases in revenue in all operating segments, combined with significant operating leverage, led to the improvement in this key measure.

The Company recorded net income of $24.4 million ($0.28 per share) in the third quarter of 2018, compared to net income of $7.4 million ($0.08 per share) recorded in the same period in 2017. Net income was positively impacted from the increased level of activity, increased market share in the US operations, and reduction in depreciation expense.

President's Message

Pason achieved strong results in the third quarter of 2018 and our teams continue to perform very well in all geographies. We generated revenue of $82.3 million in the period, an increase of 28% compared to the same quarter last year. The main drivers of revenue growth were increased drilling activity and market share gains in the United States, and higher activity levels in all of Pason's international markets.

Adjusted EBITDA was $42.5 million for the quarter, an increase of 62%. Adjusted EBITDA as a percentage of revenue was 52% compared to 41% one year ago. The drivers of this improvement were the significant increase in revenue with high incremental margins. Pason recorded net income for the quarter of $24.4 million ($0.28 per share) compared to $7.4 million ($0.08 per share) in the prior year quarter.

Capital expenditures for the quarter were $4.9 million and free cash flow was $26.9 million. At September 30, 2018, our working capital position stood at $235 million, including cash and short-term investments of $184 million. There is no debt on our balance sheet. We are maintaining our quarterly dividend at $0.18 share.

At the beginning of this year, we began reporting our revenue along five product categories to better reflect the changing nature of Pason's business as follows:

- ***Drilling Data*** contains all products and services associated with acquiring, displaying, storing, and delivering drilling data. Revenue in this segment increased 32% in the third quarter compared to the prior year period and accounted for 51% of our total revenue. The increase was driven by a 12% increase in total US land drilling activity and US market share gains from 59% to 61%. Drilling industry days and segment revenue in Canada were flat. Internationally, drilling activity increased in all major markets.
- ***Mud Management & Safety*** includes products such as the Pit Volume Totalizer (PVT), Gas Analyzer, Hazardous Gas Alarm, and the Electronic Choke Actuator. In the third quarter, Mud Management & Safety generated 27% of total revenue.
- ***Communications*** includes satellite and terrestrial Internet bandwidth, Wireless Rigsite, VoIP and Intercom services and accounted for 9% of total revenue. Revenue in this segment is showing lower growth because of the transition from satellite to terrestrial bandwidth with lower pricing and better user experience for customers.
- ***Drilling Intelligence*** bundles Pason's product offerings targeted at enabling our customers' drilling optimization and automation efforts. It contains products such as autodrillers, abbl Directional Advisor®, the ExxonMobil Drilling Advisory System® and Pivot, a pipe oscillation system for improving slide drilling. Drilling Intelligence is our highest growth segment as revenue increased 73% in the third quarter compared to the prior year and accounted for 9% of our total revenue. Our level of confidence in the successful commercialization of new drilling intelligence products continues to grow. There currently are over 150 drilling rig installations of new Drilling Intelligence software in North America.
- ***Analytics & Other*** includes our Verdazo Discovery Analytics product suite, various reports, and other revenue streams. This segment is not as directly correlated to drilling activity and accounted for 4% of revenue.

We have increased our investment in R&D and IT in the first nine months of 2018 compared to the previous year period with a focus on machine learning algorithms, particularly in Drilling Intelligence and Mud

Management & Safety. 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 and up to $30 million in 2019. Our highly capable and flexible IT and communications platform can host additional new Pason and third-party software at the rigsite and in the Cloud.

From a macro perspective, the oil market continued to tighten in the third quarter. Despite continued strong production from the US and increasing output from OPEC countries, we had seen a further draw in global inventories and an increase in oil prices. The tightening supply and demand balance was driven by accelerating decline rates in the international production base and by the reduction in exports from Venezuela and Iran.

In the United States there are concerns for industry activity in the coming few quarters given take-away constraints across several basins, especially in the Permian in Texas and New Mexico. However, we have not yet seen any signs of a slowdown and we expect activity levels to plateau, rather than decline significantly. It is expected that the Permian takeaway constraints will be addressed in the next 12-18 months.

In Canada, we expect activity in the upcoming winter drilling season to be somewhat lower than last year. We continue to be concerned about the medium-term outlook for Canadian oil and gas as the ongoing crude oil and natural gas takeaway capacity issues, and price differentials, continue to create an environment of extreme caution for Canadian E&P companies.

In aggregate, we expect drilling activity in Pason's core markets to be largely flat in 2019 compared to 2018. Our market positions remain strong, and we expect to be able to deliver growth through higher product adoption going forward. 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 continue to be very well-positioned to participate in the industry's recovery and growth.

Marcel Kessler
President and Chief Executive Officer
November 7, 2018

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of November 7, 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 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 EDR day

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

EBITDA

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

Adjusted EBITDA

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

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

Free cash flow

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

Overall Performance

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**42,090**	31,889	32	**114,805**	88,974	29
Mud Management and Safety	**22,299**	19,288	16	**62,863**	53,225	18
Communications	**7,504**	6,567	14	**21,413**	18,440	16
Drilling Intelligence	**7,111**	4,099	73	**16,066**	11,313	42
Analytics and Other	**3,340**	2,733	22	**9,281**	7,465	24
Total revenue	**82,344**	64,576	28	**224,428**	179,417	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 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.

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

Pason Electronic Drilling Recorder (EDR) Rental Days

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	**2018**	2017	Change
	#	#	(%)	#	#	(%)
Canada	**16,100**	16,900	(5)	**45,500**	49,900	(9)
United States	**57,500**	49,500	16	**164,700**	128,500	28

Total revenue increased 28% and 25% for the three and nine months ending September 2018, over the same period in 2017. This increase is attributable to an increase in revenue per EDR day in all three operating segments combined with an increase in the activity in the US operating segment.

Industry activity in the US market increased 12% in the third quarter of 2018 compared to the corresponding period in 2017, while third quarter Canadian industry activity was consistent in the third quarter of 2018 compared to the corresponding period in 2017. US EDR days increased by 16% in the third quarter of 2018 compared to the corresponding period in 2017, while third quarter Canadian EDR days, which includes non-oil and gas-related activity, decreased 5% from 2017 levels.

In the third quarter of 2018, the Pason EDR was installed on 61% of the land rigs in the US market compared to 59% during the same time period of 2017.

In the third quarter of 2018, the Pason EDR was installed on 85% of the land rigs in the Canadian market compared to 88% during the same period of 2017. 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 increase in drilling activity in the US market combined with increases in the adoption of certain EDR peripherals, most notably the alarms and sensors, and an increase in revenue from the Company's drilling intelligence products.

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

Discussion of Operations

United States Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**29,640**	20,888	42	**80,311**	56,630	42
Mud Management and Safety	**15,274**	12,763	20	**43,153**	34,352	26
Communications	**4,099**	3,458	19	**11,997**	9,443	27
Drilling Intelligence	**3,774**	2,266	67	**8,827**	5,723	54
Analytics and Other	**1,382**	1,303	6	**4,267**	3,691	16
Total revenue	**54,169**	40,678	33	**148,555**	109,839	35
Rental services and local administration	**18,317**	17,130	7	**52,657**	47,642	11
Depreciation and amortization	**4,200**	4,151	1	**12,128**	13,322	(9)
Segment gross profit	**31,652**	19,397	63	**83,770**	48,875	71

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Revenue per EDR day - USD	**716**	647	**694**	648
Revenue per EDR day - CAD	**936**	809	**893**	847

Revenue from the US operations increased by 33% in the third quarter of 2018 over the 2017 comparable period (28% when measured in USD). For the first nine months of 2018, revenue increased 35% compared to the prior period (37% when measured in USD).

Industry activity in the US market increased by 12% in the third quarter of 2018 over the 2017 comparable period. For the first nine months of 2018, industry activity increased by 19% compared to the prior period. US market share was 61% for the third quarter of 2018 compared to 59% during the same period of 2017. For the first nine months of 2018, US market share was 61% compared to 57% during the same period of 2017. The increase in market share is driven by market share growth in key US regions combined with changes in the mix of active customers.

EDR rental days increased by 16% in the third quarter of 2018 over the 2017 comparable period. Revenue per EDR day increased to US$716 in the third quarter of 2018, an increase of US$69 over the same period in 2017. The increase in revenue per EDR day was driven by higher adoption of certain peripheral products and selective price increases on certain products.

Revenue per EDR day for the first nine months of 2018 was US$694, an increase of US$46 from the same period of 2017.

Rental services and local administration increased by 7% in the third quarter of 2018 over the 2017 comparative period (6% when measured in USD). For the first nine months of 2018, rental services and local administration increased 11% over the 2017 comparative period (15% when measured in USD). The increase in operating costs is attributable higher field staff levels and higher direct costs to support additional activity.

Depreciation expense increased by 1% in the third quarter of 2018 over the 2017 comparative period. For the first nine months of 2018, depreciation expense decreased 9% over the 2017 comparative period.

Segment gross profit increased by $12.3 million or 63% in the third quarter of 2018 over the 2017 comparative period. For the first nine months of 2018, segment gross profit was $83.8 million. This represents an increase of 71% over the 2017 comparative period.

Canadian Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**7,804**	7,763	1	**21,904**	22,365	(2)
Mud Management and Safety	**5,333**	5,366	(1)	**14,956**	15,475	(3)
Communications	**3,028**	2,869	6	**8,303**	8,222	1
Drilling Intelligence	**2,869**	1,414	103	**6,104**	4,192	46
Analytics and Other	**981**	908	8	**2,837**	2,532	12
Total revenue	**20,015**	18,320	9	**54,104**	52,786	2
Rental services and local administration	**6,046**	6,473	(7)	**19,510**	17,826	9
Depreciation and amortization	**3,900**	6,053	(36)	**12,508**	17,632	(29)
Segment gross profit	**10,069**	5,794	74	**22,086**	17,328	27

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Revenue per EDR day - CAD	**1,191**	1,041	**1,133**	1,010

Canadian drilling activity in the third quarter of 2018 was flat relative to the same period in 2017 . The level of activity during the quarter was affected by weather-related issues during September. For the first nine months of 2018, drilling activity decreased by 6% compared to the same period in 2017 . Rig activity reflected the challenging industry outlook and takeaway capacity issues in the WCSB.

Canadian segment revenue increased by 9% in the third quarter of 2018 over the 2017 comparative period. For the first nine months of 2018, revenue increased by 2% compared to the prior period.

Canadian market share was 85% for the third quarter of 2018 compared to 88% during the same period of 2017. For the first nine months of 2018, Canadian market share was 86% compared to 89% during the same period of 2017.

EDR rental days decreased 5% in the third quarter of 2018 compared to 2017 . On a year-to-date basis EDR rental days decreased 9% over 2017 levels. Revenue per EDR day increased by $150 to $1,191 during the third quarter of 2018 compared to 2017. For the first nine months of 2018, revenue per EDR day increased by $123 to $1,133. The increase is driven by higher adoption of certain EDR peripherals and the successful introduction of drilling intelligence products.

Rental services and local administration decreased by 7% in the third quarter of 2018 relative to the same period in 2017. For the first nine months of 2018, rental services and local administration increased 9%

compared to the same period in 2017. The increase is due to repair costs and other direct field costs incurred primarily in the first two quarters of 2018.

Depreciation and amortization expense decreased by 36% in the third quarter of 2018 over the 2017 comparative period. The decrease is a result of lower capital programs since 2014 and a drop in amortization expense of previously deferred research and development costs as fewer project costs are being capitalized for accounting purposes.

Segment gross profit for the third quarter of 2018 increased 74% to $10.1 million in the third quarter of 2018 compared to $5.8 million in segment gross profit in the 2017 comparative period.

International Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**4,646**	3,238	43	**12,590**	9,979	26
Mud Management and Safety	**1,692**	1,159	46	**4,754**	3,398	40
Communications	**377**	240	57	**1,113**	775	44
Drilling Intelligence	**468**	419	12	**1,135**	1,398	(19)
Analytics and Other	**977**	522	87	**2,177**	1,242	75
Total revenue	**8,160**	5,578	46	**21,769**	16,792	30
Rental services and local administration	**4,434**	4,317	3	**13,882**	13,282	5
Depreciation and amortization	**804**	980	(18)	**2,663**	3,026	(12)
Segment gross profit	**2,922**	281	940	**5,224**	484	979

Drilling activity increased in the Company's major international markets, although the majority of the absolute gains were seen in Australia, Argentina, and the Andean region. The increase in activity in Argentina was offset by a weaker Argentinian peso compared to the prior year.

Revenue in the International segment increased by 46% in the third quarter of 2018 compared to the same period in 2017. For the first nine months of 2018, revenue increased by 30% compared to the prior period.

Rental services and local administration expenses increased by 3% in the third quarter of 2018 compared to the same period in 2017. For the first nine months of 2018, rental services and local administration expense increased by 5% compared to the prior period.

Depreciation expense decreased by 18% in the third quarter of 2018 compared to the same period in 2017.

Segment gross profit was $2.9 million for the third quarter of 2018, an improvement from the $0.3 million profit recorded in the corresponding period in 2017. For the first nine months of 2018, segment gross profit was $5.2 million compared to $0.5 million in 2017.

Corporate Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Other expenses						
Research and development	**6,711**	6,945	(3)	**19,687**	19,083	3
Corporate services	**4,363**	3,553	23	**12,008**	11,157	8
Stock-based compensation	**2,589**	3,145	(18)	**8,978**	8,869	1
Other						
Foreign exchange (gain) loss	**(1,516)**	113	—	**6,675**	(353)	—
Other	**(644)**	552	—	**(458)**	768	—
Total corporate expenses	**11,503**	14,308	(20)	**46,890**	39,524	19

Corporate service expenses increased in the third quarter of 2018 over the 2017 comparative period due to one time costs combined with certain expenses being recognized in different periods in 2018 as compared to 2017.

Q3 2018 vs Q2 2018

Consolidated revenue was $82.3 million in the third quarter of 2018 compared to $68.3 million in the second quarter of 2018, an increase of $14.0 million or 21%. The second quarter of the year is typically the weakest for the Company due to the seasonality of Canadian drilling activity. US and international activity levels continued to increase and this partially offset the anticipated drop in Canadian activity.

Revenue in the US segment was $54.2 million in the third quarter of 2018 compared to $50.3 million in the second quarter of 2018, an increase of $3.9 million or 8% as industry activity, market share and revenue per EDR day all increased. The Canadian segment earned revenue of $20.0 million in the third quarter of 2018 compared to $10.7 million in the second quarter of 2018, an increase of $9.4 million or 88%. The International segment earned revenue of $8.2 million in the third quarter of 2018 compared to $7.3 million in the second quarter of 2018, an increase of $0.8 million or 11%.

Adjusted EBITDA, which adjusts EBITDA for foreign exchange and certain non-recurring charges, was $42.5 million in the third quarter of 2018 compared to $29.5 million in the second quarter of 2018. Funds flow from operations was $36.0 million in the third quarter of 2018 compared to $27.8 million in the second quarter of 2018.

The Company recorded net income in the third quarter of 2018 of $24.4 million ($0.28 per share) compared to a profit of $5.5 million ($0.06 per share) in the second quarter of 2018. The Company recorded an unrealized foreign exchange gain in the third quarter of 2018 compared to a significant unrealized foreign exchange loss in the second quarter of 2018.

Third Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its third quarter 2018 results at 9:00 am (Calgary time) on Thursday, November 8, 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 3476978.

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.

Condensed Consolidated Interim Balance Sheets

As at	September 30, 2018	December 31, 2017
(CDN 000s) (unaudited)	**($)**	($)
Assets		
Current		
Cash and cash equivalents	**119,762**	154,129
Short-term investments	**64,725**	—
Trade and other receivables	**70,684**	55,069
Income tax recoverable other	**15,304**	17,881
Prepaid expenses	**4,096**	4,028
Income taxes recoverable	**5,413**	3,946
Total current assets	**279,984**	235,053
Non-current		
Property, plant and equipment	**117,323**	127,685
Intangible assets and goodwill	**32,377**	34,318
Deferred tax assets	**—**	1,390
Total non-current assets	**149,700**	163,393
Total assets	**429,684**	398,446
Liabilities and equity		
Current		
Trade payables and accruals	**23,511**	20,391
Income taxes payable other	**15,304**	17,881
Stock-based compensation liability	**6,398**	3,089
Total current liabilities	**45,213**	41,361
Non-current		
Stock-based compensation liability	**4,849**	2,758
Deferred tax liabilities	**16,165**	4,515
Onerous lease obligation	**2,189**	2,326
Total non-current liabilities	**23,203**	9,599
Equity		
Share capital	**156,440**	150,887
Share-based benefits reserve	**27,072**	24,425
Foreign currency translation reserve	**48,065**	40,358
Retained earnings	**129,691**	131,816
Total equity	**361,268**	347,486
Total liabilities and equity	**429,684**	398,446

Condensed Consolidated Interim Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 (Restated)	**2018**	2017 (Restated)
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**82,344**	64,576	**224,428**	179,417
Operating expenses				
Rental services	**25,648**	25,245	**76,896**	70,827
Local administration	**3,149**	2,675	**9,153**	7,923
Depreciation and amortization	**8,904**	11,184	**27,299**	33,980
	37,701	39,104	**113,348**	112,730
Gross profit	**44,643**	25,472	**111,080**	66,687
Other expenses				
Research and development	**6,711**	6,945	**19,687**	19,083
Corporate services	**4,363**	3,553	**12,008**	11,157
Stock-based compensation expense	**2,589**	3,145	**8,978**	8,869
Other (income) expense	**(2,160)**	665	**6,217**	415
	11,503	14,308	**46,890**	39,524
Income before income taxes	**33,140**	11,164	**64,190**	27,163
Income tax provision	**8,754**	3,760	**21,966**	6,987
Net income	**24,386**	7,404	**42,224**	20,176
Income per share				
Basic	**0.29**	0.08	**0.50**	0.24
Diluted	**0.28**	0.08	**0.49**	0.24

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 (Restated)	**2018**	2017 (Restated)
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net income	**24,386**	7,404	**42,224**	20,176
Items that may be reclassified subsequently to net income:				
Tax expense (recovery) on net investment in foreign operations related to an inter-company financing	**632**	1,409	**(1,134)**	2,685
Foreign currency translation adjustment	**(9,813)**	(12,61)	**8,841**	(23,351)
Other comprehensive gain (loss)	**(9,181)**	(11,204)	**7,707**	(20,666)
Total comprehensive income (loss)	**15,205**	(3,800)	**49,931**	(490)

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	—	—	—	20,176	20,176
Dividends	—	—	—	(43,238)	(43,238)
Other comprehensive loss - as restated	—	—	(20,666)	—	(20,666)
Exercise of stock options	6,290	(1,516)	—	—	4,774
Expense related to vesting of options	—	2,617	—	—	2,617
Balance at September 30, 2017	146,020	24,127	38,906	141,261	350,314
Net income - as restated	—	—	—	5,014	5,014
Dividends	—	—	—	(14,459)	(14,459)
Other comprehensive loss	—	—	1,452	—	1,452
Exercise of stock options	3,117	(731)	—	—	2,386
Expense related to vesting of options	—	1,029	—	—	1,029
Verdazo Acquisition	1,750	—	—	—	1,750
Balance at December 31, 2017	150,887	24,425	40,358	131,816	347,486
Net income	—	—	—	42,224	42,224
Dividends	—	—	—	(44,349)	(44,349)
Other comprehensive income	—	—	7,707	—	7,707
Exercise of stock options	5,553	(888)	—	—	4,665
Expense related to vesting of options	—	3,535	—	—	3,535
Balance at September 30, 2018	**156,440**	**27,072**	**48,065**	**129,691**	**361,268**

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 (Restated)	**2018**	2017 (Restated)
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Cash from (used in) operating activities				
Net income	**24,386**	7,404	**42,224**	20,176
Adjustment for non-cash items:				
Depreciation and amortization	**8,904**	11,184	**27,299**	33,980
Stock-based compensation	**2,589**	3,145	**8,978**	8,869
Deferred income taxes	**1,328**	(20)	**11,992**	(685)
Unrealized foreign exchange (gain) loss and other	**(1,168)**	(1,817)	**7,340**	(2,575)
Funds flow from operations	**36,039**	19,896	**97,833**	59,765
Movements in non-cash working capital items:				
Decrease in trade and other receivables	**(11,941)**	(6,954)	**(18,688)**	(5,138)
Decrease in prepaid expenses	**(1,374)**	(1,418)	**(99)**	(1,160)
Decrease in income taxes	**10,324**	3,811	**11,594**	13,377
Increase in trade payables, accruals and stock-based compensation liability	**2,989**	2,609	**2,011**	5,743
Effects of exchange rate changes	**(75)**	(23)	**235**	962
Cash generated from operating activities	**35,962**	17,921	**92,886**	73,549
Income tax paid	**(4,153)**	(2,793)	**(9,116)**	(4,389)
Net cash from operating activities	**31,809**	15,128	**83,770**	69,160
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**993**	1,694	**4,665**	4,774
Payment of dividends	**(15,378)**	(14,425)	**(44,349)**	(43,238)
Net cash used in financing activities	**(14,385)**	(12,731)	**(39,684)**	(38,464)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment	**(3,819)**	(5,126)	**(12,144)**	(10,406)
Development costs	**(1,039)**	(245)	**(3,282)**	(1,198)
Proceeds on disposal of investment and property, plant and equipment	**92**	47	**188**	61
Purchase of short-term investments	**—**	—	**(65,840)**	—
Acquisition	**—**	—	**—**	(4,750)
Proceeds on sale of net operating assets	**—**	—	**—**	7,123
Changes in non-cash working capital	**(163)**	1,198	**387**	1,524
Net cash used in investing activities	**(4,929)**	(4,126)	**(80,691)**	(7,646)
Effect of exchange rate on cash and cash equivalents	**(4,075)**	(5,354)	**2,238**	(10,092)
Net increase (decrease) in cash and cash equivalents	**8,420**	(7,083)	**(34,367)**	12,958
Cash and cash equivalents, beginning of period	**111,342**	166,520	**154,129**	146,479
Cash and cash equivalents, end of period	**119,762**	159,437	**119,762**	159,437

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 September 30, 2018	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue				
Drilling Data	**7,804**	**29,640**	**4,646**	**42,090**
Mud Management and Safety	**5,333**	**15,274**	**1,692**	**22,299**
Communications	**3,028**	**4,099**	**377**	**7,504**
Drilling Intelligence	**2,869**	**3,774**	**468**	**7,111**
Analytics and Other	**981**	**1,382**	**977**	**3,340**
Total Revenue	**20,015**	**54,169**	**8,160**	**82,344**
Rental services and local administration	**6,046**	**18,317**	**4,434**	**28,797**
Depreciation and amortization	**3,900**	**4,200**	**804**	**8,904**
Segment gross profit	**10,069**	**31,652**	**2,922**	**44,643**
Research and development				**6,711**
Corporate services				**4,363**
Stock-based compensation				**2,589**
Other (income)				**(2,160)**
Income tax				**8,754**
Net income				**24,386**
Capital expenditures	**1,285**	**2,298**	**1,275**	**4,858**
As at September 30, 2018				
Property plant and equipment	**38,216**	**65,503**	**13,604**	**117,323**
Goodwill	**1,259**	**7,387**	**2,600**	**11,246**
Intangible assets	**21,090**	**41**	**—**	**21,131**
Segment assets	**112,550**	**271,754**	**45,380**	**429,684**
Segment liabilities	**48,696**	**15,145**	**4,575**	**68,416**

Three Months Ended September, 2017 (Restated)	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
Revenue				
Drilling Data	7,763	20,888	3,238	31,889
Mud Management and Safety	5,366	12,763	1,159	19,288
Communications	2,869	3,458	240	6,567
Drilling Intelligence	1,414	2,266	419	4,099
Analytics and Other	908	1,303	522	2,733
Total Revenue	18,320	40,678	5,578	64,576
Rental services and local administration	6,473	17,130	4,317	27,920
Depreciation and amortization	6,053	4,151	980	11,184
Segment gross profit	5,794	19,397	281	25,472
Research and development				6,945
Corporate services				3,553
Stock-based compensation				3,145
Other expense				665
Income tax				3,760
Net income				7,404
Capital expenditures	(363)	5,213	521	5,371
As at September 30, 2017				
Property plant and equipment	43,187	67,393	17,453	128,033
Goodwill	1,259	7,183	2,600	11,042
Intangible assets	25,304	141	—	25,445
Segment assets	109,863	243,696	45,367	398,926
Segment liabilities	25,954	10,253	12,405	48,612

Nine Months Ended September 30, 2018	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	21,904	80,311	12,590	114,805
Mud Management and Safety	14,956	43,153	4,754	62,863
Communications	8,303	11,997	1,113	21,413
Drilling Intelligence	6,104	8,827	1,135	16,066
Analytics and Other	2,837	4,267	2,177	9,281
Total Revenue	54,104	148,555	21,769	224,428
Rental services and local administration	19,510	52,657	13,882	86,049
Depreciation and amortization	12,508	12,128	2,663	27,299
Segment gross profit	22,086	83,770	5,224	111,080
Research and development				19,687
Corporate services				12,008
Stock-based compensation				8,978
Other expenses				6,217
Income tax expense				21,966
Net income				42,224
Capital expenditures	4,336	9,097	1,993	15,426
As at September 30, 2018				
Property plant and equipment	38,216	65,503	13,604	117,323
Goodwill	1,259	7,387	2,600	11,246
Intangible assets	21,090	41	—	21,131
Segment assets	112,550	271,754	45,380	429,684
Segment liabilities	48,696	15,145	4,575	68,416

Nine Months Ended September 30, 2017 (Restated)	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	22,365	56,630	9,979	88,974
Mud Management and Safety	15,475	34,352	3,398	53,225
Communications	8,222	9,443	775	18,440
Drilling Intelligence	4,192	5,723	1,398	11,313
Analytics and Other	2,532	3,691	1,242	7,465
Total Revenue	52,786	109,839	16,792	179,417
Rental services and local administration	17,826	47,642	13,282	78,750
Depreciation and amortization	17,632	13,322	3,026	33,980
Segment gross profit	17,328	48,875	484	66,687
Research and development				19,083
Corporate services				11,157
Stock-based compensation				8,869
Other income				415
Income tax expense				6,987
Net income				20,176
Capital expenditures	(245)	11,428	421	11,604
As at September 30, 2017				
Property plant and equipment	43,187	67,393	17,453	128,033
Goodwill	1,259	7,183	2,600	11,042
Intangible assets	25,304	141	—	25,445
Segment assets	109,863	243,696	45,367	398,926
Segment liabilities	25,954	10,253	12,405	48,612

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 third quarter of 2017, the income tax provision increased by $1,409. For the nine month period ended September 30, 2017, the income tax provision increased by $2,685.

Other (Income) Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	**2018**	2017
	($)	($)	**($)**	($)
Foreign exchange (gain) loss	**(1,516)**	113	**6,675**	(353)
Other	**(644)**	552	**(458)**	768
Other (income) expenses	**(2,160)**	665	**6,217**	415

The Company recorded a significant unrealized loss for the nine months ended September 30, 2018 as a result of the significant devaluation of the Argentinian peso relative to the Canadian dollar.

Short-term investments

During the second quarter of 2018, the Company invested in a USD $50,000 term deposit bearing an interest rate of 2.30% maturing in November, 2018. This is reflected on the Condensed Consolidated Interim Balance Sheet as Short-term investments.

Events After the Reporting Period

On November 7, 2018, the Company announced a quarterly dividend of $0.18 per share on the Company's common shares. The dividend will be paid on December 31, 2018 to shareholders of record at the close of business on December 14, 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, 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.