Press Release

Pason Reports First Quarter 2013 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (May 1, 2013) -- Pason Systems Inc. (PSI.TO) announced today its 2013 first quarter results.

Performance Data

Three Months Ended March 31,	**2013**	2012 (reclassified) (restated)	Change
(CDN 000s, except per share data)	**($)**	($)	(%)
Revenue (1)	**109,267**	115,145	(5)
EBITDA (2)	**59,790**	64,146	(7)
As a % of revenue	**54.7**	55.7	(2)
Per share – basic	**0.73**	0.78	(6)
Per share – diluted	**0.72**	0.78	(8)
Funds flow from operations (2)	**47,835**	51,707	(7)
Per share – basic	**0.58**	0.63	(8)
Per share – diluted	**0.58**	0.63	(8)
Earnings (3)	**29,608**	29,073	2
Per share – basic	**0.36**	0.35	3
Per share – diluted	**0.36**	0.35	3
Capital expenditures	**13,939**	19,483	(28)
Working capital (3)	**190,487**	155,515	22
Total assets	**509,914**	469,546	9
Total long-term debt	**—**	—	—
Total equity	**393,505**	395,113	—
Market capitalization	**1,453,926**	1,150,273	26
Cash dividends declared (4)	**0.13**	—	—
Common shares outstanding (#)			
Basic	**82,050**	81,916	—
Diluted	**82,928**	82,445	1
Shares outstanding end of period (#)	**82,050**	81,928	—

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly. This change has no impact on reported EBITDA, funds flow from operations, or earnings.

(2) EBITDA is defined as earnings before interest expense, income taxes, stock-based compensation expense, and depreciation and amortization expense. Funds flow from operations is defined as earnings adjusted for depreciation and amortization expense, impairment losses, stock-based compensation expense, deferred income taxes and other non-cash items impacting operations as presented in the Consolidated Statements of Cash Flows. These definitions are not recognized measures under International Financial Reporting Standards, and accordingly, may not be comparable to measures used by other companies.

(3) Earnings for the quarter ended March 31, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $400. Per share amounts have been adjusted accordingly.

(4) The Company changed its dividend policy whereby effective for 2013, the Company adopted a quarterly dividend to replace the semi-annual dividend.

President’s Message

Drilling days and active rig counts in North America were lower in the first quarter of 2013 than in the first quarter of the previous year, with a decline in industry days of 14% and 9% in the United States and Canada, respectively. Activity in international markets was higher than a year ago; however, revenue growth in the International markets was more than offset by a decline in revenue in North America. As a result, total Pason revenue decreased 5% to $109.3 million in the first quarter of 2013 compared to the first quarter of 2012.

All major product categories generated revenue growth above drilling industry activity with the exception of the Hazardous Gas Alarm and AutoDriller. Market penetration of the Hazardous Gas Alarm was negatively affected by the temporary suspension of the H_2S sensor functionality due to reliability issues. AutoDriller market penetration was lower, in part, because a larger number of coring rigs - which do not typically utilize the AutoDriller - were active during the Canadian winter drilling season. The Gas Analyzer segment demonstrated the highest year-over-year growth rates at 14%, followed by Software at 4%.

EBITDA for the first quarter dropped by 7% to $59.8 million and cash flow from operations was down 7% to $47.8 million. EBITDA, as a percentage of revenue, was 55% in the first quarter compared to 56% in the first quarter of the previous year. Net earnings increased by 2% to $29.6 million, or $0.36 per share, compared to $29.1 million, or $0.35 per share, in the first quarter of 2012. First quarter net earnings were impacted by the following factors:

- A $3.2 million decrease in stock-based compensation due to a smaller increase in our stock price during the first quarter of 2013 compared to the first quarter of 2012;
- A $1.0 million increase in R&D costs as we completed the hiring of staff to support our Electronic Drilling Recorder (EDR) evolution projects;
- A drop in foreign exchange loss of $1.5 million.

Capital expenditures for the first quarter were $13.9 million, down from $19.5 million the previous year, as the North American roll-out of the new Gas Analyzer was completed over the previous summer.

On March 31, our cash position stood at $168.9 million and our working capital stood at $190.5 million. There is no debt on the balance sheet. We are maintaining our quarterly dividend at $0.13 per share.

United States

The US segment, our largest business unit, includes our US rental business and 3PS Inc., our Austin-based equipment manufacturer.

Drilling activity in the United States continued its downward trend. While industry days were down 14% in the first quarter of 2013 compared to the first quarter of 2012, revenue was down 8% to $53.5 million. On average, 955 US land rigs were operating Pason equipment during the first quarter of 2013, compared to 1,107 in the same period of 2012. Revenue growth above industry day growth was achieved through higher product penetration and a change to the Communications pricing model. Average daily revenue per rig increased by 9% from USD $539 in the first quarter of 2012 to USD $590 in 2013, and was up 4% from the previous quarter. Software, Gas Analyzer, and Communications achieved above-average revenue growth. Our EDR market share for the first quarter of 2013 was 57%, compared to 54% in the fourth quarter of 2012.

Operating costs decreased by 2% and depreciation and amortization decreased by 3%. As a result, our US business unit was able to generate an operating profit of $23.9 million in the first quarter, a decrease of 14% over 2012.

Canada

Drilling activity in Canada was lower in the first quarter of 2013 than in the previous year, with industry days down 9%. Our Canadian business unit was able to partially offset this reduction in activity levels through increased product penetration and market share gains. Revenue for the first quarter was down 5% to $46.0 million. On average, 475 Canadian land rigs were operating Pason equipment compared to 509 the year before. EDR market share in the first quarter of 2013 was 98% compared to 92% in the fourth quarter of 2012.

Average daily revenue generated on each rig with a Pason product installed grew 3% to $1,061 in the first quarter of 2013. Compared to the previous quarter, revenue per EDR days was down by 5%, primarily because a larger number of coring rigs, which use less Pason equipment, were active during the winter drilling season. As in the United States, Gas Analyzer and Software showed above average growth rates during the period.

Operating costs were down by 16% and depreciation and amortization decreased by 15%. As a result, our Canadian business unit was able to generate an operating profit of $30.3 million for the first quarter, compared to $29.9 million for the same period in 2012, an increase of 1%.

International

Our International business unit, which includes our businesses in Latin America, Australia, and offshore, had another good quarter. Revenue increased by 12% to $9.8 million for the first quarter 2013 compared to the first quarter 2012. We realized gains in most of our major international markets with notable gains in Argentina, Australia, and Mexico. However, compared to the fourth quarter of 2012, International's revenue was essentially flat as growth in Mexico and Brazil stalled and Australia experienced some weather related delays.

Operating costs were up 24% and depreciation and amortization were down 32%, driven by improved asset utilization. As a result, the International business unit was able to generate a quarterly operating profit of $1.9 million, up 38% from $1.4 million the previous year.

Outlook

There continues to be uncertainty regarding the outlook for North American drilling activity going forward. The natural gas glut generated by unconventional plays does limit gas-directed drilling activity, thereby challenging our ability to significantly grow revenue in the short term. However, the outlook has improved somewhat and industry observers are expecting a modest recovery in North America during the second half of 2013 and beyond. As with every year, the duration of spring break-up in Canada will be a key driver of second quarter 2013 results. We expect the International business unit to continue to realize profitable growth this year.

Our capital expenditure budget for the next 12 months is $79 million, $56 million of which is directed towards equipment that can generate incremental revenue or save operating costs, $10 million for maintenance capital, and $13 million for capitalized R&D.

Our cash-generating capacity, cash position at $168.9 million, and working capital position at $190.5 million are strong enough to comfortably cover new business development, planned equipment upgrades, and the dividend.

Marcel Kessler
President and Chief Executive Officer
May 1, 2013

Management's Discussion and Analysis

The following discussion and analysis has been prepared by management as of May 1, 2013 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 quarterly report are expressed in Canadian dollars unless otherwise indicated.

Overview of the 2013 First Quarter

Three Months Ended March 31,	2013	2012 (reclassified) (restated)	2011 (reclassified)
(000s, except per share data)	($)	($)	($)
Revenue (1)	**109,267**	115,145	88,218
EBITDA (2)	**59,790**	64,146	44,729
As a % of revenue	**54.7**	55.7	50.7
Per share – basic	**0.73**	0.78	0.55
Per share – diluted	**0.72**	0.78	0.55
Funds flow from operations (2)	**47,835**	51,707	39,082
Per share – basic	**0.58**	0.63	0.48
Per share – diluted	**0.58**	0.63	0.48
Earnings (3)	**29,608**	29,073	17,757
Per share – basic	**0.36**	0.35	0.22
Per share – diluted	**0.36**	0.35	0.22
Total assets	**509,914**	469,546	396,792
Total long-term debt	**—**	—	—

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly. This change has no impact on reported EBITDA, funds flow from operations, or earnings.

(2) EBITDA is defined as earnings before interest expense, income taxes, stock-based compensation expense, and depreciation and amortization expense. Funds flow from operations is defined as earnings adjusted for depreciation and amortization expense, impairment losses, stock-based compensation expense, deferred income taxes and other non-cash items impacting operations as presented in the Consolidated Statements of Cash Flows. These definitions are not recognized measures under International Financial Reporting Standards, and accordingly, may not be comparable to measures used by other companies.

(3) Earnings for the quarter ended March 31, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $400. Per share amounts have been adjusted accordingly.

Overall Performance

Three Months Ended March 31,	2013	2012 (reclassified)	Change
(000s)	**($)**	($)	(%)
Revenue			
Electronic Drilling Recorder [(1)]	**44,664**	46,535	(4)
Pit Volume Totalizer	**16,870**	17,946	(6)
Communications [(1)]	**10,954**	10,997	—
Software	**7,363**	7,073	4
AutoDriller	**10,510**	12,451	(16)
Gas Analyzer/Total Gas System	**8,734**	7,635	14
Hazardous Gas Alarm System	**1,602**	2,014	(20)
Mobilization	**2,595**	2,983	(13)
Other	**5,975**	7,511	(20)
Total revenue	**109,267**	115,145	(5)

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly.

Change in Accounting Classification

In the fourth quarter of 2012, the Company changed the way it records expenses associated with data transmission costs. Previously, the Company recorded these costs as a reduction in revenue. Effective for 2012, these costs have been reclassified to rental services expense. This change, which does not impact EBITDA or net income, was applied retroactively, with all comparative figures being restated accordingly. All revenue and operating cost figures, as well as key metrics based upon revenue, in the following Management Discussion and Analysis, have been calculated based upon this new presentation.

The impact of this reclassification on the 2012 comparative figures presented above is as follows:

Three Months Ended March 31, 2012	**Reported**	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder [(1)]	**46,535**	43,662	2,873
Communications [(1)]	**10,997**	10,380	617
Total revenue	**115,145**	111,655	3,490

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

Canada

Three Months Ended March 31,	**2013**	2012	Change
			(%)
EDR rental days (#)	**42,800**	46,300	(8)
PVT rental days (#)	**41,800**	45,900	(9)

United States

Three Months Ended March 31,	**2013**	2012	Change
			(%)
EDR rental days (#)	**85,900**	100,800	(15)
PVT rental days (#)	**63,600**	69,700	(9)

Electronic Drilling Recorder

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. Revenue generated from the EDR declined 4% for the first quarter of 2013 compared to the same period in 2012. The decrease in the first quarter is attributable mostly to a decrease in rig activity in both the US and Canadian markets offset by an increase in the Company's International markets. Canadian EDR days were down 8% in the first three months of 2013 compared to the same time period in 2012 while US EDR days dropped by 15%.

During the first three months of 2013, the Pason EDR was installed on 98% of all active land rigs in Canada and 57% of the land rigs in the US.

Pit Volume Totalizer

The Pit Volume Totalizer (PVT) is Pason's proprietary solution for the detection and early warning of "kicks" that are caused by hydrocarbons entering the wellbore under high pressure and expanding as they migrate to the surface. PVT revenue for the quarter was impacted by the drop in rig activity previously described above, off-set by increased product penetration in the US market. During the first quarter of 2013, the PVT was installed on 99% of rigs with a Pason EDR in Canada and 74% in the US, compared to 99% and 70%, respectively, in 2012.

Communications

Pason's Communications rental revenue is derived from the Company's automatic aiming satellite system. This system provides high-speed wellsite communications for email and web application management tools. Pason displays all data in standard forms on its DataHub web application, although if customers require greater analysis or desire to have the information transferred to another supplier's database, data is available for export from the Pason DataHub using WITSML (a specification for transferring data amongst oilfield service companies, drilling contractors, and operators). The Company continues to complement its satellite equipment with High Speed Packet Access (HSPA), a high-speed wireless ground system that requires lower capital cost, less service, and lower cost per Internet kilobyte, benefiting company margins. In Canada, HSPA has been installed on all rigs, and the majority of the rigs running will benefit from the investment in HSPA given the growth in cellular coverage. In the US, field coverage tests for HSPA are continuing with positive results.

Software

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

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

During the first quarter of 2013, 97% of the Company's Canadian customers and 88% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 98% and 84%, respectively, in 2012.

Gas Analyzer and Total Gas System

The Pason Gas Analyzer, which has replaced the Total Gas System (TGAS) in the Canadian and US markets, measures the total hydrocarbon gases (C1 through C4[1]) exiting the wellbore, and then calculates the lag time to show the formation depth where the gases were produced. The new Gas Analyzer increases the functionality that was found in the TGAS product to include the actual composition of the gas, much like a gas chromatograph, and further calculates geologic ratios from the gas composition to assist in indicating the type of gas, natural gas liquid, or oil in the formation. For the first quarter of 2013, both systems combined generated $8.7 million of revenue compared to $7.6 million in 2012. The Company is realizing increased product penetration compared to TGAS. For 2013, Gas Analyzer was installed on 51% of Canadian and 22% of US land rigs operating with a Pason EDR system. The combined market penetration in Canada is an increase of approximately 6% over 2012 levels while the US has seen an increase of 4%. The rollout of the Gas Analyzer in the International markets started in late 2012, and is accelerating in 2013.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During the first three months of 2013, the AutoDriller was installed on 72% of Canadian and 46% of US land rigs operating with a Pason EDR system, compared to 77% and 50%, respectively, in 2012. The drop in market penetration on this product is not a result of a decrease in customer acceptance but due to the Company increasing its presence with its EDR base system on rigs that traditionally do not require the functionality of the AutoDriller.

Hazardous Gas Alarm System

The Pason Hazardous Gas Alarm System (HGAS) monitors lower explosive limit (LEL) gases and H_2S gases and displays the readings on the EDR. If a hazardous rig atmosphere is detected, the system reacts immediately, sounding an alarm and flashing a strobe light. Early in 2013, the Company identified a sensor on the H_2S product, a part of the HGAS system, which was not performing to the manufacturer's standards. As a result, the Company has temporarily suspended the functionality of this portion of the HGAS while it investigates a solution to the problem. The effect on the Canadian market was greater than any other business unit as the H_2S sensor is more widely used in Canada. As a result, market penetration for this product was impacted in the first quarter of 2013; the product was installed on 15% of Canadian rigs, down from 20% for the same period in 2012, and 8% of US land rigs operating with a Pason EDR system, a similar level to 2012. The company estimates that the impact on revenue in the first quarter of 2013 was approximately $0.4 million. The Company is currently investigating alternative sensor manufacturers and technologies to ensure that the replacement H_2S product meets industry standards and customer expectations. Replacement of the sensor will happen in the second half of 2013.

Discussion of Operations

United States Operations

Three Months Ended March 31,	2013	2012 (reclassified)	Change
(000s)	($)	($)	(%)
Revenue			
Electronic Drilling Recorder [(1)]	**23,350**	25,290	(8)
Pit Volume Totalizer	**8,019**	8,722	(8)
Communications [(1)]	**4,239**	3,905	9
Software	**4,260**	3,962	8
AutoDriller	**4,980**	6,181	(19)
Gas Analyzer/Total Gas System	**3,002**	2,529	19
Hazardous Gas Alarm System	**646**	717	(10)
Mobilization	**1,961**	2,297	(15)
Other	**3,027**	4,426	(32)
Total revenue	**53,484**	58,029	(8)
Operating costs	**22,240**	22,668	(2)
Depreciation and amortization	**7,384**	7,619	(3)
Segment operating profit	**23,860**	27,742	(14)

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly.

The impact of the accounting reclassification of data transmission costs from revenue to operating costs previously discussed had the following impact on the 2012 comparative figures presented above:

Three Months Ended March 31, 2012	Reported	Previously Disclosed	Change
(000s)	($)	($)	($)
Revenue			
Electronic Drilling Recorder [(1)]	**25,290**	23,805	1,485
Communications [(1)]	**3,905**	3,784	121
Total revenue	**58,029**	56,423	1,606
Operating costs	**22,668**	21,062	1,606
Revenue per EDR day	**540**	523	17
Revenue per Industry day	**310**	300	10

US segment revenue decreased by 8% in the first quarter of 2013 over the 2012 comparable period (9% decrease when measured in USD). Rental service revenue decreases were 6% for the quarter (USD 7%), while sales at 3PS, Inc. dropped in the first quarter of 2013 compared to 2012.

As expected, the number of US drilling days were down approximately 14% in the first quarter of 2013 versus the first quarter of 2012 due to a pullback in drilling for both natural gas and oil. However, revenue from the rental of instrumentation compared favorably to the drop in activity, with a decrease of 6% (USD 7%) over 2012 levels.

Revenue was impacted by the following factors:

- More products on each rig and new product adoption. Revenue increased by additional product penetration on each rig, primarily with gains in EDR peripheral devices, increased PVT market share, customer acceptance of the Company's Enhanced Live Rig View (eLRV) real-time data software, an increase in WITSML revenue, and increased adoption of the Gas Analyzer compared to the TGAS. These factors combined resulted in an increase in revenue per EDR day in the first quarter of 2013 over 2012 levels of $55 (USD $51).

- A decrease in EDR rental days of 15% for the three months ended March 2013, over the same time period in 2012. The US market share stayed constant at 57%.

The factors explained above resulted in the US segment being able to realize revenue per EDR day during the first quarter of 2013 of $595 (USD $590) compared to $540 (USD $539) during the same time period in 2012.

Revenue per industry day for the first quarter of the year was $337 (USD $334) compared to $310 (USD $309) in 2012.

The majority of the decrease in “Other” revenue relates to a drop in sales at 3PS, Inc. compared to 2012 levels. This is a result of a decline in sales of the Torque and Tension Sub to the Canadian and US business units due to a lack of demand for the rental of these assets.

Segment profit, as a percentage of revenue, was 45% for the first quarter of 2013 compared to 48% for the corresponding period in 2012.

The US business was able to maintain a robust margin despite the drop in activity and its fixed cost structure by managing its variable costs and implementing changes to operations to adapt to changing market conditions. The 2013 segment profit percentage was impacted by the following factors (all amounts in $CDN):

- An increase in communication-related expenses of $0.9 million due to the US business unit implementing a more robust level of service to its customers.

- Field technician-related costs and repair costs in the first quarter of 2013 compared to 2012 decreased by approximately $1.3 million. This reduction was attributable to the change in rig activity which led to a reduction in repair costs and a drop in field parts and other consumables.

- First quarter 2013 depreciation and amortization expense was down $0.3 million compared to the same period in 2012

  - the Company began to accelerate the depreciation on its TGAS system in 2012 to recognize the fact that it was being replaced by the Gas Analyzer. The TGAS systems are now fully depreciated, resulting in a drop in depreciation expense of $1.0 million,

  - the Company, in the first quarter of 2012, began to accelerate the depreciation on a portion of its base EDR system, which will become obsolete as a result of the EDR evolution project. Later in 2012, the Company re-evaluated the assumption of when the equipment being replaced will become obsolete and adjusted downwards the amount of accelerated depreciation being recorded, resulting in a drop in depreciation expense of $1.0 million,

- the above reduction was offset by depreciation on the new Gas Analyzer system and other new additions.

Canadian Operations

Three Months Ended March 31,	2013	2012 (reclassified)	Change
(000s)	**($)**	($)	(%)
Revenue			
Electronic Drilling Recorder [(1)]	**17,374**	17,799	(2)
Pit Volume Totalizer	**7,291**	7,922	(8)
Communications [(1)]	**6,379**	6,927	(8)
Software	**3,003**	3,021	(1)
AutoDriller	**4,619**	5,339	(13)
Gas Analyzer/Total Gas System	**4,654**	4,243	10
Hazardous Gas Alarm System	**538**	958	(44)
Mobilization	**176**	202	(13)
Other	**1,921**	1,933	(1)
Total revenue	**45,955**	48,344	(5)
Operating costs	**9,607**	11,403	(16)
Depreciation and amortization	**6,021**	7,043	(15)
Segment operating profit	**30,327**	29,898	1

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly.

The impact of the accounting reclassification of data transmission costs from revenue to operating costs previously discussed had the following impact on the 2012 comparative figures presented above:

Three Months Ended March 31, 2012	Reported	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder [(1)]	**17,799**	16,459	1,340
Communications [(1)]	**6,927**	6,431	496
Total revenue	**48,344**	46,508	1,836
Operating costs	**11,403**	9,567	1,836
Revenue per EDR day	**1,034**	994	40
Revenue per Industry day	**995**	935	60

Canadian segment revenue decreased 5% for the three months ended March 2013, compared to the first quarter of 2012. This decrease is a result of a 9% decrease in the number of Canadian drilling industry days from 2012 levels.

EDR rental days declined 8% in the first quarter of 2013 over 2012 levels. Canadian market share was 98% during the first quarter of 2013, compared to 95% in the corresponding period in 2012.

The Canadian business unit was able to lessen the impact of the reduction in activity levels in Canada through new product adoption, and more products on each rig. The business unit continued to increase the market penetration of the Gas Analyzer and continued to realize gains in EDR peripheral devices and an increase in WITSML revenue. These factors combined to lessen the impact of the drop in HGAS revenue described previously and the drop in the number of wells being drilled.

The factors above combined to result in:

- An increase in revenue per EDR day during the first quarter of 2013 compared to 2012 of 3% ($27) to $1,061.

- First quarter revenue per industry day of $1,042 in 2013 compared to $995 in 2012.

The segment profit for the first quarter of 2013 of $30.3 million is an increase of $0.4 million over the 2012 amount. The segment profit, as a percent of revenue, was 66% for the three months ended March 2013, compared to 62% for 2012. Factors impacting the first quarter results include:

- The weak drilling activity in the Western Canadian Sedimentary Basin (WCSB) resulted in 3,500 fewer EDR days during the first quarter of 2013 compared to 2012.

- A decrease in field costs of $0.8 million, which is mostly attributable to the decline in drilling activity.

- A decrease in most repair cost categories, totaling $0.5 million.

- A decrease in depreciation and amortization expense of $1.0 million

    - a decrease in the loss on disposal of assets of $0.4 million,

    - the TGAS being fully depreciated, described above, resulting in a decline in the expense of $0.3 million,

    - a drop in the acceleration of depreciation on a portion of its base EDR system, described above, resulting in a drop in depreciation of $0.5 million,

    - the above reductions in depreciation and amortization expense were offset by depreciation on the new Gas Analyzer system as well as an increase in amortization costs relating to capitalized research and development costs, as a result of the deployment of new software applications.

- In the first quarter of 2012, $0.3 million of legal fees were incurred, mostly relating to the AutoDriller litigation. These costs were minimal in the first quarter of 2013.

International Operations

Three Months Ended March 31,	2013	2012 (reclassified)	Change
(000s)	**($)**	($)	(%)
Revenue			
Electronic Drilling Recorder (1)	**3,940**	3,446	14
Pit Volume Totalizer	**1,560**	1,302	20
Communications (1)	**336**	165	104
Software	**100**	90	11
AutoDriller	**911**	931	(2)
Gas Analyzer/Total Gas System	**1,078**	863	25
Hazardous Gas Alarm System	**418**	339	23
Mobilization	**458**	484	(5)
Other	**1,027**	1,152	(11)
Total revenue	**9,828**	8,772	12
Operating costs	**6,394**	5,152	24
Depreciation and amortization	**1,529**	2,235	(32)
Segment operating profit	**1,905**	1,385	38

(1) Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly.

The impact of the accounting reclassification of data transmission costs from revenue to operating costs previously discussed had the following impact on the 2012 comparative figures presented above:

Three Months Ended March 31, 2012	Reported	Previously Disclosed	Change
(000s)	**($)**	($)	($)
Revenue			
Electronic Drilling Recorder (1)	**3,446**	3,398	48
Communications (1)	**165**	165	—
Total revenue	**8,772**	8,724	48
Operating costs	**5,152**	5,104	48

Revenue in the International operations improved 12% in the first quarter of 2013 from the same period in 2012.

Operating profit increased by $0.5 million for the first quarter of 2013 over 2012 results.

A number of factors influenced these results:

- Increased EDR days in both Mexico and Argentina contributed to an increase revenue of $0.6 million.
- Australia revenue continues to ramp up at an impressive rate. Revenue increased by approximately $0.9 million compared to the first quarter of 2012. This increase in revenue translated into an increase in operating profit of $0.4 million over 2012 levels.
- Depreciation expense is down due to a decrease in capital expenditures in prior periods as a result of a concerted effort to increase the use of equipment within this market, combined with gains realized on the disposal of non-rental assets and intangible assets that are now fully amortized.

Consolidated Results

Three Months Ended March 31,	2013	2012	Change
(000s)	($)	($)	(%)
Other expenses			
Research and development	**6,526**	5,540	18
Corporate services	**4,160**	4,406	(6)
Stock-based compensation	**3,750**	6,919	(46)
Other			
Foreign exchange loss	**220**	1,711	(87)
Other	**330**	119	177
	14,986	18,695	(20)

Q1 2013 versus Q1 2012

The active rig count in both the US and Canadian markets declined from the first quarter of 2012, with the US drop in activity much more severe than the Canadian decline. The International market saw a slight increase in drilling days. This change in activity led to a decline in most of the Company's key consolidated financial metrics. Revenue decreased 5%, while EBITDA dropped by 7% and funds flow from operations was down 7%.

The company realized net earnings of $29.6 million or $0.36 per share compared to earnings of $29.1 million or $0.35 per share in the first quarter of 2012. The first quarter consolidated results, when compared to 2012 figures, were impacted by the following significant items:

- An increase in research and development costs in the first quarter of 2013 of $1.0 million as the Company completed the hiring of additional staff in the second half of 2012 to support the EDR evolution project and other product development initiatives.
- Stock-based compensation decreased by $3.2 million compared to the first quarter of 2012 due to a large increase in the Company's stock price in the first three months in 2012 compared to the increase that occurred in the stock price during the first quarter of 2013.
- A decrease in the foreign exchange loss recorded in the first quarter of 2013 of $1.5 million compared to the corresponding period in 2012.

Q1 2013 versus Q4 2012

The Company's first quarter is usually its strongest due in most part to the seasonality of the Canadian market. Revenue was higher in the first quarter of 2013 versus the fourth quarter of 2012 by $18.3 million. The Canadian business unit realized an increase in revenue of $13.9 million, while the US rental market realized an increase in revenue of $4.5 million, due in part to a strengthening US dollar (increase in USD of $1.3 million). The Canadian business unit realized a profit of $30.3 million for the three months ended March 2013, compared to a $16.9 million profit in the fourth quarter of 2012. The US business unit profit was little changed, profit increased from $23.2 million in the previous quarter to a profit of $23.9 million in the current quarter.

The following items also impacted the comparison to the 2012 fourth quarter results:

- In the fourth quarter of 2012, the Company recorded an additional non-cash accrual relating to the AutoDriller litigation of $32.5 million.

- In the fourth of 2012, the Company recorded a non-cash impairment loss of $4.7 million against its Torque and Tension Sub (TTS) program and an additional $0.6 million against the US water treatment business.

- A decrease in corporate service costs of $0.5 million, due in most part to staff restructuring costs incurred in the fourth quarter of 2012.

- A decrease in stock-based compensation expense of $3.5 million due to a smaller increase in the Company's stock price in the first quarter of 2013 compared to the increase in stock price that occurred in the fourth quarter of 2012. The stock price increased by 5% in the fourth quarter of 2012, which impacts the valuation under the Black-Scholes pricing model. The change in the Company's stock price during the first quarter of 2013 was smaller, resulting in a decline in the expense.

First Quarter Conference Call and Annual General Meeting

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its first quarter results at 9:00 a.m. (Calgary time) on Thursday, May 2, 2013. 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 20487585.

Pason Systems Inc. is a leading provider of instrumentation systems to land-based and offshore drilling rigs worldwide. The company's rental solutions, which include data acquisition, wellsite reporting, remote communications, and web-based information management, maximize rig uptime, improve work efficiency, and minimize operating costs. Pason's common shares trade on the Toronto Stock Exchange under the symbol PSI.TO.

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2012, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Shareholders are also invited to attend the Company's Annual General Meeting on Thursday, May 2, 2013, at 3:30 pm at the offices of Pason Systems Inc., 6120 Third Street SE, Calgary, Alberta.

Condensed Consolidated Interim Financial Statements and Notes

Condensed Consolidated Interim Balance Sheets

As at	March 31, 2013	December 31, 2012
(CDN 000s) (unaudited)	($)	($)
Assets		
Current		
Cash and cash equivalents	**168,868**	157,944
Trade and other receivables	**95,377**	84,506
Prepaid expenses	**2,556**	2,920
Total current assets	**266,801**	245,370
Non-current		
Property, plant and equipment	**174,341**	174,651
Intangible assets	**61,684**	59,593
Deferred tax assets	**7,088**	8,764
Total non-current assets	**243,113**	243,008
Total assets	**509,914**	488,378
Liabilities and equity		
Current		
Trade payables and accruals	**26,157**	25,674
Litigation provision	**19,684**	19,533
Income taxes payable	**5,703**	3,313
Stock-based compensation liability	**14,103**	13,788
Dividend payable	**10,667**	19,691
Total current liabilities	**76,314**	81,999
Non-current		
Stock-based compensation liability	**4,062**	2,583
Deferred tax liabilities	**2,600**	2,600
Litigation provision	**33,433**	32,500
Total non-current liabilities	**40,095**	37,683
Equity		
Share capital	**79,411**	79,393
Share-based benefits reserve	**12,927**	12,927
Foreign currency translation reserve	**(2,498)**	(8,348)
Retained earnings	**303,665**	284,724
Total equity	**393,505**	368,696
Total liabilities and equity	**509,914**	488,378

Condensed Consolidated Interim Statements of Operations

Three Months Ended March 31,	2013	2012 (reclassified restated)
(CDN 000s, except per share data) (unaudited)	**($)**	($)
Revenue		
Equipment rentals and other	**109,267**	115,145
Operating expenses		
Rental services	**33,876**	33,701
Local administration	**4,365**	5,522
Depreciation and amortization	**14,934**	16,897
	53,175	56,120
Operating profit	**56,092**	59,025
Other expenses		
Research and development	**6,526**	5,540
Corporate services	**4,160**	4,406
Stock-based compensation	**3,750**	6,919
Other expenses	**550**	1,830
	14,986	18,695
Income before income taxes	**41,106**	40,330
Income taxes	**11,498**	11,257
Net income	**29,608**	29,073
Earnings per share		
Basic	**0.36**	0.35
Diluted	**0.36**	0.35

Data transmission expenses have been reclassified from revenue to rental service expense. All comparative figures have been restated accordingly. This change has no impact on reported EBITDA, funds flow from operations, or earnings.

Earnings for the quarter ended March 31, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $400. Per share amounts have been adjusted accordingly.

Condensed Consolidated Interim Statements of Other Comprehensive Income

Three Months Ended March 31,	2013	2012 (restated)
(CDN 000s) (unaudited)	**($)**	($)
Net income	**29,608**	29,073
Other comprehensive income (loss)		
Foreign currency translation adjustment	**5,850**	(1,511)
Total comprehensive income	**35,458**	27,562

Condensed Consolidated Interim Statements of Changes in Equity

	Share Capital	Share-Based Benefits Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(CDN 000s) (unaudited)	($)	($)	($)	($)	($)
Balance at January 1, 2012	77,613	12,927	(5,835)	282,564	367,269
Net income (restated)	—	—	—	29,073	29,073
Other comprehensive income	—	—	(1,511)	—	(1,511)
Exercise of stock options	282	—	—	—	282
Balance at March 31, 2012	77,895	12,927	(7,346)	311,637	395,113
Net income	—	—	—	10,811	10,811
Dividends	—	—	—	(37,724)	(37,724)
Other comprehensive loss	—	—	(1,002)	—	(1,002)
Exercise of stock options	1,498	—	—	—	1,498
Balance at December 31, 2012	79,393	12,927	(8,348)	284,724	368,696
Net income	—	—	—	29,608	29,608
Dividends	—	—	—	(10,667)	(10,667)
Other comprehensive income	—	—	5,850	—	5,850
Exercise of stock options	18	—	—	—	18
Balance at March 31, 2013	**79,411**	**12,927**	**(2,498)**	**303,665**	**393,505**

Earnings for the quarter ended March 31, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $400.

Condensed Consolidated Interim Statements of Cash Flows

Three Months Ended March 31,	2013	2012 (restated)
(CDN 000s) (unaudited)	**($)**	($)
Cash flows from operating activities		
Net income	**29,608**	29,073
Adjustment for non-cash items:		
Depreciation and amortization	**14,934**	16,897
Stock-based compensation	**1,495**	5,039
Deferred income taxes	**1,720**	(549)
Unrealized foreign exchange loss	**78**	1,247
Funds flow from operations	**47,835**	51,707
Movements in non-cash working capital		
Increase in trade and other receivables	**(9,681)**	(6,534)
Decrease (increase) in prepaid expenses	**406**	(425)
Increase in income taxes payable	**6,870**	8,192
Increase (decrease) in trade payables, accruals and provisions	**1,961**	(1,918)
Increase in stock-based compensation liability	**2,221**	1,805
Effects of exchange rate changes	**1,082**	404
Changes in non-cash working capital	**2,859**	1,524
Cash generated from operating activities	**50,694**	53,231
Income tax paid	**(4,500)**	(8,227)
Net cash from operating activities	**46,194**	45,004
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	**18**	282
Purchase of stock options	**(1,922)**	(404)
Payment of dividends	**(19,691)**	(16,380)
Net cash used in financing activities	**(21,595)**	(16,502)
Cash flows (used in) from investing activities		
Additions to property, plant and equipment	**(10,196)**	(17,236)
Additions to intangibles	**(5)**	—
Deferred development costs	**(3,743)**	(2,247)
Proceeds on disposal of property, plant and equipment	**44**	—
Changes in non-cash working capital	**(754)**	(862)
Net cash used in investing activities	**(14,654)**	(20,345)
Effect of exchange rate on cash and cash equivalents	**979**	(775)
Net increase in cash and cash equivalents	**10,924**	7,382
Cash and cash equivalents, beginning of period	**157,944**	104,993
Cash and cash equivalents, end of period	**168,868**	112,375

Earnings for the quarter ended March 31, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $400.

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

Three Months Ended March 31, 2013	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue	**45,955**	**53,484**	**9,828**	**109,267**
Operating costs	**9,607**	**22,240**	**6,394**	**38,241**
Depreciation and amortization	**6,021**	**7,384**	**1,529**	**14,934**
Segment operating profit	**30,327**	**23,860**	**1,905**	**56,092**
Research and development				**6,526**
Corporate services				**4,160**
Stock-based compensation				**3,750**
Other expenses				**550**
Income taxes				**11,498**
Net income				**29,608**
Capital expenditures	**7,027**	**4,306**	**2,606**	**13,939**
Goodwill	**—**	**18,797**	**2,600**	**21,397**
Intangible assets	**27,523**	**9,353**	**3,411**	**40,287**
Segment assets	**188,825**	**255,898**	**65,191**	**509,914**
Segment liabilities	**91,469**	**15,518**	**9,422**	**116,409**
Three Months Ended March 31, 2012 (reclassified, restated)				
Revenue	48,344	58,029	8,772	115,145
Operating costs	11,403	22,668	5,152	39,223
Depreciation and amortization	7,043	7,619	2,235	16,897
Segment operating profit	29,898	27,742	1,385	59,025
Research and development				5,540
Corporate services				4,406
Stock-based compensation				6,919
Other expenses				1,830
Income taxes				11,257
Net income				29,073
Capital expenditures	6,042	12,900	541	19,483
Goodwill	—	20,909	2,600	23,509
Intangible assets	21,340	8,702	4,393	34,435
Segment assets	139,380	269,870	60,296	469,546
Segment liabilities	45,204	20,738	8,491	74,433

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Earnings for the quarter ended March 31, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of $400. Per share amounts have been adjusted accordingly.

Correction of Error

During the year ended December 31, 2012, the Company identified a non-cash accounting error related to stock-based compensation being understated. The error was corrected in the Company's consolidated financial statements for the year ended December 31, 2012. The Company determined the error impacted the interim financial statements for the three month period ended March 31, 2012 and has corrected the comparative period included in these condensed consolidated financial statements.

Three Months Ended March 31, 2012	Previously Disclosed	Adjustment	Restated
	($)	($)	($)
Balance Sheet			
Stock based compensation liability - current	10,371	400	10,771
Retained earnings	312,037	(400)	311,637
Statement of Operations			
Stock based compensation expense	6,519	400	6,919
Net Income	29,473	(400)	29,073

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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.