

# SECOND QUARTER INTERIM REPORT



For the three and six months ended June 30, 2018

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

(1) As disclosed in Note 2 to the consolidated financial statements, in 2017 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.

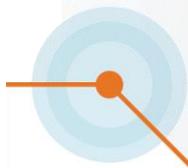
(2) Non-IFRS financial measures are defined in the Management's Discussion and Analysis section.

### 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



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For the three and six months ended June 30, 2018



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 its 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)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
<b>Revenue</b>						
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
<b>Total revenue</b>	<b>68,271</b>	<b>55,792</b>	<b>22</b>	<b>142,084</b>	<b>114,841</b>	<b>24</b>

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)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
<b>Revenue</b>						
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
<b>Total revenue</b>	<b>50,278</b>	<b>39,195</b>	<b>28</b>	<b>94,386</b>	<b>69,161</b>	<b>36</b>
<b>Rental services and local administration</b>	<b>17,455</b>	<b>16,302</b>	<b>7</b>	<b>34,340</b>	<b>30,512</b>	<b>13</b>
<b>Depreciation and amortization</b>	<b>4,100</b>	<b>4,170</b>	<b>(2)</b>	<b>7,928</b>	<b>9,171</b>	<b>(14)</b>
<b>Segment gross profit</b>	<b>28,723</b>	<b>18,723</b>	<b>53</b>	<b>52,118</b>	<b>29,478</b>	<b>77</b>

	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)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
<b>Revenue</b>						
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
<b>Total revenue</b>	<b>10,665</b>	<b>10,479</b>	<b>2</b>	<b>34,089</b>	<b>34,466</b>	<b>(1)</b>
<b>Rental services and local administration</b>	<b>6,136</b>	<b>5,559</b>	<b>10</b>	<b>13,464</b>	<b>11,353</b>	<b>19</b>
<b>Depreciation and amortization</b>	<b>4,223</b>	<b>5,645</b>	<b>(25)</b>	<b>8,608</b>	<b>11,579</b>	<b>(26)</b>
<b>Segment gross profit (loss)</b>	<b>306</b>	<b>(725)</b>	<b>—</b>	<b>12,017</b>	<b>11,534</b>	<b>4</b>

	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)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
<b>Revenue</b>						
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
	<b>7,328</b>	6,118	20	<b>13,609</b>	11,214	21
<b>Rental services and local administration</b>	<b>4,765</b>	4,773	—	<b>9,448</b>	8,965	5
<b>Depreciation and amortization</b>	<b>897</b>	1,008	(11)	<b>1,859</b>	2,046	(9)
<b>Segment gross profit</b>	<b>1,666</b>	337	394	<b>2,302</b>	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)	(\$)	(\$)	(%)	(\$)	(\$)	(%)
<b>Other expenses</b>						
Research and development	<b>6,617</b>	6,261	6	<b>12,976</b>	12,138	7
Corporate services	<b>3,840</b>	3,536	9	<b>7,645</b>	7,604	1
Stock-based compensation	<b>3,855</b>	3,177	21	<b>6,389</b>	5,724	12
Other						
Foreign exchange loss (gain)	<b>5,787</b>	(689)	—	<b>8,191</b>	(466)	—
Other	<b>57</b>	(1,000)	—	<b>186</b>	216	(14)
<b>Total corporate expenses</b>	<b>20,156</b>	11,285	79	<b>35,387</b>	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.

# Summary of Quarterly Results

Three Months Ended	Sept 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sept 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
(000s, except per share data)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Revenue</b>	38,633	48,827	59,049	55,792	64,576	66,226	73,813	<b>68,271</b>
<b>(Loss) income restated <sup>(1)</sup></b>	(6,550)	(10,446)	6,804	5,968	7,404	5,014	12,359	<b>5,479</b>
Per share – basic restated <sup>(1)</sup>	(0.07)	(0.12)	0.08	0.07	0.08	0.06	0.15	<b>0.06</b>
Per share – diluted restated <sup>(1)</sup>	(0.07)	(0.12)	0.08	0.07	0.08	0.06	0.14	<b>0.06</b>
<b>EBITDA <sup>(2)</sup></b>	8,347	(2,291)	23,469	21,050	25,493	26,651	32,220	<b>23,614</b>
<b>Adjusted EBITDA <sup>(2)</sup></b>	8,487	15,225	24,908	19,361	26,158	27,797	34,753	<b>29,458</b>
<b>Funds flow from operations</b>	9,130	15,324	21,074	18,795	19,896	27,356	33,958	<b>27,836</b>
Per share – basic	0.11	0.18	0.25	0.22	0.23	0.32	0.40	<b>0.33</b>
Per share – diluted	0.11	0.18	0.25	0.22	0.23	0.32	0.40	<b>0.32</b>
<b>Cash from operating activities</b>	4,653	665	29,831	24,201	15,128	16,637	24,344	<b>27,617</b>
<b>Free cash flow <sup>(2)</sup></b>	4,404	(153)	28,511	19,628	11,002	6,690	18,906	<b>23,133</b>

(1) As disclosed in Note 2 to the consolidated financial statements, in 2017 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. Refer to table below on the impact of the restatement on prior period figures.

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

## Restatement of Prior Period Error (refer to Note 2 to the consolidated financial statements)

Three Months Ended	Sept 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sept 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Previously reported (Loss) income</b>	(7,117)	(11,325)	7,153	6,895	8,813	5,014	12,359	<b>5,479</b>
Per share – basic	(0.08)	(0.13)	0.08	0.08	0.10	0.06	0.15	<b>0.06</b>
Per share – diluted	(0.08)	(0.13)	0.08	0.08	0.10	0.06	0.14	<b>0.06</b>
(Decrease) increase in tax provision	(567)	(879)	349	927	1,409	—	—	—
<b>Restated (Loss) income</b>	(6,550)	(10,446)	6,804	5,968	7,404	5,014	12,359	<b>5,479</b>
Per share – basic	(0.07)	(0.12)	0.08	0.07	0.08	0.06	0.15	<b>0.06</b>
Per share – diluted	(0.07)	(0.12)	0.08	0.07	0.08	0.06	0.14	<b>0.06</b>

## Reconcile (Loss) income to EBITDA

Three Months Ended	Sept 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sept 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
(Loss) income restated <sup>(1)</sup>	(6,550)	(10,446)	6,804	5,968	7,404	5,014	12,359	5,479
Add:								
Taxes restated <sup>(1)</sup>	(1,489)	(3,898)	2,145	1,082	3,760	7,043	8,152	5,060
Depreciation and amortization	14,929	10,515	11,973	10,823	11,184	11,701	9,175	9,220
Stock-based compensation	1,457	1,538	2,547	3,177	3,145	2,893	2,534	3,855
<b>EBITDA <sup>(2)</sup></b>	<b>8,347</b>	<b>(2,291)</b>	<b>23,469</b>	<b>21,050</b>	<b>25,493</b>	<b>26,651</b>	<b>32,220</b>	<b>23,614</b>

## Reconcile EBITDA to Adjusted EBITDA

Three Months Ended	Sept 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sept 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
EBITDA	8,347	(2,291)	23,469	21,050	25,493	26,651	32,220	23,614
Add:								
Impairment charges	—	17,474	—	—	—	—	—	—
Foreign exchange	96	284	223	(689)	113	1,459	2,404	5,787
Other	44	(242)	1,216	(1,000)	552	(313)	129	57
<b>Adjusted EBITDA <sup>(2)</sup></b>	<b>8,487</b>	<b>15,225</b>	<b>24,908</b>	<b>19,361</b>	<b>26,158</b>	<b>27,797</b>	<b>34,753</b>	<b>29,458</b>

## Reconcile cash from operating activities to free cash flow

Three Months Ended	Sept 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sept 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Cash from operating activities	4,653	665	29,831	24,201	15,128	16,637	24,344	27,617
Less:								
Additions to property, plant and equipment	410	(1,827)	(1,027)	(3,913)	(3,881)	(8,749)	(4,452)	(3,227)
Deferred development costs	(659)	1,009	(293)	(660)	(245)	(1,198)	(986)	(1,257)
<b>Free cash flow <sup>(2)</sup></b>	<b>4,404</b>	<b>(153)</b>	<b>28,511</b>	<b>19,628</b>	<b>11,002</b>	<b>6,690</b>	<b>18,906</b>	<b>23,133</b>

Pason's quarterly financial results vary quarter to quarter due in part to the seasonality of the oil and gas service industry in Canada, which is somewhat offset by the less seasonal nature of US and International operations. The first quarter is generally the strongest quarter for the Company due to strong activity in Canada, where location access is best during the winter. The second quarter is typically the slowest due to spring break-up in Canada, when many areas are not accessible due to ground conditions, and, therefore, do not permit the movement of heavy equipment. Activity generally increases in the third quarter, depending on the year, as ground conditions have often improved and location access becomes available; however, a rainy summer can have a significant adverse effect on drilling activity. By the fourth quarter, often the

Company's second strongest quarter, access to most areas in Canada becomes available when the ground freezes. Consequently, the performance of the Company may not be comparable quarter to consecutive quarter, but should be considered on the basis of results for the whole year, or by comparing results in a quarter with results in the same quarter for the previous year.

## Liquidity and Capital Resources

As at June 30,	2018	2017	Change
(000s)	(\$)	(\$)	(%)
Cash and cash equivalents	111,342	166,520	(33)
Short-term investments	65,840	—	—
Working capital	224,749	197,191	14
Funds flow from operations <sup>(1)</sup>	27,836	18,795	48
Capital expenditures <sup>(1)</sup>	4,771	5,099	(6)
As a % of funds flow <sup>(1)(2)</sup>	17.1%	27.1%	(999) bps

(1) Figures are for the Three months ended June 30.

(2) Calculated by dividing capital expenditures by funds flow from operations.

During the second quarter of 2018, the Company invested in a USD \$50 million term deposit bearing an interest rate of 2.30% maturing in November, 2018.

## Contractual Obligations

	Less than 1 year	1–3 years	Thereafter	Total
(000s)	(\$)	(\$)	(\$)	(\$)
Operating leases and other contracts	9,479	9,397	4,195	23,071

Contractual obligations relate primarily to minimum future lease payments required primarily for telecommunication charges and operating leases for certain facilities and vehicles.

At June 30, 2018, the Company had no capital lease obligations, and other than the operating leases detailed above, and the onerous lease obligation recorded, has no off-balance sheet arrangements.

The Company has available a \$5.0 million demand revolving credit facility. At June 30, 2018, no amount had been drawn on the facility.

## Disclosure of Outstanding Share and Options Data

As at June 30, 2018, there were 85.4 million common shares and 5.2 million options issued and outstanding.

## SEDAR

Additional information relating to the Company can be accessed on the Company's website at [www.pason.com](http://www.pason.com) and on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

## Critical Accounting Estimates

The preparation of the consolidated financial statements requires that certain estimates and judgments be made with respect to the reported amounts of revenue and expenses and the carrying value of assets and liabilities. These estimates are based on historical experience and management's judgments, and as a result, the estimates used by management involve uncertainty and may change as additional experience is acquired.

### Depreciation and Amortization

The accounting estimate that has the greatest impact on the Company's financial statements is depreciation and amortization. Depreciation of the Company's capital assets includes estimates of useful lives. These estimates may change with experience over time so that actual results could differ significantly from these estimates.

### Carrying Value of Assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Judgments and assessments are made to determine whether an event has occurred that indicates a possible impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year.

### Stock-Based Payments

The fair value of stock-based payments is calculated using a Black-Scholes option pricing model. There are a number of estimates used in the calculation, such as the future forfeiture rate, expected option life, and the future price volatility of the underlying security, which can vary from actual future events. The factors applied in the calculation are management's best estimates based on historical information and future forecasts.

## Income Taxes

The calculation of deferred income taxes is based on a number of assumptions, including estimating the future periods in which temporary differences, tax losses, and other tax credits will reverse. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change.

The estimation of deferred tax assets and liabilities includes uncertainty with respect to the reversal of temporary differences.

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits when it is probable that taxable income will be available to utilize unused tax losses and unused tax credits. This requires estimation of future taxable income and usage of tax loss carry-forwards for a considerable period into the future. Income tax expense in future periods may be affected to the extent actual taxable income is not sufficient or available to use the temporary differences giving rise to the deferred tax asset.

# Risk and Uncertainties

Pason has implemented a risk management framework that helps the Company manage the reality that future events, decisions, or actions may cause undesirable effects. The framework takes a value-based approach to identifying, prioritizing, communicating, mitigating, and monitoring risks, and aligns this with the organization's appetite for risk considering our culture, strategy, and objectives.

Although a framework can help the Company to manage its risks, the Company's performance is subject to a variety of risks and uncertainties. Although the risks described below are the risks that we believe are material, there may also be risks of which we are currently unaware, or that we currently regard as immaterial based upon the information available to us. Interested parties should be aware that the occurrence of the events described in these risk factors could have a material adverse effect on our business, operating results, and financial condition.

## Operating Risks

Pason derives the majority of its revenue from the rental of instrumentation and data services to oil and gas companies and drilling contractors in Canada, the US, Australia, and Latin America. The demand for our products is directly related to land-based or offshore drilling activity funded by energy companies' capital expenditure programs. A substantial or extended decline in energy prices or diversion of funds to large capital programs could adversely affect capital available for drilling activities, directly impacting Pason's revenue.

## Commodity Prices

Prices for crude oil and natural gas fluctuate in response to a number of factors beyond Pason's control. The factors that affect prices include, but are not limited to, the following: the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability in the Middle East and elsewhere, the foreign supply of crude oil, the price of foreign imports, the availability of alternate fuel sources, and weather conditions. Any of these can reduce the amount of drilling activity.

## Seasonality

Drilling activity in Canada is seasonal due to weather that limits access to leases in the spring and summer, making the first and last quarters of each year the peak level of demand for Pason's services due to the higher level of drilling activity. The length of the drilling season can be shortened due to warmer winter weather or rainy seasons. Pason can offset some of this risk, although not eliminate it, through continued growth in the US and internationally, where activity is less seasonal.

## **Proprietary Rights**

Pason relies on innovative technologies and products to protect its competitive position in the market. To protect Pason's intellectual property, the Company employs trademarks, patents, employment agreements, and other measures to protect trade secrets and confidentiality of information. Pason also believes that due to the rapid pace of technological change in the industry, technical expertise, knowledge, and innovative skill, combined with an ability to rapidly develop, produce, enhance, and market products, also provides protection in maintaining a competitive position.

## **Litigation**

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in Pason's favour, the Company does not currently believe that the outcome of any pending or threatened proceedings related to these or other matters, or the amounts which the Company may be required to pay by reason thereof, would individually or in the aggregate have a material adverse impact on its day-to-day business operations.

## **Credit Risk**

Pason is exposed to credit risk to the extent that its customers, operating primarily in the oil and natural gas industry, may experience financial difficulty and be unable to meet their obligations. However, Pason has a large number of customers on both the Operator and Contractor side, which minimizes exposure to any single customer.

## **Availability of Qualified Personnel**

Due to the specialized and technical nature of Pason's business, Pason is highly dependent on attracting and retaining qualified or key personnel. There is competition for qualified personnel in the areas where Pason operates, and there can be no assurance that qualified personnel can be attracted or retained to meet the growth needs of the business. To mitigate this risk, Pason has a Human Resources department within each significant business unit to support that function.

## **Alternative Energies**

There continues to be extensive discussion at all levels of government worldwide and by the public concerning the burning of fossil fuels and the impact this may have on the global environment. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, which could lead to potentially increased capital expenditures and operating costs. Implementation of strategies for reducing greenhouse gases could have a material impact on the nature of operations of the Company. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and the possible resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Company.

## **International Operations**

Assets outside of Canada and the US may be adversely affected by changes in governmental policy, social instability, or other political or economic developments beyond the Company's control, including expropriation of property, exchange rate fluctuations, and restrictions on repatriation of cash. The Company has mitigated these risks where practical and considered warranted. Approximately 90% of the Company's revenues are generated in Canada and the US, which limits exposure to risks and uncertainties in foreign countries. The Company's Argentinian subsidiary is operating in a highly inflationary economy and its operating results are being impacted by a weakening Argentina peso relative to the Canadian dollar.

## **Foreign Exchange Exposure**

The Company operates internationally and is primarily exposed to exchange risk relative to the US dollar. The Canadian operations are exposed to currency risk on US denominated financial assets and liabilities with fluctuations in the rate recognized as foreign exchange gains or losses in the Consolidated Statements of Operations. The Company's self-sustaining foreign subsidiaries expose the Company to exchange rate risk on the translation of their financial assets and liabilities to Canadian dollars for consolidation purposes.

Adjustments arising when translating the foreign subsidiaries into Canadian dollars are reflected in the Consolidated Statements of Operations and Other Comprehensive Income as unrealized foreign currency translation adjustments. The Company has not hedged either one of these risks.

The Company does not employ any financial instruments to manage risk or hedge its activities. The vast majority of the Company's activities are conducted in Canada and the US, where local revenue is earned against local expenses and the Company is therefore naturally hedged.

## **Major Customers**

Pason has a large customer base, consisting of both Operators and Contractors, and does not rely on any single customer for a significant portion of its revenue. No single customer accounted for more than 10% of the consolidated revenues of the Company. The loss of one or more customers, or a reduction in the amount of business Pason does with any of its customers, if not offset by obtaining new customers or increasing the amount of business it does with existing customers, could have a detrimental impact on Pason's revenue.

## **Key Personnel**

Pason's success depends to a significant extent on the contributions of a number of its officers and key employees. The Company does not carry "key person" insurance on any of its key employees. As such, the loss of services of one or more of these key employees could have a material adverse effect on Pason's business, operating results, or financial condition.

## **Dividends**

The decision to pay dividends and the amount paid is at the discretion of Pason's board of directors, which regularly reviews the Company's financial position, operating results, and industry outlook. Pason's ability to pay dividends is dependent on the Company's ability to generate cash flow in excess of its operating and investment needs and the Company's financial position.

## **Taxation**

Pason and its subsidiaries are subject to income and other forms of taxation in the various jurisdictions in which they operate. Pason attempts to structure its operations in a tax efficient manner in light of prevailing tax regimes. Any adverse change to existing taxation measures, policies or regulations, or the introduction of new taxation measures, policies or regulations in any of the jurisdictions in which Pason operates could have a negative impact on Pason's business, operating results, or financial condition.

The management of Pason believes that the provision for income taxes is adequate and in accordance with both generally accepted accounting principles and appropriate regulations. However, the tax filing positions of the Company are subject to review and audit by tax authorities who may challenge and succeed in management's interpretation of the applicable tax legislation.

## **Information Security**

Pason's business operations use an extensive network of communications and computer hardware and software systems. In addition, Pason's equipment captures, transmits, and stores significant quantities of drilling data on behalf of its customers. The Company takes measures to protect the security and integrity of its information systems and data, however, there is a risk that these measures may not fully protect against a potential security breach, which could have a negative impact on the Company's ability to operate or its reputation with existing and potential customers.

# Condensed Consolidated Interim Financial Statements and Notes

## Condensed Consolidated Interim Balance Sheets

As at	Note*	June 30, 2018	December 31, 2017
(CDN 000s) (unaudited)		(\$)	(\$)
<b>Assets</b>			
Current			
Cash and cash equivalents	9	111,342	154,129
Short-term investments	10	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
<b>Total current assets</b>		<b>267,623</b>	<b>235,053</b>
Non-current			
Property, plant and equipment		123,647	127,685
Intangible assets and goodwill		33,153	34,318
Deferred tax assets		—	1,390
<b>Total non-current assets</b>		<b>156,800</b>	<b>163,393</b>
<b>Total assets</b>		<b>424,423</b>	<b>398,446</b>
<b>Liabilities and equity</b>			
Current			
Trade payables and accruals		19,576	20,391
Income taxes payable other		17,881	17,881
Stock-based compensation liability	6	5,417	3,089
<b>Total current liabilities</b>		<b>42,874</b>	<b>41,361</b>
Non-current			
Stock-based compensation liability	6	4,486	2,758
Onerous lease obligation		2,302	2,326
Deferred tax liabilities		15,556	4,515
<b>Total non-current liabilities</b>		<b>22,344</b>	<b>9,599</b>
<b>Equity</b>			
Share capital	6	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
<b>Total equity</b>		<b>359,205</b>	<b>347,486</b>
<b>Total liabilities and equity</b>		<b>424,423</b>	<b>398,446</b>

\*The Notes are an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statements of Operations

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

\*The Notes are an integral part of these condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statements of Other Comprehensive Income

	Note*	Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017 (Restated-Note 2)	2018	2017 (Restated-Note 2)
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)
<b>Net income</b>		<b>5,479</b>	5,968	<b>17,838</b>	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	2	(777)	927	(1,766)	1,276
Foreign currency translation adjustment		8,874	(9,733)	<b>18,654</b>	(10,738)
<b>Other comprehensive gain (loss)</b>		<b>8,097</b>	(8,806)	<b>16,888</b>	(9,462)
<b>Total comprehensive income (loss)</b>		<b>13,576</b>	(2,838)	<b>34,726</b>	3,310

\*The Notes are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Interim Statements of Changes in Equity

	Note*	Share Capital	Share-Based Benefits Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)	(\$)
<b>Balance at January 1, 2017 - Previously reported</b>		139,730	23,026	69,443	154,452	386,651
Correction of error	2	—	—	(9,871)	9,871	—
<b>Balance at January 1, 2017 - Currently reported</b>		139,730	23,026	59,572	164,323	386,651
Net income - as restated	2	—	—	—	12,772	12,772
Dividends	6	—	—	—	(28,813)	(28,813)
Other comprehensive loss - as restated	2	—	—	(9,462)	—	(9,462)
Exercise of stock options		4,065	(985)	—	—	3,080
Expense related to vesting of options		—	1,638	—	—	1,638
<b>Balance at June 30, 2017</b>		143,795	23,679	50,110	148,282	365,866
Net income - as restated	2	—	—	—	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
<b>Balance at December 31, 2017</b>		150,887	24,425	40,358	131,816	347,486
Net income		—	—	—	17,838	17,838
Dividends	6	—	—	—	(28,971)	(28,971)
Other comprehensive income		—	—	16,888	—	16,888
Exercise of stock options	6	4,388	(716)	—	—	3,672
Expense related to vesting of options		—	2,292	—	—	2,292
<b>Balance at June 30, 2018</b>		<b>155,275</b>	<b>26,001</b>	<b>57,246</b>	<b>120,683</b>	<b>359,205</b>

\*The Notes are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Interim Statements of Cash Flows

	Note*	Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017 (Restated-Note 2)	2018	2017 (Restated-Note 2)
(CDN 000s) (unaudited)		(\$)	(\$)	(\$)	(\$)
<b>Cash from (used in) operating activities</b>					
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	6	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)
<b>Funds flow from operations</b>		<b>27,836</b>	<b>18,795</b>	<b>61,794</b>	<b>39,869</b>
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
<b>Cash generated from operating activities</b>		<b>32,448</b>	<b>24,626</b>	<b>56,924</b>	<b>55,628</b>
Income tax paid		(4,831)	(425)	(4,963)	(1,596)
<b>Net cash from operating activities</b>		<b>27,617</b>	<b>24,201</b>	<b>51,961</b>	<b>54,032</b>
<b>Cash flows from (used in) financing activities</b>					
Proceeds from issuance of common shares	6	3,444	2,374	3,672	3,080
Payment of dividends	6	(14,491)	(14,419)	(28,971)	(28,813)
<b>Net cash used in financing activities</b>		<b>(11,047)</b>	<b>(12,045)</b>	<b>(25,299)</b>	<b>(25,733)</b>
<b>Cash flows (used in) from investing activities</b>					
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	10	(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
<b>Net cash used in investing activities</b>		<b>(70,324)</b>	<b>(4,573)</b>	<b>(75,762)</b>	<b>(3,520)</b>
Effect of exchange rate on cash and cash equivalents		2,254	(4,409)	6,313	(4,738)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(51,500)</b>	<b>3,174</b>	<b>(42,787)</b>	<b>20,041</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>162,842</b>	<b>163,346</b>	<b>154,129</b>	<b>146,479</b>
<b>Cash and cash equivalents, end of period</b>	9	<b>111,342</b>	<b>166,520</b>	<b>111,342</b>	<b>166,520</b>

\*The Notes are an integral part of these condensed consolidated interim financial statements.

# Notes to Condensed Consolidated Interim Financial Statements

(\$CDN 000s, except per share data) (unaudited)

## 1. Description of Business

Pason Systems Inc. (the "Company") is a leading global provider of instrumentation and data management systems for drilling rigs.

The Company headquarters are located at 6130 Third Street SE, Calgary, Alberta, Canada. The Company is a publicly traded company listed on the Toronto Stock Exchange under the symbol PSI. The condensed consolidated interim financial statements of the Company are comprised of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The accompanying consolidated financial statements include the accounts of Pason Systems Inc. and its wholly owned subsidiaries.

## 2. Basis of Preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the requirements of International Accounting Standard ("IAS") 34, Interim Financial Reporting and include the accounts of Pason and its wholly owned subsidiaries. All significant inter-company balances and transactions including revenue and expenses have been eliminated. These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2017 and first quarter 2018 financial statements.

### Correction of Error

During the fourth quarter of 2017, the Company adjusted for 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.

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
	Previously reported	Correction	As restated	Previously reported	Correction	As restated
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Consolidated Statement of Operations</b>						
Income taxes	155	927	1,082	1,951	1,276	3,227
Net income	6,895	(927)	5,968	14,048	(1,276)	12,772
Net income per share						
Basic	0.08	(0.01)	0.07	0.17	(0.02)	0.15
Diluted	0.08	(0.01)	0.07	0.17	(0.02)	0.15
<b>Consolidated Statements of Other Comprehensive Income (loss)</b>						
Other comprehensive loss	(9,733)	927	(8,806)	(10,738)	1,276	(9,462)

### 3. Significant Accounting Policies

There have been no significant accounting policy changes other than as discussed below; refer to the audited annual consolidated financial statements as at and for the year ended December 31, 2017 and first quarter 2018 financial statements.

#### Adoption of new and amended standards

##### *IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers*

The Company adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers, on January 1, 2018. There was no impact to the Company's financial position, results of operations, or cash flows as a result of the adoption of either standard. Refer to the Company's 2018 first quarter financial statements for further details.

#### Future Accounting Policy Changes

In January 2016 the International Accounting Standards Board released IFRS 16, Leases, which is required to be applied for years beginning on or after January 1, 2019, and which supersedes IAS 17, Leases; earlier application is allowed, but not before the application of IFRS 15, Revenue from Contracts with Customers.

This new pronouncement introduces a single lessee accounting model by eliminating a lessees' classification of leases as either operating leases or finance leases.

The most significant change will be the lessee's recognition of the initial present value of unavoidable future lease payments as a leased asset and liability on the Consolidated Balance Sheets. Leases with durations of twelve months or less and leases for low-value assets are both exempted.

The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. The presentation on the Consolidated Statement of Operations will result in most lease expenses being presented as amortization of leased assets and financing costs arising from lease liabilities rather than as being a part of either local administration expense or corporate service expenses.

The lessee's actual cash flows will be unaffected, however relative to the current standard, the lessee's statement of cash flows will reflect increased operating activity cash flows offset by a corresponding decrease in financing activity cash flows due to the payment of the "principal" component of leases.

Management is currently accumulating the leases and developing the framework to capture the impacts of the new standard and does not expect the Company's Consolidated Balance Sheets will be materially affected. At this time it is not possible to make reasonable estimates of the effects of the new standard.

#### **4. Seasonality**

Pason's quarterly financial results vary quarter to quarter due in part to the seasonality of the oil and gas service industry in Canada, which is somewhat offset by the less seasonal nature of US and International operations. The first quarter is generally the strongest quarter for the Company due to strong activity in Canada, where location access is best during the winter. The second quarter is typically the slowest due to spring break-up in Canada, when many areas are not accessible due to ground conditions, and, therefore, do not permit the movement of heavy equipment. Activity generally increases in the third quarter, depending on the year, as ground conditions often improve and location access becomes available; however, a rainy summer can have a significant adverse effect on drilling activity. By the fourth quarter, often the Company's second strongest quarter, access to most areas in Canada becomes available when the ground freezes. Consequently, the performance of the Company may not be comparable quarter to consecutive quarter, but should be considered on the basis of results for the whole year, or by comparing results in a quarter with results in the same quarter for the previous year.

#### **5. Operating Segments**

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer the same services, but are managed separately. For each of the strategic business units, the Group's senior management reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on gross profit as included in the internal management reports. Segment gross profit is used to measure performance, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Intra-group balances and transactions are eliminated.

The Group 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:

<b>Three Months Ended June 30, 2018</b>	<b>Canada</b>	<b>United States</b>	<b>International</b>	<b>Total</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
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
<b>Total Revenue</b>	<b>10,665</b>	<b>50,278</b>	<b>7,328</b>	<b>68,271</b>
Rental services and local administration	6,136	17,455	4,765	28,356
Depreciation and amortization	4,223	4,100	897	9,220
<b>Segment gross profit</b>	<b>306</b>	<b>28,723</b>	<b>1,666</b>	<b>30,695</b>
Research and development				6,617
Corporate services				3,840
Stock-based compensation				3,855
Other expense				5,844
Income taxes				5,060
<b>Net income</b>				<b>5,479</b>
Capital expenditures	1,087	3,537	147	4,771
<b>As at June 30, 2018</b>				
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
<b>Segment assets</b>	<b>110,409</b>	<b>272,311</b>	<b>41,703</b>	<b>424,423</b>
<b>Segment liabilities</b>	<b>45,763</b>	<b>14,713</b>	<b>4,742</b>	<b>65,218</b>

**Three Months Ended June 30, 2017 (Restated - Note 2)**

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
<b>Total Revenue</b>	<b>10,479</b>	<b>39,195</b>	<b>6,118</b>	<b>55,792</b>
Rental services and local administration	5,559	16,302	4,773	26,634
Depreciation and amortization	5,645	4,170	1,008	10,823
<b>Segment gross (loss) profit</b>	<b>(725)</b>	<b>18,723</b>	<b>337</b>	<b>18,335</b>
Research and development				6,261
Corporate services				3,536
Stock-based compensation				3,177
Other income				(1,689)
Income taxes				1,082
<b>Net income</b>				<b>5,968</b>
Capital expenditures	171	4,929	(1)	5,099
<b>As at June 30, 2017</b>				
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
<b>Segment assets</b>	<b>119,681</b>	<b>240,334</b>	<b>52,976</b>	<b>412,991</b>
<b>Segment liabilities</b>	<b>22,209</b>	<b>10,182</b>	<b>14,734</b>	<b>47,125</b>

<b>Six Months Ended June 30, 2018</b>	<b>Canada</b>	<b>United States</b>	<b>International</b>	<b>Total</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
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
<b>Total Revenue</b>	<b>34,089</b>	<b>94,386</b>	<b>13,609</b>	<b>142,084</b>
Rental services and local administration	13,464	34,340	9,448	57,252
Depreciation and amortization	8,608	7,928	1,859	18,395
<b>Segment gross profit</b>	<b>12,017</b>	<b>52,118</b>	<b>2,302</b>	<b>66,437</b>
Research and development				12,976
Corporate services				7,645
Stock-based compensation				6,389
Other expenses				8,377
Income tax expense				13,212
<b>Net Income</b>				<b>17,838</b>
Capital expenditures	3,050	6,800	718	10,568
<b>As at June 30, 2018</b>				
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
<b>Segment assets</b>	<b>110,409</b>	<b>272,311</b>	<b>41,703</b>	<b>424,423</b>
<b>Segment liabilities</b>	<b>45,763</b>	<b>14,713</b>	<b>4,742</b>	<b>65,218</b>

**Six Months Ended June 30, 2017 (Restated - Note 2)**

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
<b>Total Revenue</b>	<b>34,466</b>	<b>69,161</b>	<b>11,214</b>	<b>114,841</b>
Rental services and local administration	11,353	30,512	8,965	50,830
Depreciation and amortization	11,579	9,171	2,046	22,796
<b>Segment gross profit</b>	<b>11,534</b>	<b>29,478</b>	<b>203</b>	<b>41,215</b>
Research and development				12,138
Corporate services				7,604
Stock-based compensation				5,724
Other income				(250)
Income tax expense				3,227
<b>Net income</b>				<b>12,772</b>
Capital expenditures	118	6,215	(100)	6,233
<b>As at June 30, 2017</b>				
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
<b>Segment assets</b>	<b>119,681</b>	<b>240,334</b>	<b>52,976</b>	<b>412,991</b>
<b>Segment liabilities</b>	<b>22,209</b>	<b>10,182</b>	<b>14,734</b>	<b>47,125</b>

## 6. Share Capital

Common Shares				
	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	(\$)	(#)	(\$)	(#)
<b>Balance, beginning of period</b>	<b>150,887</b>	<b>85,158</b>	139,730	84,628
Exercise of stock options:	<b>4,388</b>	<b>220</b>	9,407	431
Verdazo Acquisition	—	—	1,750	99
<b>Balance, end of period</b>	<b>155,275</b>	<b>85,378</b>	150,887	85,158

### Common shares

At June 30, 2018, the Company was authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

The holders of common shares are entitled to receive dividends, as declared, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Stock option plan

The Group has a stock option plan that entitles qualified employees to purchase shares in the Company. Options, which are issued at market price, vest over three years and expire after five years.

At June 30, 2018, 5,225 (2017: 4,490) stock options were outstanding for common shares at exercise prices ranging from \$15.94 to \$27.96 per share, expiring between 2018 and 2022 as follows:

	Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	Share Options	Weighted Average Exercise Price	Share Options	Weighted Average Exercise Price
	(#)	(\$)	(#)	(\$)
<b>Outstanding, beginning of period</b>	<b>5,514</b>	<b>20.06</b>	5,075	20.52
Granted	—	—	89	19.32
Equity settled	<b>(220)</b>	<b>16.74</b>	(187)	16.52
Expired or forfeited	<b>(69)</b>	<b>18.93</b>	(487)	22.27
<b>Outstanding, end of period</b>	<b>5,225</b>	<b>20.21</b>	4,490	20.47
<b>Exercisable, end of period</b>	<b>2,475</b>	<b>22.81</b>	2,007	22.95
<b>Available for grant, end of period</b>	<b>751</b>		1,447	

### Stock-based compensation expense and liability

The stock option, restricted share unit (RSU), deferred share unit (DSU), and performance share unit (PSU) plans expense are summarized as follows:

## Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(\$)	(\$)	(\$)	(\$)
Stock options	1,168	801	2,291	1,638
RSUs	1,104	690	1,603	1,194
DSUs	593	125	585	175
PSUs	720	853	1,370	1,302
Deferred compensation expense	270	708	540	1,415
Stock-based compensation	3,855	3,177	6,389	5,724

On December 31, 2016, the Company purchased all of the existing and outstanding shares of Verdazo Analytics, Inc. (Verdazo). In accordance with IFRS, a portion of the deferred compensation payable was not considered part of the purchase price but is accounted for as future stock-based compensation expense over the vesting period. This amount, which is being accrued over the three year period ending December 31, 2019, totals \$4,201.

## Liability

As at	June 30, 2018	December 31, 2017
	(\$)	(\$)
RSUs	1,893	935
PSUs	1,905	1,075
Deferred compensation expense	1,619	1,079
Current portion of stock-based compensation liability	5,417	3,089
RSUs	992	390
DSUs	2,536	1,951
PSUs	958	417
Non-current portion of stock-based compensation liability	4,486	2,758
Total stock-based compensation liability	9,903	5,847

## Common share dividends

During the quarter ended June 30, 2018, the Company declared and paid dividends of \$14,491 (2017: \$14,419) or \$0.17 per common share (2017: \$0.17).

## 7. Income Per Share

### Basic income per share

The calculation of basic income per share is based on the following weighted average number of common shares:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(#)	(#)	(#)	(#)
Issued common shares outstanding, beginning of period	85,172	84,655	85,158	84,628
Effect of exercised options	70	101	50	82
Weighted average number of common shares outstanding for the period	85,242	84,756	85,208	84,710

### Diluted income per share

The calculation of diluted income per share is based on a weighted average number of common shares outstanding after adjustment for the effects of all potential dilutive common shares calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(#)	(#)	(#)	(#)
Weighted average number of common shares (basic)	85,242	84,756	85,208	84,710
Effect of share options	496	283	413	255
Weighted average number of common shares (diluted)	85,738	85,039	85,621	84,965

Options totaling 2,514 are excluded from the above calculation as their effect would have been anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices during the period.

## 8. 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)

In 2017, the Company's Argentina subsidiary initiated repayment of advances made to it by the Canadian operating company. As a result, any foreign exchange gains and losses from these advances are recorded in profit or loss for the period. Previously, these advances were considered to be part of the net investment and gains or losses arising from these advances were recorded in the Consolidated Statements of Other Comprehensive Income.

## 9. Cash and Cash Equivalents

As at	June 30, 2018	December 31, 2017
	(\$)	(\$)
Cash	<b>62,742</b>	74,902
Cash equivalents	<b>48,600</b>	79,227
Cash and cash equivalents	<b>111,342</b>	154,129

Cash equivalents are made up of cash invested in money market funds with interest rates up to 1.80%.

## 10. Short-term investments

As at	June 30, 2018	December 31, 2017
	(\$)	(\$)
Short-term investments	<b>65,840</b>	—

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.

## 11. Financial Instruments

The carrying values of financial assets and liabilities approximate their fair value due to the short-term nature of these items. Pason's financial instruments include cash and cash equivalents, short-term investments, trade and other receivables, trade payables and accruals, and stock-based compensation liability.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data.

<b>Financial Assets at Fair Value</b>				
	Level 1	Level 2	Level 3	June 30, 2018
	(\$)	(\$)	(\$)	(\$)
Cash and cash equivalents	111,342	—	—	<b>111,342</b>
Short-term investments	65,840	—	—	<b>65,840</b>
Total financial assets at fair value	177,182	—	—	<b>177,182</b>

## 12. Approval of Interim Financial Statements

The condensed unaudited consolidated interim financial statements were approved by the Board of Directors on August 8, 2018.

## 13. 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.

# Corporate Information

## Directors

**James D. Hill**  
Chairman of the Board  
Pason Systems Inc.  
Calgary, Alberta

**James B. Howe**<sup>(1)(4)(6)(7)</sup>  
President  
Bragg Creek Financial  
Consultants Ltd.  
Calgary, Alberta

**Marcel Kessler**  
President & CEO  
Pason Systems Inc.  
Calgary, Alberta

**T. Jay Collins**<sup>(2)(3)(6)</sup>  
Director  
Oceaneering International Inc.  
Houston, Texas

**Judi Hess**<sup>(2)(4)(5)</sup>  
CEO & Director  
Copperleaf Technologies Inc.  
Vancouver, British Columbia

(1) Audit Committee Chairman

(2) Audit Committee Member

(3) HR and Compensation Committee  
Chairman

(4) HR and Compensation Committee  
Member

(5) Corporate Governance and Nominations  
Committee Chairman

(6) Corporate Governance and Nomination  
Committee Member

(7) Lead Director

## Officers & Key Personnel

**Marcel Kessler**  
President  
& Chief Executive Officer

**Jon Faber**  
Chief Financial Officer

**David Elliott**  
Vice President, Finance

**Timur Kuru**  
Vice President, Operations – United  
States

**Bryce McLean**  
Vice President, Operations – Canada

**Russell Smith**  
Vice President, Operations –  
International & Offshore

**Ryan Van Beurden**  
Vice President, Rig-site Research &  
Development

**Lars Olesen**  
Vice President, Product Management

**Kevin Boston**  
Vice President, Business Development

**Kevin Lo**  
Vice President, New Ventures

**Melinda Ando**  
General Counsel & Corporate Secretary

## Corporate Head Office

Pason Systems Inc.  
6130 Third Street SE  
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T2H 1K4  
T: 403-301-3400  
F: 403-301-3499  
InvestorRelations@pason.com  
[www.pason.com](http://www.pason.com)

## Auditors

**Deloitte LLP**  
Calgary, Alberta

## Banker

**Royal Bank of Canada**  
Calgary, Alberta

## Registrar and Transfer Agent

**Computershare Trust Company of  
Canada**  
Calgary, Alberta

## Stock Trading

**Toronto Stock Exchange**  
Trading Symbol: PSI.TO

## Eligible Dividend Designation

Pursuant to the Canadian Income Tax Act, dividends paid by the Company to Canadian residents are considered to be “eligible” dividends.