



Press Release

Pason Reports Second Quarter 2013 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (August 2, 2013) – Pason Systems Inc. (PSI.TO) announced today its 2013 second quarter results.

Performance Data

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--|-----------------------------|--------------------------------------|--------|---------------------------|--------------------------------------|--------|
| | 2013 | 2012 (reclassified) (restated) | Change | 2013 | 2012 (reclassified) (restated) | Change |
| (CDN 000s, except per share data) | (\$) | (\$) | (%) | (\$) | (\$) | (%) |
| Revenue ⁽¹⁾ | 82,387 | 84,112 | (2) | 191,654 | 199,257 | (4) |
| EBITDA ⁽²⁾ | (27,817) | 31,656 | — | 31,973 | 95,802 | (67) |
| As a % of revenue | n/a | 37.6 | — | 16.7 | 48.1 | (65) |
| Per share – basic | (0.34) | 0.39 | — | 0.39 | 1.17 | (67) |
| Per share – diluted | (0.34) | 0.38 | — | 0.39 | 1.16 | (66) |
| Cash flow from operating activities ⁽²⁾ | 51,236 | 48,105 | 7 | 97,430 | 93,109 | 5 |
| Per share – basic | 0.62 | 0.59 | 5 | 1.19 | 1.14 | 4 |
| Per share – diluted | 0.62 | 0.58 | 7 | 1.19 | 1.13 | 5 |
| (Loss) earnings ⁽³⁾ | (39,376) | 6,772 | — | (9,768) | 35,845 | — |
| Per share – basic | (0.48) | 0.08 | — | (0.12) | 0.44 | — |
| Per share – diluted | (0.48) | 0.08 | — | (0.12) | 0.43 | — |
| Capital expenditures | 14,043 | 19,312 | (27) | 27,982 | 38,795 | (28) |
| Working capital ⁽³⁾ | 109,718 | 151,772 | (28) | 109,718 | 151,772 | (28) |
| Total assets | 536,183 | 485,166 | 11 | 536,183 | 485,166 | 11 |
| Total long-term debt | — | — | — | — | — | — |
| Total equity | 351,849 | 390,702 | (10) | 351,849 | 390,702 | (10) |
| Market capitalization | 1,570,020 | 1,219,758 | 29 | 1,570,020 | 1,219,758 | 29 |
| Cash dividends declared ⁽⁴⁾ | 0.13 | 0.22 | (41) | 0.26 | 0.22 | 18 |
| Common shares outstanding (#) | | | | | | |
| Basic | 82,050 | 81,943 | — | 82,050 | 81,924 | — |
| Diluted | 82,050 | 82,590 | (1) | 82,050 | 82,492 | (1) |
| Shares outstanding end of period | 82,114 | 81,973 | — | 82,114 | 81,973 | — |

(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, cash flow from operating activities, or earnings.

(2) EBITDA is defined as earnings before interest expense, income taxes, stock-based compensation expense, and depreciation and amortization expense. Cash flow from operating activities 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 and changes in non-cash items 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 three months ended June 30, 2012, have been restated to correct a \$1,700 non-cash error relating to stock-based compensation expense. The 2012 year-to-date correction was \$2,100. 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

The second quarter is usually the weakest due to the seasonality of Canadian drilling activity. Pason's performance was further affected by continued declines in drilling activity across North America.

As previously disclosed in the consolidated financial statements and in various other press releases, the Company had been defending its position in three patent infringement lawsuits relating to its AutoDriller since 2003. On August 1, 2013, the Company and the plaintiff in the litigation negotiated a final resolution to all three of these cases. The June 30, 2013 consolidated financial statements have been adjusted to reflect the payment of \$115.8 million (USD \$112.0 million) required to resolve all claims against the Company regarding the infringement. The second quarter provision related to this resolution amounts to \$61.6 million bringing the total accrual on the balance sheet to \$115.8 million.

Drilling days and active rig counts in North America were lower in the second quarter of 2013 than in the second quarter of the previous year, with a decline in industry days of 11% in both the United States and Canada. As in previous periods, 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 2% to \$82.4 million in the second quarter of 2013 compared to the second quarter of 2012. As in the previous quarter, all major product categories generated revenue growth above drilling industry activity, with the exception of the Hazardous Gas Alarm and AutoDriller. The Communications segment demonstrated the highest year-over-year growth rates at 31%, followed by the Gas Analyzer segment at 5%.

EBITDA for the second quarter was negative \$27.8 million while cash flow from operating activities was up 7% to \$51.2 million. Pason recorded a net loss of \$39.4 million. In addition to the increase in the provision for resolving the infringement claims, second quarter results were impacted by the following factors:

- An increase in stock-based compensation due to the increase in our stock price during the second quarter of 2013
- An increase in R&D costs as we completed the hiring of staff to support our Electronic Drilling Recorder (EDR) evolution projects combined with an increase in costs to support our information technology systems
- A foreign exchange gain recorded in the second quarter compared to a loss in the corresponding period in 2012

Capital expenditures for the second quarter were \$14.0 million, down from \$19.3 million the previous year, as the North American roll-out of the Gas Analyzer was completed over the previous summer.

On June 30, our cash position stood at \$195.4 million and our working capital stood at \$109.7 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 11% in the second quarter of 2013 compared to the second quarter of 2012, revenue was down 2% to \$58.5 million. On average, 969 US land rigs were operating Pason equipment during the second quarter of 2013, compared to 1,079 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 7% from USD \$564 in the second quarter of 2012 to USD

\$603 in 2013. A number of segments achieved above-average revenue growth. Our EDR market share for the second quarter of 2013 was 57%, the same level that was realized in the first quarter of 2013.

Operating costs decreased by 7% and depreciation and amortization decreased by 15%. As a result, our US business unit was able to generate an operating profit of \$28.7 million in the second quarter, an increase of 7% over 2012.

Canada

Drilling activity in Canada was lower in the second quarter of 2013 than in the previous year, with industry days down 11%. Our Canadian business unit was able to partially offset this reduction in activity levels through increased product penetration. Revenue for the second quarter was down 10% to \$13.6 million. On average, 130 Canadian land rigs were operating Pason equipment compared to 149 the year before. EDR market share in the second quarter of 2013 was 87% compared to 89% the previous year.

Average daily revenue generated on each rig with a Pason product installed grew 5% to \$1,139 in the second quarter of 2013. EDR, Pit Volume Totalizer, Communications and Gas Analyzer showed above average growth rates during the period.

Operating costs were up by 5% and depreciation and amortization decreased by 17%. As a result, our Canadian business unit was able to generate an operating profit of \$0.3 million for the second quarter, compared to \$1.1 million for the same period in 2012.

International

Our International business unit, which includes our businesses in Latin America, Australia, and Offshore, had a solid quarter. Revenue increased by 9% to \$10.3 million for the second quarter 2013 compared to the second quarter 2012. The International business unit was thus able to generate almost 13% of Pason's total revenue for the quarter. Revenue increases in both Argentina and Australia were partially offset by continued industry weakness in Mexico and Brazil.

Operating costs were up 26% and depreciation and amortization were down 8%, driven by improved asset utilization. The increase in operating costs was driven by importation costs and one time administrative costs. As a result, the International business unit was able to generate a quarterly operating profit of \$1.1 million, down 31% from \$1.6 million the previous year.

Outlook

Beyond the seasonal increase in the Canadian drilling activity in the third quarter, consensus calls for North American rig counts to hold in the current range or gradually decline in the near to medium term. Key drivers for consensus opinion are the maturing of major unconventional plays, greater drilling efficiencies, and lagging midstream infrastructure. However, North American land rig counts are directly correlated to volatile underlying commodity prices, and "expert consensus" is often wrong in the near term. With higher oil prices and reduced differentials for Canadian crude, we expect a modest recovery of North American drilling activity towards the end of 2013 and in 2014.

Our capital expenditure budget for the next 12 months is \$86 million, \$57 million of which is directed towards equipment that can generate incremental revenue or save operating costs, \$16 million for maintenance capital, and \$13 million for capitalized R&D.

Our cash-generating capacity and our cash position at \$195.4 million are strong enough to cover new business development, planned equipment upgrades, the dividend, and the payment for the final resolution of all three patent infringement cases.

A handwritten signature in black ink, appearing to read "Marcel Kessler", with a stylized flourish at the end.

Marcel Kessler
President and Chief Executive Officer
August 1, 2013

Management's Discussion and Analysis

The following discussion and analysis has been prepared by management as of August 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 Second Quarter

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|-----------------------------|--------------------------------------|------------------------|---------------------------|--------------------------------------|------------------------|
| | 2013 | 2012 (reclassified) (restated) | 2011 (reclassified) | 2013 | 2012 (reclassified) (restated) | 2011 (reclassified) |
| (000s, except per share data) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) |
| Revenue ⁽¹⁾ | 82,387 | 84,112 | 65,546 | 191,654 | 199,257 | 153,764 |
| EBITDA ⁽²⁾ | (27,817) | 31,656 | 25,850 | 31,973 | 95,802 | 70,579 |
| As a % of revenue | n/a | 37.6 | 39.4 | 16.7 | 48.1 | 45.9 |
| Per share – basic | (0.34) | 0.39 | 0.31 | 0.39 | 1.17 | 0.86 |
| Per share – diluted | (0.34) | 0.38 | 0.30 | 0.39 | 1.16 | 0.85 |
| Cash flow from operating activities ⁽²⁾ | 51,236 | 48,105 | 30,756 | 97,430 | 93,109 | 59,586 |
| Per share – basic | 0.62 | 0.59 | 0.38 | 1.19 | 1.14 | 0.73 |
| Per share – diluted | 0.62 | 0.58 | 0.37 | 1.19 | 1.13 | 0.72 |
| (Loss) earnings ⁽³⁾ | (39,376) | 6,772 | 8,217 | (9,768) | 35,845 | 25,974 |
| Per share – basic | (0.48) | 0.08 | 0.10 | (0.12) | 0.44 | 0.32 |
| Per share – diluted | (0.48) | 0.08 | 0.09 | (0.12) | 0.43 | 0.31 |
| Total assets | 536,183 | 485,166 | 405,437 | 536,183 | 485,166 | 405,437 |
| 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, cash flow from operating activities, or earnings.

(2) EBITDA is defined as earnings before interest expense, income taxes, stock-based compensation expense, and depreciation and amortization expense. Cash flow from operating activities 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 and changes in non-cash items 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 three months ended June 30, 2012, have been restated to correct a \$1,700 non-cash error relating to stock-based compensation expense. The 2012 year-to-date correction was \$2,100. Per share amounts have been adjusted accordingly.

Overall Performance

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|-----------------------------|------------------------|------------|---------------------------|------------------------|------------|
| | 2013 | 2012 (reclassified) | Change | 2013 | 2012 (reclassified) | Change |
| (000s) | (\$) | (\$) | (%) | (\$) | (\$) | (%) |
| Revenue | | | | | | |
| Electronic Drilling Recorder ⁽¹⁾ | 34,424 | 34,998 | (2) | 79,088 | 81,533 | (3) |
| Pit Volume Totalizer | 12,164 | 12,551 | (3) | 29,034 | 30,497 | (5) |
| Communications ⁽¹⁾ | 7,801 | 5,933 | 31 | 18,755 | 16,930 | 11 |
| Software | 4,767 | 5,384 | (11) | 12,130 | 12,457 | (3) |
| AutoDriller | 7,341 | 8,603 | (15) | 17,851 | 21,054 | (15) |
| Gas Analyzer/Total Gas System | 5,915 | 5,654 | 5 | 14,649 | 13,289 | 10 |
| Hazardous Gas Alarm System | 1,092 | 1,618 | (33) | 2,694 | 3,632 | (26) |
| Mobilization | 2,854 | 3,004 | (5) | 5,449 | 5,987 | (9) |
| Other | 6,029 | 6,367 | (5) | 12,004 | 13,878 | (14) |
| Total revenue | 82,387 | 84,112 | (2) | 191,654 | 199,257 | (4) |

(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 June 30, 2012 | Reported | Previously Disclosed | Change |
|---|---------------|----------------------|--------------|
| (000s) | (\$) | (\$) | (\$) |
| Revenue | | | |
| Electronic Drilling Recorder ⁽¹⁾ | 34,998 | 32,202 | 2,796 |
| Communications ⁽¹⁾ | 5,933 | 5,669 | 264 |
| Total revenue | 84,112 | 81,052 | 3,060 |

| Six Months Ended June 30, 2012 | Reported | Previously Disclosed | Change |
|---|----------------|----------------------|--------------|
| (000s) | (\$) | (\$) | (\$) |
| Revenue | | | |
| Electronic Drilling Recorder ⁽¹⁾ | 81,533 | 75,864 | 5,669 |
| Communications ⁽¹⁾ | 16,930 | 16,049 | 881 |
| Total revenue | 199,257 | 192,707 | 6,550 |

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

| Canada | | | | | | |
|---------------------|------------------------------------|--------|--------|---------------------------------|--------|--------|
| | Three Months Ended June 30, | | | Six Months Ended June 30 | | |
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| | | | (%) | | | (%) |
| EDR rental days (#) | 11,800 | 13,600 | (13) | 54,600 | 59,900 | (9) |
| PVT rental days (#) | 11,600 | 13,100 | (11) | 53,400 | 59,000 | (9) |

| United States | | | | | | |
|----------------------|------------------------------------|--------|--------|---------------------------------|---------|--------|
| | Three Months Ended June 30, | | | Six Months Ended June 30 | | |
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| | | | (%) | | | (%) |
| EDR rental days (#) | 88,200 | 98,200 | (10) | 174,100 | 199,000 | (13) |
| PVT rental days (#) | 65,300 | 69,200 | (6) | 128,900 | 138,900 | (7) |

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 2% for the second quarter of 2013 compared to the same period in 2012 and on a year-to-date basis revenue dropped 3%. This decrease is attributable to a decrease in rig activity in both the US and Canadian markets offset by an increase in expanding demand from customers for EDR peripheral devices. Canadian EDR days were down 13% in the three months ended June 2013 while US EDR days dropped by 10%. On a year-to-date basis, EDR days dropped 9% in Canada and 13% in the US.

During the first six months of 2013, the Pason EDR was installed on 96% 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, offset by increased product penetration in the US market. During the first half 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 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. 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:

- 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 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 six months of 2013, 97% of the Company's Canadian customers and 89% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 98% and 86%, 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 C4¹) 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. For 2013, the Gas Analyzer was installed on 52% of Canadian and 23% of US land rigs operating with a Pason EDR system. The penetration in Canada is an increase of approximately 4% in market share over 2012 levels while the US has seen an increase of 5%. The roll out of the Gas Analyzer in the International markets continues with anticipated completion in most of the major markets by the end of 2013.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. During the first six months of 2013, the AutoDriller was installed on 71% of Canadian and 46% of US land rigs operating with a Pason EDR system, compared to 77% and 50%, respectively, in 2012. Pason's market share for this particular product has declined from previous levels due to the introduction and advancement of integrated drilling rigs.

Hazardous Gas Alarm System

The Pason Hazardous Gas Alarm System (HGAS) monitors lower explosive limit (LEL) gases and H₂S 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 H₂S 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 Company continues to investigate alternative technologies and field trials of an improved system are scheduled for the third quarter of 2013.

Discussion of Operations

United States Operations

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|-----------------------------|------------------------|-------------|---------------------------|------------------------|------------|
| | 2013 | 2012 (reclassified) | Change | 2013 | 2012 (reclassified) | Change |
| (000s) | (\$) | (\$) | (%) | (\$) | (\$) | (%) |
| Revenue | | | | | | |
| Electronic Drilling Recorder ⁽¹⁾ | 24,457 | 25,540 | (4) | 47,807 | 50,830 | (6) |
| Pit Volume Totalizer | 8,349 | 8,740 | (4) | 16,368 | 17,462 | (6) |
| Communications ⁽¹⁾ | 5,567 | 3,827 | 45 | 9,806 | 7,732 | 27 |
| Software | 4,176 | 4,395 | (5) | 8,436 | 8,357 | 1 |
| AutoDriller | 5,151 | 6,177 | (17) | 10,131 | 12,358 | (18) |
| Gas Analyzer/Total Gas System | 3,343 | 3,159 | 6 | 6,345 | 5,688 | 12 |
| Hazardous Gas Alarm System | 495 | 842 | (41) | 1,141 | 1,559 | (27) |
| Mobilization | 2,193 | 2,303 | (5) | 4,154 | 4,600 | (10) |
| Other | 4,757 | 4,635 | 3 | 7,784 | 9,061 | (14) |
| Total revenue | 58,488 | 59,618 | (2) | 111,972 | 117,647 | (5) |
| Operating costs | 22,528 | 24,148 | (7) | 44,768 | 46,816 | (4) |
| Depreciation and amortization | 7,281 | 8,580 | (15) | 14,665 | 16,199 | (9) |
| Segment operating profit | 28,679 | 26,890 | 7 | 52,539 | 54,632 | (4) |

(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 June 30, 2012 | Reported | Previously Disclosed | Change |
|---|-----------------|-----------------------------|---------------|
| (000s) | (\$) | (\$) | (\$) |
| Revenue | | | |
| Electronic Drilling Recorder ⁽¹⁾ | 25,540 | 23,835 | 1,705 |
| Communications ⁽¹⁾ | 3,827 | 3,697 | 130 |
| Total revenue | 59,618 | 57,783 | 1,835 |
| Operating costs | 24,148 | 22,313 | 1,835 |
| Revenue per EDR day | 570 | 556 | 14 |
| Revenue per Industry day | 323 | 316 | 7 |

| Six Months Ended June 30, 2012 | Reported | Previously Disclosed | Change |
|---|-----------------|-----------------------------|---------------|
| (000s) | (\$) | (\$) | (\$) |
| Revenue | | | |
| Electronic Drilling Recorder ⁽¹⁾ | 50,830 | 47,640 | 3,190 |
| Communications ⁽¹⁾ | 7,732 | 7,481 | 251 |
| Total revenue | 117,647 | 114,206 | 3,441 |
| Operating costs | 46,816 | 43,375 | 3,441 |
| Revenue per EDR day | 555 | 537 | 18 |
| Revenue per Industry day | 317 | 307 | 10 |

US segment revenue decreased by 2% in the second quarter of 2013 over the 2012 comparable period (3% decrease when measured in USD), while revenue from the rental of instrumentation equipment was down 3% for the quarter (USD 4%).

For the first six months of 2013, US segment revenue decreased by 5% (USD 6%) over the previous year.

The number of US drilling days were down approximately 11% in the second quarter of 2013 versus the second 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 3% (USD 4%) over 2012 levels.

Year-to-date drilling days were down 12% over 2012 levels while rental revenue was down 4% (USD 5%)

Revenue was impacted by the following factors:

- More products on each rig and new product adoption. Revenue increased as a result of a shift in the business units pricing model for communications service, additional product penetration, primarily with gains in EDR peripheral devices (Workstations and Sidekicks), increased PVT market share, customer acceptance of the Company's Live Rig View (LRV) real-time data software, and a continued increase in the adoption of the Gas Analyzer. These factors combined resulted in an increase in revenue per EDR day in the second quarter of 2013 over 2012 levels of \$47 (USD \$39).
- A decrease in EDR rental days of 10% for the three months ended June 2013, over the same time period in 2012, and a drop of 13% for the first six months of 2013 over 2012 levels.

The factors explained above resulted in the US segment being able to realize revenue per EDR day during the second quarter of 2013 of \$617 (USD \$603) compared to \$570 (USD \$564) during the same time period in 2012. For the first six months, revenue per EDR day increased by \$51 (USD \$45) to \$606 (USD \$597) over 2012 amounts.

Revenue per industry day for the second quarter of the year was \$355 (USD \$347) compared to \$323 (USD \$320) in 2012. On a year-to-date basis this metric increased by \$29 (USD \$26) to \$346 (USD \$340).

US market share was 57% during the first six months of 2013, the same level as the corresponding period in 2012.

The majority of the decrease in “Other” revenue for the first six months of 2013 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 49% for the second quarter of 2013 compared to 45% for the corresponding period in 2012.

The 2013 second quarter segment profit percentage was impacted by the following factors:

- An increase in communication-related expenses 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 second quarter of 2013 compared to 2012 decreased due to the change in rig activity and a focus on cost control which led to a reduction in repair costs and a drop in field parts and other consumables.
- Second quarter 2013 depreciation and amortization expense was down 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.
 - 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.
- the above reductions were offset by depreciation on the Gas Analyzer system and upgrades to its communication infrastructure to accommodate increased functionality.

The 2013 year-to-date segment profit was down \$2.1 million compared to 2012 levels. The factors impacting the second quarter results are the same factors impacting the six month results.

Canadian Operations

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|-----------------------------|------------------------|-------------|---------------------------|------------------------|-------------|
| | 2013 | 2012 (reclassified) | Change | 2013 | 2012 (reclassified) | Change |
| (000s) | (\$) | (\$) | (%) | (\$) | (\$) | (%) |
| Revenue | | | | | | |
| Electronic Drilling Recorder ⁽¹⁾ | 5,622 | 5,690 | (1) | 22,996 | 23,489 | (2) |
| Pit Volume Totalizer | 2,089 | 2,288 | (9) | 9,380 | 10,210 | (8) |
| Communications ⁽¹⁾ | 1,864 | 1,966 | (5) | 8,243 | 8,893 | (7) |
| Software | 500 | 864 | (42) | 3,503 | 3,885 | (10) |
| AutoDriller | 1,196 | 1,533 | (22) | 5,815 | 6,872 | (15) |
| Gas Analyzer/Total Gas System | 1,458 | 1,534 | (5) | 6,112 | 5,777 | 6 |
| Hazardous Gas Alarm System | 279 | 331 | (16) | 817 | 1,289 | (37) |
| Mobilization | 65 | 104 | (38) | 241 | 306 | (21) |
| Other | 488 | 702 | (30) | 2,409 | 2,635 | (9) |
| Total revenue | 13,561 | 15,012 | (10) | 59,516 | 63,356 | (6) |
| Operating costs | 7,898 | 7,512 | 5 | 17,505 | 18,915 | (7) |
| Depreciation and amortization | 5,315 | 6,430 | (17) | 11,336 | 13,473 | (16) |
| Segment operating profit | 348 | 1,070 | (67) | 30,675 | 30,968 | (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 June 30, 2012 | | Reported | Previously Disclosed | Change |
|---|--|-----------------|-----------------------------|---------------|
| (000s) | | (\$) | (\$) | (\$) |
| Revenue | | | | |
| Electronic Drilling Recorder ⁽¹⁾ | | 5,690 | 4,656 | 1,034 |
| Communications ⁽¹⁾ | | 1,966 | 1,832 | 134 |
| Total revenue | | 15,012 | 13,844 | 1,168 |
| Operating costs | | 7,512 | 6,344 | 1,168 |
| Revenue per EDR day | | 1,081 | 996 | 85 |
| Revenue per Industry day | | 968 | 892 | 76 |
| Six Months Ended June 30, 2012 | | Reported | Previously Disclosed | Change |
| (000s) | | (\$) | (\$) | (\$) |
| Revenue | | | | |
| Electronic Drilling Recorder ⁽¹⁾ | | 23,489 | 21,115 | 2,374 |
| Communications ⁽¹⁾ | | 8,893 | 8,263 | 630 |
| Total revenue | | 63,356 | 60,352 | 3,004 |
| Operating costs | | 18,915 | 15,911 | 3,004 |
| Revenue per EDR day | | 1,045 | 994 | 51 |
| Revenue per Industry day | | 989 | 941 | 48 |

Canadian segment revenue decreased 10% for the three months ended June 2013, compared to the same period in 2012. This decrease is a result of an 11% decrease in the number of drilling industry days from 2012 levels, offset by increased product penetration in a number of different products. On a year-to-date basis, revenue decreased by 6%, compared to the first six months of 2012.

EDR rental days declined 13% in the second quarter of 2013 over 2012 levels. The drop in EDR rental days for the first six months of 2013 was 9%, compared to a drop in industry days of 10%.

Canadian market share was 96% during the first six months 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 in the second quarter mostly through increased product adoption, notably EDR peripherals including SideKicks and Workstations. In addition, the business unit continued to gain market acceptance of the Gas Analyzer. These factors combined to lessen the impact of the drop in AutoDriller 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 second quarter of 2013 compared to 2012 of 5% (\$58) to \$1,139, and represents a record quarterly high. For the first six months of 2013, revenue per EDR increased by \$33 to \$1,078.
- Second quarter revenue per industry day of \$992 in 2013 compared to \$968 in 2012. This metric for the first six months of 2013 was \$1,030, an increase of 4% over the similar period in 2012.

The segment profit for the second quarter of 2013 of \$0.3 million is a decrease of \$0.8 million over the 2012 amount. Factors impacting the second quarter results include:

- The second quarter activity levels in Canada were lower than the normal seasonal weakness. Wet conditions in Saskatchewan and above normal rainfall in Alberta, combined with continued uncertainty around oil and gas pricing, impacted drilling activity in the Western Canadian Sedimentary Basin (WCSB). This resulted in 1,800 fewer EDR days during the second quarter of 2013 compared to 2012.
- Year-to-date operating costs have declined as a result of a drop in field-related costs due in most part to the drop in rig activity combined with less repairs being done due to the drop in equipment use.
- A decrease in depreciation and amortization expense due to:
 - a decrease in the loss on disposal of assets,
 - the replaced TGAS being fully depreciated, resulting in a decline in the expense, combined with a drop in the acceleration of depreciation on a portion of its base EDR system,
 - the above reductions in depreciation and amortization expense were offset by an increase in amortization costs relating to capitalized research and development costs, as a result of the deployment of new software applications.

The segment profit, as a percent of revenue, was 52% for the first half of 2013, compared to 49% for the 2012 time period. Factors impacting the year-to-date results include continued weakness in drilling activity in Canada, which led to a drop in industry days of 6,100 and a corresponding drop in EDR rental days of 5,300 combined with similar factors that impacted the second quarter results, described above.

International Operations

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|-----------------------------|------------------------|-------------|---------------------------|------------------------|-------------|
| | 2013 | 2012 (reclassified) | Change | 2013 | 2012 (reclassified) | Change |
| (000s) | (\$) | (\$) | (%) | (\$) | (\$) | (%) |
| Revenue | | | | | | |
| Electronic Drilling Recorder ⁽¹⁾ | 4,345 | 3,768 | 15 | 8,285 | 7,214 | 15 |
| Pit Volume Totalizer | 1,726 | 1,523 | 13 | 3,286 | 2,825 | 16 |
| Communications ⁽¹⁾ | 370 | 140 | 164 | 706 | 305 | 131 |
| Software | 91 | 125 | (27) | 191 | 215 | (11) |
| AutoDriller | 994 | 893 | 11 | 1,905 | 1,824 | 4 |
| Gas Analyzer/Total Gas System | 1,114 | 961 | 16 | 2,192 | 1,824 | 20 |
| Hazardous Gas Alarm System | 318 | 445 | (29) | 736 | 784 | (6) |
| Mobilization | 596 | 597 | — | 1,054 | 1,081 | (2) |
| Other | 784 | 1,030 | (24) | 1,811 | 2,182 | (17) |
| Total revenue | 10,338 | 9,482 | 9 | 20,166 | 18,254 | 10 |
| Operating costs | 7,414 | 5,890 | 26 | 13,808 | 11,042 | 25 |
| Depreciation and amortization | 1,810 | 1,977 | (8) | 3,339 | 4,212 | (21) |
| Segment operating profit | 1,114 | 1,615 | (31) | 3,019 | 3,000 | 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 June 30, 2012 | | Reported | Previously Disclosed | Change |
|---|--|--------------|----------------------|-----------|
| (000s) | | (\$) | (\$) | (\$) |
| Revenue | | | | |
| Electronic Drilling Recorder ⁽¹⁾ | | 3,768 | 3,711 | 57 |
| Communications ⁽¹⁾ | | 140 | 140 | — |
| Total revenue | | 9,482 | 9,425 | 57 |
| Operating costs | | 5,890 | 5,833 | 57 |

| Six Months Ended June 30, 2012 | | Reported | Previously Disclosed | Change |
|---|--|---------------|----------------------|------------|
| (000s) | | (\$) | (\$) | (\$) |
| Revenue | | | | |
| Electronic Drilling Recorder ⁽¹⁾ | | 7,214 | 7,109 | 105 |
| Communications ⁽¹⁾ | | 305 | 305 | — |
| Total revenue | | 18,254 | 18,149 | 105 |
| Operating costs | | 11,042 | 10,937 | 105 |

Revenue in the International operations improved 9% in the second quarter of 2013 from the same period in 2012. Year-to-date revenue increased 10%.

Operating profit dropped by \$0.5 million for the second quarter of 2013 over 2012 results. For the first six months operating profit was essentially flat over the first six months of 2012.

A number of factors influenced these results:

- Increased EDR days in both Argentina, Australia and Offshore business units for the

second quarter and year-to-date, were offset with continued industry weakness in Brazil and Mexico.

- Australia's revenue continues to increase over the prior year. Revenue increased over 60% from 2012 levels, translating to a doubling of operating profit.
- Operating costs increased due to importation-related expenses in getting additional equipment into certain markets and one time administrative costs.

Consolidated Results

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|------------------------------|-----------------------------|--------|--------|---------------------------|--------|--------|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| (000s) | (\$) | (\$) | (%) | (\$) | (\$) | (%) |
| Other expenses | | | | | | |
| Research and development | 7,349 | 4,513 | 63 | 13,875 | 10,053 | 38 |
| Corporate services | 4,480 | 3,556 | 26 | 8,640 | 7,962 | 9 |
| Stock-based compensation | 6,871 | 4,244 | 62 | 10,621 | 11,163 | (5) |
| Other | | | | | | |
| Litigation provision | 61,614 | 5,413 | 1,038 | 61,614 | 5,413 | 1,038 |
| Foreign exchange (gain) loss | (1,471) | 1,324 | — | (1,251) | 3,035 | — |
| Other | 392 | 100 | 292 | 722 | 219 | 230 |
| | 79,235 | 19,150 | 314 | 94,221 | 37,845 | 149 |

Q2 2013 versus Q2 2012

The active rig count in both the US and Canadian markets declined from the second quarter of 2012, with both markets seeing a drop in activity of approximately 11%. The International market saw a modest increase in drilling days. This change in activity, combined with the increase in the litigation provision recorded in the second quarter of 2013 led to a decline in most of the Company's key consolidated financial metrics.

The Company recorded a net loss of \$39.4 million or \$0.48 per share compared to earnings of \$6.8 million or \$0.08 per share in the second quarter of 2012. The second quarter consolidated results, when compared to 2012 figures, were impacted by the following significant items:

- An increase in the litigation provision of \$56.2 million, to \$61.6 million.
- An increase in research and development costs in the second quarter of 2013 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 combined with increased information technology costs to upgrade the functionality of the Company's internal network infrastructure.
- Stock-based compensation increased compared to the second quarter of 2012 due to an increase in the Company's stock price in the three months ended June 2013.
- A foreign exchange gain recorded in the second quarter of 2013 compared to a loss in the corresponding period in 2012.

Q2 2013 versus Q1 2013

The Company's first quarter is usually its strongest due in most part to the seasonality of the Canadian market, while the second quarter is usually its weakest. The Canadian business unit realized a profit of \$0.3 million for the three months ended June 2013, compared to a \$30.3 million profit in the first quarter of 2013. The US business unit profit increased from \$23.9 million in the previous quarter to a profit of \$28.7 million in the current quarter.

The following items also impacted the comparison to the first quarter 2013 results:

- The additional provision relating to the AutoDriller litigation.
- An increase in research and development and information technology costs.
- An increase in stock-based compensation expense due to an increase in the Company's stock price of 11% during the quarter.
- A foreign exchange gain versus a small loss recorded in the previous quarter, due in most part to a weakening Canadian dollar versus the US dollar.

Second Quarter Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its second quarter results at 9:00 a.m. (Calgary time) on Tuesday, August 6, 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 97078595.

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.

Condensed Consolidated Interim Balance Sheets

| As at | June 30, 2013 | December 31, 2012 |
|--------------------------------------|----------------------|--------------------------|
| (CDN 000s) (unaudited) | (\$) | (\$) |
| Assets | | |
| Current | | |
| Cash and cash equivalents | 195,445 | 157,944 |
| Trade and other receivables | 78,210 | 84,506 |
| Prepaid expenses | 1,477 | 2,920 |
| Income taxes recoverable | 10,194 | — |
| Total current assets | 285,326 | 245,370 |
| Non-current | | |
| Property, plant and equipment | 175,093 | 174,651 |
| Intangible assets | 64,816 | 59,593 |
| Deferred tax assets | 10,948 | 8,764 |
| Total non-current assets | 250,857 | 243,008 |
| Total assets | 536,183 | 488,378 |
| Liabilities and equity | | |
| Current | | |
| Trade payables and accruals | 32,232 | 25,674 |
| Litigation provision | 115,785 | 19,533 |
| Income taxes payable | — | 3,313 |
| Stock-based compensation liability | 16,917 | 13,788 |
| Dividend payable | 10,674 | 19,691 |
| Total current liabilities | 175,608 | 81,999 |
| Non-current | | |
| Stock-based compensation liability | 6,126 | 2,583 |
| Deferred tax liabilities | 2,600 | 2,600 |
| Litigation provision | — | 32,500 |
| Total non-current liabilities | 8,726 | 37,683 |
| Equity | | |
| Share capital | 80,196 | 79,393 |
| Share-based benefits reserve | 12,927 | 12,927 |
| Foreign currency translation reserve | 5,111 | (8,348) |
| Retained earnings | 253,615 | 284,724 |
| Total equity | 351,849 | 368,696 |
| Total liabilities and equity | 536,183 | 488,378 |

Condensed Consolidated Interim Statements of Operations

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------------------------------|---------------------------|------------------------------------|
| | 2013 | 2012 (reclassified restated) | 2013 | 2012 (reclassified restated) |
| Six Months Ended June 30, | | | | |
| (CDN 000s, except per share data) (unaudited) | (\$) | (\$) | (\$) | (\$) |
| Revenue | | | | |
| Equipment rentals and other | 82,387 | 84,112 | 191,654 | 199,257 |
| Operating expenses | | | | |
| Rental services | 33,192 | 31,869 | 67,068 | 65,570 |
| Local administration | 4,648 | 5,681 | 9,013 | 11,203 |
| Depreciation and amortization | 14,406 | 16,987 | 29,340 | 33,884 |
| | 52,246 | 54,537 | 105,421 | 110,657 |
| Operating profit | 30,141 | 29,575 | 86,233 | 88,600 |
| Other expenses | | | | |
| Research and development | 7,349 | 4,513 | 13,875 | 10,053 |
| Corporate services | 4,480 | 3,556 | 8,640 | 7,962 |
| Stock-based compensation | 6,871 | 4,244 | 10,621 | 11,163 |
| Other expenses | 60,535 | 6,837 | 61,085 | 8,667 |
| | 79,235 | 19,150 | 94,221 | 37,845 |
| (Loss) income before income taxes | (49,094) | 10,425 | (7,988) | 50,755 |
| Income taxes | (9,718) | 3,653 | 1,780 | 14,910 |
| (Loss) net income | (39,376) | 6,772 | (9,768) | 35,845 |
| (Loss) earnings per share | | | | |
| Basic | (0.48) | 0.08 | (0.12) | 0.44 |
| Diluted | (0.48) | 0.08 | (0.12) | 0.43 |

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 three months ended June 30, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of \$1,700. The 2012 year-to-date correction was \$2,100. Per share amounts have been adjusted accordingly.

Condensed Consolidated Interim Statements of Other Comprehensive Income

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|--------------------|---------------------------|--------------------|
| | 2013 | 2012 (restated) | 2013 | 2012 (restated) |
| (CDN 000s) (unaudited) | (\$) | (\$) | (\$) | (\$) |
| (Loss) net income | (39,376) | 6,772 | (9,768) | 35,845 |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustment | 7,609 | 6,303 | 13,459 | 4,792 |
| Total comprehensive (loss) income | (31,767) | 13,075 | 3,691 | 40,637 |

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) | — | — | — | 35,845 | 35,845 |
| Dividends | — | — | — | (18,033) | (18,033) |
| Other comprehensive income | — | — | 4,792 | — | 4,792 |
| Exercise of stock options | 829 | — | — | — | 829 |
| Balance at June 30, 2012 | 78,442 | 12,927 | (1,043) | 300,376 | 390,702 |
| Net income (restated) | — | — | — | 4,039 | 4,039 |
| Dividends | — | — | — | (19,691) | (19,691) |
| Other comprehensive loss | — | — | (7,305) | — | (7,305) |
| Exercise of stock options | 951 | — | — | — | 951 |
| Balance at December 31, 2012 | 79,393 | 12,927 | (8,348) | 284,724 | 368,696 |
| Net loss | — | — | — | (9,768) | (9,768) |
| Dividends | — | — | — | (21,341) | (21,341) |
| Other comprehensive income | — | — | 13,459 | — | 13,459 |
| Exercise of stock options | 803 | — | — | — | 803 |
| Balance at June 30, 2013 | 80,196 | 12,927 | 5,111 | 253,615 | 351,849 |

Earnings for the three months ended June 30, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of \$1,700. The 2012 year-to-date correction was \$2,100. Per share amounts have been adjusted accordingly.

Condensed Consolidated Interim Statements of Cash Flows

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|--------------------|---------------------------|--------------------|
| | 2013 | 2012 (restated) | 2013 | 2012 (restated) |
| (CDN 000s) (unaudited) | (\$) | (\$) | (\$) | (\$) |
| Cash flows from operating activities | | | | |
| Net (loss) income | (39,376) | 6,772 | (9,768) | 35,845 |
| Adjustment for non-cash items: | | | | |
| Depreciation and amortization | 14,406 | 16,987 | 29,340 | 33,884 |
| Stock-based compensation | 4,064 | 2,436 | 5,559 | 7,475 |
| Deferred income taxes | (3,859) | 4,228 | (2,139) | 3,679 |
| Unrealized foreign exchange (gain) loss | (214) | (291) | (136) | 956 |
| Movements in non-cash items: | | | | |
| Decrease in trade and other receivables | 18,659 | 16,268 | 8,978 | 9,734 |
| Decrease (increase) in prepaid expenses | 1,082 | (539) | 1,488 | (964) |
| (Decrease) increase in income taxes | (9,982) | 857 | (3,112) | 9,049 |
| Increase in litigation provision | 63,752 | 5,443 | 63,752 | 5,443 |
| Increase (decrease) in trade payables and accruals | 4,535 | (199) | 6,496 | (2,117) |
| Increase in stock-based compensation liability | 2,665 | 1,600 | 4,886 | 3,405 |
| Effects of exchange rate changes | 1,507 | (457) | 2,589 | (53) |
| Cash generated from operating activities | 57,239 | 53,105 | 107,933 | 106,336 |
| Income tax paid | (6,003) | (5,000) | (10,503) | (13,227) |
| Net cash from operating activities | 51,236 | 48,105 | 97,430 | 93,109 |
| Cash flows from (used in) financing activities | | | | |
| Proceeds from issuance of common shares | 785 | 547 | 803 | 829 |
| Purchase of stock options | (1,130) | (1,685) | (3,052) | (2,089) |
| Payment of dividends | (10,667) | — | (30,358) | (16,380) |
| Net cash used in financing activities | (11,012) | (1,138) | (32,607) | (17,640) |
| Cash flows (used in) from investing activities | | | | |
| Additions to property, plant and equipment | (10,470) | (16,331) | (20,666) | (33,567) |
| Additions to intangibles | (134) | (400) | (139) | (400) |
| Deferred development costs | (3,573) | (2,981) | (7,316) | (5,228) |
| Proceeds on disposal of property, plant and equipment | — | 300 | 44 | 300 |
| Acquisitions, net of cash acquired | — | (1,274) | — | (1,274) |
| Changes in non-cash working capital | 239 | (1,535) | (515) | (2,397) |
| Net cash used in investing activities | (13,938) | (22,221) | (28,592) | (42,566) |
| Effect of exchange rate on cash and cash equivalents | 291 | 1,490 | 1,270 | 715 |
| Net increase in cash and cash equivalents | 26,577 | 26,236 | 37,501 | 33,618 |
| Cash and cash equivalents, beginning of period | 168,868 | 112,375 | 157,944 | 104,993 |
| Cash and cash equivalents, end of period | 195,445 | 138,611 | 195,445 | 138,611 |

Earnings for the three months ended June 30, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of \$1,700. The 2012 year-to-date correction was \$2,100. Per share amounts have been adjusted accordingly.

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 June 30, 2013 | Canada | United States | International | Total |
|---|---------------|----------------------|----------------------|--------------|
| | (\$) | (\$) | (\$) | (\$) |
| Revenue | 13,561 | 58,488 | 10,338 | 82,387 |
| Operating costs | 7,898 | 22,528 | 7,414 | 37,840 |
| Depreciation and amortization | 5,315 | 7,281 | 1,810 | 14,406 |
| Segment operating profit | 348 | 28,679 | 1,114 | 30,141 |
| Research and development | | | | 7,349 |
| Corporate services | | | | 4,480 |
| Stock-based compensation | | | | 6,871 |
| Other expenses | | | | 60,535 |
| Income taxes | | | | (9,718) |
| Net loss | | | | (39,376) |
| Capital expenditures | 6,772 | 5,463 | 1,808 | 14,043 |
| Goodwill | — | 19,456 | 2,600 | 22,056 |
| Intangible assets | 30,496 | 8,995 | 3,269 | 42,760 |
| Segment assets | 216,212 | 259,290 | 60,681 | 536,183 |
| Segment liabilities | 102,941 | 71,918 | 9,475 | 184,334 |

Three Months Ended June 30, 2012 (reclassified, restated)

| | | | | |
|-------------------------------|---------|---------|--------|---------|
| Revenue | 15,012 | 59,618 | 9,482 | 84,112 |
| Operating costs | 7,512 | 24,148 | 5,890 | 37,550 |
| Depreciation and amortization | 6,430 | 8,580 | 1,977 | 16,987 |
| Segment operating profit | 1,070 | 26,890 | 1,615 | 29,575 |
| Research and development | | | | 4,513 |
| Corporate services | | | | 3,556 |
| Stock-based compensation | | | | 4,244 |
| Other expenses | | | | 6,837 |
| Income taxes | | | | 3,653 |
| Net income | | | | 6,772 |
| Capital expenditures | 7,085 | 10,611 | 1,616 | 19,312 |
| Goodwill | — | 18,862 | 2,600 | 21,462 |
| Intangible assets | 23,692 | 12,165 | 3,903 | 39,760 |
| Segment assets | 133,765 | 286,338 | 65,063 | 485,166 |
| Segment liabilities | 66,832 | 16,414 | 11,218 | 94,464 |

| Six Months Ended June 30, 2013 | Canada | United States | International | Total |
|---------------------------------------|---------------|----------------------|----------------------|--------------|
| | (\$) | (\$) | (\$) | (\$) |
| Revenue | 59,516 | 111,972 | 20,166 | 191,654 |
| Operating costs | 17,505 | 44,768 | 13,808 | 76,081 |
| Depreciation and amortization | 11,336 | 14,665 | 3,339 | 29,340 |
| Segment operating profit | 30,675 | 52,539 | 3,019 | 86,233 |
| Research and development | | | | 13,875 |
| Corporate services | | | | 8,640 |
| Stock-based compensation | | | | 10,621 |
| Other expenses | | | | 61,085 |
| Income taxes | | | | 1,780 |
| Net loss | | | | (9,768) |
| Capital expenditures | 13,799 | 9,769 | 4,414 | 27,982 |
| Goodwill | — | 19,456 | 2,600 | 22,056 |

| | | | | |
|---------------------|---------|---------|--------|---------|
| Intangible assets | 30,496 | 8,995 | 3,269 | 42,760 |
| Segment assets | 216,212 | 259,290 | 60,681 | 536,183 |
| Segment liabilities | 102,941 | 71,918 | 9,475 | 184,334 |

Six Months Ended June 30, 2012 (reclassified, restated)

| | | | | |
|-------------------------------|---------|---------|--------|---------|
| Revenue | 63,356 | 117,647 | 18,254 | 199,257 |
| Operating costs | 18,915 | 46,816 | 11,042 | 76,773 |
| Depreciation and amortization | 13,473 | 16,199 | 4,212 | 33,884 |
| Segment operating profit | 30,968 | 54,632 | 3,000 | 88,600 |
| Research and development | | | | 10,053 |
| Corporate services | | | | 7,962 |
| Stock-based compensation | | | | 11,163 |
| Other expenses | | | | 8,667 |
| Income taxes | | | | 14,910 |
| Net income | | | | 35,845 |
| Capital expenditures | 13,127 | 23,511 | 2,157 | 38,795 |
| Goodwill | — | 18,862 | 2,600 | 21,462 |
| Intangible assets | 23,692 | 12,165 | 3,903 | 39,760 |
| Segment assets | 133,765 | 286,338 | 65,063 | 485,166 |
| Segment liabilities | 66,832 | 16,414 | 11,218 | 94,464 |

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, cash flow from operating activities, or earnings.

Earnings for the three months ended June 30, 2012, have been restated to correct a non-cash error relating to stock-based compensation expense of \$1,700. The 2012 year-to-date correction was \$2,100. 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 both the three and six month periods ended June 30, 2012 and has corrected the comparative periods included in these condensed consolidated financial statements.

| Three Months Ended June 30, 2012 | Previously Disclosed | Adjustment | Restated |
|----------------------------------|----------------------|------------|----------|
| | (\$) | (\$) | (\$) |
| Statement of Operations | | | |
| Stock based compensation expense | 2,544 | 1,700 | 4,244 |
| Net Income | 8,472 | (1,700) | 6,772 |

| Six Months Ended June 30, 2012 | Previously Disclosed | Adjustment | Restated |
|--|----------------------|------------|----------|
| | (\$) | (\$) | (\$) |
| Balance Sheet | | | |
| Stock based compensation liability - current | 9,718 | 2,100 | 11,818 |
| Retained earnings | 302,476 | (2,100) | 300,376 |
| Statement of Operations | | | |
| Stock based compensation expense | 9,063 | 2,100 | 11,163 |
| Net Income | 37,945 | (2,100) | 35,845 |

Other Expenses

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------|-----------------------------|-------|---------------------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| | (\$) | (\$) | (\$) | (\$) |
| Litigation provision | 61,614 | 5,413 | 61,614 | 5,413 |
| Foreign exchange (gain) loss | (1,471) | 1,324 | (1,251) | 3,035 |
| Other | 392 | 100 | 722 | 219 |
| Other expenses | 60,535 | 6,837 | 61,085 | 8,667 |

As previously disclosed in the consolidated financial statements for the year ended December 31, 2012 (Note 20) and in various other press releases, the Company had been defending its position in three patent infringement lawsuits relating to its AutoDriller since 2003.

On August 1, 2013, the Company and the plaintiff in the litigation negotiated a final resolution to all three of these cases. The June 30, 2013 consolidated financial statements have been adjusted to reflect the final payment required to resolve all claims against the Company regarding the infringement.

| | Balance, December 31, 2012 | Provision | Foreign Exchange Adjustment and Interest | Balance, June 30, 2013 |
|-----------------------------------|----------------------------------|-----------|---|---------------------------|
| | (\$) | (\$) | (\$) | (\$) |
| Provision for patent infringement | 52,033 | 61,614 | 2,138 | 115,785 |

Pason Systems Inc.

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.

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.