Press Release

Pason Reports Second Quarter 2018 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (August 8, 2018) – Pason Systems Inc. (TSX:PSI) announced today its 2018 second quarter results.

Performance Data

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017 (Restated)	Change	**2018**	2017 (Restated)	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**68,271**	55,792	22	**142,084**	114,841	24
Net Income (1)	**5,479**	5,968	(8)	**17,838**	12,772	40
Per share – basic (1)	**0.06**	0.07	(9)	**0.21**	0.15	39
Per share – diluted (1)	**0.06**	0.07	(9)	**0.21**	0.15	38
EBITDA (2)	**23,614**	21,050	12	**55,834**	44,519	25
As a % of revenue	**34.6**	37.7	(310) bps	**39.3**	38.8	50 bps
Adjusted EBITDA (2)	**29,458**	19,361	52	**64,211**	44,269	45
As a % of revenue	**43.1**	34.7	840 bps	**45.2**	38.5	670 bps
Funds flow from operations	**27,836**	18,795	48	**61,794**	39,869	55
Per share – basic	**0.33**	0.22	47	**0.73**	0.47	54
Per share – diluted	**0.32**	0.22	45	**0.72**	0.47	54
Cash from operating activities	**27,617**	24,201	14	**51,961**	54,032	(4)
Free cash flow (2)	**23,133**	19,628	18	**42,039**	48,139	(13)
Capital expenditures	**4,771**	5,099	(6)	**10,568**	6,233	70
Working capital	**224,749**	197,191	14	**224,749**	197,191	14
Total assets	**424,423**	412,991	3	**424,423**	412,991	3
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.17**	0.17	—	**0.34**	0.34	—
Shares outstanding end of period (#000's)	**85,378**	84,814	1	**85,378**	84,814	1

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

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

Q2 2018 vs Q2 2017

The Company generated consolidated revenue of $68.3 million in the second quarter of 2018, an increase of 22% from the same period in 2017. Stable oil prices have resulted in an increase in the number of active drilling rigs in the US. In Canada, a more challenging industry outlook has led to declines in activity compared to the prior year. The International business unit saw increases in activity in each of the Company's major markets.

Consolidated adjusted EBITDA increased to $29.5 million in the second quarter, an increase of 52% from the second quarter of 2017. For the first six months, consolidated adjusted EBITDA was $64.2 million, an increase of 45% over the 2017 comparative period. Significant increases in gross profit in the US business unit led to the improvement in this key measure.

The Company recorded net income of $5.5 million ($0.06 per share) in the second quarter of 2018, compared to net income of $6.0 million ($0.07 per share) recorded in the same period in 2017. Net income was negatively impacted in the second quarter of 2018 from (a) the Company recording a significant unrealized foreign exchange loss on inter-company advances made to the Company's Argentinian subsidiary as a result of a significant devaluation of the Argentina peso relative to the Canadian dollar and (b) the effective income tax rate for the second quarter of 2018 being higher than the statutory rate due the unrealized foreign exchange loss recorded on the inter-company advances described above.

President’s Message

Pason achieved strong results in the second quarter of 2018 and our teams continue to perform well in all geographies. We generated revenue of $68.3 million in the period, an increase of 22% compared to the same quarter last year. The main drivers of revenue growth were increased drilling activity and market share gains in the United States, and higher activity levels in all Pason’s international markets. These improvements were partially offset by a decline in Canadian drilling activity and by a stronger Canadian dollar relative to the US dollar.

Adjusted EBITDA was $29.5 million for the quarter, an increase of 52%. Adjusted EBITDA as a percentage of revenue was 43% compared to 35% one year ago. The drivers of this improvement were the significant increase in revenue with high incremental margins. Pason recorded net income for the quarter of $5.5 million ($0.06 per share) compared to $6.0 million ($0.07 per share) in the prior year quarter. Net income was negatively affected by an unrealized foreign exchange loss caused by the significant devaluation of the Argentine peso relative to the Canadian dollar.

Capital expenditures for the quarter were $4.8 million and free cash flow was $23.1 million. At June 30, 2018, our working capital position stood at $224.7 million, including cash and short-term investments of $177.2 million. There is no debt on our balance sheet. We are increasing our quarterly dividend to $0.18 per share.

In the first quarter of 2018, we began reporting our revenue along five product categories to better reflect the changing nature of Pason’s business as follows:

- Drilling Data contains all products and services associated with acquiring, displaying, storing, and delivering drilling data. Revenue in this segment increased 25% in the second quarter compared to the previous year period and accounted for 52% of our total revenue. This increase was driven by a 17% increase in total US land drilling activity and US market share gains from 56% to 61%. Drilling industry days in Canada decreased by 9%, while segment revenue was essentially flat.
- Mud Management & Safety includes products such as the Pit Volume Totalizer (PVT), Gas Analyzer, Hazardous Gas Alarm, and the Electronic Choke Actuator. In the second quarter, Mud Management & Safety generated 28% of total revenue.
- Communications includes satellite and terrestrial Internet bandwidth, Wireless Rigsite, VOIP and Intercom services and accounted for 9% of total revenue. Revenue in this segment is showing lower growth because of the transition from satellite to terrestrial bandwidth with lower pricing and better user experience for customers.
- Drilling Intelligence bundles Pason’s offers targeted at enabling our customers’ drilling optimization and automation efforts. It contains products such as autodrillers, abbl Directional Advisor®, the ExxonMobil Drilling Advisory System® and Pivot, a pipe oscillation system for improving slide drilling. Drilling Intelligence is our highest growth segment (at 36%) and it generated 6% of total revenue in the second quarter. Our level of confidence in the successful commercialization of new

drilling intelligence products continues to grow. There currently are over 130 drilling rig installations of new Drilling Intelligence software in North America.

- Analytics & Other includes our Verdazo Discovery Analytics product suite, various reports, and other revenue streams. This segment is not as directly correlated to drilling activity and accounted for 4% of revenue.

We have increased our investment in R&D and IT by 7% in the first half of 2018 compared to the previous year period with a focus on machine learning algorithms. Our capital expenditures will be relatively modest going forward with a larger portion of development efforts focused on software and analytics. We intend to spend up to $25.0 million in capital expenditures in 2018. Our highly capable and flexible IT and communications platform can host additional new Pason and third-party software at the rig site and in the cloud.

The Permian Basin in Texas and New Mexico is the most active basin in the United States. It has been the focal point for the industry's recovery since the downturn and the key driver of revenue growth for Pason. There is the potential for a slowdown in drilling activity in the Permian the second half of 2018 due to takeaway capacity issues. However, we have not yet seen any signs of a slowdown and we would expect activity levels to plateau, rather than decline significantly.

In Canada, the ongoing crude oil and natural gas takeaway capacity issues continue to create an environment of extreme caution for E&P companies. The industry is watching for signals from Shell on plans for the $40-billion LNG Canada project on the West Coast. Shell has recently called the project “very promising” but it is still under study. A positive final investment decision could be a catalyst for an increase in Canadian gas drilling activity.

The outlook for our international business is positive. Market fundamentals continue to evolve favorably as the global balance of crude oil supply and demand tightens. Despite OPEC’s recent decision to increase production, global supply continues to weaken from geopolitical pressure to remove Iranian oil from the market and no resolution to falling production in Venezuela. Spare production capacity, which is limited to a few OPEC countries, is at a low level. It is becoming apparent that the new projects expected to come online during the next few years will not be sufficient to meet the increasing demand. These developments underline the growing need for international E&P spending to increase significantly.

Pason’s market positions remain very strong. We are the service provider of choice for many leading operators and drilling contractors with Pason equipment installed on over 65% of all active land drilling rigs in the Western Hemisphere and a growing position in the Middle East. We continue to be very well positioned to participate in the industry’s recovery and growth.

Marcel Kessler
President and Chief Executive Officer
August 8, 2018

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of August 8, 2018, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements and accompanying notes.

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

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

Additional IFRS Measures

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

Funds flow from operations

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

Cash from operating activities

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

Non-IFRS Financial Measures

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

Revenue per EDR Day

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

EBITDA

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

Adjusted EBITDA

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

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

Free cash flow

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

Overall Performance

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**35,420**	28,317	25	**72,715**	57,085	27
Mud Management and Safety	**19,304**	16,423	18	**40,564**	33,937	20
Communications	**6,111**	5,380	14	**13,909**	11,873	17
Drilling Intelligence	**4,374**	3,221	36	**8,955**	7,214	24
Analytics and Other	**3,062**	2,451	25	**5,941**	4,732	26
Total revenue	**68,271**	55,792	22	**142,084**	114,841	24

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

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

Pason Electronic Drilling Recorder (EDR) Rental Days

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	**2018**	2017	Change
	#	#	(%)	#	#	(%)
Canada	**8,300**	9,200	(10)	**29,400**	33,000	(11)
United States	**56,300**	43,700	29	**107,200**	79,000	36

Total revenue increased 22% and 24% for the three and six months ending June 2018, over the same period in 2017. This increase is attributable to an increase in drilling activity in the Company's US and major International markets, partially offset by lower Canadian activity. The second quarter and year-to-date 2018 results, as compared to corresponding period in 2017, were negatively impacted by a stronger Canadian dollar relative to the US dollar.

Industry activity in the US market increased 17% in the second quarter of 2018 compared to the corresponding period in 2017, while second quarter Canadian rig activity decreased 9%. US EDR days increased by 29% in the second quarter of 2018 compared to the corresponding period in 2017, while second quarter Canadian EDR days, which includes some non-oil and gas-related activity, decreased 10% from 2017 levels. Both the US and the Canadian business units saw increases in revenue per EDR day when measured in local currencies.

In the second quarter of 2018, the Pason EDR was installed on 61% of the land rigs in the US market compared to 56% during the same time period of 2017.

In the second quarter of 2018, the Pason EDR was installed on 86% of the land rigs in the Canadian market compared to 87% during the same period of 2017. For the purposes of market share, the Company uses the number of EDR days billed and oil and gas drilling days as reported by accepted industry sources.

Revenue generated from the Company's other wellsite instrumentation products was largely driven by the increase in drilling activity in the US market combined with increases in the adoption of certain EDR peripherals and an increase in revenue from the Company's Drilling Intelligence products, including the continued roll-out of the Drilling Advisory System™ technology licensed from ExxonMobil™.

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

Discussion of Operations

United States Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**26,973**	20,466	32	**50,671**	35,742	42
Mud Management and Safety	**14,643**	12,090	21	**27,879**	21,589	29
Communications	**4,200**	3,388	24	**7,898**	5,985	32
Drilling Intelligence	**2,909**	1,973	47	**5,053**	3,457	46
Analytics and Other	**1,553**	1,278	22	**2,885**	2,388	21
Total revenue	**50,278**	39,195	28	**94,386**	69,161	36
Rental services and local administration	**17,455**	16,302	7	**34,340**	30,512	13
Depreciation and amortization	**4,100**	4,170	(2)	**7,928**	9,171	(14)
Segment gross profit	**28,723**	18,723	53	**52,118**	29,478	77

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Revenue per EDR day - USD	**685**	661	**682**	649
Revenue per EDR day - CAD	**884**	889	**872**	866

US land-based drilling continued its sequential increase quarter over quarter resulting from the improvement of global commodity price fundamentals and WTI trading consistently above US$65 per barrel. These fundamentals continue to support strong rig activity.

US segment revenue increased by 28% in the second quarter of 2018 over the 2017 comparable period (33% when measured in USD). For the first six months of 2018, revenue increased 36% compared to the prior period (42% when measured in USD). The value of the Canadian dollar relative to the US dollar had a negative impact on revenue when measured in Canadian dollars in 2018 compared to 2017.

Industry activity in the US market increased by 17% in the second quarter of 2018 over the 2017 comparable period. For the first six months of 2018, industry activity increased by 24% compared to the prior period. US market share was 61% for the second quarter of 2018 compared to 56% during the same period of 2017. For the first six months of 2018, US market share was 61% compared to 55% during the same period of 2017. The increase in market share is driven by market share growth in key US regions combined with changes in the mix of active customers.

EDR rental days increased by 29% in the second quarter of 2018 over the 2017 comparable period, while revenue per EDR day in the second quarter of 2018 increased to US$685, an increase of US$24 over the same period in 2017. The increase in EDR rental days and revenue per EDR day was driven by higher adoption of certain peripheral products and selective price increases on certain products.

Revenue per EDR day for the first six months of 2018 was US$682, up US$33 from the same period of 2017.

Operating costs increased by 7% in the second quarter of 2018 over the 2017 comparative period (13% when measured in USD). For the first six months of 2018, operating costs increased 13% over the 2017 comparative period (19% when measured in USD). The increase in operating costs is attributable higher field staff levels and higher direct costs to support additional activity.

Depreciation expense decreased by 2% in the second quarter of 2018 over the 2017 comparative period due to the reduction in the capital program since 2014.

Segment gross profit increased by $10.0 million in the second quarter of 2018 over the 2017 comparative period.

Canadian Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**4,180**	4,157	1	**14,100**	14,602	(3)
Mud Management and Safety	**2,962**	3,117	(5)	**9,623**	10,109	(5)
Communications	**1,506**	1,670	(10)	**5,275**	5,353	(1)
Drilling Intelligence	**1,117**	746	50	**3,235**	2,778	16
Analytics and Other	**900**	789	14	**1,856**	1,624	14
Total revenue	**10,665**	10,479	2	**34,089**	34,466	(1)
Rental services and local administration	**6,136**	5,559	10	**13,464**	11,353	19
Depreciation and amortization	**4,223**	5,645	(25)	**8,608**	11,579	(26)
Segment gross profit (loss)	**306**	(725)	—	**12,017**	11,534	4

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Revenue per EDR day - CAD	**1,184**	1,044	**1,102**	994

The second quarter Canadian rig activity showed year-over-year decrease in activity. Drilling industry days decreased by 9% for both the second quarter of 2018 and for the first six months of 2018 compared to the same period in 2017. Rig activity reflected the challenging industry outlook and, for the second quarter of 2018, wet conditions persisted across several areas of the WCSB.

Canadian segment revenue increased by 2% in the second quarter of 2018 over the 2017 comparative period. For the first six months of 2018, revenue decreased by 1% compared to the prior period.

EDR rental days decreased 10% in the second quarter of 2018 compared to 2017. On a year-to-date basis EDR rental days decreased 11% over 2017 levels.

Revenue per EDR day increased by $140 to $1,184 during the second quarter of 2018 compared to 2017. For the first six months of 2018, revenue per EDR day increased by $108 to $1,102. The increase is driven by higher adoption of certain EDR peripherals and the successful introduction of ExxonMobil DAS™ .

Operating costs increased by 10% in the second quarter of 2018 relative to the same period in 2017 (19% on a year-to-date basis), with repair costs and other direct field costs responsible for the increase.

Depreciation and amortization expense decreased by 25% for the three months ended June 30, 2018. The decrease is a result of lower capital programs since 2014 and a drop in amortization expense of previously deferred research and development costs as fewer project costs are being capitalized for accounting purposes.

Segment gross profit for the second quarter of 2018 was $0.3 million compared to a loss of $0.7 million for the same quarter in 2017.

International Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Drilling Data	**4,267**	3,694	16	**7,944**	6,741	18
Mud Management and Safety	**1,699**	1,216	40	**3,062**	2,239	37
Communications	**405**	322	26	**736**	535	38
Drilling Intelligence	**348**	502	(31)	**667**	979	(32)
Analytics and Other	**609**	384	59	**1,200**	720	67
	7,328	6,118	20	**13,609**	11,214	21
Rental services and local administration	**4,765**	4,773	—	**9,448**	8,965	5
Depreciation and amortization	**897**	1,008	(11)	**1,859**	2,046	(9)
Segment gross profit	**1,666**	337	394	**2,302**	203	1,034

The international rig count was up in all of the Company's major international markets with the largest increases in Australia and Argentina. The increase in activity in Argentina was offset by a weaker Argentinian Peso compared to the prior year. Revenue in the International operations segment increased in the second quarter of 2018 by 20% compared to the same period in 2017. For the first six month of 2018, revenue increased by 21% compared to the prior period.

Operating costs were consistent in the second quarter compared to the same period in 2017. For the first six months of 2018, operating costs increased by 5% compared to the prior period.

Depreciation expense decreased by 11% for the three months ended June 30, 2018.

Segment gross profit was $1.7 million for the second quarter of 2018, an improvement from the $0.3 million profit recorded in the corresponding period in 2017. For the first six months of 2018, segment gross profit was $2.3 million compared to $0.2 million in 2017.

Corporate Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Change	**2018**	2017	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Other expenses						
Research and development	**6,617**	6,261	6	**12,976**	12,138	7
Corporate services	**3,840**	3,536	9	**7,645**	7,604	1
Stock-based compensation	**3,855**	3,177	21	**6,389**	5,724	12
Other						
Foreign exchange loss (gain)	**5,787**	(689)	—	**8,191**	(466)	—
Other	**57**	(1,000)	—	**186**	216	(14)
Total corporate expenses	**20,156**	11,285	79	**35,387**	25,216	40

The Company recorded a significant unrealized foreign exchange loss in the second quarter of 2018 on inter-company advances made to the Company's Argentinian subsidiary as a result of a significant devaluation of the Argentina peso relative to the Canadian dollar.

Q2 2018 vs Q1 2018

Consolidated revenue was $68.3 million in the second quarter of 2018 compared to $73.8 million in the first quarter of 2018, a decrease of $5.5 million or 8%. The second quarter of the year is typically the weakest for the Company due to the seasonality of Canadian drilling activity. US and international activity levels continued to increase and this partially offset the anticipated drop in Canadian activity.

Revenue in the US segment was $50.3 million in the second quarter of 2018 compared to $44.1 million in the first quarter of 2018, an increase of $6.2 million or 14% as industry activity, market share and revenue per EDR day all increased. The Canadian segment earned revenue of $10.7 million in the second quarter of 2018 compared to $23.4 million in the first quarter of 2018, a decrease of $12.7 million or 54% as the decrease in industry activity was partially offset by an increase in revenue per EDR day. The International segment earned revenue of $7.3 million in the second quarter of 2018 compared to $6.3 million in the first quarter of 2018, an increase of $1.0 million or 16%.

Adjusted EBITDA, which adjusts for foreign exchange and certain non-recurring charges, was $29.5 million in the second quarter of 2018 compared to $34.8 million in the first quarter of 2018. Funds flow from operations was $27.8 million in the in the second quarter of 2018 compared to $34.0 million in the first quarter of 2018.

The Company recorded a net profit in the second quarter of 2018 of $5.5 million ($0.06 per share) compared to a profit of $12.4 million ($0.14 per share) in the first quarter of 2018. The Company recorded a significant unrealized foreign exchange loss in the second quarter of 2018 on inter-company advances made to the Company's Argentinian subsidiary as a result of a significant devaluation of the Argentina peso relative to the Canadian dollar and this combined with a higher effective tax rate for the second quarter of 2018 due to the unrealized foreign exchange loss recorded on these inter-company advances negatively impacted net income.

Second Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its second quarter 2018 results at 9:00 am (Calgary time) on Thursday, August 9, 2018. The conference call dial-in number is 1-888-231-8191 or 1-647-427-7450. You can access the seven-day replay by dialing 1-855-859-2056 or 1-416-849-0833, using password 2786457.

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

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

Condensed Consolidated Interim Balance Sheets

As at	June 30, 2018	December 31, 2017
(CDN 000s) (unaudited)	**($)**	($)
Assets		
Current		
Cash and cash equivalents	**111,342**	154,129
Short-term investments	**65,840**	—
Trade and other receivables	**62,012**	55,069
Income tax recoverable other	**17,881**	17,881
Prepaid expenses	**2,909**	4,028
Income taxes recoverable	**7,639**	3,946
Total current assets	**267,623**	235,053
Non-current		
Property, plant and equipment	**123,647**	127,685
Intangible assets and goodwill	**33,153**	34,318
Deferred tax assets	**—**	1,390
Total non-current assets	**156,800**	163,393
Total assets	**424,423**	398,446
Liabilities and equity		
Current		
Trade payables and accruals	**19,576**	20,391
Income taxes payable other	**17,881**	17,881
Stock-based compensation liability	**5,417**	3,089
Total current liabilities	**42,874**	41,361
Non-current		
Stock-based compensation liability	**4,486**	2,758
Onerous lease obligation	**2,302**	2,326
Deferred tax liabilities	**15,556**	4,515
Total non-current liabilities	**22,344**	9,599
Equity		
Share capital	**155,275**	150,887
Share-based benefits reserve	**26,001**	24,425
Foreign currency translation reserve	**57,246**	40,358
Retained earnings	**120,683**	131,816
Total equity	**359,205**	347,486
Total liabilities and equity	**424,423**	398,446

Condensed Consolidated Interim Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (Restated)	**2018**	2017 (Restated)
(CDN 000s, except per share data) (unaudited)	**($)**	($)	**($)**	($)
Revenue	**68,271**	55,792	**142,084**	114,841
Operating expenses				
Rental services	**25,209**	24,099	**51,248**	45,582
Local administration	**3,147**	2,535	**6,004**	5,248
Depreciation and amortization	**9,220**	10,823	**18,395**	22,796
	37,576	37,457	**75,647**	73,626
Gross profit	**30,695**	18,335	**66,437**	41,215
Other expenses				
Research and development	**6,617**	6,261	**12,976**	12,138
Corporate services	**3,840**	3,536	**7,645**	7,604
Stock-based compensation expense	**3,855**	3,177	**6,389**	5,724
Other expense (income)	**5,844**	(1,689)	**8,377**	(250)
	20,156	11,285	**35,387**	25,216
Income before income taxes	**10,539**	7,050	**31,050**	15,999
Income tax provision	**5,060**	1,082	**13,212**	3,227
Net income	**5,479**	5,968	**17,838**	12,772
Income per share				
Basic	**0.06**	0.07	**0.21**	0.15
Diluted	**0.06**	0.07	**0.21**	0.15

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017 (Restated)
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Net income	**5,479**	5,968	**17,838**	12,772
Items that may be reclassified subsequently to net income:				
Tax (recovery) expense on net investment in foreign operations related to an inter-company financing	**(777)**	927	**(1,766)**	1,276
Foreign currency translation adjustment	**8,874**	(9,733)	**18,654**	(10,738)
Other comprehensive gain (loss)	**8,097**	(8,806)	**16,888**	(9,462)
Total comprehensive income (loss)	**13,576**	(2,838)	**34,726**	3,310

Condensed Consolidated Interim Statements of Changes in Equity

(CDN 000s) (unaudited)	Share Capital ($)	Share-Based Benefits Reserve ($)	Foreign Currency Translation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at January 1, 2017 - Previously reported	139,730	23,026	69,443	154,452	386,651
Correction of error	—	—	(9,871)	9,871	—
Balance at January 1, 2017 - Currently reported	139,730	23,026	59,572	164,323	386,651
Net income - as restated	—	—	—	12,772	12,772
Dividends	—	—	—	(28,813)	(28,813)
Other comprehensive loss - as restated	—	—	(9,462)	—	(9,462)
Exercise of stock options	4,065	(985)	—	—	3,080
Expense related to vesting of options	—	1,638	—	—	1,638
Balance at June 30, 2017	143,795	23,679	50,110	148,282	365,866
Net income - as restated	—	—	—	12,418	12,418
Dividends	—	—	—	(28,884)	(28,884)
Other comprehensive loss	—	—	(9,752)	—	(9,752)
Exercise of stock options	5,342	(1,262)	—	—	4,080
Expense related to vesting of options	—	2,008	—	—	2,008
Verdazo Acquisition	1,750	—	—	—	1,750
Balance at December 31, 2017	150,887	24,425	40,358	131,816	347,486
Net income	—	—	—	17,838	17,838
Dividends	—	—	—	(28,971)	(28,971)
Other comprehensive income	—	—	16,888	—	16,888
Exercise of stock options	4,388	(716)	—	—	3,672
Expense related to vesting of options	—	2,292	—	—	2,292
Balance at June 30, 2018	**155,275**	**26,001**	**57,246**	**120,683**	**359,205**

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (Restated)	**2018**	2017 (Restated)
(CDN 000s) (unaudited)	**($)**	($)	**($)**	($)
Cash from (used in) operating activities				
Net income	**5,479**	5,968	**17,838**	12,772
Adjustment for non-cash items:				
Depreciation and amortization	**9,220**	10,823	**18,395**	22,796
Stock-based compensation	**3,855**	3,177	**6,389**	5,724
Deferred income taxes	**3,361**	(125)	**10,664**	(665)
Unrealized foreign exchange loss (gain) and other	**5,921**	(1,048)	**8,508**	(758)
Funds flow from operations	**27,836**	18,795	**61,794**	39,869
Movements in non-cash working capital items:				
Increase (decrease) in trade and other receivables	**2,150**	3,659	**(6,747)**	1,816
Decrease in prepaid expenses	**794**	700	**1,275**	258
Decrease in income taxes recoverable	**1,205**	2,774	**1,270**	9,566
Increase (decrease) in trade payables, accruals and stock-based compensation liability	**387**	(780)	**(978)**	3,134
Effects of exchange rate changes	**76**	(522)	**310**	985
Cash generated from operating activities	**32,448**	24,626	**56,924**	55,628
Income tax paid	**(4,831)**	(425)	**(4,963)**	(1,596)
Net cash from operating activities	**27,617**	24,201	**51,961**	54,032
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**3,444**	2,374	**3,672**	3,080
Payment of dividends	**(14,491)**	(14,419)	**(28,971)**	(28,813)
Net cash used in financing activities	**(11,047)**	(12,045)	**(25,299)**	(25,733)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment	**(3,514)**	(4,439)	**(8,325)**	(5,280)
Development costs	**(1,257)**	(660)	**(2,243)**	(953)
Proceeds on disposal of investment and property, plant and equipment	**76**	11	**96**	14
Purchase of short-term investments	**(65,840)**	—	**(65,840)**	—
Acquisition	**—**	—	**—**	(4,750)
Proceeds on sale of net operating assets	**—**	—	**—**	7,123
Changes in non-cash working capital	**211**	515	**550**	326
Net cash used in investing activities	**(70,324)**	(4,573)	**(75,762)**	(3,520)
Effect of exchange rate on cash and cash equivalents	**2,254**	(4,409)	**6,313**	(4,738)
Net (decrease) increase in cash and cash equivalents	**(51,500)**	3,174	**(42,787)**	20,041
Cash and cash equivalents, beginning of period	**162,842**	163,346	**154,129**	146,479
Cash and cash equivalents, end of period	**111,342**	166,520	**111,342**	166,520

Operating Segments

The Company operates in three geographic segments: Canada, the United States, and International (Latin America, Offshore, the Eastern Hemisphere, and the Middle East). The following table represents a disaggregation of revenue from contracts with customers along with the reportable segment for each category:

Three Months Ended June 30, 2018	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	4,180	26,973	4,267	35,420
Mud Management and Safety	2,962	14,643	1,699	19,304
Communications	1,506	4,200	405	6,111
Drilling Intelligence	1,117	2,909	348	4,374
Analytics and Other	900	1,553	609	3,062
Total Revenue	10,665	50,278	7,328	68,271
Rental services and local administration	6,136	17,455	4,765	28,356
Depreciation and amortization	4,223	4,100	897	9,220
Segment gross profit	306	28,723	1,666	30,695
Research and development				6,617
Corporate services				3,840
Stock-based compensation				3,855
Other expense				5,844
Income taxes				5,060
Net income				5,479
Capital expenditures	1,087	3,537	147	4,771
As at June 30, 2018				
Property plant and equipment	40,312	68,432	14,903	123,647
Goodwill	1,259	7,342	2,600	11,201
Intangible assets	21,952	—	—	21,952
Segment assets	110,409	272,311	41,703	424,423
Segment liabilities	45,763	14,713	4,742	65,218

Three Months Ended June 30, 2017 (Restated)	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	4,157	20,466	3,694	28,317
Mud Management and Safety	3,117	12,090	1,216	16,423
Communications	1,670	3,388	322	5,380
Drilling Intelligence	746	1,973	502	3,221
Analytics and Other	789	1,278	384	2,451
Total Revenue	10,479	39,195	6,118	55,792
Rental services and local administration	5,559	16,302	4,773	26,634
Depreciation and amortization	5,645	4,170	1,008	10,823
Segment gross (loss) profit	(725)	18,723	337	18,335
Research and development				6,261
Corporate services				3,536
Stock-based compensation				3,177
Other income				(1,689)
Income taxes				1,082
Net income				5,968
Capital expenditures	171	4,929	(1)	5,099
As at June 30, 2017				
Property plant and equipment	46,493	69,103	18,624	134,220
Goodwill	1,259	6,995	2,600	10,854
Intangible assets	28,146	655	—	28,801
Segment assets	119,681	240,334	52,976	412,991
Segment liabilities	22,209	10,182	14,734	47,125

Six Months Ended June 30, 2018	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	**14,100**	**50,671**	**7,944**	**72,715**
Mud Management and Safety	**9,623**	**27,879**	**3,062**	**40,564**
Communications	**5,275**	**7,898**	**736**	**13,909**
Drilling Intelligence	**3,235**	**5,053**	**667**	**8,955**
Analytics and Other	**1,856**	**2,885**	**1,200**	**5,941**
Total Revenue	**34,089**	**94,386**	**13,609**	**142,084**
Rental services and local administration	**13,464**	**34,340**	**9,448**	**57,252**
Depreciation and amortization	**8,608**	**7,928**	**1,859**	**18,395**
Segment gross profit	**12,017**	**52,118**	**2,302**	**66,437**
Research and development				**12,976**
Corporate services				**7,645**
Stock-based compensation				**6,389**
Other expenses				**8,377**
Income tax expense				**13,212**
Net income				**17,838**
Capital expenditures	**3,050**	**6,800**	**718**	**10,568**
As at June 30, 2018				
Property plant and equipment	**40,312**	**68,432**	**14,903**	**123,647**
Goodwill	**1,259**	**7,342**	**2,600**	**11,201**
Intangible assets	**21,952**	**—**	**—**	**21,952**
Segment assets	**110,409**	**272,311**	**41,703**	**424,423**
Segment liabilities	**45,763**	**14,713**	**4,742**	**65,218**

Six Months Ended June 30, 2017 (Restated)	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	14,602	35,742	6,741	57,085
Mud Management and Safety	10,109	21,589	2,239	33,937
Communications	5,353	5,985	535	11,873
Drilling Intelligence	2,778	3,457	979	7,214
Analytics and Other	1,624	2,388	720	4,732
Total Revenue	34,466	69,161	11,214	114,841
Rental services and local administration	11,353	30,512	8,965	50,830
Depreciation and amortization	11,579	9,171	2,046	22,796
Segment gross profit	11,534	29,478	203	41,215
Research and development				12,138
Corporate services				7,604
Stock-based compensation				5,724
Other income				(250)
Income tax expense				3,227
Net income				12,772
Capital expenditures	118	6,215	(100)	6,233
As at June 30, 2017				
Property plant and equipment	46,493	69,103	18,624	134,220
Goodwill	1,259	6,995	2,600	10,854
Intangible assets	28,146	655	—	28,801
Segment assets	119,681	240,334	52,976	412,991
Segment liabilities	22,209	10,182	14,734	47,125

Correction of Error

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

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

For the second quarter of 2017, the income tax provision increased by $927. For the six month period ended June 30, 2017, the income tax provision increased by $1,276.

Other Expenses (Income)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
	($)	($)	**($)**	($)
Foreign exchange loss (gain)	**5,787**	(689)	**8,191**	(466)
Other	**57**	(1,000)	**186**	216
Other expenses (income)	**5,844**	(1,689)	**8,377**	(250)

The Company recorded a significant unrealized foreign exchange loss in the second quarter of 2018 on inter-company advances made to the Company's Argentinian subsidiary as a result of a significant devaluation of the Argentina peso relative to the Canadian dollar.

Short-term investments

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

Events After the Reporting Period

On August 8, 2018, the Company announced a quarterly dividend of $0.18 per share on the Company’s common shares. The dividend will be paid on September 28, 2018 to shareholders of record at the close of business on September 14, 2018.

Pason Systems Inc.

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

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

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

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

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

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