Press Release

Pason Reports First Quarter 2014 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (May 6, 2014) – Pason Systems Inc. (TSX:PSI) announced today its 2014 first quarter results.

Performance Data

Three Months Ended March 31,	**2014**	2013	Change
(CDN 000s, except per share data)	**($)**	($)	(%)
Revenue	**123,174**	109,267	13
Income	**20,821**	29,608	(30)
Per share – basic	**0.25**	0.36	(31)
Per share – diluted	**0.25**	0.36	(31)
EBITDA (1)	**70,469**	59,790	18
As a % of revenue	**57.2**	54.7	5
Funds flow from operations	**56,311**	50,090	12
Per share – basic	**0.68**	0.61	11
Per share – diluted	**0.67**	0.60	12
Cash from operating activities	**64,385**	46,194	39
Free cash flow (1)	**47,876**	32,250	48
Per share – basic	**0.58**	0.39	49
Per share – diluted	**0.57**	0.39	46
Capital expenditures	**16,509**	13,944	18
Working capital	**152,227**	190,487	(20)
Total assets	**493,291**	509,914	(3)
Total long-term debt	**—**	—	—
Cash dividends declared	**0.15**	0.13	15
Shares outstanding end of period (#)	**82,422**	82,050	—

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

Q1 2014 vs Q1 2013

The Company generated consolidated revenue of $123.2 million in the first quarter of 2014, up 13% from $109.3 million in the same period of 2013. Growth in US market share, increased penetration of the Company's major product groups, continued strong growth in Communications, Gas Analyzer and EDR peripherals revenue and a strengthening of the US dollar relative to the Canadian dollar all contributed to revenue growth in the first quarter.

Consolidated EBITDA increased to $70.5 million in the first quarter, 18% higher than the first quarter of 2013 and funds flow from operations increased 12% to $56.3 million for the three months ended March 31, 2014.

Net income decreased by $8.8 million to $20.8 million ($0.25 per share) in the first quarter of 2014 from $29.6 million ($0.36 per share) in the prior year period. Earnings were negatively impacted by a $13.9

million increase in stock-based compensation as a result of a significant increase in the Company's share price in the first three months of 2014.

President’s Message

North American land drilling activity demonstrated very modest growth in the first quarter of 2014 compared to the first quarter of the previous year. Drilling industry days in Canada were 3% higher, while in the United States drilling activity was unchanged. In international markets, drilling activity increased in Australia and Argentina; however, there was significant devaluation of the Argentine currency and activity levels in Mexico and Brazil remained weak.

Against this backdrop, Pason demonstrated strong operational and financial performance. Total revenue increased 13% from the previous year period to $123.2 million, representing record quarterly revenue for the Company. This growth was driven by an increase in US market share, continued growth in product penetration, new revenue in frontier markets, and a strengthening of the US dollar relative to the Canadian dollar. The change in foreign exchange rates was responsible for approximately one third of the revenue increase. All of Pason’s major product categories generated revenue growth above industry activity, led by year-over-year increases in Communications of 27% followed by Gas Analyzer of 15%.

EBITDA for the first quarter was a record $70.5 million, an increase of 18% compared to the previous year period, and 57% of revenue compared to 55% the previous year. Free cash flow was $47.9 million, up 48% from the previous year. The Company recorded net income of $20.8 million, or $0.25 per share, compared to $29.6 million, or $0.36 per share, in the first quarter of 2013. Earnings were significantly impacted by a $13.9 million increase in stock-based compensation expense driven by an increase in share price.

Capital expenditures for the first quarter were $16.5 million, up from $13.9 million the previous year, as deployment of new hardware, including Pason Rig Display and components of the EDR evolution, continued and we upgraded a significant portion of our fleet of Workstations in the United States. On March 31, our cash position stood at $116.8 million, plus $12.4 million cash held in trust for the payment of the dividend in April. There is no debt on the balance sheet. Our quarterly dividend remains unchanged at $0.15 per share.

United States

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

The number of drilling industry days in the first quarter of 2014 was essentially unchanged from the first quarter of the previous year and down 1% from the previous quarter. Revenue for the period increased 20% to $64.1 million. Revenue growth above industry day growth was achieved through an increase in market share, higher product penetration and a favourable movement in the exchange rate. EDR market share for the first quarter averaged 59%, up two percentage points from the previous quarter and also up two percentage points from a year ago. On average, 991 US land rigs were operating Pason equipment during the first quarter of 2014, compared to 955 in the same period of 2013.

Average daily revenue per rig increased by 6%, from US$590 to US$628 from the previous year and by 3% from the previous quarter. Communications and Gas Analyzer again showed above average growth rates during the period.

Our US business unit was able to generate an operating profit of $33.4 million in the first quarter, an increase of 40% over 2013. Operating profit was 52% of revenue compared to 45% for the previous year, as the business unit was able to effectively leverage its fixed cost structure and control variable costs.

Canada

Drilling activity in Canada was modestly higher in the first quarter of 2014 than in the previous year, with industry days up 3%. Revenue for the first quarter increased 4% from the prior year period to $47.9 million. Market share was 96%, up two percentage points from the previous quarter, and down two percentage points from a year ago. On average, 474 Canadian land rigs were operating Pason equipment compared to 475 the year before.

Average daily revenue per rig increased 5% year-over-year to $1,113. Gas Analyzer, Communications and EDR peripherals (Workstations, SideKicks, and PRDs) showed above average growth rates during the period.

Operating costs increased by 14% year-over-year, primarily due to the acquisition of an additional segment of satellite bandwidth to improve the customer experience at the rig during the winter drilling season. As a result, our Canadian business unit was able to generate an operating profit of $30.5 million for the first quarter of 2014, essentially unchanged from the same period in 2013.

International

Our International business unit, which includes our businesses in Latin America, Australia, and Offshore & Frontier, had a solid quarter overall with widely differing results by country. Revenue increased by 14% to $11.2 million for the first quarter of 2014 compared to the previous year period; however, revenue was down 13% from the previous quarter. Significant devaluation in the Argentine Peso, together with continued industry weakness in Brazil and Mexico, more than offset increased activity in Argentina and revenue growth in Australia, Gulf of Mexico and the Middle East.

The International business unit was able to generate a quarterly operating profit of $3.0 million, an increase of 57% over the previous year, but down 34% from the previous quarter.

Outlook

Analyst outlooks for drilling industry activity in North America are flat to modestly positive for the remainder of 2014, with a potential for increased activity towards the end of the year and into 2015 driven by LNG-related gas drilling activity in Canada.

We expect that some of the new products and product enhancements, both on the hardware and software sides, will continue to gain traction in the North American market. This includes the new Pason Rig Display (a ruggedized 19 inch touch screen computer) and the enhanced Pit Volume Totalizer (ePVT). We also expect continued growth in the Gulf of Mexico, Middle East, and other frontier regions.

We plan for an increase in our R&D, IT and Corporate Services cost as we make important investments in our technical infrastructure and systems, as well as in our business development capabilities. Our capital expenditure forecast for the next 12 months is up to about $100 million, $70 million of which is directed towards new hardware that can generate incremental revenue or save operating costs. Our cash-generating capacity and our cash position are more than sufficient to cover new business development, planned equipment upgrades and the dividend.

Marcel Kessler
President and Chief Executive Officer
May 6, 2014

Management's Discussion and Analysis

The following discussion and analysis has been prepared by management as of May 6, 2014, 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.

Overview of the 2014 First Quarter

Three Months Ended March 31,	**2014**	2013	2012
(000s, except per share data)	**($)**	($)	($)
Revenue	**123,174**	109,267	115,145
Income	**20,821**	29,608	29,073
Per share – basic	**0.25**	0.36	0.35
Per share – diluted	**0.25**	0.36	0.35
EBITDA (1)	**70,469**	59,790	64,146
As a % of revenue	**57.2**	54.7	55.7
Funds flow from operations	**56,311**	50,090	53,587
Per share – basic	**0.68**	0.61	0.65
Per share – diluted	**0.67**	0.60	0.65
Cash from operating activities	**64,385**	46,194	45,004
Free cash flow (1)	**47,876**	32,250	25,521
Per share – basic	**0.58**	0.39	0.31
Per share – diluted	**0.57**	0.39	0.31
Cash dividends declared (2)	**0.15**	0.13	0.00

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

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

Additional IFRS Measures

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

Funds flow from operations

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

Funds flow from operations and cash from operating activities were impacted by the Company's accounting for the litigation provision. Before 2013, the Company recorded it as a non-cash add back to arrive at funds flow from operations. In 2013, the provision and settlement was treated as a change in working capital to calculate cash from operating activities.

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.

EBITDA

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

Free cash flow

Free cash flow is defined as cash from operating activities less capital expenditures and deferred development costs.

Overall Performance

Three Months Ended March 31,	2014	2013	Change
(000s)	($)	($)	(%)
Revenue			
Electronic Drilling Recorder (1)	**53,515**	46,874	14
Pit Volume Totalizer	**18,641**	16,870	10
Communications (1)	**10,155**	7,965	27
Software	**8,710**	8,142	7
AutoDriller	**11,479**	10,510	9
Gas Analyzer/Total Gas System	**10,050**	8,734	15
Sales	**2,451**	2,391	3
Other	**8,173**	7,781	5
Total revenue	**123,174**	109,267	13

(1) A portion of the Company's USA communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. All comparative figures have been restated accordingly. This change had no impact on reported key metrics, EBITDA, cash flow from operating activities, or net income (Q1 2013 - $2,210).

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

Canada

Three Months Ended March 31,	2014	2013	Change
			(%)
EDR rental days (#)	**42,700**	42,800	—
PVT rental days (#)	**41,300**	41,800	(1)

United States

Three Months Ended March 31,	2014	2013	Change
			(%)
EDR rental days (#)	**89,100**	85,900	4
PVT rental days (#)	**68,300**	63,600	7

Electronic Drilling Recorder

The Pason EDR remains the Company's primary product. The EDR provides a complete system of drilling data acquisition, data networking, and drilling management tools and reports at both the wellsite and customer offices. The EDR is the base product from which all other wellsite instrumentation products are linked. By linking these products, a number of otherwise redundant elements such as data processing, display, storage, and networking are eliminated. This ensures greater reliability and a more robust system of instrumentation for the customer. Revenue generated from the EDR increased 14% for the first quarter of 2014 compared to the same period in 2013. This increase is attributable to continued growth in demand for EDR peripheral devices in all of the Company's major markets, an increase in US market share over the first quarter of 2013 (59% versus 57%), a strengthening US dollar relative to the Canadian dollar, and new revenue in frontier markets. Industry activity in the US market was unchanged in the first quarter of 2014, while first quarter Canadian rig activity increased 3% compared to the same period in 2013. Canadian EDR days were unchanged in the first quarter of 2014 compared to the same period in 2013, while US EDR days increased by 4%.

During the quarter ended March 31, 2014, the Pason EDR was installed on 96% of all active land rigs in Canada and 59% of the land rigs in the US.

In addition, the Company continues to gain new customers in its International business unit.

Pit Volume Totalizer

The 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 an increase in product penetration in the US market and the foreign exchange fluctuation, offset by the change in rig activity previously described above. During the quarter ended March 31, 2014, the PVT was installed on 97% of rigs with a Pason EDR in Canada and 77% in the US, compared to 98% and 74%, respectively, in the same period of 2013.

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 among 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.

Communications revenue increased by 27% in the first quarter of 2014 compared to the same period in 2013, driven in large part by increased revenue in the US market due to increased product usage and the strengthening US dollar relative to the Canadian dollar.

Software

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

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

During the first quarter of 2014, 96% of the Company's Canadian customers and 91% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 96% and 88%, respectively, in the first quarter of 2013.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During the quarter ended March 31, 2014, the AutoDriller was installed on 75% of Canadian and 45% of US land rigs operating with a Pason EDR system, compared to 72% and 46%, respectively, in 2013.

Gas Analyzer

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) exiting the wellbore, and then calculates the lag time to show the formation depth where the gases were produced. The Gas Analyzer increases the functionality that was found in the TGAS product to include the actual composition of the gas, and further calculates geologic ratios from the gas composition to assist in indicating the type of gas, natural gas liquid, or oil in the formation. The Company continues to realize increased product penetration for this product. During the first three months of 2014, the Gas Analyzer was installed on 59% of Canadian and 23% of US land rigs operating with a Pason EDR system. The penetration in Canada is an increase of approximately 8% in market share over 2013 levels while the US has seen an increase of 1%. The roll out of the Gas Analyzer in the International markets continues with anticipated completion in most of the major markets in 2014.

Sales

Sales represent sensors and other systems sold by 3PS, Inc. and spare parts sold by Pason Offshore.

Other

Other is comprised mostly of the rental of service rig recorders in Latin America, the Electronic Choke Actuator, Hazardous Gas Alarm products, and Mobilization revenue.

Discussion of Operations

United States Operations

Three Months Ended March 31,	2014	2013	Change
(000s)	($)	($)	(%)
Revenue			
Electronic Drilling Recorder (1)	**30,453**	25,560	19
Pit Volume Totalizer	**9,393**	8,019	17
Communications (1)	**3,782**	1,980	91
Software	**5,049**	4,309	17
AutoDriller	**5,498**	4,980	10
Gas Analyzer	**3,630**	3,002	21
Sales	**2,271**	2,041	11
Other	**4,056**	3,593	13
Total revenue	**64,132**	53,484	20
Operating costs	**23,147**	22,240	4
Depreciation and amortization	**7,560**	7,384	2
Segment operating profit	**33,425**	23,860	40

(1) A portion of the Company's USA communications revenue was reclassified to EDR revenue to better reflect the nature of such revenue. All comparative figures have been restated accordingly. This change had no impact on reported key metrics, EBITDA, cash flow from operating activities, or net income (Q1 2013 - $2,210).

Three Months Ended March 31,	2014		2013	
	USD	**CAD**	USD	CAD
Revenue per EDR day	**628**	**693**	590	595
Revenue per industry day	**368**	**406**	334	337

US segment revenue increased by 20% in the first quarter of 2014 over the 2013 comparable period (10% increase when measured in USD).

Industry activity in the US market during the first quarter of 2014 was unchanged from the prior year; however, revenue from the rental of instrumentation increased by 21% over 2013 levels. EDR rental days increased by 4% for the three months ended March 31, 2014, over the same time period in 2013, while revenue per EDR day in the first quarter of 2014 increased to $693, an increase of $98 over the same period in 2013.

Market share gains, increased product penetration and a favourable movement in the exchange rate all contributed to revenue growth in the US segment. US market share was 59% during the quarter ended March 31, 2014, up from 57% in the same period of 2013. During the quarter, the US segment saw the most significant improvements in product penetration for EDR peripheral devices, Pit Volume Totalizer, Communications, and the Gas Analyzer. Revenue across all product lines was positively impacted by a favorable change in the US dollar exchange rate.

Segment profit, as a percentage of revenue, was 52% for the first quarter of 2013 compared to 45% for the corresponding period in 2013, an increase of $9.6 million. The US business unit was able to increase its operating margin primarily by leveraging its fixed cost structure and controlling variable costs.

Canadian Operations

Three Months Ended March 31,	2014	2013	Change
(000s)	**($)**	($)	(%)
Revenue			
Electronic Drilling Recorder	**18,438**	17,374	6
Pit Volume Totalizer	**7,447**	7,291	2
Communications	**5,994**	5,649	6
Software	**3,502**	3,733	(6)
AutoDriller	**4,816**	4,619	4
Gas Analyzer	**5,245**	4,654	13
Sales	**—**	—	—
Other	**2,419**	2,635	(8)
Total revenue	**47,861**	45,955	4
Operating costs	**10,923**	9,607	14
Depreciation and amortization	**6,479**	6,021	8
Segment operating profit	**30,459**	30,327	—

Canadian segment revenue grew by 4% for the three months ended March 31, 2014, compared to the same period in 2013. This positive growth is a result of a 3% increase in the number of drilling industry days from 2013 levels, combined with greater penetration of a number of different product groups, while market share decreased to 96% from 98% in the comparable period of 2013. EDR rental days were unchanged in the first quarter of 2014 compared to 2013 levels.

The Canadian business unit was able to increase its revenue in the first quarter mostly through increased product adoption, notably EDR peripherals and the Gas Analyzer, and increases in Communications revenue.

The factors above combined to result in the following:

- An increase in revenue per EDR day during the first quarter of 2014 compared to 2013 of $52 to $1,113.
- First quarter revenue per industry day of $1,064 in 2014 compared to $1,045 in 2013.

Operating costs increased by 14% in the first quarter of 2014 relative to the same period in 2013, primarily due to a $0.9 million increase in satellite bandwidth costs, as an additional segment was added to improve the customer experience at the rig. As a result, segment operating profit for the first quarter of 2014 of $30.5 million is an increase of $0.1 million over the same period in 2013.

International Operations

Three Months Ended March 31,	2014	2013	Change
(000s)	($)	($)	(%)
Revenue			
Electronic Drilling Recorder	**4,624**	3,940	17
Pit Volume Totalizer	**1,801**	1,560	15
Communications	**379**	336	13
Software	**159**	100	59
AutoDriller	**1,165**	911	28
Gas Analyzer/Total Gas System	**1,175**	1,078	9
Sales	**180**	350	(49)
Other	**1,698**	1,553	9
Total revenue	**11,181**	9,828	14
Operating costs	**6,491**	6,394	2
Depreciation and amortization	**1,703**	1,529	11
Segment operating profit	**2,987**	1,905	57

Revenue in the International operations increased 14% in the first quarter of 2014 compared to the same time period in 2013, with increased revenue from each of the Company's rental products.

Operating profit increased by $1.1 million for the first quarter of 2014 over 2013, an increase of 57%.

A number of factors influenced these results:

- Australia revenue increased 38% for the first quarter of 2014 as drilling activity continues to increase across the region, accompanied by increased penetration of the company's rental products, most significantly EDR peripheral devices and the Gas Analyzer.
- The Company saw increased activity in Argentina, however significant devaluation of the Argentine Peso, together with continued market weakness in Mexico and Brazil, led to a 6% decrease in revenue from Latin America in the first quarter of 2014 compared to 2013.
- The Company continues to increase its customer base in areas the Company has identified as "frontier markets" including the Middle East and North Africa (MENA) regions. These new markets, combined with increases in market share in the Gulf of Mexico, experienced an increase in first quarter revenue of 83% over the same period in 2013.

Segment operating profit increased by 57% year-over-year to $3.0 million in the first quarter of 2014, compared to $1.9 million in the same period of 2013.

Corporate Expenses

Three Months Ended March 31,	2014	2013	Change
(000s)	($)	($)	(%)
Other expenses			
Research and development	**7,658**	6,526	17
Corporate services	**4,476**	4,160	8
Stock-based compensation	**17,668**	3,750	371
Other			
Foreign exchange (gain) loss	**(450)**	220	N/A
Other	**460**	330	39
Total corporate expenses	**29,812**	14,986	99

Q1 2014 vs Q4 2013

The first quarter of the year is typically the strongest for Pason due to the seasonality of Canadian drilling activity. Consolidated revenue of $123.2 million in the first quarter of 2014 compared to $108.9 million in the fourth quarter of 2013, an increase of 13%. The Company experienced revenue growth in all of its rental product groups in the United States and Canada, while international revenues decreased due to a significant devaluation in the Argentine Peso and continued weakness in industry activity in Mexico and Brazil.

Sequentially, EBITDA increased 28%, from $55.2 million in the fourth quarter of 2013 to $70.5 million in the first quarter of 2014, while funds flow from operations increased 19%, to $56.3 million in the first quarter of 2014 from $47.5 million in the previous quarter.

Net income decreased by 14% to $20.8 million ($0.25 per share) in the first quarter of 2014 from $24.3 million ($0.29 per share) in the prior quarter. Due to a significant increase in the Company's share price in the first quarter of 2014, stock-based compensation was $11.5 million higher in the first quarter of 2014 than in the fourth quarter of 2013. The effective tax rate for the first quarter of 2014 is significantly higher than the same period of 2013 as a result of the significant non-deductible, non-cash expense provision for the expensing of common share options under the Black-Scholes pricing model.

First Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its first quarter results at 9:00 am (Calgary time) on Wednesday, May 7, 2014. 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 10605098.

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

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2013, 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 and Special Meeting on Wednesday, May 7, 2014, at 3:30 pm at the offices of Pason Systems Inc., 6120 Third Street SE, Calgary, Alberta.

Condensed Consolidated Interim Balance Sheets

As at	March 31, 2014	December 31, 2013
(CDN 000s) (unaudited)	($)	($)
Assets		
Current		
Cash and cash equivalents	**116,803**	78,018
Cash held in trust	**12,356**	11,502
Trade and other receivables	**98,390**	87,469
Prepaid expenses	**2,268**	3,121
Income taxes recoverable	**8,512**	15,752
Total current assets	**238,329**	195,862
Non-current		
Property, plant and equipment	**188,840**	183,601
Intangible assets and goodwill	**66,122**	65,261
Deferred tax assets	**—**	1,152
Total non-current assets	**254,962**	250,014
Total assets	**493,291**	445,876
Liabilities and equity		
Current		
Trade payables and accruals	**37,318**	30,485
Income taxes payable	**2,525**	—
Stock-based compensation liability	**33,903**	25,942
Dividend payable	**12,356**	11,502
Total current liabilities	**86,102**	67,929
Non-current		
Stock-based compensation liability	**7,089**	3,905
Deferred tax liabilities	**9,045**	7,573
Total non-current liabilities	**16,134**	11,478
Equity		
Share capital	**88,176**	80,725
Share-based benefits reserve	**12,927**	12,927
Foreign currency translation reserve	**16,628**	7,958
Retained earnings	**273,324**	264,859
Total equity	**391,055**	366,469
Total liabilities and equity	**493,291**	445,876

Condensed Consolidated Interim Statements of Operations

	Three Months Ended March 31,	
	2014	2013
(CDN 000s, except per share data) (unaudited)	**($)**	($)
Revenue		
Equipment rentals and sales	**123,174**	109,267
Operating expenses		
Rental services	**35,572**	33,876
Local administration	**4,989**	4,365
Depreciation and amortization	**15,742**	14,934
	56,303	53,175
Operating profit	**66,871**	56,092
Other expenses		
Research and development	**7,658**	6,526
Corporate services	**4,476**	4,160
Stock-based compensation	**17,668**	3,750
Other expenses	**10**	550
	29,812	14,986
Income before income taxes	**37,059**	41,106
Income taxes	**16,238**	11,498
Net income	**20,821**	29,608
Income per share		
Basic	**0.25**	0.36
Diluted	**0.25**	0.36

Condensed Consolidated Interim Statements of Other Comprehensive Income

	Three Months Ended March 31,	
	2014	2013
(CDN 000s) (unaudited)	**($)**	($)
Net income	**20,821**	29,608
Items that may be reclassified subsequently to net income:		
Foreign currency translation adjustment	**8,670**	5,850
Total comprehensive income	**29,491**	35,458

Condensed Consolidated Interim Statements of Changes in Equity

(CDN 000s) (unaudited)	Share Capital ($)	Share-Based Benefits Reserve ($)	Foreign Currency Translation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at January 1, 2013	**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**
Net loss	—	—	—	(5,953)	(5,953)
Dividends	—	—	—	(32,853)	(32,853)
Other comprehensive income	—	—	10,456	—	10,456
Exercise of stock options	1,314	—	—	—	1,314
Balance at December 31, 2013	**80,725**	**12,927**	**7,958**	**264,859**	**366,469**
Net income	—	—	—	20,821	20,821
Dividends	—	—	—	(12,356)	(12,356)
Other comprehensive income	—	—	8,670	—	8,670
Exercise of stock options	7,451	—	—	—	7,451
Balance at March 31, 2014	**88,176**	**12,927**	**16,628**	**273,324**	**391,055**

Condensed Consolidated Interim Statements of Cash Flows

	Three Months Ended March 31,	
	2014	2013
(CDN 000s) (unaudited)	**($)**	($)
Cash from operating activities		
Net income	**20,821**	29,608
Adjustment for non-cash items:		
Depreciation and amortization	**15,742**	14,934
Stock-based compensation	**17,668**	3,750
Deferred income taxes	**2,657**	1,720
Unrealized foreign exchange (gain) loss	**(577)**	78
Funds flow from operations	**56,311**	50,090
Movements in non-cash working capital items:		
Increase in trade and other receivables	**(9,594)**	(9,681)
Decrease in prepaid expenses	**924**	406
Decrease in income taxes	**10,774**	6,870
Increase in trade payables and accruals	**5,293**	1,961
Effects of exchange rate changes	**1,778**	1,048
Cash generated from operating activities	**65,486**	50,694
Income tax paid	**(1,101)**	(4,500)
Net cash from operating activities	**64,385**	46,194
Cash flows from (used in) financing activities		
Proceeds from issuance of common shares	**3,565**	18
Purchase of stock options	**(2,592)**	(1,922)
Payment of dividends	**(11,502)**	(19,691)
Net cash used in financing activities	**(10,529)**	(21,595)
Cash flows (used in) from investing activities		
Additions to property, plant and equipment	**(14,453)**	(10,201)
Deferred development costs	**(2,056)**	(3,743)
Proceeds on disposal of property, plant and equipment	**86**	44
Changes in non-cash working capital	**997**	(754)
Net cash used in investing activities	**(15,426)**	(14,654)
Effect of exchange rate on cash and cash equivalents	**1,209**	979
Net increase in cash and cash equivalents	**39,639**	10,924
Cash and cash equivalents, beginning of period	**89,520**	157,944
Cash and cash equivalents, end of period	**129,159**	168,868
Cash and cash equivalents consists of:		
Cash and cash equivalents	**116,803**	158,201
Cash held in trust	**12,356**	10,667
Cash and cash equivalents, end of period	**129,159**	168,868

Prior year comparatives have been restated to conform to current year presentation

Operating Segments

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

Three Months Ended March 31, 2014	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue	**47,861**	**64,132**	**11,181**	**123,174**
Operating costs	**10,923**	**23,147**	**6,491**	**40,561**
Depreciation and amortization	**6,479**	**7,560**	**1,703**	**15,742**
Segment operating profit	**30,459**	**33,425**	**2,987**	**66,871**
Research and development				**7,658**
Corporate services				**4,476**
Stock-based compensation				**17,668**
Other expenses				**10**
Income taxes				**16,238**
Net income				**20,821**
Capital expenditures	**3,913**	**11,018**	**1,578**	**16,509**
Goodwill	**—**	**20,457**	**2,600**	**23,057**
Intangible assets	**32,828**	**7,436**	**2,801**	**43,065**
Segment assets	**166,469**	**262,406**	**64,416**	**493,291**
Segment liabilities	**60,681**	**32,945**	**8,610**	**102,236**

Three Months Ended March 31, 2013				
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	4,311	2,606	13,944
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

Other Expenses

	Three Months Ended March 31,	
	2014	2013
	($)	($)
Foreign exchange (gain) loss	**(450)**	220
Other	**460**	330
Other expenses	**10**	550

Pason Systems Inc.

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

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

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