Press Release

Pason Reports Fourth Quarter 2020 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (February 24, 2021) – Pason Systems Inc. (TSX:PSI) announced today its 2020 fourth quarter results.

Highlights

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**32,758**	68,410	(52)	**156,636**	295,642	(47)
EBITDA [1]	**8,300**	25,555	(68)	**48,388**	124,763	(61)
Adjusted EBITDA [1]	**8,201**	26,615	(69)	**39,540**	129,644	(70)
As a % of revenue	**25.0**	38.9	(1,390) bps	**25.2**	43.9	(1,870) bps
Funds flow from operations	**8,939**	22,126	(60)	**40,560**	111,718	(64)
Per share – basic	**0.11**	0.26	(58)	**0.48**	1.31	(63)
Per share – diluted	**0.11**	0.26	(58)	**0.48**	1.30	(63)
Cash from operating activities	**(2,717)**	24,714	nmf	**58,583**	108,547	(46)
Capital expenditures	**465**	5,587	(92)	**5,159**	24,178	(79)
Free cash flow [1]	**(3,100)**	19,955	nmf	**53,864**	85,954	(37)
Cash dividends declared (per share)	**0.05**	0.19	(74)	**0.48**	0.74	(35)
Net (loss) income	**(2,662)**	10,096	nmf	**5,134**	53,803	(90)
Net (loss) income attributable to Pason	**(2,166)**	10,405	nmf	**6,568**	54,112	(88)
Per share – basic	**(0.03)**	0.12	nmf	**0.08**	0.63	(88)
Per share – diluted	**(0.03)**	0.12	nmf	**0.08**	0.63	(88)
Total interest bearing debt	**—**	—	—	**—**	—	—
Shares outstanding end of period (#000's)	**83,089**	84,538	(2)	**83,089**	84,538	(2)

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

Pason's financial results for the year ended December 31, 2020, were significantly impacted by the impacts of the COVID-19 pandemic on global oil and gas demand, and the related reduction in drilling activity in all of the Company's end markets. As a result, revenue of $156.6 million and Adjusted EBITDA of $39.5 million for the twelve months ended December 31, 2020, represent decreases over prior year results. During the year, Pason took necessary cost rationalization and restructuring measures to reflect lower industry activity levels, which allowed the Company to minimize losses while retaining technology development and service capabilities as industry rig counts reached historic lows in the third quarter of 2020, and furthermore, demonstrate the Company's strong operating leverage as North American and International rig counts began to improve throughout the fourth quarter.

In the fourth quarter, Pason generated consolidated revenue of $32.8 million, a decrease of 52% from the corresponding period in 2019, but a 42% increase from $23.1 million in the third quarter of 2020. Adjusted EBITDA was $8.2 million in the fourth quarter, a decrease of 69% or $18.4 million from the corresponding period in 2019, but a significant increase from an Adjusted EBITDA loss of $1.1 million in the third quarter of 2020 as the Company began to absorb its fixed cost base with improving activity levels. While the Company continued to defend and grow its competitive positioning in key markets, the year over year decline in revenue and Adjusted EBITDA is reflective of the challenging industry conditions that persisted throughout 2020.

Despite these challenging conditions, Pason continued to maintain a strong balance sheet with no interest bearing debt and $149.3 million in cash and cash equivalents as at December 31, 2020 (2019: $161.0 million). The Company generated $8.9 million in funds flow from operations in the fourth quarter (2019: $22.1 million), which was offset by investments in working capital to meet improving industry activity levels, resulting in a net cash outflow from operating activities of $2.7 million (2019: inflow of $24.7 million). Year-over-year, funds flow from operations and cash from operating activities was negatively impacted by the reduction in gross profit, offset by the Company receiving government wage subsidies and cost savings resulting from the 2020 restructuring.

Free cash flow was a loss of $3.1 million in the fourth quarter of 2020, compared to $20.0 million from the corresponding period in 2019. This decrease is due to the year-over-year reduction in cash from operating activities, partially offset by a 92% reduction in capital expenditures as part of the Company's ongoing efforts to remain disciplined with capital spending.

The Company recorded a net loss attributable to Pason of $2.2 million ($0.03 per share) in the fourth quarter of 2020 compared to net income attributable to Pason of $10.4 million ($0.12 per share) recorded in the corresponding period in 2019. The year-over-year decline is due to the factors outlined above, and furthermore, the fourth quarter results of 2020 include a charge resulting from the revaluation of a put option and an increase in stock-based compensation expense.

President’s Message

Throughout the fourth quarter of 2020, industry conditions continued to gradually improve from the low points they had reached during the third quarter. While North American drilling activity was down 58% year-over-year from the fourth quarter of 2019, it improved by 34% sequentially from the third quarter. The ongoing impacts of the COVID-19 pandemic are severe for our industry and our world and significant uncertainties remain, particularly around the spread of new virus variants and supply chain interruptions in the delivery of vaccines.

Pason’s financial results in the fourth quarter reflected the continued challenging industry conditions. Consolidated revenue for the quarter of $32.8 million was down 52% from 2019 levels and Adjusted EBITDA of $8.2 million was 69% lower than the prior year. Sequentially, the benefits of Pason’s operating leverage in periods of increasing industry activity were evident as Adjusted EBITDA improved by $9.3 million from the third quarter on a $9.7 million increase in revenue. Free cash flow was negative $3.1 million, driven by working capital requirements as the business recovered in the quarter.

For the full year, consolidated revenue of $156.6 million represented a 47% decrease from 2019 and Adjusted EBITDA of $39.5 million was 70% lower. Capital expenditures were reduced by 79% in 2020 to $5.2 million in response to dramatically lower activity levels. Free Cash Flow of $53.9 million was driven by stronger operating results in the first quarter before the full effects of the pandemic, a significant working capital recovery and lower levels of capital expenditures.

The company returned $50 million to shareholders in 2020 through a combination of dividends and share repurchases. Our balance sheet remains strong with positive working capital of $167.4 million, including $149.3 million of cash and cash equivalents. We are maintaining our quarterly dividend at $0.05 per share, and will continue to prudently deploy capital while protecting our balance sheet.

In the midst of ongoing public health guidelines and restrictions, our employees continue to balance the delivery of best-in-class service and new technologies for customers with ensuring the continued safety of themselves, their loved ones, and the people they encounter in their work. Momentum continues to build for our newest product offerings, including increasing demand for our data delivery services and a wider range of integrations for the Drilling Advisory System (DAS), as customers look to technology solutions to help drive further improvements in the efficiency and effectiveness of their drilling operations.

Through Energy Toolbase (ETB), we continue to advance the development of our product offering in the solar and energy storage market. ETB has maintained a strong subscriber base for its industry-leading economic analysis and proposal generation software, and additional bookings for installations of our control system continue to validate our belief that providing an integrated platform, which allows customers to model, control, and monitor energy storage systems provides a compelling value proposition.

Entering 2021, there is growing optimism as leading indicators point to a continued recovery in drilling activity. After hovering around US$40 per barrel for the first half of the fourth quarter, WTI oil prices have steadily climbed past US$50 per barrel. US oil production remains at levels approximately 15% below pre-pandemic levels. The inventory of drilled but uncompleted wells (DUCs) has been steadily decreasing since the summer. Crude oil and refined product storage levels have returned to their five-year historical range for the first time since the spring of 2020. The most recent Energy Information Administration (EIA) forecast calls for 5.4 million barrels per day of global oil demand growth in 2021, and a full recovery to 2019 demand levels by 2022.

Increasing demand will need to be met by additional supply and as storage levels decrease and production levels remain below historical norms, new drilling will be required. Pason's competitive position remains strong in each of our operating regions and we expect to fully participate in the continued recovery of industry activity. When we adjusted our cost structure to expected medium-term activity levels, we retained the required technology and service capabilities to maintain our competitive position and fully serve that level of activity. As such, we do not anticipate significant increases in our cost base in the medium-term. Incremental margins are expected to remain strong through 2021, but will fluctuate as the industry recovers and as the company begins to incur certain activity-related costs in anticipation of further revenue growth.

Continued consolidation of the North American E&P sector is likely to result in a smaller number of companies with a heighted focus on technology. We are prepared to increase our investments in technology development in order to meet the growing demands of these customers. Our capital expenditures will also begin to trend toward normalized levels with activity increases and as we continually refresh parts of our technology platform. We currently expect capital expenditures of up to $15 million in 2021.

Pason is committed to providing unmatched service quality and leadership in technology innovations and, with the dedicated efforts of our exceptional employees, we intend to deliver on these commitments to earn the continued support of our customers, suppliers, and shareholders.

Jon Faber

President and Chief Executive Officer
February 24, 2021

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of February 24, 2021, 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 for the twelve months ended December 31, 2020 and 2019, and accompanying notes, and Pason's Annual Information Form dated March 17, 2020.

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. For further information, please refer to Forward Looking Information.

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

Changes in Reportable Segments

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

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

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

Impact of Hyperinflation

Due to various qualitative and quantitative factors, Argentina has been designated a hyper-inflationary economy as of the second quarter of 2018 for accounting purposes. As such, the Company has applied accounting standards IAS 21, The Effects of Changes in Foreign Exchange, and IAS 29, Financial Reporting in Hyper-Inflationary Economies to these Consolidated Financial Statements for its Argentinian operating subsidiary. These Consolidated Financial Statements are based on the historical cost approach in IAS 29.

The impact of applying IAS 21 to the operating results of the Argentina subsidiary for the fourth quarter of 2020 was to decrease revenue by $276 and reduce segment gross profit by $571. The impact of applying IAS 29 to the non-monetary assets and liabilities, and shareholders' equity of the Argentina subsidiary resulted in a non-cash net monetary adjustment of $594 for the fourth quarter of 2020.

Impact on IFRS Measures

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
(Decrease) increase in revenue	**(276)**	792	nmf	**(745)**	(955)	(22)
Decrease (increase) in rental services and local administration expenses	**283**	(493)	nmf	**652**	562	16
(Increase) in depreciation expense	**(578)**	(340)	70	**(1,347)**	(598)	125
(Decrease) in segment gross profit	**(571)**	**(41)**	1293	**(1,440)**	**(991)**	45
Net monetary gain presented in other expenses	**594**	212	180	**1,874**	2,588	(28)
(Increase) decrease in income tax provision	**—**	(40)	nmf	**—**	40	nmf
Increase in net income	**23**	**131**	(82)	**434**	**1,637**	(73)

Impact on Non-IFRS Measures

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
(Decrease) increase in revenue	**(276)**	792	nmf	**(745)**	(955)	(22)
Decrease (increase) in rental services and local administration expenses	**283**	(493)	nmf	**652**	562	16
Net monetary gain presented in other expenses	**594**	212	180	**1,874**	2,588	(28)
Increase in EBITDA	**601**	511	18	**1,781**	2,195	(19)
(Elimination) of net monetary gain presented in other expenses	**(594)**	(212)	180	**(1,874)**	(2,588)	(28)
Increase (decrease) in Adjusted EBITDA	**7**	299	(98)	**(93)**	(393)	(76)

Additional IFRS Measures

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

Funds flow from operations

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

Cash from operating activities

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

Non-IFRS Financial Measures

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

Revenue per Industry day

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

EBITDA and Adjusted EBITDA

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

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

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

Free cash flow

Free cash flow is defined as cash from operating activities plus proceeds on disposal of property, plant, and equipment, less capital expenditures (including changes to non-cash working capital associated with capital expenditures), and deferred development costs. This metric provides a key measure on the Company's ability to generate cash from its principal business activities after funding capital expenditure programs, 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 December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**17,099**	35,915	(52)	**82,081**	156,208	(47)
Mud Management and Safety	**8,893**	19,768	(55)	**45,025**	85,827	(48)
Communications	**1,859**	4,438	(58)	**8,839**	19,760	(55)
Drilling Intelligence	**2,108**	4,619	(54)	**9,765**	20,321	(52)
Analytics and Other	**2,799**	3,670	(24)	**10,926**	13,526	(19)
Total revenue	**32,758**	68,410	(52)	**156,636**	295,642	(47)

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

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

Throughout 2020, the COVID-19 pandemic continued to have a significant negative impact on the demand for fossil fuels, which combined with a supply imbalance led to a decline in commodity prices. As a result, oil and gas operators took a very cautious approach to capital spending and the global drilling industry saw a significant decline in the active rig counts in all major markets the Company operates in.

Total revenue decreased by 52% in the fourth quarter of 2020 compared to the corresponding period in 2019 due to the decrease in industry activity in the North American and International operating segments, partially offset by an increase in North American Revenue per Industry Day as the Company continued to defend and grow its leading market share position.

Discussion of Operations

North American Operations

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**13,940**	29,877	(53)	**69,861**	132,590	(47)
Mud Management and Safety	**7,460**	17,610	(58)	**38,848**	78,260	(50)
Communications	**1,677**	4,000	(58)	**8,083**	18,146	(55)
Drilling Intelligence	**2,022**	4,252	(52)	**9,263**	18,986	(51)
Analytics and Other	**1,219**	1,704	(28)	**5,324**	8,721	(39)
Total revenue	**26,318**	57,443	(54)	**131,379**	256,703	(49)
Rental services and local administration	**11,099**	22,833	(51)	**57,132**	96,238	(41)
Depreciation and amortization	**6,509**	9,406	(31)	**30,037**	36,421	(18)
Segment gross profit	**8,710**	25,204	(65)	**44,210**	124,044	(64)

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
	($)	($)	(%)	**($)**	($)	(%)
Revenue per Industry day	**721**	669	8	**706**	665	6

Although North American industry activity throughout the fourth quarter improved from the lows experienced in the third quarter, challenging industry conditions remained. Revenue in the North American business unit was $26.3 million during the fourth quarter of 2020, a decrease of 54% from the comparable period in 2019, while average North American land rig count fell 58% during the same comparative periods. Despite the challenging industry conditions, Pason managed to increase its North American Revenue per Industry Day to $721 during the fourth quarter of 2020, an increase of 8% from the comparable period in 2019. The increase in Revenue per Industry Day was primarily achieved through market share growth and favourable geographic sales mix within North America, offsetting selective price concessions and a weaker US dollar. As certain regions within the North American segment experience fluctuations in activity levels due to seasonality, Pason expects Revenue per Industry Day to fluctuate with the relative revenue levels associated within North American regions.

Rental services and local administration decreased by 51% in the fourth quarter of 2020 over the 2019 comparative period. The decrease in operating costs is attributable to the Company's restructuring efforts to support lower levels of current and anticipated activity levels.

Depreciation and amortization decreased by 31% down in the fourth quarter of 2020 over the 2019 comparative period. The decrease is due to a combination of lower capital expenditures in recent years, along with several development projects becoming fully amortized at the beginning of 2020.

Segment gross profit was $8.7 million during the fourth quarter of 2020 compared to $25.2 million in the 2019 comparative period, representing a 65% decline year-over-year, due to the factors outlined above.

International Operations

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**3,159**	6,038	(48)	**12,220**	23,618	(48)
Mud Management and Safety	**1,433**	2,158	(34)	**6,177**	7,567	(18)
Communications	**182**	438	(58)	**756**	1,614	(53)
Drilling Intelligence	**86**	367	(77)	**502**	1,335	(62)
Analytics and Other	**878**	971	(10)	**2,248**	3,600	(38)
Total revenue	**5,738**	9,972	(42)	**21,903**	37,734	(42)
Rental services and local administration	**3,160**	5,942	(47)	**14,626**	21,313	(31)
Depreciation and amortization	**1,374**	1,302	6	**4,357**	4,384	(1)
Segment gross profit	**1,204**	2,728	(56)	**2,920**	12,037	(76)

The International business unit's revenue decreased by 42% in the fourth quarter of 2020 over the 2019 comparative period as activity levels in the Company's major international markets also experienced a significant reduction in activity, as was witnessed in North America.

Rental services and local administration decreased by 47% in the fourth quarter of 2020 over the 2019 comparative period. The decrease in operating costs is attributable to the Company's restructuring efforts to support lower levels of current and anticipated activity levels.

Segment gross profit was $1.2 million during the fourth quarter of 2020 compared to $2.7 million in the 2019 comparative period, due to the factors outlined above.

Solar and Energy Storage Operations

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Analytics and Other	**702**	995	(29)	**3,354**	1,205	178
Total revenue	**702**	995	(29)	**3,354**	1,205	178
Operating expenses and local administration (1)	**1,471**	1,240	19	**6,058**	2,441	148
Depreciation and amortization	**5**	5	—	**23**	25	(8)
Segment gross (loss)	**(774)**	(250)	210	**(2,727)**	(1,261)	116

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

Revenue generated by the Solar and Energy Storage business unit was $0.7 million in the fourth quarter of 2020 compared to $1.0 million during the 2019 comparative period, for which the majority continues to be comprised of subscription based software licenses for solar energy planning tools. The reduction in revenue in the fourth quarter is primarily due to the recognition of deferred revenue for contracts extending into 2021. Operating expenses and local administration was $1.5 million during the fourth quarter of 2020 compared to $1.2 million during the comparable period. Segment gross loss was $0.8 million for the fourth quarter of 2020 compared to a segment gross loss of $0.3 million during the 2019 comparable period.

Results in 2020 for the Solar and Energy Storage segment reflect results generated from Energy Toolbase Inc, the Company formed through the amalgamation of the former Pason Power entity and Energy Toolbase LLC (ETB), which was acquired on September 10, 2019. Comparatively, results in 2019 only reflect activity from the amalgamated ETB from September 10, 2019, onwards.

The Solar and Energy Storage business unit incurred the following research and development costs, which are included in research and development in the Consolidated Statement of Operations. These costs are excluded from the segment gross loss table above.

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Research and development	**838**	504	66	**3,372**	2,470	37

Corporate Expenses

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Research and development	**5,941**	7,470	(20)	**26,977**	30,439	(11)
Corporate services	**2,294**	4,240	(46)	**11,275**	15,653	(28)
Stock-based compensation	**2,818**	1,481	90	**4,840**	10,840	(55)
Total corporate expenses	**11,053**	13,191	(16)	**43,092**	56,932	(24)

During the second quarter of 2020, the Company initiated cost reduction initiatives to address the anticipated prolonged downturn in oil and gas drilling activity in all of its markets, which included headcount reductions. Accordingly, the Company recorded reorganization costs of $5.6 million within other (income) expenses, which is comprised of termination and other staff related costs. The Company also reversed certain discretionary compensation accruals in the fourth quarter. As a result, research and development and corporate service expenses have declined compared to 2019 levels.

The change in stock-based compensation expense for both the three and twelve months ended December 31, 2020, versus the 2019 comparative periods is largely attributable to the respective changes in the Company's share price performance.

Other (Income) Expenses

	Three Months Ended December 31,			Year Ended December 31,		
	2020	2019	Change	**2020**	2019	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Other (income) expenses						
Government wage assistance	**(2,244)**	—	—	**(9,941)**	—	—
Derecognition of onerous lease	**—**	—	—	**(5,757)**	4,289	*nmf*
Net monetary gain	**(594)**	(511)	16	**(1,874)**	(2,887)	(35)
Interest income	**(99)**	(755)	(87)	**(1,219)**	(1,481)	(18)
Net interest expense - lease liability	**73**	174	(58)	**352**	578	(39)
Equity loss (income)	**592**	70	746	**1,028**	(86)	*nmf*
Foreign exchange loss	**968**	930	4	**1,113**	2,199	(49)
Put option revaluation	**1,812**	—	—	**1,812**	—	—
Reorganization costs	**—**	—	—	**5,554**	—	—
Other	**(41)**	641	*nmf*	**245**	1,280	(81)
Total other (income) expenses	**467**	549	(15)	**(8,687)**	3,892	(323)

During 2020, the Company was eligible to participate in the Canada Emergency Wage Subsidy (CEWS) program. As a result, a CEWS benefit of $2.2 million and $9.9 million was recorded as government wage assistance in the three and twelve months ended December 31, 2020, respectively.

During 2019, the Company was notified that the tenant leasing the Company's previous office space in Colorado, USA, filed for Chapter 7 bankruptcy. As a result, the Company derecognized the lease receivable and reported $4.3 million in other expenses. During the second quarter of 2020, the Company entered into an agreement to terminate the lease. As a result, a recovery of $5.8 million was recorded as other income which represents the derecognition of the previously outstanding lease liability, offset by a termination payment.

In the fourth quarter of 2020, the Company recorded a $1.8 million increase to the obligation under put option associated with the purchase of ETB to reflect the change in the fair value of the outstanding obligation. This increase was recorded within other (income) expenses as outlined above.

Net monetary gain included in other (income) expenses is a result of applying hyperinflation accounting to the Company's Argentinian subsidiary. The equity loss is a result of the Company using the equity method of accounting to account for its investment in Intelligent Wellhead Systems Inc. and reflects the current period change in the value of the Company's equity investment.

Q4 2020 vs Q3 2020

Following the historic lows in industry activity in Q3 2020, North America and International rig counts increased throughout the fourth quarter. Consolidated revenue was $32.8 million in the fourth quarter of 2020, a 42% increase compared to consolidated revenue of $23.1 million in the third quarter of 2020.

Revenue in the North American business unit was $26.3 million in the fourth quarter of 2020, a 44% increase compared to revenue of $18.3 million in the third quarter of 2020. The increase in revenue is attributable to an increase in the North American industry activity, as well as an increase in Revenue per Industry Day.

The International business unit reported revenue of $5.7 million in the fourth quarter of 2020, a 48% increase compared to revenue of $3.9 million in the third quarter of 2020. The increase in revenue is attributable to the easing of COVID-19 related restrictions in certain markets, most notably in Argentina and Australia.

Gross profit was $9.1 million in the fourth quarter of 2020, an increase of $8.7 million compared to the third quarter of 2020. Adjusted EBITDA was $8.2 million in the fourth quarter of 2020 compared to a loss of $1.1 million during the third quarter of 2020. The increase in gross profit and Adjusted EBITDA is mainly due to the $9.7 million increase in revenue, and continues to demonstrate Pason's operating leverage as the Company began to absorb its fixed cost base with improving activity levels.

Cash from operating activities was a loss of $2.7 million in the fourth quarter of 2020, compared to a cash inflow of $5.8 million in the third quarter of 2020, with the decrease primarily due to the working capital investments required to meet increased activity levels quarter-over-quarter.

The Company recorded a net loss attributable to Pason in the fourth quarter of 2020 of $2.2 million ($0.03 per share) compared to a net loss attributable to Pason of $3.7 million ($0.04 per share) in the third quarter of 2020. The 2020 fourth quarter results benefited from the increased activity levels as noted above, but also include a charge resulting from the revaluation of a put option and an increase in stock-based compensation expense.

Consolidated Balance Sheets

As at	December 31, 2020	December 31, 2019
(CDN 000s)	**($)**	($)
Assets		
Current		
Cash and cash equivalents	**149,282**	161,016
Trade and other receivables	**25,747**	59,716
Income taxes recoverable - other	**15,304**	15,304
Prepaid expenses	**2,973**	3,621
Income taxes recoverable	**3,489**	2,382
Total current assets	**196,795**	242,039
Non-current		
Property, plant and equipment	**94,986**	118,522
Investments	**24,719**	26,265
Intangible assets and goodwill	**44,916**	51,015
Total non-current assets	**164,621**	195,802
Total assets	**361,416**	437,841
Liabilities and equity		
Current		
Trade payables and accruals	**14,035**	34,420
Income taxes payable	**2,039**	3,133
Stock-based compensation liability	**1,426**	2,442
Lease liability	**1,929**	3,275
Obligation under put option	**10,000**	15,000
Total current liabilities	**29,429**	58,270
Non-current		
Deferred tax liabilities	**7,927**	8,566
Lease liability	**4,240**	11,532
Stock-based compensation liability	**3,384**	3,479
Obligation under put option	**11,153**	9,540
Total non-current liabilities	**26,704**	33,117
Equity		
Share capital	**164,568**	166,701
Share-based benefits reserve	**33,170**	30,863
Foreign currency translation reserve	**54,090**	57,830
Equity reserve	**(8,375)**	(8,375)
Retained earnings	**63,609**	99,806
Total equity attributable to equity holders of the Company	**307,062**	346,825
Non-controlling interest	**(1,779)**	(371)
Total equity	**305,283**	346,454
Total liabilities and equity	**361,416**	437,841

Consolidated Statements of Operations

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	**2020**	2019
(CDN 000s, except per share data)	**($)**	($)	**($)**	($)
Revenue	**32,758**	68,410	**156,636**	295,642
Operating expenses				
Rental services	**13,404**	25,659	**66,695**	105,496
Local administration	**2,326**	4,356	**11,121**	14,496
Depreciation and amortization	**7,888**	10,713	**34,417**	40,830
	23,618	40,728	**112,233**	160,822
Gross profit	**9,140**	27,682	**44,403**	134,820
Other expenses				
Research and development	**5,941**	7,470	**26,977**	30,439
Corporate services	**2,294**	4,240	**11,275**	15,653
Stock-based compensation expense	**2,818**	1,481	**4,840**	10,840
Other expenses (income)	**467**	549	**(8,687)**	3,892
	11,520	13,740	**34,405**	60,824
(Loss) income before income taxes	**(2,380)**	13,942	**9,998**	73,996
Income tax provision	**282**	3,846	**4,864**	20,193
Net (loss) income	**(2,662)**	10,096	**5,134**	53,803
Net (loss) income attributable to:				
Shareholders of Pason	**(2,166)**	10,405	**6,568**	54,112
Non-controlling interest	**(496)**	(309)	**(1,434)**	(309)
Net (loss) income	**(2,662)**	10,096	**5,134**	53,803
(Loss) Income per share				
Basic	**(0.03)**	0.12	**0.08**	0.63
Diluted	**(0.03)**	0.12	**0.08**	0.63

Consolidated Statements of Other Comprehensive Income

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	**2020**	2019
(CDN 000s)	**($)**	($)	**($)**	($)
Net (loss) income	**(2,662)**	10,096	**5,134**	53,803
Items that may be reclassified subsequently to net income:				
Tax recovery on net investment in foreign operations related to an inter-company financing	**—**	—	**—**	10,481
Foreign currency translation adjustment	**(9,466)**	(3,951)	**(3,714)**	(16,225)
Other comprehensive (loss)	**(9,466)**	(3,951)	**(3,714)**	(5,744)
Total comprehensive (loss) income	**(12,128)**	6,145	**1,420**	48,059
Total comprehensive (loss) income attributed to:				
Shareholders of Pason	**(11,625)**	6,454	**2,854**	48,368
Non-controlling interest	**(503)**	(309)	**(1,434)**	(309)
Total comprehensive (loss) income	**(12,128)**	6,145	**1,420**	48,059

Consolidated Statements of Cash Flows

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	**2020**	2019
(CDN 000s)	**($)**	($)	**($)**	($)
Cash from (used in) operating activities				
Net (loss) income	**(2,662)**	10,096	**5,134**	53,803
Adjustment for non-cash items:				
Depreciation and amortization	**7,888**	10,713	**34,417**	40,830
Stock-based compensation	**2,818**	1,481	**4,840**	10,840
Deferred income taxes	**(1,442)**	(1,335)	**(467)**	2,185
Derecognition of onerous lease	**—**	—	**(5,757)**	4,289
Put option revaluation	**1,812**	—	**1,812**	—
Hyperinflation adjustment	**(599)**	254	**(1,781)**	(1,252)
Unrealized foreign exchange loss and other	**1,124**	917	**2,362**	1,023
Funds flow from operations	**8,939**	22,126	**40,560**	111,718
Movements in non-cash working capital items:				
(Increase) decrease in trade and other receivables	**(5,619)**	5,068	**34,277**	14,089
(Increase) decrease in prepaid expenses	**(718)**	209	**590**	164
Increase in income taxes payable	**3,772**	4,475	**5,132**	9,174
(Decrease) in trade payables, accruals and stock-based compensation liability	**(7,019)**	(4,646)	**(15,098)**	(8,540)
Effects of exchange rate changes	**468**	(435)	**407**	(697)
Cash generated from operating activities	**(177)**	26,797	**65,868**	125,908
Income tax paid	**(2,540)**	(2,083)	**(7,285)**	(17,361)
Net cash from operating activities	**(2,717)**	24,714	**58,583**	108,547
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**—**	—	**—**	3,366
Payment of dividends	**(4,155)**	(16,045)	**(40,420)**	(63,100)
Repurchase and cancellation of shares under NCIB	**(3,202)**	(10,977)	**(9,478)**	(24,040)
Repayment of lease liability	**(389)**	(449)	**(2,299)**	(2,342)
Net cash used in financing activities	**(7,746)**	(27,471)	**(52,197)**	(86,116)
Cash flows (used in) from investing activities				
Investment	**—**	(10,000)	**(5,000)**	(10,000)
Acquisition	(2,560)	170	**(2,560)**	(23,660)
Additions to property, plant and equipment	**(148)**	(4,971)	**(4,668)**	(22,453)
Development costs	**(317)**	(616)	**(491)**	(1,725)
Proceeds on disposal of investment and property, plant and equipment	**65**	516	**953**	1,322
Changes in non-cash working capital	**17**	312	**(513)**	263
Net cash used in investing activities	**(2,943)**	(14,589)	**(12,279)**	(56,253)
Effect of exchange rate on cash and cash equivalents	**(6,566)**	(2,503)	**(5,841)**	(9,000)
Net (decrease) increase in cash and cash equivalents	**(19,972)**	(19,849)	**(11,734)**	(42,822)
Cash and cash equivalents, beginning of year	**169,254**	180,865	**161,016**	203,838
Cash and cash equivalents, end of year	**149,282**	161,016	**149,282**	161,016

Operating Segments

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

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

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

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

Three Months Ended December 31, 2020	North America	International	Solar and Energy Storage	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	13,940	3,159	—	17,099
Mud Management and Safety	7,460	1,433	—	8,893
Communications	1,677	182	—	1,859
Drilling Intelligence	2,022	86	—	2,108
Analytics and Other	1,219	878	702	2,799
Total Revenue	26,318	5,738	702	32,758
Rental services and local administration	11,099	3,160	1,471	15,730
Depreciation and amortization	6,509	1,374	5	7,888
Segment gross profit (loss)	8,710	1,204	(774)	9,140
Research and development				5,941
Corporate services				2,294
Stock-based compensation				2,818
Other expenses				467
Income tax provision				282
Net loss				(2,662)
Net loss attributable to Pason				(2,166)
Capital expenditures	465	—	—	465
As at December 31, 2020				
Property plant and equipment	83,829	11,046	111	94,986
Intangible assets	8,262	—	3,931	12,193
Goodwill	8,524	2,600	21,599	32,723
Segment assets	314,434	46,012	970	361,416
Segment liabilities	50,771	4,165	1,197	56,133

Three Months Ended December 31, 2019 (restated)	North America	International	Solar and Energy Storage	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	29,877	6,038	—	35,915
Mud Management and Safety	17,610	2,158	—	19,768
Communications	4,000	438	—	4,438
Drilling Intelligence	4,252	367	—	4,619
Analytics and Other	1,704	971	995	3,670
Total Revenue	57,443	9,972	995	68,410
Rental services and local administration	22,833	5,942	1,240	30,015
Depreciation and amortization	9,406	1,302	5	10,713
Segment gross profit (loss)	25,204	2,728	(250)	27,682
Research and development				7,470
Corporate services				4,240
Stock-based compensation				1,481
Other expenses				549
Income tax provision				3,846
Net income				10,096
Net income attributable to Pason				10,405
Capital expenditures	5,114	473	—	5,587
As at December 31, 2019				
Property plant and equipment	104,022	14,313	187	118,522
Intangible assets	12,670	—	5,060	17,730
Goodwill	8,671	2,600	22,014	33,285
Segment assets	383,640	52,844	1,357	437,841
Segment liabilities	84,953	5,487	947	91,387

Year Ended December 31, 2020	North America	International	Solar and Energy Storage	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	69,861	12,220	—	82,081
Mud Management and Safety	38,848	6,177	—	45,025
Communications	8,083	756	—	8,839
Drilling Intelligence	9,263	502	—	9,765
Analytics and Other	5,324	2,248	3,354	10,926
Total Revenue	131,379	21,903	3,354	156,636
Rental services and local administration	57,132	14,626	6,058	77,816
Depreciation and amortization	30,037	4,357	23	34,417
Segment gross profit (loss)	44,210	2,920	(2,727)	44,403
Research and development				26,977
Corporate services				11,275
Stock-based compensation				4,840
Other (income)				(8,687)
Income tax provision				4,864
Net income				5,134
Net income attributable to Pason				6,568
Capital expenditures	5,159	—	—	5,159
As at December 31, 2020				
Property plant and equipment	83,829	11,046	111	94,986
Intangible assets	8,262	—	3,931	12,193
Goodwill	8,524	2,600	21,599	32,723
Segment assets	314,434	46,012	970	361,416
Segment liabilities	50,771	4,165	1,197	56,133

Year Ended December 31, 2019 (restated)	North America	International	Solar and Energy Storage	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	132,590	23,618	—	156,208
Mud Management and Safety	78,260	7,567	—	85,827
Communications	18,146	1,614	—	19,760
Drilling Intelligence	18,986	1,335	—	20,321
Analytics and Other	8,721	3,600	1,205	13,526
Total Revenue	256,703	37,734	1,205	295,642
Rental services and local administration	96,238	21,313	2,441	119,992
Depreciation and amortization	36,421	4,384	25	40,830
Segment gross profit (loss)	124,044	12,037	(1,261)	134,820
Research and development				30,439
Corporate services				15,653
Stock-based compensation				10,840
Other expenses				3,892
Income tax provision				20,193
Net income				53,803
Net income attributable to Pason				54,112
Capital expenditures	20,949	3,229	—	24,178
As at December 31, 2019				
Property plant and equipment	104,022	14,313	187	118,522
Intangible assets	12,670	—	5,060	17,730
Goodwill	8,671	2,600	22,014	33,285
Segment assets	383,640	52,844	1,357	437,841
Segment liabilities	84,953	5,487	947	91,387

Events After the Reporting Period

On February 24, 2021, the Company announced a quarterly dividend of $0.05 per share on the Company's common shares. The dividend will be paid on March 30, 2021 to shareholders of record at the close of business on March 16, 2021.

Fourth Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its fourth quarter 2020 results at 9:00 am (Calgary time) on Thursday, February 25, 2021. 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 9829429.

An archived audio webcast of the conference call will also be available on Pason's website at www.pason.com.

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

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 investorrelations@pason.com

Jon Faber	**Celine Boston**
President and Chief Executive Officer	Chief Financial Officer
403-301-3400	403-301-3400

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.