Press Release

## Pason Reports Fourth Quarter and Year End 2016 Results

**FOR IMMEDIATE RELEASE**

**CALGARY, Alberta (February 22, 2017)** – Pason Systems Inc. (PSI.TO) announced today its 2016 fourth quarter and year end results.

# Performance Data

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | Change | **2016** | 2015 | Change |
| (CDN 000s, except per share data) | **($)** | ($) | (%) | **($)** | ($) | (%) |
| Revenue | **48,827** | 59,838 | (18) | **160,446** | 285,148 | (44) |
| Net loss | **(11,325)** | (841) | — | **(40,621)** | (14,612) | — |
| Per share – basic | **(0.13)** | (0.01) | — | **(0.48)** | (0.17) | — |
| Per share – diluted | **(0.13)** | (0.01) | — | **(0.48)** | (0.17) | — |
| EBITDA (1) | **(2,291)** | 20,736 | — | **3,472** | 69,630 | (95) |
| As a % of revenue | **(4.7)** | 34.7 | — | **2.2** | 24.4 | — |
| Adjusted EBITDA (1) | **15,225** | 20,128 | (24) | **31,005** | 96,460 | (68) |
| As a % of revenue | **31.2** | 33.6 | — | **19.3** | 33.8 | — |
| Funds flow from operations | **15,324** | 17,933 | (15) | **26,815** | 94,263 | (72) |
| Per share – basic | **0.18** | 0.22 | (19) | **0.32** | 1.13 | (72) |
| Per share – diluted | **0.18** | 0.21 | (15) | **0.32** | 1.13 | (72) |
| Cash from operating activities | **665** | 10,911 | (94) | **19,642** | 130,076 | (85) |
| Free cash flow (1) | **401** | 4,719 | (92) | **7,184** | 80,138 | (91) |
| Capital expenditures | **(30)** | 6,527 | — | **12,856** | 50,811 | (75) |
| Working capital | **198,419** | 244,972 | (19) | **198,419** | 244,972 | (19) |
| Total assets | **435,251** | 529,625 | (18) | **435,251** | 529,625 | (18) |
| Total long-term debt | **—** | — | — | **—** | — | — |
| Cash dividends declared | **0.17** | 0.17 | — | **0.68** | 0.68 | — |
| Shares outstanding end of period (#) | **84,628** | 84,063 | 1 | **84,628** | 84,063 | 1 |

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

## Q4 2016 vs Q4 2015

The Company generated consolidated revenue of $48.8 million in the fourth quarter of 2016, down 18% from $59.8 million in the same period of 2015. US drilling activity in the fourth quarter of 2016 was down 23% from 2015 levels while Canadian activity was relatively flat. The decline in US activity was partially offset by an increase in market share in the US business unit.

Consolidated EBITDA was a negative $2.3 million in the fourth quarter of 2016, a decrease of $23.0 million from the fourth quarter of 2015. Included in the fourth quarter 2016 results is a non-cash impairment charge of $17.5 million, the majority of which relates to the write-off of intangible assets as a result of the Company's divestiture of the operating assets of 3PS, Inc., a previous wholly-owned subsidiary. Adjusted EBITDA, which adjusts for foreign exchange and certain non-recurring charges, including impairment charges, decreased $4.9 million. Funds flow from operations decreased by 15%.

The Company recorded a net loss of $11.3 million ($0.13 per share) in the fourth quarter of 2016, a decrease of $10.5 million from the net loss of $0.8 million ($0.01 per share) recorded in the same period of 2015. The fourth quarter 2016 results include the impairment charge referred to above while 2015 fourth quarter results include a restructuring charge of $1.0 million. The full benefit of the cost reduction programs previously implemented, combined with a decline in depreciation expense from 2015 levels, as a result of a significant reduction in the capital expenditure program and previously recorded impairment charges relating to excess quantities of equipment, also impacted the comparison of fourth quarter 2016 results to 2015 amounts.

# President’s Message

The environment for oilfield services remained challenging worldwide during the fourth quarter of 2016. However, signs of improvement have started to emerge. US drilling activity, as measured in industry days, dropped 23% from the previous year period, and declined 49% for the full year 2016. Canadian drilling activity was largely unchanged year-over-year for the quarter and was 34% lower for the full year compared to 2015. Most international markets were also negatively affected by challenging industry conditions.

Pason’s fourth quarter results reflect these declines in drilling activity. Revenue for the quarter was $48.8 million, an 18% decline from the previous year. Adjusted EBITDA was $15.2 million, compared to $20.1 million in the previous year. The Company incurred a loss for the quarter of $11.3 million or $0.13 per share. The bottom line was affected by a non-cash impairment charge of $17.5 million related to the write-off of goodwill due to the disposition of the net operating assets of one of the Company’s wholly-owned subsidiaries.

US market share and revenue per EDR day were up in the fourth quarter compared to the previous year. Market share and revenue per EDR day in Canada were down, driven by increased competition and pricing pressure. Internationally, market share and revenue per EDR day were largely unchanged.

At December 31, 2016, our cash position stood at $146 million and working capital at $198 million. There is no debt on our balance sheet. We are maintaining our quarterly dividend at $0.17 share.

Since the beginning of the New Year, growth in drilling activity has exceeded our expectations, especially in the United States’ Permian Basin and in Canada. The outlook for 2017 is more positive than what we experienced in 2016. However, there continues to be a lot of uncertainty around oil company capital spending plans, and therefore for drilling activity, going forward.

Our two main objectives for 2017 are to: 1) fully participate in the industry’s upturn while containing growth of the costs base; and 2) continue making progress to be a key enabler of drilling automation and data analytics strategies aimed at impacting drilling efficiency, effectiveness, and safety. Pason is well-positioned to maximize returns in the industry's upturn. Pason equipment is installed on over 65% of all active land drilling rigs in the Western Hemisphere and we have a growing presence in the Middle East. We are the service provider of choice for the majority of leading operators and drilling contractors. In many regions, we can absorb much higher activity levels without having to add cost proportionally.

We are investing significant resources in future growth and are focusing our product development on products and services that directly improve the efficiency, effectiveness, and safety of drilling operations and wellbore quality. Examples of this include our Enhanced Pit Volume Totalizer (ePVT) Adaptive Alarms and Digital Trip Sheets, AC AutoDriller, abbl Directional Advisor, and the recently announced deployment of the advanced Drilling Advisory System from ExxonMobil.

The acquisition of Verdazo Analytics provides us with a strong analytics platform for oil and gas production and operations that complements Pason’s market leading drilling information ecosystem. Pason aims to provide customers with a holistic platform to analyze drilling, production, and operational data. Moreover, Verdazo will be able to leverage Pason’s established brand and footprint to grow into the US and international markets.

The addition of a significantly updated Live Rig View (LRV) web service to our cloud-based offering enhances the user experience for the many back-office users of Pason data; additional functionality will be added throughout 2017.

The sizeable capital investments we made through 2014 and into 2015 has enabled us to deploy a very capable and flexible rigsite IT and communications platform with the ability to host new Pason and third-party software. Our capital expenditures will be relatively small going forward with a larger portion of our current development efforts focused on software and analytics. For 2017, we intend to spend up to $25 million in capital expenditures.

We feel optimistic about Pason’s market position and prospects, and are excited about the potential of our new products and services. We thank all our customers, partners, shareholders, and employees for their continued support.

Marcel Kessler
President and Chief Executive Officer
February 22, 2017

# Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of February 22, 2017, 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 audited consolidated financial statements, the Corporation uses certain additional IFRS measures. Management believes these measures provide useful supplemental information to readers.

### Funds flow from operations

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

## Free cash flow

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

## Overall Performance

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | Change | **2016** | 2015 | Change |
| (000s) | **($)** | ($) | (%) | **($)** | ($) | (%) |
| **Revenue** | | | | | | |
| Electronic Drilling Recorder (1) | **19,982** | 24,078 | (17) | **66,799** | 122,092 | (45) |
| Pit Volume Totalizer/ePVT | **8,001** | 9,600 | (17) | **22,833** | 40,279 | (43) |
| Communications (1) | **4,840** | 5,327 | (9) | **15,228** | 24,710 | (38) |
| Software | **3,517** | 4,167 | (16) | **11,104** | 19,420 | (43) |
| AutoDriller | **2,815** | 3,880 | (27) | **9,357** | 20,337 | (54) |
| Gas Analyzer | **3,803** | 4,510 | (16) | **12,084** | 21,021 | (43) |
| Other | **5,869** | 8,276 | (29) | **23,041** | 37,289 | (38) |
| **Total revenue** | **48,827** | 59,838 | (18) | **160,446** | 285,148 | (44) |

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. 2015 comparative figures have been reclassified to conform with 2016 presentation. (Q4 2015 - $1,063 and YTD 2015- $4,044).

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

**Canada**

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | Change | **2016** | 2015 | Change |
| | | | (%) | | | (%) |
| EDR rental days (#) | **14,600** | 15,200 | (4) | **44,500** | 66,800 | (33) |
| PVT/ePVT rental days (#) | **13,300** | 13,900 | (4) | **40,900** | 62,500 | (35) |

**United States**

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | Change | **2016** | 2015 | Change |
| | | | (%) | | | (%) |
| EDR rental days (#) | **30,100** | 37,300 | (19) | **97,500** | 196,500 | (50) |
| PVT/ePVT rental days (#) | **24,000** | 28,200 | (15) | **75,500** | 149,300 | (49) |

### Electronic Drilling Recorder

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

Revenue generated from the EDR decreased 17% in the fourth quarter of 2016 compared to the same period in 2015 and 45% for the full year.

The fourth quarter decrease is attributable to a drop of 23% in drilling activity in the US market from 2015 levels, increased competitive pressures in Canada, and continued lower product adoption of certain peripheral devices. This decrease was partially offset by an increase in US market share. Canadian drilling activity was little changed from the fourth quarter of 2015.

For the twelve months ending December 31, 2016, EDR revenue was impacted by a drop in drilling activity in both US and Canada of 49% and 34% respectively. These negative factors were offset by a strengthening US dollar relative to the Canadian dollar.

Canadian EDR days, which include some non-oil and gas-related drilling activity, decreased 4% in the fourth quarter of 2016 from 2015 levels (33% on a year-to-date basis), while US EDR days decreased by 19% in the fourth quarter of 2016 from 2015 levels (50% on a year-to-date basis).

The Canadian business unit continued to see both pricing pressure and increased competition from a number of competitors. For the three months ended December 31, 2016, the Pason EDR was installed on 88% of the active land rigs in Canada (95% for the fourth quarter of 2015). Market share was 96% for both of the twelve month periods ending December 31, 2016, and 2015.

For the three months ended December 31, 2016, the Pason EDR was installed on 59% of the land rigs in the US compared to 56% during the same period in 2015. For the full twelve months of 2016, the EDR was installed on 55% of the land rigs in the US, compared to 57% in the same period of 2015.

For 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.

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

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

The ePVT is Pason's proprietary solution for the detection and early warning of “kicks” that are caused by hydrocarbons entering the wellbore under high pressure and expanding as they migrate to the surface. PVT revenue for 2016 was impacted by rig count activity, offset partially with continued customer adoption of the new ePVT. During the three months ended December 31, 2016, the ePVT was installed on 91% of rigs with a Pason EDR in Canada and 80% in the US, compared to 91% and 76% respectively, in the same period in 2015. For the year ended December 31, 2016, the ePVT was installed on 92% of rigs with a Pason EDR in Canada and 78% in the US.

## Communications

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

The Company complements its satellite equipment with High Speed Packet Access (HSPA), a high-speed wireless ground system which provides automatic fail-over between satellite and terrestrial networks to achieve greater reliability in its service offering.

Communications revenue decreased by 9% in the fourth quarter of 2016 compared to the corresponding period in 2015. Revenue was impacted by the decline in drilling activity, offset by a continued increase in customer adoption of new communication solutions rolled out in the Canadian and US markets.

## Software

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

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

During both the fourth quarter and the twelve months ending December 31, 2016, 97% of the Company's Canadian customers were using all or a portion of the functionality of the DataHub. In the US business unit, the 2016 fourth quarter adoption rate was 91%, and 88% for the entire 2016 year.

## AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During 2016 the AutoDriller adoption rates continued to decline and the company anticipates this to continue due in most part to the drop in the number of mechanical rigs being deployed.

## Gas Analyzer

The Pason Gas Analyzer measures the total hydrocarbon gases (C1 through C4 and $CO_2$) exiting the wellbore, and then calculates the lag time to show the formation depth where the gases were produced. The Gas Analyzer provides information about the composition of the gas, and further calculates geologic ratios from the gas composition to assist in indicating the type of gas, natural gas liquid, or oil in the formation. For the fourth quarter ended December 31, 2016, the Gas Analyzer was installed on 61% of Canadian and 31% of US land rigs operating with a Pason EDR system (58% and 31% respectively for 2015).

## Other

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

# Discussion of Operations

## United States Operations

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | Change | **2016** | 2015 | Change |
| (000s) | **($)** | ($) | (%) | **($)** | ($) | (%) |
| **Revenue** | | | | | | |
| Electronic Drilling Recorder [(1)] | **12,057** | 14,888 | (19) | **40,168** | 79,023 | (49) |
| Pit Volume Totalizer/ePVT | **5,235** | 6,182 | (15) | **13,487** | 24,131 | (44) |
| Communications [(1)] | **2,345** | 2,397 | (2) | **6,893** | 11,545 | (40) |
| Software | **2,367** | 2,766 | (14) | **7,291** | 13,087 | (44) |
| AutoDriller | **1,194** | 1,837 | (35) | **3,731** | 10,045 | (63) |
| Gas Analyzer | **1,871** | 2,297 | (19) | **5,974** | 10,639 | (44) |
| Other | **3,563** | 4,375 | (19) | **13,423** | 22,416 | (40) |
| **Total revenue** | **28,632** | 34,742 | (18) | **90,967** | 170,886 | (47) |
| **Rental services and local administration** | **14,324** | 16,222 | (12) | **52,971** | 77,822 | (32) |
| **Depreciation and amortization** | **5,651** | 7,456 | (24) | **23,130** | 33,330 | (31) |
| **Segment operating profit** | **8,657** | 11,064 | (22) | **14,866** | 59,734 | (75) |

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. 2015 comparative figures have been reclassified to conform with 2016 presentation. (Q4 2015 - $591 and YTD 2015 - $2,957).

| | Three Months Ended December 31, | | Years Ended December 31, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **$** | $ | **$** | $ |
| Revenue per EDR day - USD | **667** | 645 | **643** | 644 |
| Revenue per EDR day - CAD | **890** | 862 | **852** | 824 |

US segment revenue decreased by 18% in the fourth quarter of 2016 over the 2015 comparable period (17% decrease when measured in USD). For the year, US segment revenue decreased by 47% over the 2015 comparable period (50% decrease when measured in USD).

Industry activity in the US market during the fourth quarter of 2016 decreased by 23% from the prior year and 49% for the full year. EDR rental days decreased by 19% and 50%, respectively, for the three and twelve months ended December 31, 2016 over the same time periods in 2015.

Revenue per EDR day in the fourth quarter of 2016 increased to US$667, an increase of US$22 over the same period in 2015. The increase is due to an uptick on adoption of certain key products. For the year, revenue per EDR day was US$643, relatively flat compared to 2015.

The decrease in industry activity accounted for the majority of the drop in revenue for both the quarter and twelve months ended December 31, 2016. The fourth quarter benefited from an increase in market share relative to the same period in 2015, while the twelve month results benefited from a favourable movement in the USD/CAD exchange rate.

Operating costs decreased by 12% in the fourth quarter relative to the same period in the prior year. When measured in USD, operating costs decreased 37% on a year-to-date basis as the business unit continues to identify and implement changes to its cost structure. The Company is realizing most of the benefits from the consolidation of its US business unit into one location.

Depreciation expense for the fourth quarter and the full year of 2016 is down significantly from the corresponding periods in 2015 due to the non-cash impairment charges the Company took in prior years, combined with a lower capital expenditure program.

Segment profit decreased by $2.4 million in the fourth quarter of 2016 compared to the corresponding period in 2015. Segment profit of $14.9 million for the twelve months of 2016 is a drop of 75% from the same period in 2015.

# Canadian Operations

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | Change | **2016** | 2015 | Change |
| (000s) | **($)** | ($) | (%) | **($)** | ($) | (%) |
| **Revenue** | | | | | | |
| Electronic Drilling Recorder (1) | **5,481** | 6,081 | (10) | **17,198** | 27,420 | (37) |
| Pit Volume Totalizer/ePVT | **2,254** | 2,603 | (13) | **7,347** | 11,572 | (37) |
| Communications (1) | **2,265** | 2,416 | (6) | **7,129** | 11,117 | (36) |
| Software | **1,060** | 1,299 | (18) | **3,534** | 5,815 | (39) |
| AutoDriller | **1,095** | 1,184 | (8) | **3,296** | 5,853 | (44) |
| Gas Analyzer | **1,604** | 1,729 | (7) | **4,865** | 7,802 | (38) |
| Other | **861** | 1,095 | (21) | **2,831** | 4,251 | (33) |
| **Total revenue** | **14,620** | 16,407 | (11) | **46,200** | 73,830 | (37) |
| **Rental services and local administration (2)** | **4,570** | 6,399 | (29) | **17,706** | 30,128 | (41) |
| **Depreciation and amortization** | **3,920** | 8,590 | (54) | **24,036** | 36,998 | (35) |
| **Segment operating profit** | **6,130** | 1,418 | 332 | **4,458** | 6,704 | (34) |

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. The 2015 comparative figures have been reclassified to conform with the 2016 presentation. (Q4 2015 - $149 and YTD 2015 - $729).

(2) Certain expenses previously recorded in Other Expenses are now included as a business unit cost, to better reflect the nature of such costs. The 2015 comparative figures have been reclassified to conform with the 2016 presentation (Q4 2015 - $525 and YTD - $2,295).

| | Three Months Ended December 31, | | Years Ended December 31, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **$** | $ | **$** | $ |
| Revenue per EDR day - CAD | **982** | 1,056 | **1,020** | 1,090 |

Canadian segment revenue declined by 11% for the three months ended December 31, 2016, and 37% for the year as compared to the same periods in 2015. The drop is a result of a selective pricing discounts on certain products, increased competition, and lower product adoption on some products. The full year decline was also impacted by a decline in the number drilling days.

On a year-to-date basis, revenue decreased by 37% while industry days declined 34%.

EDR rental days decreased 4% in the fourth quarter compared to 2015 levels and 33% for the full twelve months of 2016.

The factors above combined to result in a decrease in revenue per EDR day of $74 to $982 during the fourth quarter of 2016 compared to 2015. Revenue per EDR day for the year ended December 31, 2016, was $1,020, down $70 from the same period in 2015.

Operating costs decreased by 29% in the fourth quarter of 2016 relative to the same period in 2015 (41% on a year-to-date basis), primarily due to a drop in activity combined with cost control initiatives implemented by the business unit.

Depreciation expense decreased 54% in the fourth quarter of 2016 from 2015 due to the non-cash impairment charges the Company recorded in prior years relating to excess pieces of equipment, combined with the recognition of investment tax credits received during the quarter, which reduces amortization expense.

The fourth quarter 2016 operating profit of $6.1 million is an increase of $4.7 million over the prior year period. Segment operating profit for the twelve months ended December 31, 2016, was down 34% from last year's comparatives.

# International Operations

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | Change | **2016** | 2015 | Change |
| (000s) | **($)** | ($) | (%) | **($)** | ($) | (%) |
| **Revenue** | | | | | | |
| Electronic Drilling Recorder [1] | **2,444** | 3,109 | (21) | **9,433** | 15,649 | (40) |
| Pit Volume Totalizer/ePVT | **512** | 815 | (37) | **1,999** | 4,576 | (56) |
| Communications [1] | **230** | 514 | (55) | **1,206** | 2,048 | (41) |
| Software | **90** | 102 | (12) | **279** | 518 | (46) |
| AutoDriller | **526** | 859 | (39) | **2,330** | 4,439 | (48) |
| Gas Analyzer | **328** | 484 | (32) | **1,245** | 2,580 | (52) |
| Other | **1,445** | 2,806 | (49) | **6,787** | 10,622 | (36) |
| **Total revenue** | **5,575** | 8,689 | (36) | **23,279** | 40,432 | (42) |
| **Rental services and local administration [2]** | **5,077** | 5,787 | (12) | **19,158** | 28,965 | (34) |
| **Depreciation and amortization** | **944** | 3,756 | (75) | **8,218** | 11,053 | (26) |
| **Segment operating (loss) profit** | **(446)** | (854) | (48) | **(4,097)** | 414 | — |

(1) A portion of the Company's Communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue.The 2015 comparative figures have been reclassified to conform with the 2016 presentation. (Q4 2015- $11 and YTD 2015 - $46.)

(2) Certain expenses previously recorded in Other Expenses are now included as a business unit cost, to better reflect the nature of such expenses. The 2015 comparative figures have been reclassified to conform with the 2016 presentation (Q4 2015 - $149 and YTD 2015 - $604).

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

Revenue in the International operations segment decreased 36% in the fourth quarter of 2016 compared to the same period in 2015. For the year ended December 31, 2016, revenue decreased by 42%, or $17.2 million.

The operating loss in the fourth quarter of 2016 of $0.4 million was lower than the loss recorded in the same period in 2015 as a result of a significant decline in depreciation expense. The business unit wrote off obsolete spare parts in the fourth quarter of 2015 and this combined with a significant reduction in capital expenditures led to the lower depreciation expense. Year-to-date profit declined by $4.5 million.

A number of factors influenced these results:

- Impacting the comparison of full year revenue year over year was the devaluation of the Argentinian peso, which occurred in the fourth quarter of 2015.
- In the fourth quarter of 2015 the Company recognized a termination payment of $0.6 million from one of its customers.

## Corporate Expenses

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | Change | **2016** | 2015 | Change |
| (000s) | **($)** | ($) | (%) | **($)** | ($) | (%) |
| **Other expenses** | | | | | | |
| Research and development | **5,233** | 6,302 | (17) | **22,848** | 31,733 | (28) |
| Corporate services | **4,398** | 5,000 | (12) | **16,758** | 20,040 | (16) |
| Stock-based compensation | **1,538** | 2,802 | (45) | **6,195** | 7,398 | (16) |
| Other | | | | | | |
| Foreign exchange loss (gain) | **284** | (1,549) | — | **(1,943)** | (3,104) | (37) |
| Impairment loss | **17,474** | — | — | **17,474** | 26,555 | (34) |
| Gain on sale of investment | **—** | — | — | **—** | (2,290) | — |
| Restructuring costs | **—** | 1,024 | — | **10,861** | 3,596 | 202 |
| Other(1) | **(242)** | (83) | 192 | **1,141** | (217) | — |
| **Total corporate expenses** | **28,685** | 13,496 | 113 | **73,334** | 83,711 | (12) |

(1) Certain expenses previously recorded in Other Expenses are now included as a business unit cost, to better reflect the nature of such expenses. The 2015 comparative figures have been reclassified to conform with the 2016 presentation (Q4 2015 - $664 and YTD 2015 - $2,899).

During 2016, the Company initiated a review of its investment in 3PS, Inc. (3PS) due to the significant decline in capital spending in the markets 3PS serves, including the oil and gas drilling industry. In the fourth quarter of 2016 a final agreement was entered into for the sale of the net operating assets of 3PS, effective January 2017. As a result of this divestiture, the Company recorded a non-cash impairment loss of $17.5 million in the fourth quarter of 2016, the majority of which is attributable to the write-down of goodwill that arose as a result of the initial acquisition of 3PS.

In the first quarter of 2016, the Company initiated additional cost reduction initiatives to address the prolonged downturn in oil and gas drilling activity. These actions included further staff reductions and office space consolidation. As a result, the Company recorded a restructuring charge of $10.9 million, which is comprised of $6.0 million for employee termination and other staff-related costs, an onerous lease obligation charge of $3.7 million, which is calculated at the present value of the expected net cost of continuing with the lease after adjusting for anticipated sublease rentals, and the write-off of leasehold improvements and other related costs totaling $1.2 million.

In the third quarter of 2015, management concluded that drilling activity was likely to be at depressed levels for a longer period of time than originally anticipated and this resulted in the company updating its assumptions on equipment usage. This review identified additional excess equipment based upon management's best estimate of future drilling activity. The net book value of this excess equipment, totaling $26.6 million, of which $7.7 million related to the Canadian operating segment and $18.9 related to the US operating segment, was recorded as a non-cash impairment loss in the third quarter of 2015.

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

# Q4 2016 versus Q3 2016

Consolidated revenue was $48.8 million in the fourth quarter of 2016 compared to $38.6 million in the third quarter of 2016, an increase of $10.2 million. Drilling activity in the Company's major markets increased in the fourth quarter of 2016, with US market activity up 22% while Canada saw an increase of 54%. The Canadian segment earned revenue of $14.6 million in the fourth quarter compared to $10.8 million in the third quarter of 2016. Revenue in the US market increased from $22.3 million in the third quarter to $28.6 in quarter four. The International segment revenue was flat quarter over quarter.

The Company recorded a net loss in the fourth quarter of 2016 of $11.3 million ($0.13 per share) compared to a loss of $7.1 million ($0.08 per share) in the third quarter of 2016. Included in the 2016 fourth quarter results is a non-cash impairment charge of $17.5 million.

Sequentially, adjusted EBITDA increased from $8.5 million in the third quarter of 2016 to $15.2 million in the fourth quarter of 2016, due to the increase in operating profits in all of the Company’s operating segments. Funds flow from operations increased by $6.2 million.

# Acquisition and Divestiture

**Acquisition**

Effective December 31, 2016, the Company purchased all of the existing and outstanding shares of Verdazo Analytics, Inc. (Verdazo), a company located in Calgary, Alberta, for total consideration of $12.3 million. The consideration is comprised of cash of $6.5 million and common shares of the Company of $5.8 million.

Verdazo offers discovery analytics which enables energy producers to make informed decisions on how to enhance production, improve operations, and increase overall profitability. Verdazo's clients include oil and gas producers, financial services companies, and energy services providers. Verdazo's product contains powerful visual analysis tools, pre-built templates, and custom reports that work with multiple public and proprietary data sources. Discovery analytics is a sequence of explorations, each predicated on the discovery and insights of the last. The tool enables the user to take analyses wherever the data leads, powered by dynamic workflows that offer vast analytical possibilities. The addition of Verdazo's strong analytics platform for oil and gas production and operations will complement the Company's market leading drilling information ecosystem. By combining the two entities, the Company aims to provide customers with a holistic platform to analyze drilling, production, and operational data. In addition, Verdazo will be able to leverage the company's established brand and footprint to grow into the US market.

**Divestiture**

In the fourth quarter of 2016 a final agreement was entered into for the sale of the net operating assets of 3PS, Inc., effective January, 2017. As a result of this divestiture, the Company recorded a non-cash impairment loss of $17.5 million in the fourth quarter of 2016, the majority of which is attributable to the write-down of goodwill that arose as a result of the initial acquisition of 3PS.

The net operating assets sold have been separately identified on the Consolidated Balance Sheets.

# Fourth Quarter & Year End Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its fourth quarter and full-year results at 9:00 am (Calgary time) on Thursday, February 23, 2017. 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 36518372.

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

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2016, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Shareholders are also invited to attend the Company's Annual Meeting on Wednesday, May 3, 2017, at 3:30 pm at the offices of Pason Systems Inc., 6120 Third Street SE, Calgary, Alberta.

# Consolidated Balance Sheets

| As at | December 31, 2016 | December 31, 2015 |
|---|---|---|
| (CDN 000s) | **($)** | ($) |
| **Assets** | | |
| Current | | |
| Cash and cash equivalents | **146,479** | 195,846 |
| Trade and other receivables | **50,721** | 48,613 |
| Prepaid expenses | **3,826** | 3,719 |
| Income taxes recoverable | **15,066** | 17,468 |
| Assets held for sale | **8,413** | — |
| **Total current assets** | **224,505** | 265,646 |
| Non-current | | |
| Property, plant and equipment | **150,504** | 201,436 |
| Intangible assets and goodwill | **43,698** | 57,643 |
| Deferred tax assets | **16,544** | 4,900 |
| **Total non-current assets** | **210,746** | 263,979 |
| **Total assets** | **435,251** | 529,625 |
| **Liabilities and equity** | | |
| Current | | |
| Trade payables and accruals | **24,347** | 18,454 |
| Stock-based compensation liability | **1,516** | 2,220 |
| Liabilities held for sale | **223** | **—** |
| **Total current liabilities** | **26,086** | 20,674 |
| Non-current | | |
| Stock-based compensation liability | **2,941** | 3,059 |
| Deferred tax liabilities | **16,656** | 16,444 |
| Onerous lease provision | **2,917** | — |
| **Total non-current liabilities** | **22,514** | 19,503 |
| **Equity** | | |
| Share capital | **139,730** | 128,067 |
| Share-based benefits reserve | **23,026** | 23,367 |
| Foreign currency translation reserve | **69,443** | 85,603 |
| Retained earnings | **154,452** | 252,411 |
| **Total equity** | **386,651** | 489,448 |
| **Total liabilities and equity** | **435,251** | 529,625 |

# Consolidated Statements of Operations

| | Three Months Ended December 31, | | Years Ended December 31, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| (CDN 000s, except per share data) | **($)** | ($) | **($)** | ($) |
| **Revenue** | **48,827** | 59,838 | **160,446** | 285,148 |
| **Operating expenses** | | | | |
| Rental services | **21,271** | 24,885 | **80,115** | 120,445 |
| Local administration | **2,700** | 3,523 | **9,720** | 16,470 |
| Depreciation and amortization | **10,515** | 19,802 | **55,384** | 81,381 |
| | **34,486** | 48,210 | **145,219** | 218,296 |
| **Operating profit** | **14,341** | 11,628 | **15,227** | 66,852 |
| **Other expenses** | | | | |
| Research and development | **5,233** | 6,302 | **22,848** | 31,733 |
| Corporate services | **4,398** | 5,000 | **16,758** | 20,040 |
| Stock-based compensation | **1,538** | 2,802 | **6,195** | 7,398 |
| Other expenses | **17,516** | (608) | **27,533** | 24,540 |
| | **28,685** | 13,496 | **73,334** | 83,711 |
| **Net loss before income taxes** | **(14,344)** | (1,868) | **(58,107)** | (16,859) |
| Income taxes | **(3,019)** | (1,027) | **(17,486)** | (2,247) |
| **Net loss** | **(11,325)** | (841) | **(40,621)** | (14,612) |
| **Net loss per share** | | | | |
| Basic | **(0.13)** | (0.01) | **(0.48)** | (0.17) |
| Diluted | **(0.13)** | (0.01) | **(0.48)** | (0.17) |

# Consolidated Statements of Other Comprehensive Income

| | Three Months Ended December 31, | | Years Ended December 31, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| (CDN 000s) | **($)** | ($) | **($)** | ($) |
| **Net loss** | **(11,325)** | (841) | **(40,621)** | (14,612) |
| Items that may be reclassified subsequently to net income: | | | | |
| Foreign currency translation adjustment | **5,424** | 3,547 | **(16,160)** | 52,796 |
| **Total comprehensive (loss) income** | **(5,901)** | 2,706 | **(56,781)** | 38,184 |

# Consolidated Statements of Changes in Equity

| | Share Capital | Share-Based Benefits Reserve | Foreign Currency Translation Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| (CDN 000s) | ($) | ($) | ($) | ($) | ($) |
| **Balance at January 1, 2015** | 113,827 | 12,927 | 32,807 | 323,962 | 483,523 |
| Net loss | — | — | — | (13,771) | (13,771) |
| Dividends | — | — | — | (42,650) | (42,650) |
| Other comprehensive income | — | — | 49,249 | — | 49,249 |
| Exercise of stock options | 8,230 | (1,128) | — | — | 7,102 |
| Expense related to vesting of options | — | 1,158 | — | — | 1,158 |
| Reclassification of equity settled options | — | 11,673 | — | — | 11,673 |
| **Balance at September 30, 2015** | 122,057 | 24,630 | 82,056 | 267,541 | 496,284 |
| Net loss | — | — | — | (841) | (841) |
| Dividends | — | — | — | (14,289) | (14,289) |
| Other comprehensive income | — | — | 3,547 | — | 3,547 |
| Exercise of stock options | 6,010 | (2,043) | — | — | 3,967 |
| Expense related to vesting of options | — | 780 | — | — | 780 |
| **Balance at December 31, 2015** | 128,067 | 23,367 | 85,603 | 252,411 | 489,448 |
| Net loss | — | — | — | (29,296) | (29,296) |
| Dividends | — | — | — | (42,963) | (42,963) |
| Other comprehensive income | — | — | (21,584) | — | (21,584) |
| Exercise of stock options | 6,407 | (1,954) | — | — | 4,453 |
| Expense related to vesting of options | — | 2,226 | — | — | 2,226 |
| **Balance at September 30, 2016** | 134,474 | 23,639 | 64,019 | 180,152 | 402,284 |
| Net loss | — | — | — | (11,325) | (11,325) |
| Dividends | — | — | — | (14,375) | (14,375) |
| Other comprehensive income | — | — | 5,424 | — | 5,424 |
| Exercise of stock options | 4,006 | (1,383) | — | — | 2,623 |
| Expense related to vesting of options | — | 770 | — | — | 770 |
| Verdazo Acquisition | 1,250 | — | — | — | 1,250 |
| **Balance at December 31, 2016** | **139,730** | **23,026** | **69,443** | **154,452** | **386,651** |

# Consolidated Statements of Cash Flows

| | Three Months Ended December 31, | | Years Ended December 31, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| (CDN 000s) | **($)** | ($) | **($)** | ($) |
| **Cash from (used in) operating activities** | | | | |
| Net loss | **(11,325)** | (841) | **(40,621)** | (14,612) |
| Adjustment for non-cash items: | | | | |
| Depreciation and amortization | **10,515** | 19,802 | **55,384** | 81,381 |
| Impairment loss | **17,474** | — | **17,474** | 26,555 |
| Gain on sale of investment | **—** | **—** | **—** | (2,290) |
| Stock-based compensation | **1,538** | 2,802 | **6,195** | 7,398 |
| Non-cash restructuring costs | **—** | — | **4,833** | — |
| Deferred income taxes | **(3,003)** | (1,700) | **(13,944)** | (4,757) |
| Unrealized foreign exchange loss (gain) and other | **125** | (2,130) | **(2,506)** | 588 |
| Funds flow from operations | **15,324** | 17,933 | **26,815** | 94,263 |
| Movements in non-cash working capital items: | | | | |
| (Increase) decrease in trade and other receivables | **(12,411)** | 6,365 | **(6,791)** | 81,884 |
| Decrease (increase) in prepaid expenses | **516** | 2,100 | **(193)** | 2,384 |
| (Decrease) increase in income taxes | **(774)** | (1,956) | **9,570** | (1,148) |
| Decrease in trade payables, accruals and stock-based compensation liability | **(1,826)** | (8,070) | **(3,940)** | (29,929) |
| Effects of exchange rate changes | **448** | (1,812) | **1,606** | 2,052 |
| **Cash generated from operating activities** | **1,277** | 14,560 | **27,067** | 149,506 |
| Income tax paid | **(612)** | (3,649) | **(7,425)** | (19,430) |
| **Net cash from operating activities** | **665** | 10,911 | **19,642** | 130,076 |
| **Cash flows from (used in) financing activities** | | | | |
| Proceeds from issuance of common shares | **2,623** | 3,967 | **7,076** | 9,576 |
| Payment of dividends | **(14,375)** | (14,289) | **(57,338)** | (56,939) |
| **Net cash used in financing activities** | **(11,752)** | (10,322) | **(50,262)** | (47,363) |
| **Cash flows (used in) from investing activities** | | | | |
| Additions to property, plant and equipment | **(979)** | (6,554) | **(10,492)** | (44,256) |
| Development costs | **1,009** | 27 | **(2,364)** | (6,555) |
| Proceeds on disposal of investment and property, plant and equipment | **(294)** | 335 | **398** | 3,962 |
| Acquisitions, net of cash acquired | **1,243** | — | **1,243** | — |
| Changes in non-cash working capital | **(554)** | (841) | **(1,253)** | (6,605) |
| **Net cash used in investing activities** | **425** | (7,033) | **(12,468)** | (53,454) |
| Effect of exchange rate on cash and cash equivalents | **2,543** | 4,175 | **(6,279)** | 21,729 |
| **Net (decrease) increase in cash and cash equivalents** | **(8,119)** | (2,269) | **(49,367)** | 50,988 |
| **Cash and cash equivalents, beginning of period** | **154,598** | 198,115 | **195,846** | 144,858 |
| **Cash and cash equivalents, end of period** | **146,479** | 195,846 | **146,479** | 195,846 |

# Operating Segments

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

| Three Months Ended December 31, 2016 | Canada | United States | International | Total |
|---|---|---|---|---|
| (CDN 000s) | ($) | ($) | ($) | ($) |
| Revenue | **14,620** | **28,632** | **5,575** | **48,827** |
| Rental services and local administration | **4,570** | **14,324** | **5,077** | **23,971** |
| Depreciation and amortization | **3,920** | **5,651** | **944** | **10,515** |
| Segment operating profit (loss) | **6,130** | **8,657** | **(446)** | **14,341** |
| Research and development | | | | **5,233** |
| Corporate services | | | | **4,398** |
| Stock-based compensation | | | | **1,538** |
| Other expenses | | | | **17,516** |
| Income taxes | | | | **(3,019)** |
| Net loss | | | | **(11,325)** |
| Capital expenditures | **(1,465)** | **1,861** | **(426)** | **(30)** |
| Goodwill | **1,284** | **7,850** | **2,600** | **11,734** |
| Intangible assets | **31,817** | **147** | **0** | **31,964** |
| Segment assets | **130,792** | **248,762** | **55,697** | **435,251** |
| Segment liabilities | **33,425** | **9,570** | **5,605** | **48,600** |
| **Three Months Ended December 31, 2015** | | | | |
| (CDN 000s) | | | | |
| Revenue | 16,407 | 34,742 | 8,689 | 59,838 |
| Rental services and local administration | 6,399 | 16,222 | 5,787 | 28,408 |
| Depreciation and amortization | 8,590 | 7,456 | 3,756 | 19,802 |
| Segment operating profit (loss) | 1,418 | 11,064 | (854) | 11,628 |
| Research and development | | | | 6,302 |
| Corporate services | | | | 5,000 |
| Stock-based compensation | | | | 2,802 |
| Other income | | | | (608) |
| Income taxes | | | | (1,027) |
| Net loss | | | | (841) |
| Capital expenditures | 2,841 | 4,355 | (669) | 6,527 |
| Goodwill | — | 25,611 | 2,600 | 28,211 |
| Intangible assets | 28,215 | 22 | 1,195 | 29,432 |
| Segment assets | 178,354 | 286,602 | 64,669 | 529,625 |
| Segment liabilities | 17,965 | 5,022 | 17,190 | 40,177 |

| Year Ended December 31, 2016 | Canada | United States | International | Total |
|---|---|---|---|---|
| (CDN 000s) | ($) | ($) | ($) | ($) |
| Revenue | **46,200** | **90,967** | **23,279** | **160,446** |
| Rental services and local administration | **17,706** | **52,971** | **19,158** | **89,835** |
| Depreciation and amortization | **24,036** | **23,130** | **8,218** | **55,384** |
| Segment operating profit (loss) | **4,458** | **14,866** | **(4,097)** | **15,227** |
| Research and development | | | | **22,848** |
| Corporate services | | | | **16,758** |
| Stock-based compensation | | | | **6,195** |
| Other expenses | | | | **27,533** |
| Income taxes | | | | **(17,486)** |
| Net loss | | | | **(40,621)** |
| Capital expenditures | **1,465** | **11,667** | **(276)** | **12,856** |
| Goodwill | **1,284** | **7,850** | **2,600** | **11,734** |
| Intangible assets | **31,817** | **147** | **0** | **31,964** |
| Segment assets | **130,792** | **248,762** | **55,697** | **435,251** |
| Segment liabilities | **33,425** | **9,570** | **5,605** | **48,600** |

| Year Ended December 31, 2015 | | | | |
|---|---|---|---|---|
| (CDN 000s) | | | | |
| Revenue | 73,830 | 170,886 | 40,432 | 285,148 |
| Rental services and local administration | 30,128 | 77,822 | 28,965 | 136,915 |
| Depreciation and amortization | 36,998 | 33,330 | 11,053 | 81,381 |
| Segment operating profit | 6,704 | 59,734 | 414 | 66,852 |
| Research and development | | | | 31,733 |
| Corporate services | | | | 20,040 |
| Stock-based compensation | | | | 7,398 |
| Other expenses | | | | 24,540 |
| Income taxes | | | | (2,247) |
| Net loss | | | | (14,612) |
| Capital expenditures | 22,308 | 20,337 | 8,166 | 50,811 |
| Goodwill | — | 25,611 | 2,600 | 28,211 |
| Intangible assets | 28,215 | 22 | 1,195 | 29,432 |
| Segment assets | 178,354 | 286,602 | 64,669 | 529,625 |
| Segment liabilities | 17,965 | 5,022 | 17,190 | 40,177 |

## Other Expenses

| | Three Months Ended December 31, | | Years Ended December 31, | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| (CDN 000s) | **($)** | ($) | **($)** | ($) |
| Foreign exchange loss (gain) | **284** | (1,549) | **(1,943)** | (3,104) |
| Impairment loss | **17,474** | — | **17,474** | 26,555 |
| Gain on sale of investment | **—** | — | **—** | (2,290) |
| Restructuring costs | **—** | 1,024 | **10,861** | 3,596 |
| Other | **(242)** | (83) | **1,141** | (217) |
| Other expenses (income) | **17,516** | (608) | **27,533** | 24,540 |

During 2016, the Company initiated a review of its investment in 3PS, Inc. (3PS) due to the significant decline in capital spending in the markets 3PS serves, including the oil and gas drilling industry. In the fourth quarter of 2016 a final agreement was entered into for the sale of the net operating assets of 3PS, effective January, 2017. As a result of this divestiture, the Company recorded a non-cash impairment loss of $17,474 in the fourth quarter of 2016, the majority of which is attributable to the write-down of goodwill that arose as a result of the initial acquisition of 3PS.

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

## Events After the Reporting Period

On February 22, 2017, the Company announced a quarterly dividend of $0.17 per share on the Company's common shares. The dividend will be paid on March 30, 2017 to shareholders of record at the close of business on March 16, 2017.

## 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.

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.