Pason Systems Inc.
2015 Annual Report

Making Connections

MISSION STATEMENT

Our mission is to provide technologies, information, and services that improve the effectiveness, efficiency, and safety of drilling operations.

We do this by:

- Deploying innovative, simple-to-use, rig-tough technologies that are supported by the industry's most advanced service organization.
- Providing the most flexible data and applications to enable effective collaboration between the field and the office.

Our corporate position and financial strength directly benefit four key stakeholders: our customers, investors, employees, and communities.

QUICK FACTS

- Headquartered in Calgary, Alberta
- US offices in Denver, Houston, and Austin
- Local presence in Argentina, Australia, Bolivia, Brazil, Colombia, Dubai, Ecuador, Mexico, Peru, and Saudi Arabia
- Listed on the Toronto Stock Exchange under the symbol PSI

This annual report was written, photographed, designed, and produced by Pason employees.

PASON PRESENCE

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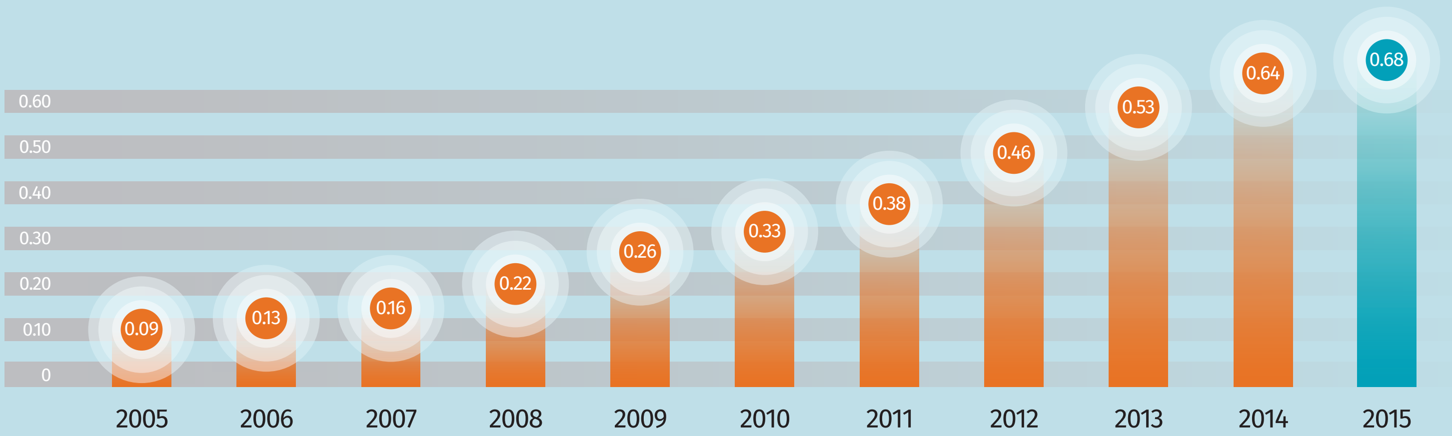
FINANCIALS AT A GLANCE 2015

*All dollar amounts are in $CDN unless otherwise indicated.

Shareholder Returns

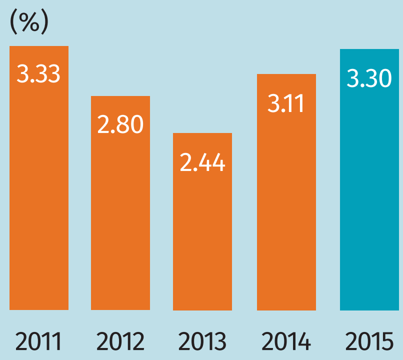
DIVIDENDS PER SHARE ($)



10

YEARS OF DIVIDEND INCREASES

DIVIDEND YIELD*

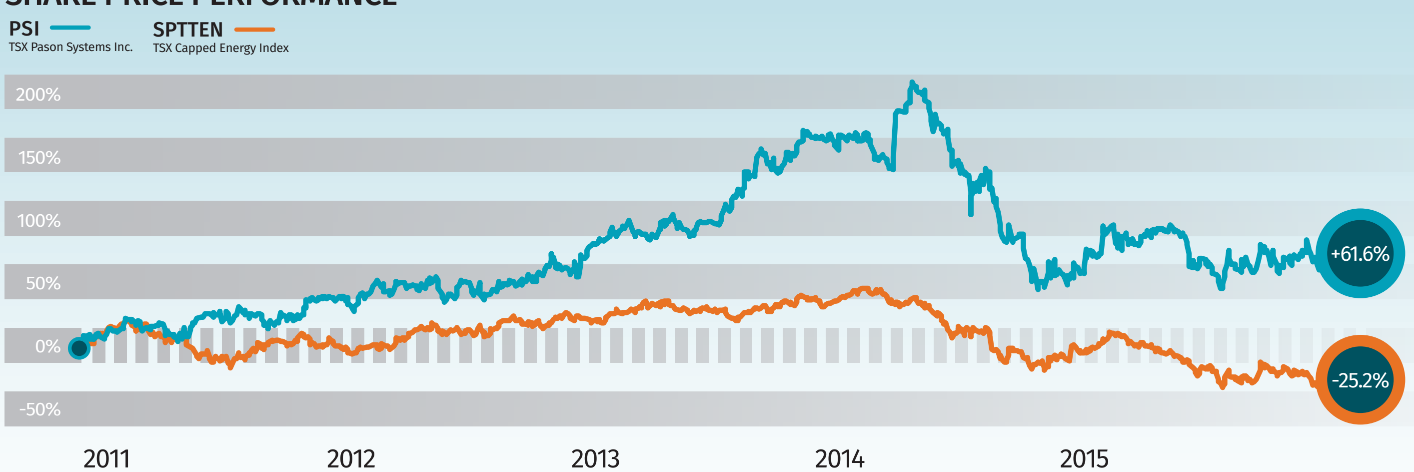


* At year end.

62%

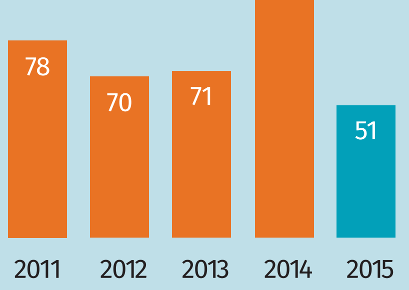
INCREASE IN SHARE PRICE OVER THE LAST FIVE YEARS

SHARE PRICE PERFORMANCE

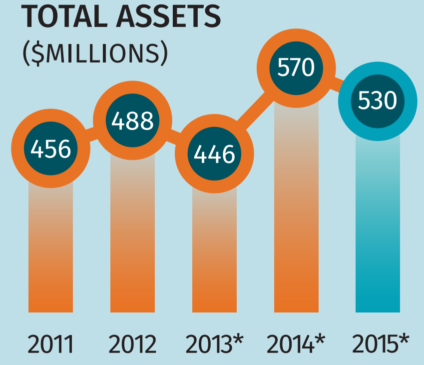


Key Financial Metrics

CAPEX
($MILLIONS)

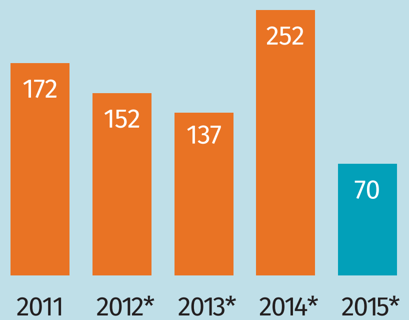


TOTAL ASSETS
($MILLIONS)

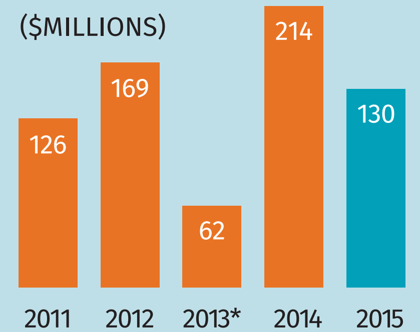


58%
REDUCTION IN CAPITAL EXPENDITURES

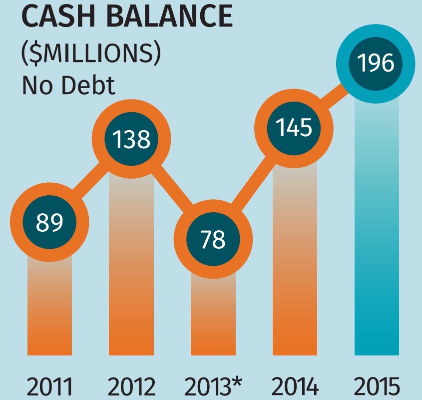
EBITDA
($MILLIONS)



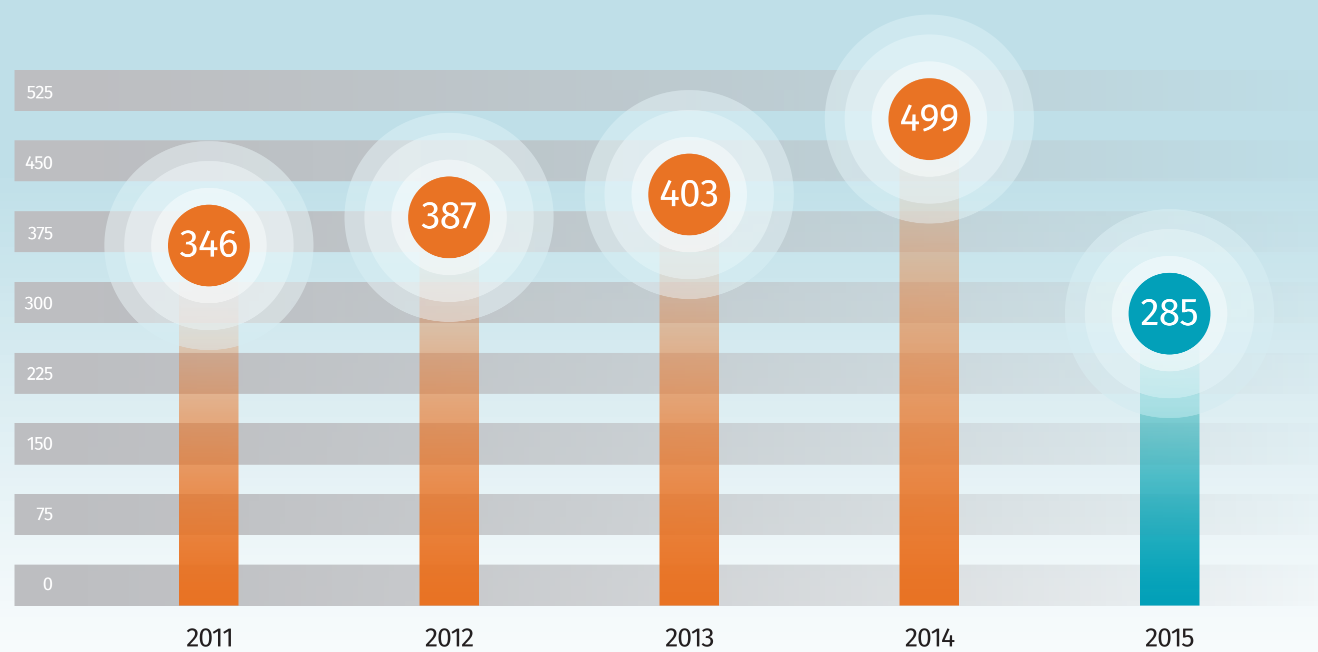
CASH FROM OPERATING ACTIVITIES
($MILLIONS)



CASH BALANCE
($MILLIONS)
No Debt

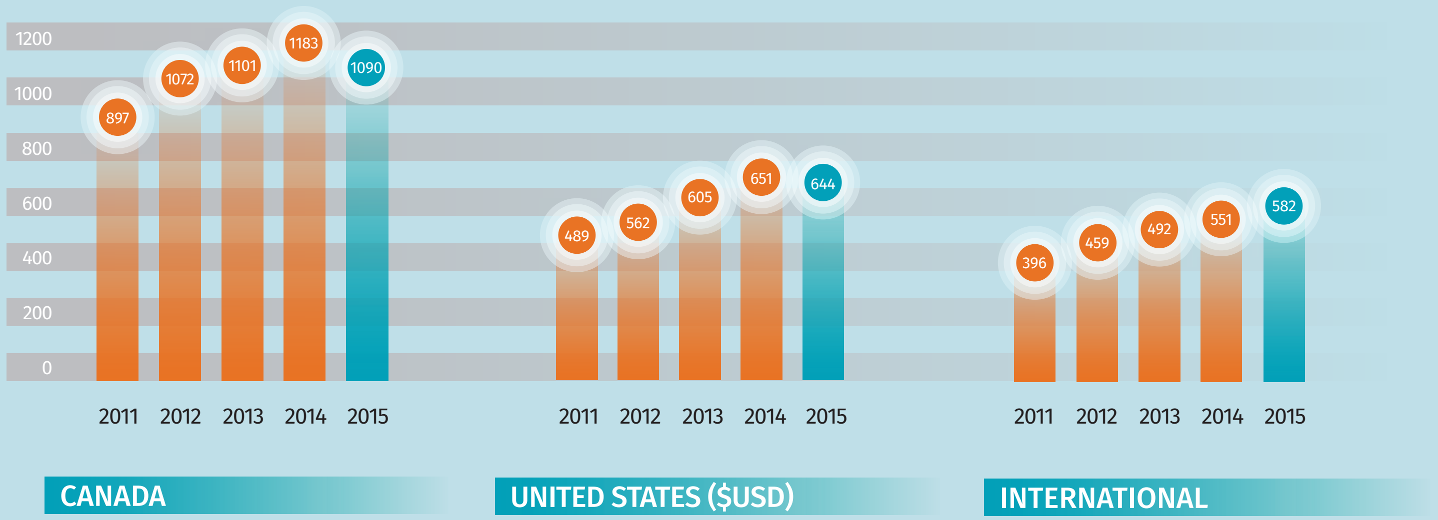


TOTAL REVENUE ($MILLIONS)

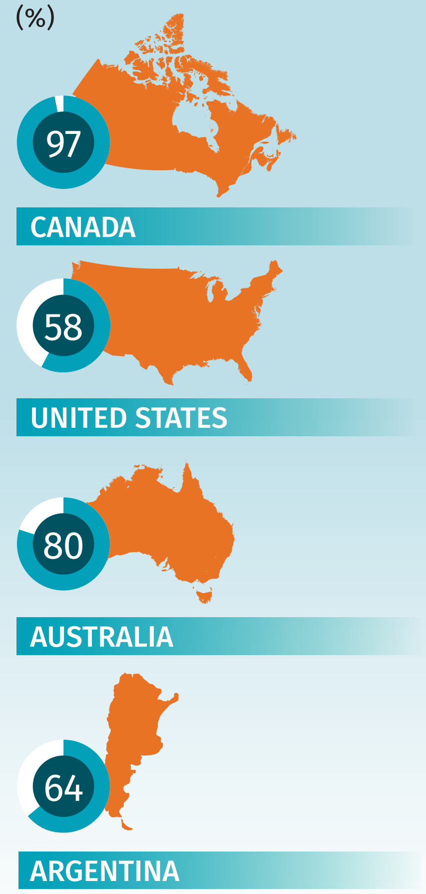


Key Operational Metrics

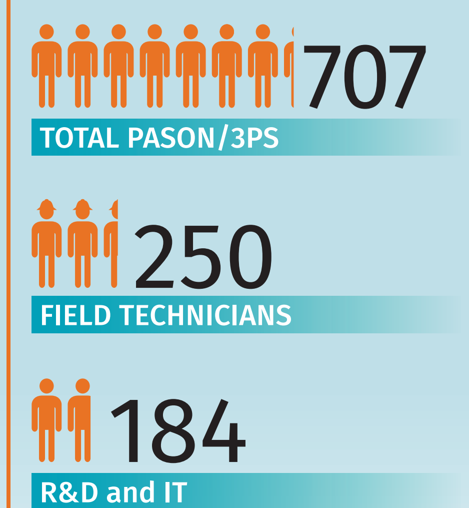
RENTAL REVENUE PER EDR DAY ($)



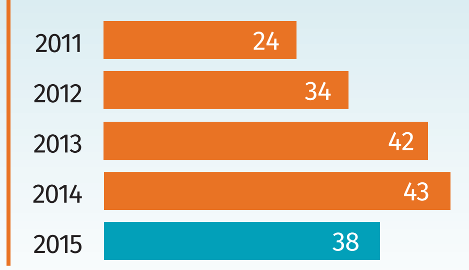
MARKET SHARE
(%)



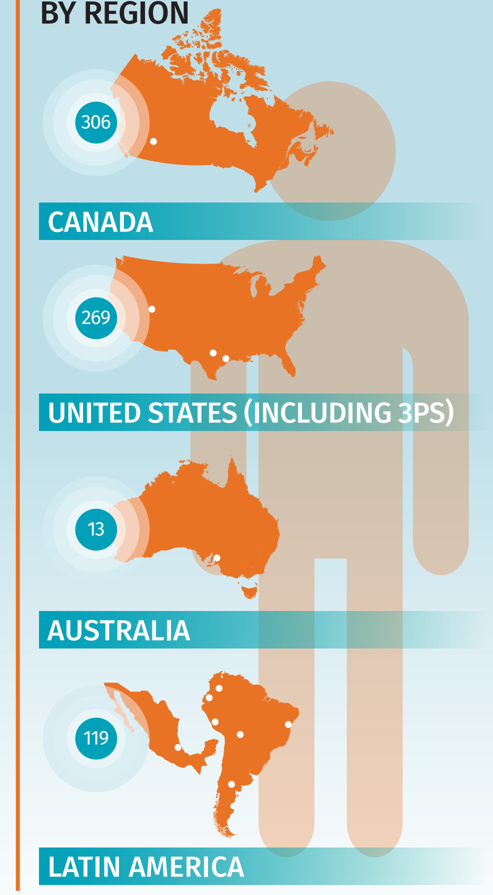
EMPLOYEE HEADCOUNT



ANNUAL R&D SPEND
($MILLIONS)



EMPLOYEE HEADCOUNT BY REGION



*Impacted by litigation provision and impairment of assets. Refer to respective years' financial statements for more details.

Making Connections

Empower, Deliver, Share.

Pason 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.

We create synergies between drilling contractors, service companies, and oil and gas companies by facilitating communication and collaboration like never before.

Just as important are the synergies made within our own organization. They are embodied in our values: Empower. Deliver. Share.

Pasonites are empowered and fully accountable for decisions and consequences in their area of responsibility. They are results- and action-oriented with a focus on the things that matter the most. They strive for an environment based on trust, honest and open feedback, ideas, and lessons learned.

This year, Pasonites worked diligently to develop new products, strengthen our service by improving communication and collaboration, and find efficiencies and reduce costs, all without forgetting to give back to the communities where we operate. And, most importantly, they made connections.

We've built our company on a strong culture, resulting in robust products and best-in-class service. And together, we continue to innovate the next industry game-changer.


pason

"We work closely with our customers during the product design stages and field trials and make modifications to the design to best address their needs."

Madelaine

- Hardware Engineer, Rig Intercom & Phone

Making Connections: Customers

At Pason, we transform data into smarter drilling. Our fully integrated drilling data solutions make it fast, flexible, and easy for our customers to access their critical drilling information anytime, anywhere.

Our end-to-end portfolio allows our customers to collect, manage, report, and analyze drilling data in order to optimize the performance and the cost-efficiency of their operations. Our solutions enable the rig and the office to work seamlessly together by providing real-time drilling information 24/7 to facilitate intelligent business decisions.

When our customers have a problem, we're ready and willing to work together to deliver a solution.

"We've implemented Customer Outreach calls which provide next-day follow-up after they've experienced an issue. The calls keep the lines of communication open with our customers."

Aaron

- Field Tier 2

Making Connections: Service

This year Pason created a global, cross-functional working group comprised of field technicians, operations personnel, and technical support analysts across all business units. The working group was aptly named the Service Excellence group.

Although Pason's industry-best service consistently sets us apart from the competition, we knew we could do even better. The main purpose of the group was to determine how to "wow!" our customers more consistently.

The Service Excellence group identified key improvements and outlined the best methods to implement those improvements. Throughout the year, the group partnered with Research & Development, Information Technology, Operations, Technical Support, and Field Service to analyze which proposed improvements created "wow!" experiences for customers.

The findings from the initiative were integrated into Pason's service and technical support throughout 2015 and will continue in the future.

"I provided insight into the obstacles that the International business unit encounters. With this understanding, our Technical Support team can now provide better support to our different operating areas."

– **Jill,**
International Coordinator

"We developed a Field Technician Tier 2 team to provide field support for our hardware at the rig. The way we deal with and dispatch hardware calls has changed dramatically."

– **Andre,**
Technical Support Analyst

"We improved our processes and systems to make a direct positive impact on our customers' experience. We implemented some big changes to enhance our service."

– **Suzie,**
Director, Support Services

"We achieved a 100% accuracy rate with our International shipments. The end results were zero customs delays and product getting to the field on time."

Rick

- International Logistics Shipper

Making Connections: Logistics

The market brought new challenges for Pasonites involved in the company's logistics. Throughout the year, those who worked in the field, warehouses, and manufacturing spent countless hours brainstorming and problem-solving.

Field technicians worked day and night stripping instrumentation off idle rigs, the warehouses were flooded with products in need of storage, shipping requests were questioned, and our contract manufacturers dealt with a decrease in work. Separated teams communicated and connected to create a global team focused on decreasing spending, creating efficiencies, and solving problems. The results are positive and will outlast the downturn.

"We always ask ourselves: What's the best business decision for Pason?"

– **Jenny,** Warehouse & Logistics Manager

"Managing our assets required some creative problem-solving when it came to storing, repairing, and reallocating our equipment. It was a team effort."

– **Darin,** Field Assets Manager

"By improving our communication with teams in different locations, we were able to work together to find efficiencies and opportunities to reduce costs."

– **Anthony,** Warehouse Manager

"We worked with our vendors to reduce storage fees and shipping rates."

– **Chad,** Warehouse Supervisor

"Empowering employees to select a cause to support is a great example of a viable and well-rounded organization."

David
Field Technician
(Calgary Poppy Fund)

"I coordinate our blood donations. Giving blood is a one-hour process that can save up to three lives. If you are passionate and have the support of your company, what's stopping you?"

– **Kristin,** Operations Assistant
(Canadian Blood Services)

"When a company takes the time to support communities, it shows a lot of integrity. I'm honoured to work for a company willing to give back."

– **Dave,** Field Technician
(Calgary Children's Hospital)

"We donated office furniture to a local school and a homeless shelter. Even small gestures can have a big impact."

– **Yaneth,** People & Culture Advisor
(Escuela Primaria Regulo Torpey)

Making Connections: Communities

Pason's global reach and local touch not only pertains to our business—it also pertains to the local communities in which we operate.

Pasonites, wherever they are located, want to give back in meaningful ways to the communities in which they work, live, and play.

Our philosophy is that any donation, big or small, makes a difference to a not-for-profit organization. We empower employees to choose the local charities they want to contribute time or money to so they can create their own connection.

"It means so much to give back to our community and to the very people that we, our children, and our families may interact with every day."

– **Carole,** People & Culture Advisor (The Action Center)

"There is so much in a smile–to both give one and receive one. To know you have contributed to such a contagious action is so priceless and rewarding."

– **Veronica,** Safety Administrative Assistant (Houston Children's Charity)

"We participated in a 10 km run to help raise funds for a hospital specialized in treating children who need heart surgery."

– **John,** Regional Operations Manager (Fundación Cardio Infantil)

"We donated clothes, toys, and books and hosted a lunch for a medical centre specializing in treating terminally-ill children."

– **Matias,** Accountant (Hogar de la Misericordia)

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.

"We are maintaining our quarterly dividend at $0.17 per 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 for 2016

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

"Although market conditions were anything but favourable, Pason's performance was solid in the context of our industry."

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.

Marcel Kessler
President and
Chief Executive Officer

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.

"It is in times like these, where in the face of adversity, remarkable companies and people continue to do remarkable things."

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.

Signed on behalf of the Board of Directors,

Marcel Kessler, President and Chief Executive Officer

MANAGEMENT'S DISCUSSION & ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS & NOTES

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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.

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 $48.0 million from the net income of $47.2 million ($0.57 per share) recorded in the same period of 2014.

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.

Summary of Quarterly Results

Three Months Ended	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	**Dec 31, 2015**
(000s, except per share data)	($)	($)	($)	($)	($)	($)	($)	($)
Revenue	123,174	103,851	134,041	138,206	99,402	57,440	68,468	**59,838**
Income (loss)	20,821	17,606	26,466	47,211	14,191	(9,404)	(18,558)	**(841)**
Per share – basic	0.25	0.21	0.32	0.57	0.17	(0.11)	(0.22)	**(0.01)**
Per share – diluted	0.25	0.21	0.31	0.57	0.17	(0.11)	(0.22)	**(0.01)**
EBITDA (1)	70,469	45,999	76,090	59,065	44,126	7,485	(2,717)	**20,736**
Funds flow from operations	56,311	44,255	63,691	59,947	43,262	9,277	23,791	**17,933**
Per share – basic	0.68	0.54	0.77	0.73	0.52	0.11	0.28	**0.21**
Per share – diluted	0.67	0.53	0.75	0.72	0.52	0.11	0.28	**0.21**
Cash from operating activities	64,385	55,980	50,758	42,460	71,533	31,300	16,332	**10,911**
Free cash flow (1)	47,962	37,763	11,110	(4,144)	48,219	21,298	5,902	**4,719**
Per share – basic	0.58	0.46	0.13	(0.05)	0.58	0.25	0.07	**0.05**
Per share – diluted	0.57	0.45	0.13	(0.05)	0.58	0.25	0.07	**0.05**

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

Reconcile income (loss) to EBITDA

Three Months Ended	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	**Dec 31, 2015**
(000s)	($)	($)	($)	($)	($)	($)	($)	($)
Income (loss)	20,821	17,606	26,466	47,211	14,191	(9,404)	(18,558)	**(841)**
Add:								
Taxes	16,238	5,353	17,946	11,310	12,278	(9,272)	(4,226)	**(1,027)**
Depreciation and amortization	15,742	15,904	16,411	21,144	21,722	20,598	19,259	**19,802**
Stock-based compensation	17,668	7,136	15,267	(20,600)	(1,775)	5,563	808	**2,802**
Gain on sale investment	—	—	—	—	(2,290)	—	**—**	**—**
EBITDA (1)	70,469	45,999	76,090	59,065	44,126	7,485	(2,717)	**20,736**

Reconcile cash from operating activities to free cash flow

Three Months Ended	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	**Dec 31, 2015**
(000s)	($)	($)	($)	($)	($)	($)	($)	($)
Cash from operating activities	64,385	55,980	50,758	42,460	71,533	31,300	16,332	**10,911**
Less:								
Additions to property, plant and equipment	(14,367)	(17,111)	(37,290)	(44,615)	(21,236)	(7,595)	(8,333)	**(6,219)**
Deferred development costs	(2,056)	(1,106)	(2,358)	(1,989)	(2,078)	(2,407)	(2,097)	**27**
Free cash flow (1)	47,962	37,763	11,110	(4,144)	48,219	21,298	5,902	**4,719**

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

Liquidity and Capital Resources

As at December 31,	**2015**	2014	Change
(000s)	**($)**	($)	(%)
Cash	**195,846**	144,858	35
Working capital	**244,972**	206,571	19
Funds flow from operations (1)	**94,263**	224,204	(58)
Capital expenditures (1)	**50,811**	121,188	(58)
As a % of funds flow (2)	**53.9%**	54.1%	-

(1) For the year ended.

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

Contractual Obligations

	Less than 1 year	1–3 years	Thereafter	Total
(000s)	($)	($)	($)	($)
Operating leases	7,956	13,057	8,333	29,346

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

At December 31, 2015, the Company had no capital lease obligations, and other than the operating leases detailed above, has no off-balance sheet arrangements.

The Company has available a $5.0 million demand revolving credit facility. At December 31, 2015, no amount had been drawn on the facility.

Disclosure of Outstanding Share and Options Data

As at December 31, 2015, there were 84.1 million common shares and 4.9 million options issued and outstanding.

SEDAR

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

Critical Accounting Estimates

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

Depreciation and Amortization

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

Carrying Value of Assets

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

Stock-Based Payments

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

Income Taxes

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

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

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

Risk and Uncertainties

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

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

Operating Risks

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

Commodity Prices

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

Seasonality

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

Proprietary Rights

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

Litigation

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

Credit Risk

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

Availability of Qualified Personnel

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

Alternative Energies

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

International Operations

Assets outside of Canada and the US may be adversely affected by changes in governmental policy, social instability, or other political or economic developments beyond the Company's control, including expropriation of property, exchange rate fluctuations, and restrictions on repatriation of cash. The Company has mitigated these risks where practical and considered warranted. Approximately 90% of the Company's revenues are generated in Canada and the US, which limits exposure to risks and uncertainties in foreign countries.

Foreign Exchange Exposure

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

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

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The preparation and presentation of the Company's consolidated financial statements and the overall reasonableness of the Company's financial reporting are the responsibility of management. The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility with the assistance of the Audit Committee of the Board of Directors.

Management’s Report on Disclosure Controls and Procedures (DC&P)

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to the President and Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Board of Directors to ensure appropriate and timely decisions are made regarding public disclosure.

An evaluation of the Company’s Disclosure Controls and Procedures was conducted by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and CFO have concluded that as at December 31, 2015, our DC&P, as defined in National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), was effective.

Management’s Report on Internal Control over Financial Reporting (ICFR)

Management, under the supervision and participation of the Company’s CEO and CFO, is responsible for establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that assets are safeguarded and that reliable financial information is produced for preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles. The assessment has been based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An evaluation of the Company’s ICFR was conducted by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and CFO have concluded that as at December 31, 2015, our ICFR, as defined in NI 52-109, was effective. There were no changes in our ICFR during the year ended December 31, 2015 that have materially affected, or are reasonably likely to affect, our ICFR.

Consolidated Financial Statements and Notes

Management's Report to Shareholders

To the Shareholders of Pason Systems Inc.,

The consolidated financial statements are the responsibility of management and are prepared and presented in accordance with International Financial Reporting Standards (IFRS). Financial statements will, by necessity, include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis so that the consolidated financial statements are presented fairly in all material respects. Management has ensured that financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

Management has prepared the Management's Discussion and Analysis (MD&A). The MD&A is based on the Company's financial results prepared in accordance with IFRS. The MD&A compares the audited financial results for the years ended December 31, 2015 and 2014.

The Audit Committee of the Board of Directors, which is comprised of three independent directors, has reviewed the consolidated financial statements, including the notes thereto, with management and the external auditors. The Audit Committee meets regularly with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements, and to recommend approval of the financial statements to the Board. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Deloitte LLP, the independent auditors appointed by the shareholders at the last annual general meeting, have audited the consolidated financial statements of Pason Systems Inc. in accordance with Canadian Generally Accepted Auditing Standards. The independent auditors have full and unrestricted access to the Audit Committee to discuss the audit and their related findings as to the integrity of the financial reporting process. The independent auditor's report outlines the scope of their examination and sets forth their opinion.

Marcel Kessler
President & Chief Executive Officer
Calgary, Alberta
February 25, 2016

Jon Faber
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Pason Systems Inc.,

We have audited the accompanying consolidated financial statements of Pason Systems Inc., which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of operations, the consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pason Systems Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants

Calgary, Canada
February 25, 2016

Consolidated Balance Sheets

As at	Note*	**December 31, 2015**	December 31, 2014
(CDN 000s)		**($)**	($)
Assets			
Current			
Cash and cash equivalents	12	**195,846**	144,858
Trade and other receivables	13	**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	6	**201,436**	234,344
Intangible assets and goodwill	7	**57,643**	62,068
Deferred tax assets	11	**4,900**	—
Total non-current assets		**263,979**	296,412
Total assets		**529,625**	570,066
Liabilities and equity			
Current			
Trade payables and accruals	15	**18,454**	47,414
Income taxes payable		**—**	3,544
Stock-based compensation liability	8	**2,220**	16,125
Total current liabilities		**20,674**	67,083
Non-current			
Stock-based compensation liability	8	**3,059**	3,018
Deferred tax liabilities	11	**16,444**	16,442
Total non-current liabilities		**19,503**	19,460
Equity			
Share capital	8	**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
Commitments (Notes 17 and 18)			
Contingencies (Note 20)			

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

Approved by the Board of Directors

James B. Howe
Director

Murray Cobbe
Director

Consolidated Statements of Operations

Years Ended December 31,	Note*	2015	2014
(CDN 000s, except per share data)		($)	($)
Revenue		**285,148**	499,272
Operating expenses			
Rental services		**117,546**	153,151
Local administration		**16,470**	18,753
Depreciation and amortization	6,7	**81,381**	69,201
		215,397	241,105
Operating profit		**69,751**	258,167
Other expenses			
Research and development		**31,733**	35,427
Corporate services		**20,040**	22,243
Stock-based compensation	8	**7,398**	19,471
Other expenses	10	**27,439**	18,075
		86,610	95,216
(Loss) income before income taxes		**(16,859)**	162,951
Income taxes	11	**(2,247)**	50,847
Net (loss) income		**(14,612)**	112,104
Net (loss) income per share	9		
Basic		**(0.17)**	1.36
Diluted		**(0.17)**	1.34

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

Consolidated Statements of Other Comprehensive Income

Years Ended December 31,	2015	2014
(CDN 000s)	($)	($)
Net (loss) income	**(14,612)**	112,104
Items that may be reclassified subsequently to net income:		
Foreign currency translation adjustment	**52,796**	24,849
Total comprehensive income	**38,184**	136,953

Consolidated Statements of Changes in Equity

(CDN 000s)	Note*	Share Capital	Share-Based Benefits Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
		($)	($)	($)	($)	($)
Balance at January 1, 2014		80,725	12,927	7,958	264,859	366,469
Net income		—	—	—	112,104	112,104
Dividends	8	—	—	—	(53,001)	(53,001)
Other comprehensive income		—	—	24,849	—	24,849
Exercise of stock options	8	33,102	—	—	—	33,102
Balance at December 31, 2014		113,827	12,927	32,807	323,962	483,523
Net loss		—	—	—	(14,612)	(14,612)
Dividends	8	—	—	—	(56,939)	(56,939)
Other comprehensive income		—	—	52,796	—	52,796
Exercise of stock options	8	14,240	(3,171)	—	—	11,069
Expense related to vesting of options	8	—	1,938	—	—	1,938
Reclassification of equity settled options	8	—	11,673	—	—	11,673
Balance at December 31, 2015		**128,067**	**23,367**	**85,603**	**252,411**	**489,448**

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

Consolidated Statements of Cash Flows

Years Ended December 31,	Note*	2015	2014
(CDN 000s)		($)	($)
Cash from (used in) operating activities			
Net (loss) income		**(14,612)**	112,104
Adjustment for non-cash items:			
Depreciation and amortization		**81,381**	69,201
Impairment loss	6	**26,555**	14,884
Gain on sale of investment	10	**(2,290)**	—
Stock-based compensation	8	**7,398**	19,471
Deferred income taxes	11	**(4,757)**	9,958
Unrealized foreign exchange loss (gain) and other		**588**	(1,414)
Funds flow from operations		**94,263**	224,204
Movements in non-cash working capital items:			
Decrease (increase) in trade and other receivables		**81,884**	(30,580)
Decrease (increase) in prepaid expenses		**2,384**	(2,542)
(Decrease) increase in income taxes		**(1,148)**	30,732
Decrease in trade payables, accruals and stock-based compensation liability		**(29,929)**	(1,248)
Effects of exchange rate changes		**2,052**	5,134
Cash generated from operating activities		**149,506**	225,700
Income tax paid		**(19,430)**	(12,117)
Net cash from operating activities		**130,076**	213,583
Cash flows from (used in) financing activities			
Proceeds from issuance of common shares	8	**9,576**	16,741
Settlement of stock options	8	**—**	(2,589)
Payment of dividends	8	**(56,939)**	(64,502)
Net cash used in financing activities		**(47,363)**	(50,350)
Cash flows (used in) from investing activities			
Additions to property, plant and equipment	6	**(44,256)**	(113,679)
Development costs	7	**(6,555)**	(7,509)
Proceeds on disposal of investment and property, plant and equipment	6	**3,962**	296
Changes in non-cash working capital		**(6,605)**	6,152
Net cash used in investing activities		**(53,454)**	(114,740)
Effect of exchange rate on cash and cash equivalents		**21,729**	6,845
Net increase in cash and cash equivalents		**50,988**	55,338
Cash and cash equivalents, beginning of year		**144,858**	89,520
Cash and cash equivalents, end of year	12	**195,846**	144,858

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

Notes to Consolidated Financial Statements

($CDN 000s, except per share data)

1. Description of Business

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

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

2. Basis of Preparation

Statement of compliance

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared on the historical cost basis except for certain assets, including financial instruments, that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2016.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for liabilities for share-based payment arrangements which are measured at fair value (Note 4).

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency. Financial statements of the Company’s US and International subsidiaries have a functional currency different from Canadian dollars and are translated to Canadian dollars using the exchange rate in effect at the period end date for all assets and liabilities, and at average monthly year to date rates of exchange during the period for revenues and expenses. All changes resulting from these translation adjustments are recognized in other comprehensive income. All financial information presented in Canadian dollars has been rounded to the nearest thousand except for per share amounts.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group’s accounting policies, which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based upon historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical Accounting Judgments

Stock-based payments

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

Determination of functional currency

The determination of the functional currency is a matter of determining the primary economic environment in which an entity operates. Pason uses judgment in the ultimate determination of each subsidiary's functional currency based on factors in International Accounting Standards (IAS) 21 – The Effects of Changes in Foreign Exchange Rates. The functional currency of the Canadian and US operations were determined to be the Canadian and US dollars, respectively.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Depreciation of property, plant, and equipment, and amortization of intangible assets

When calculating depreciation of property, plant and equipment, and amortization of intangible assets, the Company estimates the useful lives and residual values of the related assets. The estimates made by management regarding the useful lives and residual values affect the carrying amounts of the property and equipment and intangible assets on the balance sheet and the related depreciation and amortization expenses recognized in the statement of operations. Assessing the reasonableness of the estimated useful lives of property and equipment and intangible assets requires judgment and is based on available information. The Company periodically, and at least annually, evaluates its depreciation and amortization methods and rates for consistency against those methods and rates used by its peers, or may revise initial estimates for changes in circumstances, such as technological advancements. A change in the estimated remaining useful life or the residual value will affect the depreciation or amortization expense prospectively.

Cash generating units (CGU)

For purposes of determining if any impairment exists, the Group has determined that the assets of each of its geographic segments are an appropriate basis for its CGUs. The Company uses judgment in the determination of the CGUs.

Recoverable amounts of property and equipment, intangible assets, and goodwill

At each reporting period, management assesses whether there are indicators of impairment of the Company's property and equipment, intangible assets, and goodwill. If an indication of impairment exists, the property and equipment, intangible assets, and goodwill are tested for impairment. Goodwill is tested for impairment at least annually. In order to determine if impairment exists and to measure the potential impairment charge, the carrying amounts of the Company's CGUs are compared to their recoverable amounts, which is the greater of fair value less costs to sell and value in use (VIU). An impairment charge is recognized to the extent the carrying amount exceeds the recoverable amount.

VIU is calculated as the present value of the expected future cash flows specific to each CGU. In calculating VIU, significant judgment is required in making assumptions with respect to discount rates, the market outlook, and future net cash flows associated with the CGU. Any changes in these assumptions will have an impact on the measurement of the recoverable amount and could result in adjustments to impairment charges already recorded.

Intangible assets and goodwill acquired in business combinations

Accounting for business combinations involves the allocation of the cost of an acquisition to the underlying net assets acquired based on estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to identifiable intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and the weighted average cost of capital used by a market participant. These estimates and assumptions determine the amount allocated to identifiable separable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges.

Provisions and contingencies

The Company recognizes provisions based on an assessment of its obligations and available information. Any matters not included as provisions are uncertain in nature and cannot be reasonably estimated.

The Company makes assumptions to determine whether obligations exist and to estimate the amount of obligations that we believe exist. In estimating the final outcome of litigation, assumptions are made about factors including experience with similar matters, past history, precedents, relevant financial, scientific, and other evidence and facts specific to the matter. This determines whether a provision or disclosure in the financial statements is needed.

Viability of new product development projects

New product development projects are capitalized, and include the cost of materials and direct labour costs that are directly attributable to preparing the asset for its intended use. Subsequent changes in facts or circumstances could result in the balance of the related deferred costs expensed in profit or loss. Results could differ if new product development projects become unprofitable due to changes in technology or if actual rental rates differ materially from forecasted pricing.

Income taxes

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

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

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

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

The accounting policies have been applied consistently by the Group entities.

Basis of consolidation

(a) Business combinations

For acquisitions, the Group measures goodwill as the fair value of the consideration transferred less the net recognized amount, at fair value, of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognized against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or liability are recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

Foreign currency

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at average monthly year-to-date exchange rates.

Gains and losses arising from the translation of the financial statements of foreign operations are included in the Consolidated Statements of Other Comprehensive Income, and such differences have been accumulated in Foreign Currency Translation Reserve. Advances made to subsidiaries for which the settlement is not planned or anticipated in the foreseeable future are considered part of the net investment. Accordingly, unrealized gains and losses from these advances are recorded in the Consolidated Statements of Other Comprehensive Income.

Monetary assets and liabilities relating to foreign denominated transactions are initially recorded at the rate of exchange in effect at the transaction date. Gains and losses resulting from subsequent changes in foreign exchange rates are recorded in profit or loss for the period.

Financial instruments

(a) Non-derivative financial assets

The Group initially recognizes trade and other receivables on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset, and the net amount is presented on the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

(b) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

The Group has the following non-derivative financial liabilities: bank overdrafts and trade payables, accruals, and provisions. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Group's only financial asset classified as fair value through profit or loss is cash.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs less any impairment losses.

Loans and receivables comprise trade and other receivables (Note 13).

Cash and cash equivalents

Cash is comprised of cash on deposit, cash held in trust, bank indebtedness, and investments with maturities of 90 days or less at the date of investment. Bank overdrafts that are repayable on demand are included as a component of cash for the purpose of the statement of cash flows.

Share capital

Common shares are classified as equity.

Property, plant, and equipment

(a) Recognition and measurement

Items of property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant, and equipment include parts and raw materials awaiting assembly. These assets are recorded at cost and no depreciation is taken.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items.

When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment.

Proprietary software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property, plant, and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within depreciation and amortization.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant, and equipment is recognized in the carrying amount of the item only when it is probable that the future economic benefits will flow to the Group, the economic life is greater than one year, and its cost can be measured reliably. All other replacement costs, as well as the repair and maintenance of property, plant, and equipment, are recognized in profit or loss as incurred.

(c) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, with no residual value.

Depreciation is recognized in profit or loss either on a straight-line or declining balance basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative year are as follows:

	Straight-Line	Declining Balance Rate
Rental equipment	—	20%
Other	3 years	—

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

Parts awaiting assembly are recorded at cost in property, plant, and equipment and no depreciation is taken.

Intangible assets

(a) Goodwill

Goodwill represents the excess of purchase price for business acquisitions over the fair value of the acquired net assets. Goodwill is allocated as of the date of the business acquisition.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill is measured at cost less accumulated impairment losses.

(b) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalized includes the cost of materials and direct labour costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

Capitalized development expenditures are amortized in the year in which the new products begin generating revenue. However, if at any time a product is deemed no longer commercially viable, the balance of the related deferred costs is expensed in profit or loss.

Investment tax credits are recorded only when received, as the timing and amounts are dependent upon the acceptance of the claim by the respective tax authorities, and are netted against the related development costs.

(c) Other intangible assets

Other intangible assets that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized when they are available for use on a straight-line basis over their estimated economic lives.

(d) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(e) Amortization

Amortization is calculated over the cost of the asset with no residual value.

The estimated useful lives for intangible assets are as follows:

Customer contracts and technology	6 years
Non-compete agreements	5 years
Distribution rights	6 years
Trademarks and software	3 years
Patents and research and development costs	3 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment

(a) Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

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

For purposes of determining if any impairment exists, the Group assesses it at a CGU level. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, referred to as the CGU.

For goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Employee benefits

(a) Stock option plan

Previously, the Company's stock option plan allowed qualified employees and directors to elect to receive either a cash settlement or common shares in exchange for stock options exercised, subject to approval by the Board of Directors. The grant date fair value of stock option awards granted was recognized as compensation expense, over the vesting period of three years, with a corresponding increase in a liability, as the benefit could be settled in cash. The grant date fair value was calculated using the Black-Scholes option pricing model and the fair value was remeasured at each reporting period based upon the Company's share price.

In May 2015, the Company's shareholders approved a modification to the stock option plan, removing the ability for the option holder to settle options for cash. The fair value of options outstanding on this date was established and will be recognized over the remaining life of the options. Any future options granted will be valued at the grant date using the Black-Scholes option pricing model.

Compensation expense associated with the option plan is recognized as stock-based compensation expense over the vesting period of the respective plans with a corresponding increase in contributed surplus.

Any consideration received on the exercise of stock options for common shares is credited to share capital.

(b) Restricted share unit (RSU) plan and Phantom Stock Full Value (PSFV) plan

The Company has a RSU and a PSFV plan for qualified employees whereby holders receive a cash settlement based upon the number of outstanding units multiplied by the prevailing market price of the Company's common shares on the vesting date. A liability is accrued and adjusted each quarter based upon the current market price of the Company's common shares.

Compensation expense for the plans is accrued on a graded basis over the respective three-year vesting period.

Any changes in the fair value of the liability are recognized in profit or loss.

(c) Deferred share unit (DSU) plan

The Company has a DSU plan for non-management directors. The DSUs are granted annually and represent rights to share values based on the number of DSUs issued. When a DSU holder ceases to be a member of the Board, the holder is entitled to receive a cash settlement based upon the number of outstanding DSUs multiplied by the prevailing market price of the Company's common shares on the redemption date. A DSU liability is accrued and adjusted each quarter on vested DSUs based upon the current market price of the Company's common shares.

Compensation expense for the DSU plan is accrued evenly over the respective one-year vesting period.

Any changes in the fair value of the liability are recognized in profit or loss.

(d) Performance share unit (PSU) plan

The Company has a PSU plan for Executive Officers of the Company. Under the terms of the Plan, the number of PSU's awarded to an employee shall be equal to one PSU for each $1.00 of Grant Value awarded on such date. The Grant Value awarded to an employee shall be determined by the Board of Directors. PSU's are awarded annually and entitle the employee to receive, upon vesting, a cash payment dependent upon the total shareholder return on the Company's common shares relative to two prescribed benchmark indices. If the return is below a specified level compared to the indices, the units awarded will be forfeited with no payment made. The maximum payout is 200% of the initial grant value. PSU grants vest in three equal portions on the first, second and third anniversary of the grant date. The fair value of the PSU's are accrued on a graded basis over the respective three-year vesting period.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Revenue

Revenue is recognized during the reporting period based on completion of each rental day for products and services, provided collectability is reasonably assured. Equipment sales are recognized in revenue upon shipment from the Company's warehouse to the customer.

Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Finance income, finance costs, and foreign exchange

Finance income comprises interest income on excess funds invested. Interest income is recognized as it accrues in profit or loss.

Finance costs include interest expense on bank borrowing and changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets.

Foreign currency gains and losses are reported on a net basis.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available to use unused tax losses and unused tax credits. Deferred tax assets are reviewed at each reporting date and the valuation allowance is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Dividends

Dividends on common shares are recognized in the Group's consolidated financial statements in the period in which the Board of Directors approves the dividend.

Income per share

The Group presents basic and diluted income per share data for its common shares. Basic income per share is calculated by dividing the net income or loss available to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted income per share is determined by adjusting the net income or loss available to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise stock options granted.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the Group's senior management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, costs that benefit more than one operating unit which cannot be reasonably allocated, and amounts relating to current and deferred taxes as these amounts can be impacted by tax strategies implemented at the corporate level that benefit the Group as a whole.

Segment capital expenditures are the total cost incurred during the period to acquire property, plant, and equipment and intangible assets other than goodwill.

Standards and interpretations adopted in the year ended December 31, 2015

The Company did not adopt any new accounting standards in the year ended December 31, 2015.

Future Accounting Policy Changes

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will be applied by the Company on January 1, 2018 and the Company is currently evaluating the impact of the standard on its financial statements.

In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments." The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 9 will be applied by the Company on January 1, 2018 and the Company is currently evaluating the impact of the standard on the financial statements.

In January 2016, the IASB issued IFRS 16 "Leases," which replaces IAS 17 "Leases." For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers." IFRS 16 will be applied by Pason on January 1, 2019 and the Company is currently evaluating the impact of the standard.

4. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement or disclosure purposes based on the methods below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant, and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The best value in use of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The fair value of items of rental equipment, plants, and fixtures is based on either the market approach or revaluation approach using quoted market prices for similar items when available and replacement cost when appropriate.

Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use of the assets.

Share-based payment transactions

Employee stock options are valued using the Black-Scholes option pricing model, while RSUs, DSUs and PSUs are measured using the fair value method. Measurement inputs for Black-Scholes include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience), the expected dividends, the risk-free interest rate (based on government bonds), and estimated forfeiture rates.

Fair value is measured as the market price of the Company's common shares on the reporting date.

5. Operating Segments

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

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

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

Year Ended December 31, 2015	**Canada**	**United States**	**International**	**Total**
	($)	**($)**	**($)**	**($)**
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				
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

6. Property, Plant, and Equipment

	Spare Parts	Rental Equipment	Other	Total
	($)	($)	($)	($)
Property, plant and equipment				
Balance at January 1, 2014	11,458	415,242	62,843	489,543
Additions	75,829	23,655	7,429	106,913
Derecognition of assets	—	(24,528)	(8,344)	(32,872)
Parts and raw materials consumed	(77,362)	77,362	—	—
Effects of exchange rate changes	385	22,652	7,834	30,871
Balance at December 31, 2014	10,310	514,383	69,762	594,455
Additions	20,169	18,757	5,330	44,256
Derecognition of assets	(1,300)	(63,286)	(14,734)	(79,320)
Parts and raw materials consumed	(14,544)	10,685	—	(3,859)
Effects of exchange rate changes	1,179	53,105	670	54,954
Balance at December 31, 2015	**15,814**	**533,644**	**61,028**	**610,486**
Depreciation and impairment losses				
Balance at January 1, 2014	—	269,452	36,490	305,942
Provisions	—	39,719	7,419	47,138
Derecognition of assets	—	(21,434)	(7,396)	(28,830)
Impairment loss recognized in income	—	14,884	—	14,884
Effects of exchange rate changes	—	19,788	1,189	20,977
Balance at December 31, 2014	—	322,409	37,702	360,111
Provisions	—	55,050	10,212	65,262
Derecognition of assets	—	(58,659)	(14,623)	(73,282)
Impairment loss recognized in income	—	25,674	—	25,674
Effects of exchange rate changes	—	29,244	2,041	31,285
Balance at December 31, 2015	**—**	**373,718**	**35,332**	**409,050**
Carrying Amounts				
At December 31, 2014	10,310	191,974	32,060	234,344
At December 31, 2015	**15,814**	**159,926**	**25,696**	**201,436**

Other property, plant, and equipment includes computer equipment, leasehold improvements, and vehicles.

Impairment of Rental Assets

Property, plant, and equipment are tested for impairment in accordance with the accounting policy described in Note 3. In the fourth quarter of 2014, due to the significant decline in oil and gas prices and the resulting drop in rig activity, the Company concluded that there was indications of impairment and reviewed the recoverable amount of its rental assets deployed in each respective business unit. Management reviewed the anticipated usage of equipment, based upon management's estimate of future drilling activity and product adoption. Drilling activity was forecast to drop from a range of zero percent to approximately thirty percent from 2014 levels, depending on the operating segment, while product adoption was anticipated to stay constant at year-end 2014 rates. This review resulted in the Company identifying what it believed was excess equipment. The net book value of this excess equipment, totaling $14,884, of which $2,305 related to the Canadian segment and $12,579 to the US operating segment, was recorded as a non-cash impairment loss in the fourth quarter of 2014 and was included in other expenses in the Consolidated Statement of Operations.

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 in 2014 and this resulted in the company updating its assumptions on equipment usage. This current review assumed an additional decline in rig activity of approximately forty-five percent from the year-end 2014 assumptions. Product adoption was updated to current rates. This review resulted in the Company identifying additional excess equipment. The net book value of this additional excess equipment, totaling $26,555 (2014: $14,884), of which $7,683 relates to the Canadian operating segment (2014: $2,305) and $18,872 relates to the US operating segment (2014: $12,579), was recorded as a non-cash impairment loss in the third quarter of 2015 and was included in other expenses in the Consolidated Statement of Operations.

Derecognition of Assets

Included in the amounts recorded as derecognition of assets in the above table are the costs and accumulated depreciation of fully depreciated assets that have been removed the Company's books. In 2015 these amounts were $21,319 (2014: $26,473)

Included in depreciation and amortization expense are losses on the derecognition of assets and spare parts obsolescence reserves in the amount of $6,038 (2014: $5,738) for the year-ended December 31, 2015.

7. Intangible Assets

	Goodwill	Research & Development	Technology	Distribution Rights	Other	Total
	($)	($)	($)	($)	($)	($)
Intangible assets						
Balance at January 1, 2014	22,791	54,065	9,785	17,601	6,974	111,216
Internally developed	—	9,375	—	—	460	9,835
Investment tax credits received	—	(1,828)	—	—	—	(1,828)
Effects of exchange rate	1,833	7	888	433	248	3,409
Balance at December 31, 2014	24,624	61,619	10,673	18,034	7,682	122,632
Internally developed	—	8,099	—	—	1,843	9,942
Investment tax credits received	—	(1,544)	—	—	—	(1,544)
Additions	—	—	—	—	991	991
Dispositions	—	—	—	—	(1,564)	(1,564)
Derecognition of assets	—	(32,514)	(11,765)	(7,673)	(4,663)	(56,615)
Effects of exchange rate	4,254	211	1,092	849	(35)	6,371
Balance at December 31, 2015	**28,878**	**35,871**	**—**	**11,210**	**4,254**	**80,213**
Amortization						
Balance at January 1, 2014	506	23,785	6,857	9,810	4,997	45,955
Amortization	—	7,907	1,792	3,915	90	13,704
Effects of exchange rate	47	—	712	24	122	905
Balance at December 31, 2014	553	31,692	9,361	13,749	5,209	60,564
Amortization	—	11,849	1,510	2,339	1,196	16,894
Impairment loss	—	—	524	357	—	881
Derecognition of assets	—	(32,514)	(11,765)	(7,673)	(4,663)	(56,615)
Effects of exchange rate changes	114	268	370	840	(746)	846
Balance at December 31, 2015	**667**	**11,295**	**—**	**9,612**	**996**	**22,570**
Carrying amounts						
At December 31, 2014	24,071	29,927	1,312	4,285	2,473	62,068
At December 31, 2015	**28,211**	**24,576**	**—**	**1,598**	**3,258**	**57,643**

Other intangible assets include mostly software costs and equity interest in a joint venture.

During the first quarter of 2015, the Company disposed of its investment in a small, privately held company and realized a gain of $2,290.

Intangible Assets and Goodwill

The carrying value of intangible assets with lives and goodwill are regularly tested for impairment. In assessing these assets for impairment at December 31, 2015 and 2014, the Company compared the aggregate recoverable amount of the assets included in the respective CGUs in the US and International segment to their respective carrying amounts.

The recoverable amount has been determined based on the value in use of the CGUs using cash flow budgets approved by management. There is a degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU's assets due in part to the necessity of making key assumptions about the future economic environment that the company will operate in. The value in use calculations use discounted cash flow projections, which require key assumptions, including future cash flows, projected growth, and pre-tax discount rates. The Company considers a range of reasonable possibilities to use for these key assumptions and decides upon the amounts to use that represent management's best estimates.

For periods beyond the budget period, cash flows were extrapolated using growth rates that do not exceed the long-term average for these segments.

Key assumptions are as follows:

	United States	**International**
	(%)	(%)
Budgeted EBITDA margin	41	36
Weighted average growth rate	2	1
Terminal growth rate	2.0	2.0
Pre-tax discount rate	13	15

For both operating segments, reasonable possible changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value. If future events cause a significant change in the operating environment of these business units, resulting in key operating metrics differing from management's estimates, the Company could potentially experience future material impairment charges against the intangible assets with indefinite lives and goodwill.

8. Share Capital

	Common Shares			
Years Ended December 31,		**2015**		2014
	($)	**(#)**	($)	(#)
Balance, beginning of year	**113,827**	**83,363**	80,725	82,158
Exercise of stock options	**14,240**	**700**	33,102	1,205
Balance, end of year	**128,067**	**84,063**	113,827	83,363

Common shares

At December 31, 2015, the Company was authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

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

Stock option plan

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

At December 31, 2015, 4,862 (2014: 4,492) stock options were outstanding for common shares at exercise prices ranging from $12.49 to $27.96 per share, expiring between 2016 and 2020 as follows:

	December 31, 2015		December 31, 2014	
	Share Options	**Weighted Average Exercise Price**	Share Options	Weighted Average Exercise Price
	(#)	**($)**	(#)	($)
Outstanding, beginning of year	**4,492**	**21.06**	4,597	16.85
Granted	**1,400**	**20.61**	1,546	26.73
Equity settled	**(700)**	**13.63**	(1,205)	13.91
Cash settled	**—**	**—**	(205)	13.79
Expired or forfeited	**(330)**	**24.53**	(241)	18.97
Outstanding, end of year	**4,862**	**21.77**	4,492	21.06
Exercisable, end of year	**2,221**	**20.32**	1,781	16.22
Available for grant, end of year	**1,022**		3,844	

The Company cash settled the following number of options from employees and directors in 2014:

Years ended December 31,	**2015**	2014
Options (#)	**—**	205
Consideration ($)	**—**	2,589

The following table summarizes information about stock options outstanding at December 31, 2015:

			Options Outstanding		**Options Exercisable**
Range of Exercise Prices	**Options Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Exercisable (Vested)**	**Weighted Average Exercise Price**
($)	**(#)**	**(Years)**	**($)**	**(#)**	**($)**
12.49 – 20.20	**1,041**	**1.73**	**15.53**	**1,001**	**15.36**
20.21 – 22.60	**1,360**	**4.91**	**20.64**	**—**	**24.40**
22.61 – 27.96	**2,461**	**3.45**	**25.03**	**1,220**	**—**
	4,862	**3.49**	**21.77**	**2,221**	**20.32**

In May 2015, shareholders' approved a modification of the Option Plan to eliminate the ability for the option holder to settle options for cash and to reduce the number of options outstanding at any given time from 10% to 7% of the total number of common shares outstanding.

All stock options are accounted for using the Black-Scholes option pricing model.

Weighted average assumptions for options granted in the year are as follows:

Years Ended December 31,	2015	2014
Fair value of stock options ($)	**3.45**	1.96
Forfeiture rate (%)	**11.33**	11.20
Risk-free interest rate (%)	**0.68**	1.13
Expected option life (years)	**3.11**	3.42
Expected volatility (%)	**31.2**	26.44
Expected annual dividends per share (%)	**3.29**	3.01

Restricted share units plan

At December 31, 2015, 289 (2014: 461) RSUs were outstanding. All RSUs vest over three years and will result in a cash payment to holders based upon the corresponding future market value of the Company's common shares. Stock-based compensation expense arising from the RSU plan of $2,921 (2014: $8,876) was recorded in the Consolidated Statements of Operations under stock-based compensation. The corresponding liability is recorded in the Consolidated Balance Sheets.

The outstanding RSUs can be summarized as follows:

Years Ended December 31,	2015	2014
	(#)	(#)
RSUs, beginning of year	**461**	777
Granted	**125**	139
Vested and paid	**(250)**	(393)
Forfeited	**(47)**	(62)
RSUs, end of year	**289**	461

Deferred share units plan

The DSUs are awarded annually and represent rights to share values based on the number of DSUs issued. DSUs are credited evenly following the year in which they are awarded. DSUs vest and are paid upon the retirement of the Director. There were 110 DSUs credited as at December 31, 2015 (2014: 72). Stock-based compensation expense arising from the DSU plan of $540 (2014: $765) was recorded in the Consolidated Statements of Operations under stock-based compensation. The corresponding liability is recorded in the Consolidated Balance Sheets.

The outstanding DSUs can be summarized as follows:

Years Ended December 31,	2015	2014
	(#)	(#)
DSUs, beginning of year	**72**	62
Credited	**38**	29
Vested and paid	**-**	(19)
DSUs, end of year	**110**	72

Performance share units plan

Under the terms of the PSU Plan, the number of PSU's awarded to an employee shall be equal to one PSU for each $1.00 of Grant Value awarded on such date. All PSU's vest over three years and will result in a cash payment to holders based upon the total shareholder return on the Company's common shares relative to two prescribed benchmark indices. There were 4,050 PSUs granted at December 31, 2015 (2014 : 2,870). Stock-based compensation expense arising from the PSU plan of $2,052

(2014: $141) was recorded in the Consolidated Statements of Operations under stock-based compensation. The corresponding liability is recorded in the Consolidated Balance Sheets.

The outstanding PSUs can be summarized as follows:

Years Ended December 31,	2015	2014
	(#)	(#)
PSUs, beginning of year	2,870	—
Granted	2,416	2,870
Vested and paid	(957)	—
Forfeited	(279)	—
PSUs, end of year	4,050	2,870

Stock-based compensation expense and liability

The long-term incentive plans can be summarized as follows:

Expense

Years Ended December 31,	2015	2014
	($)	($)
Stock options	1,885	9,689
RSUs	2,921	8,876
DSUs	540	765
PSUs	2,052	141
Stock-based compensation expense	7,398	19,471

Liability

As at	December 31, 2015	December 31, 2014
	($)	($)
Stock options	—	12,765
RSUs	1,641	3,296
PSUs	579	64
Current portion of stock-based compensation liability	2,220	16,125
Stock options	—	454
RSUs	333	903
DSUs	2,124	1,584
PSUs	602	77
Long-term portion of stock-based compensation liability	3,059	3,018
Total stock-based compensation liability	5,279	19,143

Incentive Plan Liabilities

In May 2015, shareholders approved a modification of the Option Plan to eliminate the ability for the option holder to settle options for cash. As a result of this change;

- The grant date fair value, which is still calculated using the Black-Scholes option pricing model, is no longer revalued at the end of each reporting period, and
- The stock-based compensation liability of $11,673 ($10,877 recorded as a current liability and $796 recorded as a non-current liability) relating to the stock options was reclassified to Share-based Benefits Reserve. This reclassification was recorded in the second quarter of 2015.

Common share dividends

During 2015, the Company declared dividends of $56,939 (2014: $53,001) or $0.68 per common share (2014: $0.64).

Normal Course Issuer Bid (NCIB)

During the first quarter of 2015, the Company implemented a NCIB program. Under the NCIB, the Company may purchase for cancellation, from time to time, as the Company considers advisable, up to a maximum of 6,022 common shares, which represents 10% of the public float.

The actual number of common shares that may be purchased for cancellation and the timing of any such purchases will be determined by the Company, subject to a maximum daily purchase limitation of 52 common shares.

The NCIB commenced on March 6, 2015 and will terminate on March 5, 2016 or such earlier time as the NCIB is completed or terminated at the option of the Company. The Company has not yet purchased any shares for cancellation.

9. Income Per Share

Basic income per share

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

Years Ended December 31,	**2015**	2014
('000s)	**(#)**	(#)
Issued common shares outstanding, beginning of year	**83,363**	82,098
Effect of exercised options	**312**	549
Weighted average number of common shares for the year	**83,675**	82,647

For the year ended December 31, 2015, 700 (2014: 1,205) common shares were issued as a result of the exercise of vested options. Options were exercised at an average price of $13.63 per option. All issued shares are fully paid.

Diluted income per share

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

Years Ended December 31,	**2015**	2014
('000s)	**(#)**	(#)
Weighted average number of common shares (basic)	**83,675**	82,647
Effect of share options	**—**	1,102
Weighted average number of common shares (diluted)	**83,675**	83,749

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

10. Other Expenses

Years Ended December 31,	**Note**	**2015**	2014
		($)	($)
Foreign exchange (gain) loss		**(3,104)**	729
Impairment loss	6	**26,555**	14,884
Gain on sale of investment		**(2,290)**	—
Restructuring costs		**3,596**	—
Other		**2,682**	2,462
Other expenses		**27,439**	18,075

In response to the current business environment, the Company reduced its staffing levels during 2015 and recorded a restructuring charge of $3,596. The majority of these costs relate to severance payments and costs for outplacement services.

During the first quarter of 2015, the Company disposed of its investment in a small, privately held company and realized a gain of $2,290.

11. Income Tax

The major components of income tax expense are as follows:

Years Ended December 31,	**2015**	2014
	($)	($)
Current tax expense	**2,510**	40,889
Deferred tax expense	**(4,757)**	9,958
Total tax (recovery) expense	**(2,247)**	50,847

The provision for income taxes, including deferred taxes, reflects an effective income tax rate that differs from the actual combined Canadian federal and provincial statutory rates of 26.5% for 2015 and 25.0% for 2014. The Company's US subsidiaries are subject to federal and state statutory tax rates of approximately 40% for both years. The main differences are as follows:

Years Ended December 31,	**2015**	2014
	($)	($)
Income before income taxes	**(16,859)**	162,951
Expected income tax at statutory rate	**(4,468)**	40,738
Increase (decrease) resulting from:		
Tax rates in other jurisdictions	**1,828**	6,764
Non-taxable dividends	**(4,711)**	(3,771)
Non-deductible portion of stock-based compensation	**(86)**	1,469
Unrealized foreign exchange gain on inter-company financing	**6,695**	2,533
(Non-taxable items) expenses not deductible for tax purposes and other items	**(1,505)**	3,114
Income tax (recovery) expense	**(2,247)**	50,847

Deferred tax assets and liabilities are comprised of the following:

As at December 31,	**2015**	2014
	($)	($)
Tax loss carry-forwards	**21,742**	16,153
Inter-company transactions	**3,095**	5,304
Share-based payments	**1,973**	1,520
Other	**(7,370)**	(1,982)
Property, plant and equipment	**(28,338)**	(33,853)
Intangible assets	**(2,646)**	(3,584)
	(11,544)	(16,442)
Deferred tax asset	**4,900**	—
Deferred tax liability	**(16,444)**	(16,442)
	(11,544)	(16,442)

Other is comprised mostly of an unrealized foreign exchange gain on inter-company financing.

All deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. In addition, deferred tax assets and liabilities have been offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

The movement in deferred tax assets and liabilities is as follows:

As at	Tax loss carry forwards	Inter-company transactions	Share-based payments	Other	Property, plant and equipment	Intangible assets	Total
	($)	($)	($)	($)	($)	($)	($)
January 1, 2014	15,413	8,182	1,691	2,600	(29,526)	(4,781)	(6,421)
Recognized in income	73	(2,746)	(171)	(6,812)	(1,631)	1,329	(9,958)
Exchange differences	667	(132)	—	2,230	(2,696)	(132)	(63)
December 31, 2014	16,153	5,304	1,520	(1,982)	(33,853)	(3,584)	(16,442)
Recognized in income	2,284	(2,986)	453	(5,966)	9,934	1,038	4,757
Exchange differences	3,305	777	—	578	(4,419)	(100)	141
December 31, 2015	**21,742**	**3,095**	**1,973**	**(7,370)**	**(28,338)**	**(2,646)**	**(11,544)**

The Company has available US net operating losses of USD $38,920, which includes timing differences relating to inter-company transactions that have been accrued for but are not deductible for tax purposes until paid. These losses, the benefit of which has been recognized in the Consolidated Financial Statements, can be used to reduce future income taxes otherwise payable and expire between 2028 and 2034.

12. Cash and Cash Equivalents

As at December 31,	2015	2014
	($)	($)
Cash	**92,649**	60,267
Cash equivalents	**103,197**	84,591
Cash and cash equivalents	**195,846**	144,858

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 16. Cash equivalents are made up mostly of cash invested in money market funds with interest rates of approximately 0.5%, and maturities from 1–30 days.

13. Trade and Other Receivables

As at December 31,	2015	2014
	($)	($)
Trade receivables, net of allowances for doubtful accounts	**45,307**	112,148
Other receivables	**3,306**	10,346
	48,613	122,494

All trade and other receivables are classified as current assets.

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 16.

14. Credit Facility

The Company has a $5,000 demand revolving credit facility. Interest is payable monthly and is based on either the lender's prime rate, US base rate loans, Bankers' Acceptance rates, or the London Inter-Bank Offered Rate (LIBOR), plus applicable margins.

The credit facility is used by the Company for working capital purposes, and accordingly, amounts drawn against it are recorded as bank indebtedness offset by any excess cash balances.

The Company can repay, without penalty, advances under the facility. The facility is secured by a general security agreement on all of the assets of the Company, Pason Systems Corp. and Pason Systems USA Corp.

The Company is subject to the following financial covenants:

- To maintain, on a consolidated basis, to be measured as at the end of each fiscal quarter, a ratio of debt to income before interest, taxes, depreciation and amortization, and impairment losses (EBITDA), calculated on a rolling four quarters basis for the fiscal quarter then ended and the immediately preceding three fiscal quarters of not greater than 1.50:1.
- To maintain an EBITDA for Pason Systems Corp. plus Pason Systems USA of not less than 80% of consolidated EBITDA.

Both covenants have been met throughout the reporting period.

15. Trade Payables and Accruals

As at December 31,	2015	2014
	($)	($)
Trade payables	8,403	25,980
Non-trade payables and accrued expenses	10,051	21,434
	18,454	47,414

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 16.

16. Financial Risk Management and Financial Instruments Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market and foreign exchange risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

(a) Trade and other receivables

Credit risk refers to the possibility that a customer will fail to meet its contractual obligations. Credit risk arises from the Company's accounts receivable balances, which are predominantly with customers who explore for and develop oil and natural gas reserves in Canada and the United States. The Company has a process in place which assesses the creditworthiness of its customers as well as monitoring the age and balances outstanding on an ongoing basis. In addition, the Company's services are a minor component when looking at the overall cost of drilling a well, reducing credit risk accordingly. Payment terms with customers are 30 days from invoice date; however, industry practice can extend these terms.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective doubtful accounts allowance is determined based on historical data of payment statistics for similar financial assets.

(b) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

As at December 31,	**2015**	2014
	($)	($)
Trade and other receivables, net of allowance for doubtful accounts	**48,613**	122,494

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

As at December 31,	**2015**	2014
	($)	($)
Canada	**13,518**	30,246
United States	**20,804**	71,962
International	**14,291**	20,286
	48,613	122,494

The Company does not have any customers that comprised greater than 10% of total revenue.

(c) Allowance for doubtful accounts

The aging of trade and other receivables at the reporting date was:

As at December 31,	2015		2014	
	Gross	**Allowance**	Gross	Allowance
	($)	**($)**	($)	($)
Current	**39,098**	**—**	95,184	—
31–60 days	**6,926**	**(3)**	20,096	(2)
61–90 days	**2,411**	**(14)**	5,853	(3)
Greater than 90 days	**5,670**	**(5,475)**	6,100	(4,734)
	54,105	**(5,492)**	127,233	(4,739)

The movement in the allowance for doubtful accounts in respect of trade and other receivables during the year was as follows:

As at December 31,	2015	2014
	($)	($)
Opening balance	**4,739**	2,110
Additions to provision	**1,033**	3,242
Accounts collected, previously allowed for	**(47)**	(60)
Write-off of uncollectible accounts	**(543)**	(608)
Effects of exchange rate changes	**310**	55
Ending balance	**5,492**	4,739

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due. This is achieved through maintaining a strong working capital position, including significant cash balances.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Cash flow forecasting is performed in the operating entities of the Company and aggregated in head office, which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Company's debt financing plans and compliance with internal balance sheet ratio targets.

Surplus cash held by the operating entities over and above balances required for working capital management are invested in interest bearing short-term deposits which are selected with appropriate maturities or sufficient liquidity to provide sufficient room as determined by the above-mentioned forecasts.

	December 31, 2015						
	Carrying amount	Contractual cash flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
	($)	($)	($)	($)	($)	($)	($)
Non-derivative liabilities:							
Trade payables and accruals	18,454	18,454	18,454	—	—	—	—
Stock-based compensation	5,279	5,279	2,220	—	3,059	—	—
	23,733	23,733	20,674	—	3,059	—	—

For trade payables and accruals, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

For stock-based compensation liabilities, the timing and amounts could differ significantly as a result of changes in the Company's share price.

Market and foreign exchange risk

The Group has not entered into any hedging arrangements.

The Group's exposure to foreign currency risk relates to the US dollar is as follows:

As at December 31,	**2015**	2014
	USD	USD
Cash	**104,834**	97,039
Trade and other receivables	**17,973**	66,895
Trade payables, accruals and other provisions	**(5,314)**	(13,638)
Balance sheet exposure	**117,493**	150,296
CDN$ Equivalent	**162,610**	174,358

(a) Sensitivity analysis

A strengthening of the Canadian dollar against the US dollar by 1% at December 31, 2015 would have decreased net income and equity for the year by $(86) and $5,043, respectively. This analysis is based on foreign currency exchange rate variance that the Group considered to be reasonably possible at the end of the reporting year. The analysis assumes that all other variables remain constant. A weakening of the Canadian dollar at December 31, 2015 would have had the equal but opposite effect.

(b) Interest rate risk

The Company is exposed to changes in interest rates with respect to its credit facility. Management believes this risk to be minor given the small amounts drawn on the facility.

(c) Fair values versus carrying amounts

The carrying values of financial assets and liabilities approximate their fair value due to the short-term nature of these items.

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

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

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

	Financial Assets at Fair Value			
	Level 1	Level 2	Level 3	**December 31, 2015**
	($)	($)	($)	**($)**
Cash and cash equivalents	**195,846**	—	—	**195,846**
Total financial assets at fair value	**195,846**	—	—	**195,846**

(d) Capital risk

The Company's strategy is to carry a flexible capital base to maintain investor, market, and creditor confidence and to sustain future business development opportunities. The Company manages its capital structure based on ongoing changes in economic conditions and related risk characteristics of its underlying assets.

The Company considers its capital structure to include equity and working capital. To maintain or adjust the capital structure, the Company may, from time to time, issue or repurchase shares, adjust its dividend rate, or adjust its capital spending to manage its cash.

The Company's share capital is not subject to external restrictions; however, the Company's committed revolving credit facility includes financial covenants, with which the Company was compliant.

There were no changes in the Company's approach to capital management during the year.

As the Group has no debt, a debt to capital ratio is not presented.

(e) Industry and seasonality risk

The major area of uncertainty for the Company is that the demand for its services is directly related to the strength of its customers' capital expenditure programs. The level of capital programs is strongly affected by the level and stability of commodity prices, which can be extremely difficult to predict and beyond the control of the Company and its customers. During periods of uncertainty, oil and gas companies tend to bias their capital decisions on conservative outlooks for commodity prices.

In addition to the cyclical nature of its business, the Company is also subject to risks and uncertainties associated with weather and seasonality. The Company continues to react to unfavourable weather conditions and spring breakup, which limit well access in Canada, through diversification into geographic regions such as the United States and internationally, where these factors are less likely to influence activity.

(f) Commodity risk

Prices for crude oil and natural gas fluctuate in response to a number of factors beyond the Company's control. The factors that affect prices include, but are not limited to, the following:

the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability in the Middle East and elsewhere, the foreign supply of crude oil, the price of foreign imports, the availability of alternate fuel sources, and weather conditions. Any of these can reduce the profits of energy companies by reducing the amount of drilling activity.

17. Operating Commitments

Non-cancellable operating lease rentals and committed purchases of services are payable as follows:

As at December 31,	**2015**	2014
	($)	($)
Less than one year	**7,956**	8,057
Between one and three years	**13,057**	11,775
More than three years	**8,333**	10,063
	29,346	29,895

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

The Company is committed to an outsourcing agreement with a supplier to assist its software development team. Either party can terminate the agreement with six months' notice. The annual costs are anticipated to be approximately $2,400, and this amount is not included in the table above because of the termination clause.

18. Capital Commitments

At December 31, 2015, the Group has entered into contracts to purchase property, plant, and equipment for $14,744 (2014: $41,697), the majority of which relates to the purchase of rental assets in the normal course of business.

19. Related Parties

Transactions with key management personnel and directors

In addition to salaries and director fees, as applicable, the Group also provides compensation to executive officers and directors under the Group's long-term incentive plans (Note 8).

Executive management personnel and director compensation is comprised of:

Years Ended December 31,	**2015**	2014
	($)	($)
Compensation, including bonuses	**3,725**	6,307
Share-based payments	**3,795**	7,828
	7,520	14,135

The majority of these costs are included either in corporate services or stock-based compensation expense in the Consolidated Statements of Operations.

Key management and directors of the Company control approximately 15% of the voting shares of the Company. No balances are owing from any employees or directors.

20. Contingencies

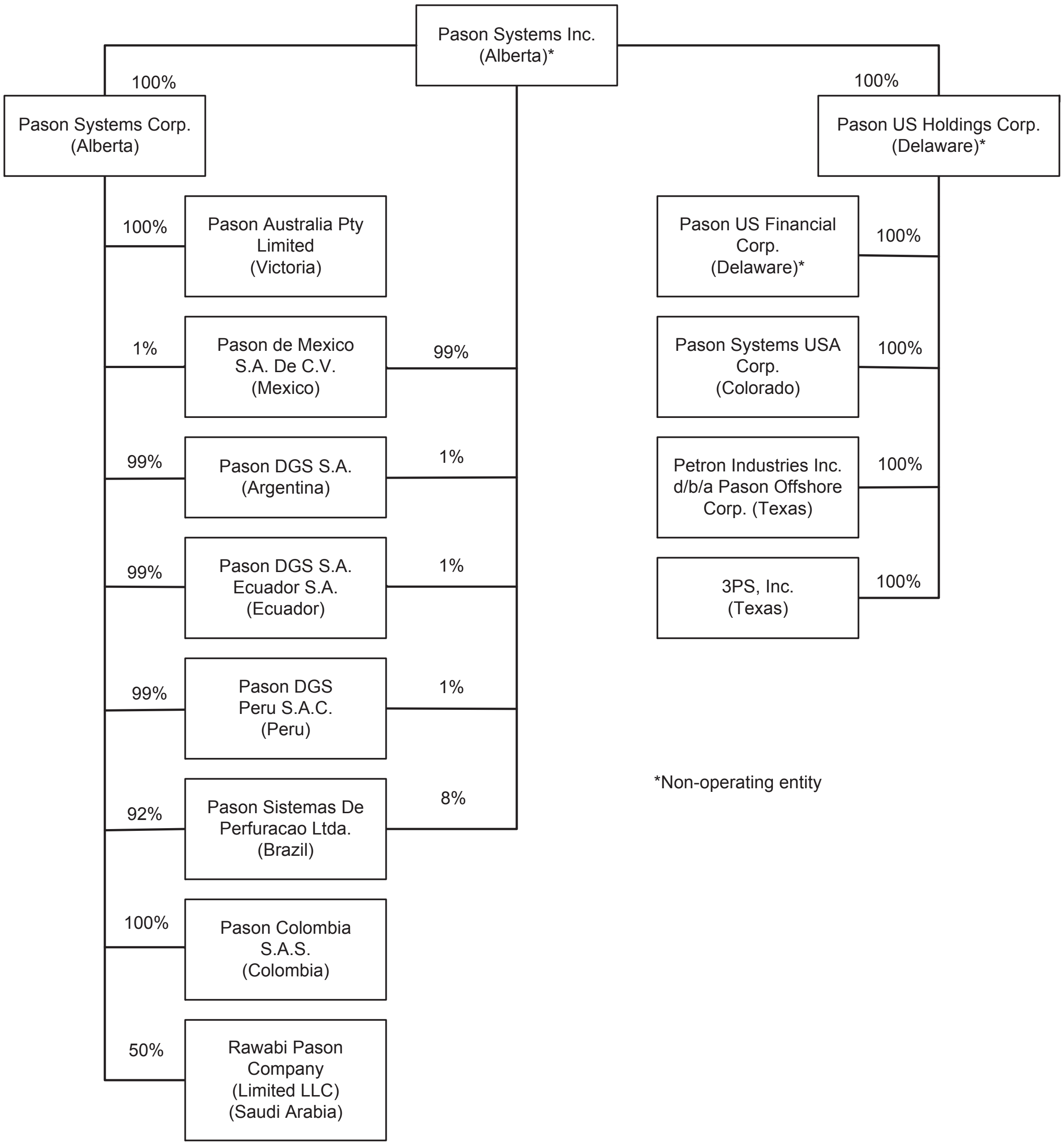
The Company is currently a defendant in an alleged patent infringement lawsuit. There are two other defendants. On February 17, 2016 the Company filed an inter partes review with the U.S. Patent Trial and Appeals Board (the "Board") to challenge the validity of the patent. The Board has six months to determine if it will proceed with the inter partes review. The Company has not yet received a litigation schedule but will be defending its position of non-infringement in the Texan courts if the inter partes review is not allowed or the Board does not invalidate the plaintiff's patent. At this time the Company is unable to determine what, if any, amounts will be owed to the plaintiff.

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

21. 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.

22. Organizational Structure



Corporate Information

Directors

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

James B. Howe(1)(4)(7)
President
Bragg Creek Financial
Consultants Ltd.
Calgary, Alberta

Murray L. Cobbe(2)(6)
Chairman
Trican Well Service Ltd.
Calgary, Alberta

G. Allen Brooks(4)(5)
President
G. Allen Brooks, LLC
Houston, Texas

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

T. Jay Collins(2)(3)
Director
Oceaneering International Inc.
Houston, Texas

Judi Hess(6)
CEO & Director
Copperleaf Technologies Inc.
Vancouver, British Columbia

Zoran Stakic(4)
Senior Vice President & Chief
Technology Officer
Shaw Communications Inc.
Calgary, Alberta

(1) Audit Committee Chairman
(2) Audit Committee Member
(3) HR and Compensation Committee Chairman
(4) HR and Compensation Committee Member
(5) Corporate Governance and Nominations Committee Chairman
(6) Corporate Governance and Nomination Committee Member
(7) Lead Director

Officers & Key Personnel

Marcel Kessler
President
& Chief Executive Officer

Jon Faber
Chief Financial Officer

David Elliott
Vice President, Finance

David Holodinsky
Vice President, Operations – USA

Russell Smith
Vice President, Operations –
International & Offshore

Kevin Boston
Vice President, Sales & Business
Development

Gopinath Ramanan
Vice President, Research &
Development

Ron Dudar
Vice President, People & Culture

Todd Perry
Vice President, 3PS, Inc.

Kevin Lo
Vice President, New Ventures

Melinda Ando
General Counsel & Corporate
Secretary

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Auditors

Deloitte LLP
Calgary, Alberta

Banker

Royal Bank of Canada
Calgary, Alberta

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Stock Trading

Toronto Stock Exchange
Trading Symbol: PSI.TO

Eligible Dividend Designation

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

Annual Meeting

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.

Historical Review

Selected Financial Data

Years Ended December 31,

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
(CDN 000s, except per share data)	**($)**	($)	($)	($)	($)	($)	($)	($)	($)	($)
Operating Results										
Revenue	**285,148**	499,272	403,088	386,514	346,158	260,397	153,823	300,484	236,439	240,584
Expenses										
Rental services	**117,546**	153,151	134,874	125,269	113,568	94,299	72,428	106,600	83,058	72,933
Corporate services	**20,040**	22,243	17,373	15,723	12,975	17,770	11,611	13,250	12,708	6,699
Research and development	**31,733**	35,427	27,252	22,467	17,366	16,472	13,140	12,888	9,566	8,255
Stock-based compensation	**7,398**	19,471	32,511	23,792	1,309	11,233	5,684	7,525	5,248	4,597
Depreciation and amortization	**81,381**	69,201	62,171	68,213	58,565	49,108	55,842	55,719	42,797	39,923
EBITDA[1]	**69,630**	251,623	136,647	151,753	171,661	110,867	46,651	144,883	128,088	143,238
As a % of revenue	**24.4**	50.4	33.9	39.3	49.6	47.1	32.0	49.5	54.2	59.5
Funds flow from operations	**94,263**	224,204	134,930	158,948	145,358	93,973	41,354	124,726	103,766	107,451
Per share – basic	**1.13**	2.71	1.64	1.94	1.78	1.15	0.51	1.53	1.30	1.38
(Loss) income	**(14,612)**	112,104	23,655	39,884	86,223	36,474	(5,510)	61,321	55,052	64,531
Per share – basic	**(0.17)**	1.36	0.29	0.49	1.05	0.45	(0.07)	0.75	0.69	0.83
Capital expenditures	**50,811**	121,188	70,664	71,424	78,357	50,164	21,493	56,292	76,615	71,233
Financial Position										
Total assets	**529,625**	570,066	445,876	488,378	455,901	402,082	354,273	427,016	302,593	270,860
Working capital	**244,972**	206,571	127,933	163,371	126,605	105,815	108,113	152,337	77,806	58,495
Total equity	**489,448**	483,523	366,469	368,696	367,269	309,684	308,335	354,589	270,717	231,209
Return on total equity %[2]	**(3)**	26	6	11	25	12	(2)	20	22	33
Common Share Data										
Common shares outstanding (#)										
At December 31	**84,063**	83,363	82,158	82,049	81,904	81,714	81,487	81,456	80,346	78,738
Weighted average	**83,675**	82,647	82,098	81,968	81,851	81,525	81,476	81,426	79,586	77,899
Share trading										
High ($)	**23.10**	35.51	23.77	18.12	16.53	14.82	14.45	18.40	17.93	19.20
Low ($)	**16.51**	20.82	15.74	12.04	11.53	10.31	8.26	8.00	11.51	13.11
Close ($)	**19.39**	21.89	22.98	17.15	12.00	13.96	11.65	14.05	12.49	13.26
Volume (#)	**37,476**	37,538	24,105	25,053	24,658	23,793	28,605	36,505	34,560	22,804
Dividends ($)	**0.68**	0.64	0.53	0.46	0.38	0.33	0.26	0.22	0.16	0.13

(1) Non-IFRS financial measures are defined in the Management's Discussion and Analysis section.
(2) Return on total equity is calculated as earnings over the simple average of the beginning and ending total equity.

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