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) as issued by the International Accounting Standards Board. 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, 2018 and 2017.

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 26, 2019

Jon Faber
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Pason Systems Inc.

Opinion

We have audited the consolidated financial statements of Pason Systems Inc., (the "Company"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of operations, other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Shawn Lai.

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Alberta

February 26, 2019

Consolidated Balance Sheets

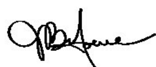
As at	Note*	**December 31, 2018**	December 31, 2017
(CDN 000s)		**($)**	($)
Assets			
Current			
Cash and cash equivalents	12	**203,838**	154,129
Trade and other receivables	13,16	**80,020**	55,069
Income tax recoverable other	11	**15,304**	17,881
Prepaid expenses		**3,934**	4,028
Income taxes recoverable	11	**6,203**	3,946
Total current assets		**309,299**	235,053
Non-current			
Property, plant and equipment	6	**120,417**	127,685
Intangible assets and goodwill	7	**32,000**	34,318
Deferred tax assets	11	**—**	1,390
Total non-current assets		**152,417**	163,393
Total assets		**461,716**	398,446
Liabilities and equity			
Current			
Trade payables and accruals	8,15	**34,541**	20,391
Income taxes payable other	11	**15,304**	17,881
Stock-based compensation liability	8	**3,301**	3,089
Total current liabilities		**53,146**	41,361
Non-current			
Stock-based compensation liability	8	**3,200**	2,758
Deferred tax liabilities	11	**17,060**	4,515
Onerous lease obligation		**2,233**	2,326
Total non-current liabilities		**22,493**	9,599
Equity			
Share capital	8	**164,723**	150,887
Share-based benefits reserve		**27,287**	24,425
Foreign currency translation reserve		**63,574**	40,358
Retained earnings	8	**130,493**	131,816
Total equity		**386,077**	347,486
Total liabilities and equity		**461,716**	398,446

Commitments (Notes 17 and 18)

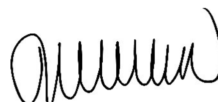
Contingencies (Note 20)

*The Notes are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors



James B. Howe
Director



Judi Hess
Director

Consolidated Statements of Operations

Years Ended December 31,	Note*	2018	2017
(CDN 000s, except per share data)		**($)**	($)
Revenue		**306,393**	245,643
Operating expenses			
Rental services		**104,398**	95,912
Local administration		**13,106**	11,147
Depreciation and amortization	6, 7	**34,855**	45,681
		152,359	152,740
Gross profit		**154,034**	92,903
Other expenses			
Research and development		**26,997**	25,219
Corporate services		**15,905**	15,141
Stock-based compensation expense	8	**12,313**	11,762
Other expense	10	**6,717**	1,561
		61,932	53,683
Income before income taxes		**92,102**	39,220
Income tax provision	11	**29,158**	14,030
Net income		**62,944**	25,190
Income per share	9		
Basic		**0.74**	0.30
Diluted		**0.73**	0.30

*The Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Other Comprehensive Income

Years Ended December 31,	Note*	2018	2017
(CDN 000s)		**($)**	($)
Net income		**62,944**	25,190
Items that may be reclassified subsequently to net income:			
Tax (expense) recovery on net investment in foreign operations related to an inter-company financing	11	**(3,110)**	2,500
Foreign currency translation adjustment		**26,326**	(21,714)
Other comprehensive gain (loss)		**23,216**	(19,214)
Total comprehensive income		**86,160**	5,976

*The Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Note*	Share Capital	Share-Based Benefits Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(CDN 000s)		($)	($)	($)	($)	($)
Balance at January 1, 2017		139,730	23,026	59,572	164,323	386,651
Net income		—	—	—	25,190	25,190
Dividends	8	—	—	—	(57,697)	(57,697)
Other comprehensive loss		—	—	(19,214)	—	(19,214)
Exercise of stock options	8	9,407	(2,247)	—	—	7,160
Expense related to vesting of options		—	3,646	—	—	3,646
Prior years business acquisition	8	1,750				1,750
Balance at December 31, 2017		150,887	24,425	40,358	131,816	347,486
Net income		—	—	—	62,944	62,944
Dividends	8	—	—	—	(59,785)	(59,785)
Other comprehensive income		—	—	23,216	—	23,216
Exercise of stock options	8	12,854	(1,842)	—	—	11,012
Expense related to vesting of options		—	4,704	—	—	4,704
Prior years business acquisition	8	1,500	—	—	—	1,500
Shares cancelled under Normal Course Issuer Bid	8	(95)	—	—	(826)	(921)
Liability for automatic share purchase plan commitment pursuant to NCIB	8	(423)	—	—	(3,656)	(4,079)
Balance at December 31, 2018		**164,723**	**27,287**	**63,574**	**130,493**	**386,077**

*The Notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(CDN 000s)	Note*	**2018** ($)	2017 ($)
Cash from (used in) operating activities			
Net income		**62,944**	25,190
Adjustment for non-cash items:			
Depreciation and amortization		**34,855**	45,681
Stock-based compensation	8	**12,313**	11,762
Deferred income taxes	11	**9,796**	4,762
Unrealized foreign exchange loss (gain) and other		**8,636**	(274)
Funds flow from operations		**128,544**	87,121
Movements in non-cash working capital items:			
Increase in trade and other receivables		**(24,523)**	(8,149)
Decrease (increase) in prepaid expenses		**253**	(226)
Decrease in income taxes		**14,054**	15,518
Increase (decrease) in trade payables, accruals and stock-based compensation liability		**4,368**	(3,719)
Effects of exchange rate changes		**530**	(361)
Cash generated from operating activities		**123,226**	90,184
Income tax paid		**(16,049)**	(4,387)
Net cash from operating activities		**107,177**	85,797
Cash flows from (used in) financing activities			
Proceeds from issuance of common shares	8	**11,012**	7,160
Payment of dividends	8	**(59,785)**	(57,697)
Repurchase and cancellation of shares under Normal Course Issuer Bid	8	**(921)**	—
Net cash used in financing activities		**(49,694)**	(50,537)
Cash flows (used in) from investing activities			
Additions to property, plant and equipment	6	**(19,411)**	(18,368)
Development costs	7	**(4,465)**	(2,396)
Proceeds on disposal of investment and property, plant and equipment		**1,543**	85
Maturity of short-term investment		**65,650**	—
Purchase of short-term investment		**(65,840)**	—
Acquisition		**—**	(5,750)
Proceeds on sale of net operating assets		**—**	8,159
Changes in non-cash working capital		**678**	713
Net cash used in investing activities		**(21,845)**	(17,557)
Effect of exchange rate on cash and cash equivalents		**14,071**	(10,053)
Net increase in cash and cash equivalents		**49,709**	7,650
Cash and cash equivalents, beginning of period		**154,129**	146,479
Cash and cash equivalents, end of period	12	**203,838**	154,129

*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. 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 were authorized for issue by the Board of Directors on February 26, 2019.

Basis of measurement

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.

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. The functional currency of the US operations is the US dollar, while the local currency in each country is considered to be the functional currency of each respective International subsidiary.

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.

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. 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 being 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.

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.

Income taxes

The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, the Company has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions as the tax positions taken by the Company rely on the exercise of judgment and it is frequently possible for there to be a range of legitimate and reasonable views.

The Company has adopted certain transfer pricing (TP) policies and methodologies to value inter-company transactions that occur in the normal course of business. The value placed on such transactions must meet certain guidelines that have been established by the tax authorities in the jurisdictions in which the Company operates in. The Company believes that its TP methodologies are in accordance with such guidelines. As further described in Note 11, the Company entered into a Bilateral Advanced Pricing Arrangement (APA) with the Canada Revenue Agency (CRA) and the Internal Revenue Service (IRS) (collectively, the Parties) covering the taxation years ended December 31, 2013 through to December 31, 2021. The purpose of this APA was for the Company to obtain agreement among the Parties on the TP methodology applied to the material inter-company transactions between Pason Systems Corp. (Pason Canada) and Pason Systems USA and Petron (collectively Pason USA) (the covered transactions).

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 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.

Argentina has experienced increasing rates of inflation and a devaluation of the Argentinian peso relative to the Canadian dollar. In the second quarter of 2018, management concluded that its Argentinian subsidiary is operating in a hyperinflationary economy. Management has concluded that applying the standards under IAS 29, Financial Reporting in Hyperinflationary Economies would not have a material impact on the financial results.

Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as a "financial asset or financial liability at fair value through profit or loss", "available-for-sale financial assets", "held-to-maturity investments", "loans and receivables", or "other financial liabilities". The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right 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. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the balance sheet when the Company 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 Company has the following non-derivative financial assets:

(a) Financial assets as fair value through profit or loss:

Cash and cash equivalents are held for trading within the fair value through profit or loss category. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income.

(b) Loans and receivables:

Trade and other receivables are held within the loans and receivables category (Note 13). Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs less any impairment losses. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company has the following non-derivative financial liabilities:

(a) Non-derivative financial liabilities

Trade payables, accruals, and provisions are held within the non-derivative financial liabilities category. 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.

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 less residual value which the Company has determined to be nominal.

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.

Materials and supplies 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 less residual value which the Company has determined to be nominal.

The estimated useful lives for intangible assets are as follows:

Customer relationships and technology	6 years
Non-compete agreements	5 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 Company 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

The fair value of stock options granted is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends

Compensation expense associated with the option plan is recognized as stock-based compensation expense over the vesting period of the stock options 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

The Company applies the five-step model to arrangements that meet the definition of a contract, including when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it provides to the customer.

(a) identifies the contract(s) with a customer,

(b) identifies the performance obligations in the contract,

(c) determines the transaction price,

(d) allocate the transaction price to the performance obligations in the contract, and

(e) recognizes revenue when (or as) the entity satisfies a performance obligation.

Products and services are comprised of specialized data management systems provided on a rental basis. The Company satisfies its performance obligations and recognizes rental revenue during the reporting period based on completion of each rental day.

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, 2018

IFRS 9, Financial Instruments

The Company has adopted IFRS 9, Financial Instruments, on January 1, 2018. 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 adoption did not have any impact on the Company's Consolidated Financial Statements.

IFRS 15, Revenue from Contracts with Customers

The Company has also adopted IFRS 15, Revenue from Contracts with Customers, on January 1, 2018 using the modified retrospective method. IFRS 15 establishes a single comprehensive model to address how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures in order to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It replaces existing revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction Contracts. To determine revenue recognition for arrangements that an entity determines are within the scope of IFRS 15, the Company performs the following five steps: (i) identifies the contract(s) with a customer, (ii) identifies the performance obligations in the contract, (iii) determines the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognizes revenue

when (or as) the entity satisfies a performance obligation. The Company applies the five-step model to arrangements that meet the definition of a contract under IFRS 15, including when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it provides to the customer. Products and services are comprised of specialized data management systems provided on a rental basis. The Company satisfies its performance obligations and recognizes rental revenue during the reporting period based on completion of each rental day. Revenue transactions do not contain significant financing components or variable considerations. Payment terms with customers are 30 days from invoice date; however, industry practice can extend these terms. The Company adopted IFRS 15 using the modified retrospective approach. Under this transitional provision, the cumulative effect of initially applying IFRS15 is recognized on the date of initial application as an adjustment to retained earnings. No adjustment to retained earnings was required upon adoption of IFRS 15 and there was an no impact to the Company's financial position, results of operations, or cash flows as a result of the adoption for the current year.

Future Accounting Policy Changes

In January 2016 the International Accounting Standards Board released IFRS 16, Leases, which is required to be applied for years beginning on or after January 1, 2019, and which supersedes IAS 17, Leases; earlier application is allowed, but not before the application of IFRS 15, Revenue from Contracts with Customers.

This new pronouncement introduces a single lessee accounting model by eliminating a lessees' classification of leases as either operating leases or finance leases.

The most significant change will be the lessee's recognition of the initial present value of unavoidable future lease payments as a leased asset and liability on the Consolidated Balance Sheets. Leases with durations of twelve months or less and leases for low-value assets are both exempted.

The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. The presentation on the Consolidated Statement of Operations will result in most lease expenses being presented as amortization of leased assets and financing costs arising from lease liabilities rather than as being a part of either local administration expense or corporate service expenses. For the Consolidated Balance Sheet, the impact of the new standard will be a material increase to right-of-use lease assets and lease liabilities, primarily, as a result of existing leases currently not recognized on the balance sheet.

The lessee's actual cash flows will be unaffected, however relative to the current standard, the lessee's statement of cash flows will reflect increased operating activity cash flows offset by a corresponding decrease in financing activity cash flows due to the payment of the "principal" component of leases.

Management is currently accumulating the information required and developing the framework to capture the impacts of the new standard. The Company has a detailed plan to implement the new standard and, through a cross-functional team, is assessing contractual arrangements that may qualify as leases under the new standard. The Company is also finalizing procedures to validate the completeness of its inventory of arrangements that meet the new definition of a lease, in parallel to documenting internal policy decisions and permitted elections. The Company is also currently evaluating the new disclosure requirements which will be disclosed in the first quarter 2019 financial statements.

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.

5. Operating Segments

The Company operates in three geographic segments: Canada, the United States, and International (Latin America, Offshore, the Eastern Hemisphere, and the Middle East). The three geographic segments are considered 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.

Performance is measured based on gross profit as included in the internal management reports. Segment gross 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-company balances and transactions are eliminated.

The following table represents a disaggregation of revenue from contracts with customers along with the reportable segment for each category:

Year Ended December 31, 2018	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	**29,095**	**110,229**	**17,838**	**157,162**
Mud Management and Safety	**19,722**	**59,421**	**6,809**	**85,952**
Communications	**10,944**	**15,730**	**1,503**	**28,177**
Drilling Intelligence	**8,623**	**12,693**	**1,470**	**22,786**
Analytics and Other	**3,613**	**5,813**	**2,890**	**12,316**
Total Revenue	**71,997**	**203,886**	**30,510**	**306,393**
Rental services and local administration	**26,374**	**72,021**	**19,109**	**117,504**
Depreciation and amortization	**15,027**	**16,249**	**3,579**	**34,855**
Segment gross profit	**30,596**	**115,616**	**7,822**	**154,034**
Research and development				**26,997**
Corporate services				**15,905**
Stock-based compensation				**12,313**
Other expense				**6,717**
Income tax expense				**29,158**
Net Income				**62,944**
Capital expenditures	**7,710**	**12,849**	**3,317**	**23,876**
As at December 31, 2018				
Property plant and equipment	**37,511**	**68,122**	**14,784**	**120,417**
Goodwill	**1,259**	**7,784**	**2,600**	**11,643**
Intangible assets	**20,316**	**41**	**—**	**20,357**
Segment assets	**117,510**	**297,173**	**47,033**	**461,716**
Segment liabilities	**53,034**	**16,367**	**6,238**	**75,639**

Year Ended December 31, 2017				
Revenue				
Drilling Data	29,921	78,335	13,611	121,867
Mud Management and Safety	20,663	47,699	4,725	73,087
Communications	11,093	13,073	1,101	25,267
Drilling Intelligence	5,504	7,897	1,779	15,180
Analytics and Other	3,350	4,981	1,911	10,242
Total Revenue	70,531	151,985	23,127	245,643
Rental services and local administration	24,935	64,161	17,963	107,059
Depreciation and amortization	24,250	17,303	4,128	45,681
Segment gross profit	21,346	70,521	1,036	92,903
Research and development				25,219
Corporate services				15,141
Stock-based compensation				11,762
Other expense				1,561
Income tax expense				14,030
Net income				25,190
Capital expenditures	5,481	14,316	967	20,764
As at December 31, 2017				
Property plant and equipment	44,650	66,360	16,675	127,685
Goodwill	1,259	7,159	2,600	11,018
Intangible assets	23,129	171	—	23,300
Segment assets	94,331	261,635	42,480	398,446
Segment liabilities	37,739	7,854	5,367	50,960

6. Property, Plant, and Equipment

	Materials and supplies	Rental Equipment	Other	Total
	($)	($)	($)	($)
Property, plant and equipment				
Balance at January 1, 2017	10,141	472,779	48,752	531,672
Additions	9,433	1,471	7,464	18,368
Derecognition of assets	—	(44,922)	—	(44,922)
Disposals	(43)	(10,052)	(4,071)	(14,166)
Parts consumed	(11,782)	11,782	—	—
Effects of exchange rate changes	(218)	(21,166)	(1,378)	(22,762)
Balance at December 31, 2017	7,531	409,892	50,767	468,190
Additions	5,414	4,789	9,208	19,411
Derecognition of assets	—	(5,010)	(1,934)	(6,944)
Disposals	(41)	(15,603)	(2,985)	(18,629)
Parts consumed	(5,095)	5,095	—	—
Effects of exchange rate changes	(178)	23,345	(397)	22,770
Balance at December 31, 2018	**7,631**	**422,508**	**54,659**	**484,798**
Depreciation and impairment losses				
Balance at January 1, 2017	—	345,674	35,494	381,168
Provisions	—	26,114	8,160	34,274
Derecognition of assets	—	(44,901)	—	(44,901)
Disposals	—	(8,569)	(4,429)	(12,998)
Effects of exchange rate changes	—	(15,478)	(1,560)	(17,038)
Balance at December 31, 2017	—	302,840	37,665	340,505
Provisions	—	22,288	6,828	29,116
Derecognition of assets	—	(5,010)	(1,934)	(6,944)
Disposals	—	(14,325)	(2,511)	(16,836)
Effects of exchange rate changes	—	17,806	734	18,540
Balance at December 31, 2018	**—**	**323,599**	**40,782**	**364,381**
Carrying Amounts				
At December 31, 2017	7,531	107,052	13,102	127,685
At December 31, 2018	**7,631**	**98,909**	**13,877**	**120,417**

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

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 from the Company's books. In 2018, these amounts were $6,944 (2017: $44,922)

Included in depreciation and amortization expense are losses on the derecognition of assets and spare parts obsolescence reserves in the amount of $1,243 (2017: $1,147) for the year-ended December 31, 2018.

7. Intangible Assets

	Goodwill	Research & Development	Technology	Customer Relationships	Other	Total
	($)	($)	($)	($)	($)	($)
Intangible assets						
Balance at January 1, 2017	12,431	39,044	2,842	15,193	5,218	74,728
Internally developed	—	3,996	—	—	130	4,126
Investment tax credits received	—	(1,600)	—	—	—	(1,600)
Derecognition of assets	—	(10,492)	—	(3,864)	—	(14,356)
Effects of exchange rate	(816)	(10)	—	(84)	65	(845)
Balance at December 31, 2017	11,615	30,938	2,842	11,245	5,413	62,053
Internally developed	—	4,506	—	—	16	4,522
Investment tax credits received	—	(1,751)	—	—	—	(1,751)
Derecognition of assets	—	(13,506)	—	0	(422)	(13,928)
Effects of exchange rate	678	—	—	169	26	873
Balance at December 31, 2018	**12,293**	**20,187**	**2,842**	**11,414**	**5,033**	**51,769**
Amortization						
Balance at January 1, 2017	697	17,890	—	10,467	1,976	31,030
Amortization	—	8,985	474	788	1,160	11,407
Derecognition of assets	—	(10,492)	—	(3,864)	—	(14,356)
Effects of exchange rate	(99)	(4)	—	(84)	(159)	(346)
Balance at December 31, 2017	598	16,379	474	7,307	2,977	27,735
Amortization	—	3,725	474	788	752	5,739
Derecognition of assets	—	(13,506)	—	—	(422)	(13,928)
Effects of exchange rate	52	—	—	169	2	223
Balance at December 31, 2018	**650**	**6,598**	**948**	**8,264**	**3,309**	**19,769**
Carrying amounts						
At December 31, 2017	11,017	14,559	2,368	3,938	2,436	34,318
At December 31, 2018	**11,643**	**13,589**	**1,894**	**3,150**	**1,724**	**32,000**

Derecognition of Intangible Assets

Included in the amounts recorded as derecognition of intangible assets in the above table are the costs and accumulated depreciation of fully depreciated research and development costs that have been removed from the Company's books. In 2018, these amounts were $13,928 (2017: $14,356).

Intangible Assets and Goodwill

The carrying value of goodwill is regularly tested for impairment. In assessing these assets for impairment at December 31, 2018 and 2017, the Company compared the aggregate recoverable amount of the assets included in the respective CGUs.

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:

	Canada	United States	International
	(%)	(%)	(%)
Weighted average growth rate	7	10	11
Terminal growth rate	2.0	2.0	2.0
Pre-tax discount rate	13	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 goodwill.

8. Share Capital

	Common Shares			
Years Ended December 31,		**2018**		2017
	($)	**(#)**	($)	(#)
Balance, beginning of year	**150,887**	**85,158**	139,730	84,628
Exercise of stock options	**12,854**	**595**	9,407	431
Previous business acquisition	**1,500**	**80**	1,750	99
Shares repurchased and cancelled under Normal Course Issuer Bid (NCIB)	**(95)**	**(50)**	—	—
Liability for automatic share purchase plan commitment pursuant to NCIB	**(423)**	**—**	—	—
Balance, end of year	**164,723**	**85,783**	150,887	85,158

Common shares

At December 31, 2018, 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 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, 2018, 5,534 (2017: 5,514) stock options were outstanding for common shares at exercise prices ranging from $15.94 to $27.96 per share, expiring between 2019 and 2023 as follows:

	December 31, 2018		December 31, 2017	
	Share Options	**Weighted Average Exercise Price**	Share Options	Weighted Average Exercise Price
	(#)	**($)**	(#)	($)
Outstanding, beginning of year	**5,514**	**20.07**	5,075	20.53
Granted	**1,281**	**20.22**	1,564	18.54
Equity settled	**(595)**	**18.52**	(432)	16.59
Expired or forfeited	**(666)**	**22.18**	(693)	22.00
Outstanding, end of year	**5,534**	**20.00**	5,514	20.07
Exercisable, end of year	**2,788**	**21.10**	2,648	22.41
Available for grant, end of year	**471**		471	

The following table summarizes information about stock options outstanding at December 31, 2018:

	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**
($)	**(#)**	**(Years)**	**($)**	**(#)**	**($)**
15.94 – 19.72	**2,582**	**3.46**	**17.42**	**1,117**	**17.03**
19.73 – 27.96	**2,952**	**2.91**	**23.82**	**1,671**	**23.82**
	5,534	**3.16**	**20.00**	**2,788**	**21.10**

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,	**2018**	2017
Fair value of stock options ($)	**3.72**	3.83
Forfeiture rate (%)	**11.39**	11.65
Risk-free interest rate (%)	**2.17**	1.49
Expected option life (years)	**3.41**	3.15
Expected volatility (%)	**31.42**	37.06
Expected annual dividends per share (%)	**3.61**	3.68

Stock-based compensation expense arising from the Stock option plan of $4,704 (2017: $3,646) was recorded in the Consolidated Statements of Operations under stock-based compensation.

Restricted share units plan

At December 31, 2018, 319 (2017: 258) 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 $2,481 (2017: $2,127) 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,	2018	2017
	(#)	(#)
RSUs, beginning of year	**258**	262
Granted	**191**	126
Vested and paid	**(116)**	(109)
Forfeited	**(14)**	(21)
RSUs, end of year	**319**	258

Deferred share units plan

The DSUs are awarded annually to non-management members of the Board of Directors 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 129 DSUs credited as at December 31, 2018 (2017:107). Stock-based compensation expense arising from the DSU plan of $404 (2017: $263) 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,	2018	2017
	(#)	(#)
DSUs, beginning of year	**107**	120
Credited	**22**	21
Vested and paid	—	(34)
DSUs, end of year	**129**	107

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 4,571 PSUs outstanding at December 31, 2018 (2017: 4,240). Stock-based compensation expense arising from the PSU plan of $3,645 (2017: $2,896) 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,	2018	2017
	(#)	(#)
PSUs, beginning of year	**4,240**	3,862
Granted	**2,368**	2,220
Vested and paid	**(2,037)**	(1,842)
PSUs, end of year	**4,571**	4,240

Stock-based compensation expense and liability

Stock-based compensation can be summarized as follows:

Expense

Years Ended December 31,	2018	2017
	($)	($)
Stock options	4,704	3,646
RSUs	2,481	2,127
DSUs	404	263
PSUs	3,645	2,896
Deferred compensation expense	1,079	2,830
Stock-based compensation	12,313	11,762

In 2016, the Company purchased all of the existing and outstanding shares of Verdazo Analytics, Inc. (Verdazo). A portion of the total consideration was deferred and is payable over three years. In accordance with IFRS 3, a portion of this deferred consideration was not part of the purchase price but is accounted for as future compensation expense. This amount is included in deferred compensation expense

Liability

As at	December 31, 2018	December 31, 2017
	($)	($)
RSUs	1,109	935
PSUs	1,609	1,075
Deferred compensation expense	583	1,079
Current portion of stock-based compensation liability	3,301	3,089
RSUs	341	390
DSUs	2,355	1,951
PSUs	504	417
Non-current portion of stock-based compensation liability	3,200	2,758
Total stock-based compensation liability	6,501	5,847

Common share dividends

During 2018, the Company declared and paid dividends of $59,785 (2017: $57,697) or $0.70 per common share (2017: $0.68).

Normal Course Issuer Bid (NCIB)

During the fourth quarter of 2018, 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 6,556 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 32 common shares.

The NCIB commenced on December 18, 2018 and expires on December 17, 2019. In the fourth quarter of 2018 the Company purchased 50 common shares for cancellation, for a total cash consideration of $921, which was allocated between share capital and retained earnings.

Under an automatic purchase plan agreement with an independent broker (APP), the Company recorded the following for share repurchases that could take place during its internal blackout period.

The total accrual of $4,079 is included in the Consolidated Balance Sheet under trade payables and accruals.

As at	December 31, 2018	December 31, 2017
	($)	($)
Amounts charged to		
Share capital	423	—
Retained earnings	3,656	—
Liability for automatic share purchase plan commitment	4,079	—

9. Income Per Share

Basic income per share

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

Years Ended December 31,	2018	2017
	(#)	(#)
Issued common shares outstanding, beginning of year	85,158	84,628
Effect of exercised options	199	193
Weighted average number of common shares outstanding for the year	85,357	84,821

For the year ended December 31, 2018, 595 (2017: 432) common shares were issued as a result of the exercise of vested options. Options were exercised at an average price of $18.52 per option. All issued shares are fully paid.

Diluted income per share

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

Years Ended December 31,	2018	2017
	(#)	(#)
Weighted average number of common shares (basic)	85,357	84,821
Effect of share options	301	434
Weighted average number of common shares (diluted)	85,658	85,255

Options totaling 2,952 are excluded from the above calculation as 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 during the period.

10. Other Expense

Years Ended December 31,	**2018**	2017
	($)	($)
Foreign exchange loss	**7,682**	1,106
Other	**(965)**	455
Other expense	**6,717**	1,561

In 2017, the Company's Argentina subsidiary initiated repayment of advances made to it by the Canadian operating company. As a result, effective for the third quarter of 2017, any foreign exchange gains and losses from these advances are recorded in profit or loss for the period. Previously, these advances were considered to be part of the net investment and gains or losses arising from these advances were recorded in the Consolidated Statements of Other Comprehensive Income.

11. Income Tax

The major components of income tax expense are as follows:

Years Ended December 31,	**2018**	2017
	($)	($)
Current tax expense	**19,362**	9,268
Deferred tax expense	**9,796**	4,762
Total tax provision	**29,158**	14,030

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 27% for both 2018 and 2017.

The Company’s US subsidiaries (US Consolidated Group) were subject to federal and state statutory tax rates of approximately 39% for 2017. As a result of US Tax Reform Legislation (US Tax Reform), effective January 1, 2018, the US Consolidated Group is subject to a combined rate of approximately 25%. Deferred tax balances at December 31, 2017 of the USA Consolidated Group were measured at the new enacted rate. The impact of US Tax Reform on the Company's income tax provision for the year ending December 31, 2017 was not material.

The main differences are as follows:

Years Ended December 31,	**2018**	2017
	($)	($)
Income before income taxes	**92,102**	39,220
Expected income tax at statutory rate of 27%	**24,868**	10,589
Increase (decrease) resulting from:		
Tax rates in other jurisdictions and impact of not recognizing deferred tax assets on net operating losses	**895**	3,437
Non-taxable dividends	**—**	(4,795)
Non-deductible portion of stock-based compensation	**2,814**	1,184
Recognition of Advanced Pricing Arrangement (APA)	**—**	3,322
Prior years reassessments and adjustments	**192**	(206)
Non-taxable items not deductible for tax purposes and other items	**389**	499
Income tax expense	**29,158**	14,030

As a result of US Tax Reform, the interest paid by the US Consolidated Group on the Company's inter-company financing is no longer deductible for US tax purposes. This payment, which is deemed to be dividend income for Canadian tax purposes, is still tax exempt for purposes of calculating Canadian income tax.

Advanced Pricing Arrangement (APA)

In 2018, the Company entered into a Bilateral APA with the Canada Revenue Agency (CRA) and the Internal Revenue Service (IRS) (collectively, the Parties) covering the taxation years ended December 31, 2013 through to December 31, 2021. The purpose of this APA is for the Company to obtain agreement among the Parties on the Transfer Pricing (TP) methodology applied to the material inter-company transactions between Pason Systems Corp. (Pason Canada) and Pason Systems USA and Petron (collectively Pason USA) (the covered transactions).

The Company’s previous tax filings were based upon the TP methodology presented to the Parties under the APA submission. The TP methodology in the final APA differed from what was presented under the submission and accordingly, the Company amended its previous tax filings. This change reduced the previously recorded royalty and management fee Pason Canada charged Pason USA for the five years commencing December 31, 2013 and ending December 31, 2017 by approximately $26,667, resulting in a decrease in taxable income in Pason Canada and a decrease in the NOL balance available in Pason USA.

In 2017 management anticipated that a final agreement would be entered into in 2018, and as a result the impact of the APA on the Company's tax position was recorded in 2017. Accordingly, in 2017 the Company recorded an increase to current Canadian income tax recoverable amount of $1,006, a $6,074 deferred tax asset relating to an increase in the Company’s Canadian NOLs, and a reduction

in the deferred tax asset relating to Pason USA's NOLs of $10,402. The net impact of these amounts, totaling $3,322, was recognized through the income tax provision for the year ending December 31, 2017.

Management's estimate of the effect of the APA on it's tax position did not differ significantly from the actual impact and, accordingly, the Company's tax provision for the year ending December 31, 2018 was not materiality impacted by the final negotiated APA.

In addition to the TP methodology, the Parties settled on the applicable withholding tax on the covered transactions. Pason USA will recover previously remitted withholding taxes of $15,304 from one of the Parties while Pason Canada will be required to remit a corresponding amount to the other Party. There is no legal right of offset for these amounts and, as a result, this amount has been separately disclosed in the Consolidated Balance Sheet as at December 31, 2018 as both a current asset and current liability with no impact on the Company's tax provision for either the year ending December 31, 2018 or the year ending December 31, 2017.

Deferred tax assets and liabilities are comprised of the following:

As at December 31,	**2018**	2017
	($)	($)
Tax loss carry-forwards	**—**	15,809
Inter-company transactions	**11,037**	4,367
Share-based payments	**1,597**	2,701
Other	**(8,799)**	(7,109)
Property, plant and equipment	**(13,060)**	(10,702)
Intangible assets	**(7,835)**	(8,191)
	(17,060)	(3,125)
Deferred tax asset	**—**	1,390
Deferred tax liability	**(17,060)**	(4,515)
	(17,060)	(3,125)

Inter-company transactions represent amounts owing to Canada from the US Consolidated Group that are not deductible for US tax purposes until paid.

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

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, 2017	30,485	5,166	2,257	(6,914)	(20,409)	(10,697)	(112)
Recognized in income	(13,393)	(475)	442	(2,540)	8,515	2,689	(4,762)
Recognized in Other Comprehensive Income	—	—	—	2,500	—	—	2,500
Foreign exchange differences	(1,283)	(324)	2	(155)	1,192	(183)	(751)
December 31, 2017	15,809	4,367	2,701	(7,109)	(10,702)	(8,191)	(3,125)
Recognized in income	(15,813)	6,533	(1,103)	1,018	(969)	538	(9,796)
Recognized in Other Comprehensive Income (OCI)				(3,110)			(3,110)
Foreign exchange differences	4	137	(1)	402	(1,389)	(182)	(1,029)
December 31, 2018	**—**	**11,037**	**1,597**	**(8,799)**	**(13,060)**	**(7,835)**	**(17,060)**

Foreign exchange differences are recognized through foreign currency translation adjustment in the Statement of Other Comprehensive Income.

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.

Tax loss carry-forwards

At December 31, 2017, after giving effect to the APA adjustment referred to above, the Company had available Canadian net operating losses (NOLs) for federal purposes of $31,968 and $23,382 for Alberta purposes, and US NOLs of USD $24,803, the benefits all of which were recognized in the Consolidated Financial Statements as at December 31, 2017. These losses were utilized in 2018 to reduce current income tax owing.

The Company has NOLs in its International business segment for which no deferred tax asset has been recognized. Deferred tax assets are only recognized to the extent that it is probable that future taxable profits will be available to use unused tax losses.

12. Cash and Cash Equivalents

As at December 31,	2018	2017
	($)	($)
Cash	57,819	74,902
Cash equivalents	146,019	79,227
Cash and cash equivalents	203,838	154,129

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 16. During the fourth quarter of 2018 the Company invested in a USD $60,000 term deposit bearing an interest rate of 2.39%, with a maturity of less than 90 days. This amount is included in cash equivalents. The remaining cash equivalents are made up of cash invested in money market funds with interest rates of approximately 1.50%, and maturities from 1–30 days.

13. Trade and Other Receivables

As at December 31,	2018	2017
	($)	($)
Trade receivables, net of allowances for doubtful accounts	76,965	52,275
Other receivables	3,055	2,794
	80,020	55.069

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. Throughout the reporting year, no amounts were drawn on this facility.

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, Accruals and Provisions

As at December 31,	Note	**2018**	2017
		($)	($)
Trade payables		**10,921**	6,636
Non-trade payables and accrued expenses		**19,541**	13,755
Liability for automatic share purchase plan commitment pursuant to NCIB	8	**4,079**	—
		34,541	20,391

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,	**2018**	2017
	($)	($)
Trade and other receivables, net of allowance for doubtful accounts	**80,020**	55,069

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

As at December 31,	**2018**	2017
	($)	($)
Canada	**13,229**	12,092
United States	**54,341**	34,427
International	**12,450**	8,550
	80,020	55,069

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,		**2018**		2017
	Gross	**Allowance**	Gross	Allowance
	($)	**($)**	($)	($)
Current	**54,229**	**—**	39,865	—
31–60 days	**15,149**	**—**	10,823	(60)
61–90 days	**8,698**	**(10)**	3,419	(50)
Greater than 90 days	**4,156**	**(2,202)**	4,856	(3,784)
	82,232	**(2,212)**	58,963	(3,894)

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,	**2018**	2017
	($)	($)
Opening balance	**3,894**	4,781
Expected credit loss	**10**	74
Accounts collected, previously allowed for	**14**	117
Write-off of uncollectible accounts	**(1,868)**	(830)
Effects of exchange rate changes	**162**	(248)
Ending balance	**2,212**	3,894

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, 2018						
	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	34,541	34,541	34,541	—	—	—	—
Stock-based compensation	6,501	6,501	—	3,301	3,200	—	—
	41,042	41,042	34,541	3,301	3,200	—	—

For trade payables and accruals and amounts owing on business acquisition, 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,	**2018**	2017
	USD	USD
Cash	**131,505**	112,534
Trade and other receivables	**41,853**	29,035
Trade payables, accruals and other provisions	**(9,771)**	(6,037)
Balance sheet exposure	**163,587**	135,532
CDN$ Equivalent	**223,165**	170,024

(a) Sensitivity analysis

A strengthening of the Canadian dollar against the US dollar by 1% at December 31, 2018 would have decreased net income and equity for the year by $115 and $4,759, 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, 2018 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, 2018**
	($)	($)	($)	**($)**
Cash and cash equivalents	**203,838**	—	—	**203,838**
Total financial assets at fair value	**203,838**	—	—	**203,838**

(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 services are payable as follows:

As at December 31,	**2018**	2017
	($)	($)
Less than one year	**5,579**	14,324
Between one and three years	**9,447**	8,293
More than three years	**3,235**	4,195
	18,261	26,812

Contractual obligations relate to minimum future payments required primarily for leases of certain facilities. The amounts above do not include the payments owing on the lease of the Company's previous Golden, Colorado office which was closed and sub-leased out in 2016. The Company has recorded an onerous lease obligation on the Consolidated Balance Sheets for this lease which is calculated at the present value of the expected net cost of continuing with the lease after adjusting for anticipated sublease rentals.

18. Capital Commitments

At December 31, 2018, the Group has entered into contracts to purchase property, plant, and equipment for $8,152 (2017: $5,644), 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,	**2018**	2017
	($)	($)
Compensation, including bonuses	**5,135**	4,615
Share-based payments	**5,972**	4,727
	11,107	9,342

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 12% of the voting shares of the Company. No balances are owing from any employees or directors.

20. Contingencies

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 financial position, results of operations or liquidity.

21. Events After the Reporting Period

On February 26, 2019, the Company announced a quarterly dividend of $0.18 per share on the Company's common shares. The dividend will be paid on March 29, 2019 to shareholders of record at the close of business on March 15, 2019.

22. Organizational Structure