Press Release

Pason Reports Fourth Quarter and Year End 2015 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (February 25, 2016) – Pason Systems Inc. (PSI.TO) announced today its 2015 fourth quarter and year end results.

Performance Data

	Three Months Ended December 31,			Years Ended December 31,		
	2015	2014	Change	**2015**	2014	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**59,838**	138,206	(57)	**285,148**	499,272	(43)
Net (loss) income	**(841)**	47,211	—	**(14,612)**	112,104	—
Per share – basic	**(0.01)**	0.57	—	**(0.17)**	1.36	—
Per share – diluted	**(0.01)**	0.57	—	**(0.17)**	1.34	—
EBITDA (1)	**20,736**	59,065	(65)	**69,630**	251,623	(72)
As a % of revenue	**34.7**	42.7	(19)	**24.4**	50.4	(52)
Funds flow from operations	**17,933**	59,947	(70)	**94,263**	224,204	(58)
Per share – basic	**0.21**	0.73	(71)	**1.13**	2.71	(58)
Per share – diluted	**0.21**	0.72	(71)	**1.13**	2.68	(58)
Cash from operating activities	**10,911**	42,460	(74)	**130,076**	213,583	(39)
Free cash flow (1)	**4,719**	(4,144)	—	**80,138**	92,691	(14)
Per share – basic	**0.05**	(0.05)	—	**0.95**	1.12	(15)
Per share – diluted	**0.05**	(0.05)	—	**0.95**	1.10	(14)
Capital expenditures	**6,527**	46,654	(86)	**50,811**	121,188	(58)
Working capital	**244,972**	206,571	19	**244,972**	206,571	19
Total assets	**529,625**	570,066	(7)	**529,625**	570,066	(7)
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.17**	0.17	—	**0.68**	0.64	6
Shares outstanding end of period (#)	**84,063**	83,363	1	**84,063**	83,363	1

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

Q4 2015 vs Q4 2014

The Company generated consolidated revenue of $59.8 million in the fourth quarter of 2015, down 57% from $138.2 million in the same period of 2014. A very weak oil and gas drilling environment, combined with a reduction in product adoption and pricing pressure as customers continue to control costs, contributed to the decrease in revenue. These negative factors were partially offset by the strengthening US dollar relative to the Canadian dollar.

Consolidated EBITDA was $20.7 million in the fourth quarter, a decrease of $38.3 million from the fourth quarter of 2014. Included in the fourth quarter 2015 results are additional restructuring costs of $1.0 million. Funds flow from operations decreased by 70%.

The Company recorded a net loss of $0.8 million ($0.01 per share) in the fourth quarter of 2015, a decrease of $48.1 million from the net income of $47.2 million ($0.57 per share) recorded in the same period of 2014.

President's Message

The past year has been challenging for operators and service companies alike. This has had significant negative impact for the energy industry around the world. Pason's financial performance deteriorated substantially in 2015 compared to the previous year, with revenues down 43% to $285.1 million and EBITDA down 72% to $69.6 million. We incurred a net loss of $14.6 million for the year driven, in part, by impairment charges totaling $26.6 million related to excess quantities of rental equipment. Free cash flow for the year was $80.1 million. On December 31, 2015, our cash position stood at $195.8 million and working capital at $245.0 million. There is no debt on the balance sheet. We are maintaining our quarterly dividend at $0.17 share.

Although market conditions were anything but favourable, Pason's performance was solid in the context of our industry. Pason celebrated a number of successes in 2015. We held on to our market share in all our major markets, experienced only moderate declines in revenue per EDR day, and demonstrated some growth in Argentina and the Middle East. In addition, we developed promising new product offerings.

Despite these successes, we had to make some tough choices last year in response to the market. We sought to strike an optimal balance between cost control and investments in future growth, and we expect to see material savings in 2016 from the operating and capital cost savings initiatives implemented last year. Our headcount is more than 25% lower than this time last year and all discretionary spending is down significantly. Also, capital expenditures in 2015 were down 58% from 2014 to $50.8 million.

Outlook

The short-term outlook for our industry remains extremely challenging, and drilling activity in all geographies may be reduced further and may stay very low for an extended period of time. Pressures on pricing and product usage continue as operators seek further cost reductions from service companies. As a result, we are looking to reduce operating expenses by a further $20 million on an annual run-rate basis.

At some point, a supply response from reduced drilling is expected to correct the supply-demand imbalance leading to a gradual improvement in oil prices. However, there could be a delay before drilling activity recovers. At this point, we believe that any meaningful recovery in activity levels for our business will not happen before 2017. However, the longer the recovery takes, the sharper it will be, and we believe that North American land drilling will be the quickest to respond.

It is in times like these, where in the face of adversity, remarkable companies and people continue to do remarkable things. This is Pason: we have great customers, we continue to be the market leader, we employ talented and dedicated people, and we have a strong balance sheet. We are also making inroads with new products and services that have been in the pipeline and are now reaching the market. And, in 2016, we will continue to invest in future growth, including investments in new product development, service capabilities, infrastructure and systems, and our international footprint. We plan to continue to allocate significant resources for R&D and IT and we intend to spend up to $35 million in capital expenditures in 2016. We are focusing our development efforts on products and services that create significant and visible value, either by saving costs or by increasing revenues, for our customers.

Long-Term Strategy

We are staying the course on our three-pronged, longer-term strategy as follows:

1. **Defending and growing our North American core business.** We will continue to invest in new product development and in sustaining core products, expand the Pason service advantage, improve our sales and marketing capabilities, and strengthen our core infrastructure and systems.
2. **Growing and improving the profitability of our international businesses.** We will defend and grow our businesses outside of North America, and we may provide more customized product offerings and pursue alternative business models in certain markets.

3. **Establishing new pillars of revenue and cash flow generation beyond land drilling.** We are allocating more resources going forward to identify and pursue profitable growth opportunities for Pason beyond our current rig-based core business.

We will continue to build on our strong market position and reputation and seek opportunities where we can take advantage of our significant strengths. We believe that Pason continues to be well-positioned to maximize returns in the industry's eventual upturn.

We thank all our customers, partners, shareholders, and employees for their continued support during these challenging times.

Marcel Kessler
President and Chief Executive Officer
February 25, 2016

Management's Discussion and Analysis

The following discussion and analysis has been prepared by management as of February 25, 2016, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements and accompanying notes.

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

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

Additional IFRS Measures

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

Funds flow from operations

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

Cash from operating activities

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

Non-IFRS Financial Measures

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

Revenue per EDR day and Revenue per Industry 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.

Revenue per Industry day is defined as the daily revenue generated from all products that the Company is renting over all active drilling rigs in a particular operating segment. This metric provides in additional measure to that of Revenue per EDR day , which is market share penetration.

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 plus proceeds on disposal of property, plant, and equipment less capital expenditures and deferred development costs.

Overall Performance

	Three Months Ended December 31,			Years Ended December 31,		
	2015	2014	Change	**2015**	2014	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**24,509**	61,444	(60)	**118,135**	218,963	(46)
Pit Volume Totalizer/ePVT	**8,193**	20,043	(59)	**40,279**	72,684	(45)
Communications	**6,303**	12,440	(49)	**28,667**	42,018	(32)
Software	**4,167**	9,062	(54)	**19,420**	33,076	(41)
AutoDriller	**3,880**	11,814	(67)	**20,337**	44,102	(54)
Gas Analyzer	**4,510**	10,387	(57)	**21,021**	37,870	(44)
Other	**8,276**	13,016	(36)	**37,289**	50,559	(26)
Total revenue	**59,838**	138,206	(57)	**285,148**	499,272	(43)

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

Canada

	Three Months Ended December 31,			Years Ended December 31,		
	2015	2014	Change	**2015**	2014	Change
			(%)			(%)
EDR rental days (#)	**15,200**	31,800	(52)	**66,800**	122,900	(46)
PVT/ePVT rental days (#)	**13,900**	31,300	(56)	**62,500**	120,300	(48)

United States

	Three Months Ended December 31,			Years Ended December 31,		
	2015	2014	Change	**2015**	2014	Change
			(%)			(%)
EDR rental days (#)	**37,300**	104,500	(64)	**196,500**	394,700	(50)
PVT/ePVT rental days (#)	**28,200**	81,300	(65)	**149,300**	304,200	(51)

Electronic Drilling Recorder

The Pason EDR remains the Company's primary product. The EDR provides a complete system of drilling data acquisition, data networking, and drilling management tools and reports at both the wellsite and customer offices. The EDR is the base product from which all other wellsite instrumentation products are linked. By linking these products, a number of otherwise redundant elements such as data processing, display, storage, and networking are eliminated. This ensures greater reliability and a more robust system of instrumentation for the customer. Revenue generated from the EDR decreased 60% for the fourth quarter of 2015 compared to the same period in 2014 and 46% for the full year. This decrease is attributable to the drilling industry downturn, lower product adoption of certain peripheral devices, and pricing pressure from customers, offset by a strengthening US dollar relative to the Canadian dollar. Industry drilling days in the US market decreased 61% in the fourth quarter of 2015 compared to the corresponding period in 2014 (48% on a year-to-date basis), while 2015 fourth quarter Canadian rig activity decreased 57% compared to the same period in 2014 (51% on a year-to-date basis). Canadian EDR days decreased 52% in the fourth quarter of 2015 from 2014 levels (46% on a year-to-date basis), while US EDR days decreased by 64% for the fourth quarter from 2014 levels (50% on a year-to-date basis).

For the twelve months ended December 31, 2015, the Pason EDR was installed on 97% of all active land rigs in Canada and 58% of the land rigs in the US, compared to 94% and 61% respectively in the same period of 2014.

The Company's International business unit is experiencing the same market conditions as the North American market, with the exception of Argentina, where revenue for the year ended December 31, 2015, increased 8% from 2014 amounts. The Company is also realizing an increase in its share of net income from its Saudi Arabia joint venture as a result of a continuing increases in rig count and market penetration.

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

The 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 2015 was impacted by rig count activity, offset partially with continued customer adoption of the new ePVT. For the year ended December 31, 2015, the PVT was installed on 94% of rigs with a Pason EDR in Canada and 76% in the US.

Communications

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

Communications revenue decreased by 32% for 2015 compared to 2014 due to the industry slowdown, offset by a continued increase in customer adoption of new communication solutions rolled out in the Canadian and US markets.

Software

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

- Live Rig View (LRV), which provides advanced data viewing, directional drilling, and 3D visualization of drilling data in real time via a web browser.

- Live Rig View Mobile, which allows users to access their data on mobile devices, including iPhone, iPad, BlackBerry, and Android.
- WITSML, which provides seamless data sharing with third-party applications, enhancing the value of data hosted by Pason.
- Additional specialized software, including remote directional.

In 2015, 97% of the Company's Canadian customers and 87% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 98% and 91%, respectively, in 2014.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. For the year ended December 31, 2015, the AutoDriller was installed on 61% of Canadian and 33% of US land rigs operating with a Pason EDR system, compared to 75% and 46%, respectively, in 2014. The Company anticipates that adoption of the AutoDriller will continue to decline due in most part to the drop in the number of mechanical rigs being deployed.

Gas Analyzer

The Pason Gas Analyzer measures the total hydrocarbon gases (C1 through C4 and CO_2) exiting the wellbore, and then calculates the lag time to show the formation depth where the gases were produced. The Gas Analyzer provides information about the composition of the gas, and further calculates geologic ratios from the gas composition to assist in indicating the type of gas, natural gas liquid, or oil in the formation. For the year ended December 31, 2015, the Gas Analyzer was installed on 59% of Canadian and 28% of US land rigs operating with a Pason EDR system (63% and 24% respectively for 2014).

Other

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

Discussion of Operations

United States Operations

	Three Months Ended December 31,			Years Ended December 31,		
	2015	2014	Change	**2015**	2014	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**15,479**	39,429	(61)	**75,841**	139,651	(46)
Pit Volume Totalizer/ePVT	**4,775**	11,862	(60)	**24,131**	42,487	(43)
Communications	**3,213**	6,242	(49)	**14,727**	21,032	(30)
Software	**2,766**	5,903	(53)	**13,087**	21,759	(40)
AutoDriller	**1,837**	6,749	(73)	**10,045**	24,849	(60)
Gas Analyzer	**2,297**	4,605	(50)	**10,639**	16,578	(36)
Other	**4,375**	8,285	(47)	**22,416**	32,012	(30)
Total revenue	**34,742**	83,075	(58)	**170,886**	298,368	(43)
Rental services and local administration	**16,222**	28,391	(43)	**77,822**	100,858	(23)
Depreciation and amortization	**7,456**	9,703	(23)	**33,330**	33,142	1
Segment operating profit	**11,064**	44,981	(75)	**59,734**	164,368	(64)

	Three Months Ended December 31,			
		2015		2014
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**645**	**862**	672	761
Revenue per industry day	**370**	**494**	417	472

	Years Ended December 31,			
		2015		2014
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**644**	**824**	651	719
Revenue per industry day	**374**	**478**	395	437

US segment revenue decreased by 58% in the fourth quarter of 2015 over the 2014 comparable period (66% decrease when measured in USD). For the year, US segment revenue decreased by 43% over the 2014 comparable period (52% decrease when measured in USD).

Industry activity in the US market during the fourth quarter of 2015 decreased by 61% from the prior year and 48% for the full year. EDR rental days decreased by 64% and 50%, respectively, for the three and twelve months ended December 31, 2015 over the same time periods in 2014. Revenue per EDR day in the fourth quarter of 2015 decreased to US$645, a decrease of US$27 over the same period in 2014. For the year, revenue per EDR day was US$644, a decrease of US$7 as compared to 2014.

The decrease in industry activity, combined with pricing pressure from customers and lower product adoption on certain products, accounted for the drop in revenue for both the quarter and twelve months ended December 31, 2015. This decrease was offset by the favourable movement in the USD/CAD exchange rate and continued customer usage of premium communication services. US market share was 57% during the fourth quarter of 2015, down from 61% in the same period of 2014.

Operating costs decreased by 43% in the fourth quarter relative to the same period in the prior year. When measured in USD, operating costs decreased 55% (35% on a year-to-date basis) as the business unit continues to identify and implement changes to its fixed cost structure to meet the challenging business environment while maintaining customer service.

Depreciation expense for fourth quarter of 2015 was down significantly from the corresponding period in 2014 due to the non-cash impairment charges the Company took in the fourth quarter of 2014 and the third quarter of 2015. For the twelve months ended December 31, 2015, depreciation expense was impacted by the impairment charges and exchange rate movement, combined with the 2014 roll-out of capital equipment associated with the commercialization of the ePVT, including the continued roll-out of the Rig Display, upgrades to the Company's fleet of workstations, and the introduction of the new Versatile Services Platform (VSP) server.

Segment profit, as a percentage of revenue, was 32% for the fourth quarter of 2015 compared to 54% for the corresponding period in 2014. Segment profit decreased to $59.7 million for the twelve months of 2015, a drop of 64% from the same period in 2014.

Canadian Operations

	Three Months Ended December 31,			**Years Ended December 31,**		
	2015	2014	Change	**2015**	2014	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**5,932**	15,918	(63)	**26,691**	57,475	(54)
Pit Volume Totalizer/ePVT	**2,603**	5,891	(56)	**11,572**	22,109	(48)
Communications	**2,565**	5,631	(54)	**11,846**	19,052	(38)
Software	**1,299**	2,824	(54)	**5,815**	10,349	(44)
AutoDriller	**1,184**	3,642	(67)	**5,853**	13,801	(58)
Gas Analyzer	**1,729**	4,394	(61)	**7,802**	16,296	(52)
Other	**1,095**	1,981	(45)	**4,251**	7,489	(43)
Total revenue	**16,407**	40,281	(59)	**73,830**	146,571	(50)
Rental services and local administration	**5,874**	12,211	(52)	**27,833**	43,047	(35)
Depreciation and amortization	**8,590**	8,873	(3)	**36,998**	28,033	32
Segment operating profit	**1,943**	19,197	(90)	**8,999**	75,491	(88)

	Three Months Ended December 31,	
	2015	2014
	CAD	CAD
	$	$
Revenue per EDR day	**1,056**	1,258
Revenue per Industry day	**1,039**	1,186

	Years Ended December 31,	
	2015	2014
	CAD	CAD
	$	$
Revenue per EDR day	**1,090**	1,183
Revenue per Industry day	**1,058**	1,111

Canadian segment revenue declined by 59% for the three months ended December 31, 2015, and 50% for the year as compared to the same periods in 2014. This drop is a result of a decline of 57% in the number of drilling days in the fourth quarter of 2015 compared to 2014 levels, pricing pressures from customers, and lower product adoption on some products.

On a year-to-date basis, revenue decreased by 50% while industry days declined 51%.

EDR rental days decreased 52% in the fourth quarter compared to 2014 and 46% for the full twelve months of 2015. Market share for the fourth quarter of 2015 was 98%, compared to 94% in the fourth quarter of 2014.

The factors above combined to result in a decrease in revenue per EDR day of $202 to $1,056 during the fourth quarter of 2015 compared to 2014. Revenue per EDR day for the year ended December 31,2015 was $1,090, down $93 from the same period in 2014.

Operating costs decreased by 52% in the fourth quarter of 2015 relative to the same period in 2014 (35% on a year-to-date basis), primarily due to a drop in activity combined with cost control initiatives implemented by the business unit.

Depreciation expense decreased slightly in the fourth quarter of 2015 from 2014 levels due to the non-cash impairment charges the company took in the fourth quarter of 2014 and the third quarter of 2015. For the year ended December 31, 2015, depreciation expense increased due to the Company's 2014 capital expenditure program explained in the United States Operations update, combined with the amortization of previously capitalized research and development costs, offset by the impairment charges recorded in previous periods.

The fourth quarter 2015 operating profit of $1.9 million is a decrease of $17.3 million over the prior year period. Segment operating profit for the twelve months ended December 31, 2015 is down 88% from last year's comparatives.

International Operations

	Three Months Ended December 31,			Years Ended December 31,		
	2015	2014	Change	**2015**	2014	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**3,098**	6,097	(49)	**15,603**	21,837	(29)
Pit Volume Totalizer/ePVT	**815**	2,290	(64)	**4,576**	8,088	(43)
Communications	**525**	567	(7)	**2,094**	1,934	8
Software	**102**	335	(70)	**518**	968	(46)
AutoDriller	**859**	1,423	(40)	**4,439**	5,452	(19)
Gas Analyzer	**484**	1,388	(65)	**2,580**	4,996	(48)
Other	**2,806**	2,750	2	**10,622**	11,058	(4)
Total revenue	**8,689**	14,850	(41)	**40,432**	54,333	(26)
Rental services and local administration	**5,638**	7,634	(26)	**28,361**	27,999	1
Depreciation and amortization	**3,756**	2,568	46	**11,053**	8,026	38
Segment operating (loss) profit	**(705)**	4,648	—	**1,018**	18,308	(94)

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

Revenue in the International operations segment decreased 41% in the fourth quarter of 2015 compared to the same period in 2014. For the year ended December 31, 2015, revenue decreased by 26%, or $13.9 million.

Operating profit decreased by $5.4 million for the fourth quarter of 2015 over 2014 amounts. Year-to-date profit declined by 94%, or $17.3 million.

A number of factors influenced these results:

- Operating costs increased for the twelve months ended December 31, 2015 due to an increase in importation costs in Argentina relating to the deployment of new technology previously rolled out to the Company's North American markets combined with increased staffing costs in Argentina to support drilling activity. All other International business units saw a decline in their controllable costs.
- In the fourth quarter of 2015 the Company recognized a termination payment of $0.6 million from one of its customers. In the fourth quarter of 2015, the company received a $0.2 million payment relating to a contractual foreign exchange and inflationary related adjustment clause with one of its major customers. In 2014, this adjustment was $1.5 million, and was recorded in the third quarter of 2014. These amounts are recorded in Other revenue.
- Depreciation costs increased due to 2014 capital expenditures and a write-off of obsolete spare parts.

Corporate Expenses

	Three Months Ended December 31,			Years Ended December 31,		
	2015	2014	Change	**2015**	2014	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Other expenses						
Research and development	**6,302**	10,653	(41)	**31,733**	35,427	(10)
Corporate services	**5,000**	6,014	(17)	**20,040**	22,243	(10)
Stock-based compensation	**2,802**	(20,600)	—	**7,398**	19,471	(62)
Other						
Foreign exchange (gain) loss	**(1,549)**	(1,498)	3	**(3,104)**	729	—
Impairment loss	**—**	14,884	—	**26,555**	14,884	78
Gain on sale of investment	**—**	—	—	**(2,290)**	—	—
Restructuring costs	**1,024**	—	—	**3,596**	—	—
Other	**591**	852	(31)	**2,682**	2,462	9
Total corporate expenses	**14,170**	10,305	38	**86,610**	95,216	(9)

In 2014, the company reviewed the quantities of rental equipment deployed in each respective business unit versus the anticipated decline in usage rates of such equipment due to the reduction in drilling activity as a result of the drop in oil and gas prices. This review led the Company to record a non-cash impairment charge in the fourth quarter of 2014 of $14.9 million, of which $2.3 million relates to the Canadian operating segment and $12.6 million to the US operating segment. In the third quarter of 2015, management concluded that drilling activity is likely to be at depressed levels for a longer period of time than originally anticipated and this resulted in the company updating its assumptions on equipment usage. This review identified additional excess equipment based upon management’s best estimate of future drilling activity. The net book value of this excess equipment, totaling $26.6 million, of which $7.7 million relates to the Canadian operating segment and $18.9 relates to the US operating segment, was recorded as a non-cash impairment loss in the third quarter of 2015.

In response to the current business environment, the Company reduced its staffing levels during the year and recorded a restructuring charge of $1.0 million in the fourth quarter and $3.6 million for the twelve months ended December 31,2015.

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

In May 2015, shareholders approved a modification to the Option Plan to eliminate the ability for the option holder to settle options for cash. As a result of this change, stock-based compensation expense relating to the Option Plan will be less volatile going forward as the fair value of the option is calculated at the time of grant and is not subsequently re-valued at the end of each reporting period.

Q4 2015 versus Q3 2015

Consolidated revenue was $59.8 million in the fourth quarter of 2015 compared to $68.5 million in the third quarter of 2015, a decrease of $8.7 million. Drilling activity in the Company's major markets declined further in the fourth quarter of 2015. The Canadian segment earned revenue of $16.4 million in the fourth quarter as compared to $18.8 million in the third quarter of 2015. Revenue in the US market decreased by $5.4 million to $34.7 million; a further decline in activity in the fourth quarter of 2015 was offset by a further weakening of the Canadian dollar compared to the US dollar. The International segment experienced a revenue decrease of $0.8 million from third quarter revenue of $9.5 million.

The Company recorded a net loss in the fourth quarter of 2015 of $0.8 million ($0.01 per share) compared to a loss of $18.6 million ($0.22 per share) in the third quarter of 2015. Included in the 2015 third quarter results was a non-cash impairment charge of $26.6 million.

Sequentially, EBITDA increased from a negative $2.7 million in the third quarter of 2015 to $20.7 million in the fourth quarter of 2015, due in most part to the third quarter non-cash impairment charge. Funds flow from operations decreased by $5.9 million to $17.9 million in the fourth quarter from the amount recorded in the third quarter of 2015, due to the decrease in operating profit as a result of a further decline in rig activity.

Fourth Quarter & Year End Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its fourth quarter and full-year results at 9:00 am (Calgary time) on Friday, February 26, 2016. 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 1563308.

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.

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2015, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Shareholders are also invited to attend the Company's Annual Meeting on Wednesday, May 11, 2016, at 3:30 pm at the offices of Pason Systems Inc., 6120 Third Street SE, Calgary, Alberta.

Consolidated Balance Sheets

As at	**December 31, 2015**	December 31, 2014
(CDN 000s)	**($)**	($)
Assets		
Current		
Cash and cash equivalents	**195,846**	144,858
Trade and other receivables	**48,613**	122,494
Prepaid expenses	**3,719**	5,811
Income taxes recoverable	**17,468**	491
Total current assets	**265,646**	273,654
Non-current		
Property, plant and equipment	**201,436**	234,344
Intangible assets and goodwill	**57,643**	62,068
Deferred tax assets	**4,900**	—
Total non-current assets	**263,979**	296,412
Total assets	**529,625**	570,066
Liabilities and equity		
Current		
Trade payables and accruals	**18,454**	47,414
Income taxes payable	**—**	3,544
Stock-based compensation liability	**2,220**	16,125
Total current liabilities	**20,674**	67,083
Non-current		
Stock-based compensation liability	**3,059**	3,018
Deferred tax liabilities	**16,444**	16,442
Total non-current liabilities	**19,503**	19,460
Equity		
Share capital	**128,067**	113,827
Share-based benefits reserve	**23,367**	12,927
Foreign currency translation reserve	**85,603**	32,807
Retained earnings	**252,411**	323,962
Total equity	**489,448**	483,523
Total liabilities and equity	**529,625**	570,066

Consolidated Statements of Operations

	Three Months Ended December 31,		Years Ended December 31,	
	2015	2014	**2015**	2014
(CDN 000s, except per share data)	**($)**	($)	**($)**	($)
Revenue	**59,838**	138,206	**285,148**	499,272
Operating expenses				
Rental services	**24,211**	43,610	**117,546**	153,151
Local administration	**3,523**	4,626	**16,470**	18,753
Depreciation and amortization	**19,802**	21,144	**81,381**	69,201
	47,536	69,380	**215,397**	241,105
Operating profit	**12,302**	68,826	**69,751**	258,167
Other expenses				
Research and development	**6,302**	10,653	**31,733**	35,427
Corporate services	**5,000**	6,014	**20,040**	22,243
Stock-based compensation	**2,802**	(20,600)	**7,398**	19,471
Other expenses	**66**	14,238	**27,439**	18,075
	14,170	10,305	**86,610**	95,216
(Loss) income before income taxes	**(1,868)**	58,521	**(16,859)**	162,951
Income taxes	**(1,027)**	11,310	**(2,247)**	50,847
Net (loss) income	**(841)**	47,211	**(14,612)**	112,104
Net (loss) income per share				
Basic	**(0.01)**	0.57	**(0.17)**	1.36
Diluted	**(0.01)**	0.57	**(0.17)**	1.34

Consolidated Statements of Other Comprehensive Income

	Three Months Ended December 31,		Years Ended December 31,	
	2015	2014	**2015**	2014
(CDN 000s)	**($)**	($)	**($)**	($)
Net (loss) income	**(841)**	47,211	**(14,612)**	112,104
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	**3,547**	8,855	**52,796**	24,849
Total comprehensive income	**2,706**	56,066	**38,184**	136,953

Consolidated Statements of Changes in Equity

	Share Capital	Share-Based Benefits Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(CDN 000s)	($)	($)	($)	($)	($)
Balance at January 1, 2014	80,725	12,927	7,958	264,859	366,469
Net income	—	—	—	64,893	64,893
Dividends	—	—	—	(38,845)	(38,845)
Other comprehensive income	—	—	15,994	—	15,994
Exercise of stock options	21,984	—	—	—	21,984
Balance at September 30, 2014	102,709	12,927	23,952	290,907	430,495
Net income	—	—	—	47,211	47,211
Dividends	—	—	—	(14,156)	(14,156)
Other comprehensive income	—	—	8,855	—	8,855
Exercise of stock options	11,118	—	—	—	11,118
Balance at December 31, 2014	113,827	12,927	32,807	323,962	483,523
Net loss	—	—	—	(13,771)	(13,771)
Dividends	—	—	—	(42,650)	(42,650)
Other comprehensive income	—	—	49,249	—	49,249
Exercise of stock options	8,230	(1,128)	—	—	7,102
Expense related to vesting of options	—	1,158	—	—	1,158
Reclassification of equity settled options	—	11,673	—	—	11,673
Balance at September 30, 2015	122,057	24,630	82,056	267,541	496,284
Net loss	—	—	—	(841)	(841)
Dividends	—	—	—	(14,289)	(14,289)
Other comprehensive income	—	—	3,547	—	3,547
Exercise of stock options	6,010	(2,043)	—	—	3,967
Expense related to vesting of options	—	780	—	—	780
Balance at December 31, 2015	**128,067**	**23,367**	**85,603**	**252,411**	**489,448**

Consolidated Statements of Cash Flows

	Three Months Ended December 31,		Years Ended December 31,	
	2015	2014	**2015**	2014
(CDN 000s)	**($)**	($)	**($)**	($)
Cash from (used in) operating activities				
Net (loss) income	**(841)**	47,211	**(14,612)**	112,104
Adjustment for non-cash items:				
Depreciation and amortization	**19,802**	21,144	**81,381**	69,201
Impairment loss	**—**	14,884	**26,555**	14,884
Gain on sale of investment	**—**	**—**	**(2,290)**	—
Stock-based compensation	**2,802**	(20,600)	**7,398**	19,471
Deferred income taxes	**(1,700)**	2,204	**(4,757)**	9,958
Unrealized foreign exchange (gain) loss and other	**(2,130)**	(4,896)	**588**	(1,414)
Funds flow from operations	**17,933**	59,947	**94,263**	224,204
Movements in non-cash working capital items:				
Decrease (increase) in trade and other receivables	**6,365**	(2,228)	**81,884**	(30,580)
Decrease (increase) in prepaid expenses	**2,100**	(1,238)	**2,384**	(2,542)
(Decrease) increase in income taxes	**(1,956)**	6,953	**(1,148)**	30,732
Decrease in trade payables, accruals and stock-based compensation liability	**(8,070)**	(19,354)	**(29,929)**	(1,248)
Effects of exchange rate changes	**(1,812)**	4,300	**2,052**	5,134
Cash generated from operating activities	**14,560**	48,380	**149,506**	225,700
Income tax paid	**(3,649)**	(5,920)	**(19,430)**	(12,117)
Net cash from operating activities	**10,911**	42,460	**130,076**	213,583
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**3,967**	6,781	**9,576**	16,741
Settlement of stock options	**—**	—	**—**	(2,589)
Payment of dividends	**(14,289)**	(28,245)	**(56,939)**	(64,502)
Net cash used in financing activities	**(10,322)**	(21,464)	**(47,363)**	(50,350)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment	**(6,554)**	(44,665)	**(44,256)**	(113,679)
Development costs	**27**	(1,989)	**(6,555)**	(7,509)
Proceeds on disposal of investment and property, plant and equipment	**335**	50	**3,962**	296
Changes in non-cash working capital	**(841)**	(180)	**(6,605)**	6,152
Net cash used in investing activities	**(7,033)**	(46,784)	**(53,454)**	(114,740)
Effect of exchange rate on cash and cash equivalents	**4,175**	5,559	**21,729**	6,845
Net (decrease) increase in cash and cash equivalents	**(2,269)**	(20,229)	**50,988**	55,338
Cash and cash equivalents, beginning of period	**198,115**	165,087	**144,858**	89,520
Cash and cash equivalents, end of period	**195,846**	144,858	**195,846**	144,858

Operating Segments

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

Three Months Ended December 31, 2015	Canada	United States	International	Total
(CDN 000s)	($)	($)	($)	($)
Revenue	**16,407**	**34,742**	**8,689**	**59,838**
Rental services and local administration	**5,874**	**16,222**	**5,638**	**27,734**
Depreciation and amortization	**8,590**	**7,456**	**3,756**	**19,802**
Segment operating profit (loss)	**1,943**	**11,064**	**(705)**	**12,302**
Research and development				**6,302**
Corporate services				**5,000**
Stock-based compensation				**2,802**
Other expenses				**66**
Income taxes				**(1,027)**
Net loss				**(841)**
Capital expenditures	**2,841**	**4,355**	**(669)**	**6,527**
Goodwill	**—**	**25,611**	**2,600**	**28,211**
Intangible assets	**28,215**	**22**	**1,195**	**29,432**
Segment assets	**178,354**	**286,602**	**64,669**	**529,625**
Segment liabilities	**17,965**	**5,022**	**17,190**	**40,177**

Three Months Ended December 31, 2014				
(CDN 000s)				
Revenue	40,281	83,075	14,850	138,206
Rental services and local administration	12,211	28,391	7,634	48,236
Depreciation and amortization	8,873	9,703	2,568	21,144
Segment operating profit	19,197	44,981	4,648	68,826
Research and development				10,653
Corporate services				6,014
Stock-based compensation				(20,600)
Other expenses				14,238
Income taxes				11,310
Net income				47,211
Capital expenditures	19,970	19,998	6,686	46,654
Goodwill	—	21,471	2,600	24,071
Intangible assets	31,910	4,319	1,768	37,997
Segment assets	173,932	321,842	74,292	570,066
Segment liabilities	47,220	26,786	12,537	86,543

Year Ended December 31, 2015	Canada	United States	International	Total
(CDN 000s)	($)	($)	($)	($)
Revenue	**73,830**	**170,886**	**40,432**	**285,148**
Rental services and local administration	**27,833**	**77,822**	**28,361**	**134,016**
Depreciation and amortization	**36,998**	**33,330**	**11,053**	**81,381**
Segment operating profit	**8,999**	**59,734**	**1,018**	**69,751**
Research and development				**31,733**
Corporate services				**20,040**
Stock-based compensation				**7,398**
Other expenses				**27,439**
Income taxes				**(2,247)**
Net loss				**(14,612)**
Capital expenditures	**22,308**	**20,337**	**8,166**	**50,811**
Goodwill	**—**	**25,611**	**2,600**	**28,211**
Intangible assets	**28,215**	**22**	**1,195**	**29,432**
Segment assets	**178,354**	**286,602**	**64,669**	**529,625**
Segment liabilities	**17,965**	**5,022**	**17,190**	**40,177**

Year Ended December 31, 2014				
(CDN 000s)				
Revenue	146,571	298,368	54,333	499,272
Rental services and local administration	43,047	100,858	27,999	171,904
Depreciation and amortization	28,033	33,142	8,026	69,201
Segment operating profit	75,491	164,368	18,308	258,167
Research and development				35,427
Corporate services				22,243
Stock-based compensation				19,471
Other expenses				18,075
Income taxes				50,847
Net income				112,104
Capital expenditures	55,284	53,917	11,987	121,188
Goodwill	—	21,471	2,600	24,071
Intangible assets	31,910	4,319	1,768	37,997
Segment assets	173,932	321,842	74,292	570,066
Segment liabilities	47,220	26,786	12,537	86,543

Other Expenses

	Three Months Ended December 31,		Years Ended December 31,	
	2015	2014	**2015**	2014
(CDN 000s)	**($)**	($)	**($)**	($)
Foreign exchange (gain) loss	**(1,549)**	(1,498)	**(3,104)**	729
Impairment loss	**—**	14,884	**26,555**	14,884
Gain on sale of investment	**—**	—	**(2,290)**	—
Restructuring costs	**1,024**	—	**3,596**	—
Other	**591**	852	**2,682**	2,462
Other expenses	**66**	14,238	**27,439**	18,075

In response to the current business environment, the Company reduced its staffing levels during 2015 and recorded an additional restructuring charge of $1,024 in the fourth quarter of 2015.

Events After the Reporting Period

On February 25, 2016, the Company announced a quarterly dividend of $0.17 per share on the Company's common shares. The dividend will be paid on March 30, 2016 to shareholders of record at the close of business on March 16, 2016.

Pason Systems Inc.

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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.