Condensed Consolidated Interim Financial Statements and Notes

Condensed Consolidated Interim Balance Sheets

As at	Note*	**June 30, 2018**	December 31, 2017
(CDN 000s) (unaudited)		**($)**	($)
Assets			
Current			
Cash and cash equivalents	9	**111,342**	154,129
Short-term investments	10	**65,840**	—
Trade and other receivables		**62,012**	55,069
Income tax recoverable other		**17,881**	17,881
Prepaid expenses		**2,909**	4,028
Income taxes recoverable		**7,639**	3,946
Total current assets		**267,623**	235,053
Non-current			
Property, plant and equipment		**123,647**	127,685
Intangible assets and goodwill		**33,153**	34,318
Deferred tax assets		**—**	1,390
Total non-current assets		**156,800**	163,393
Total assets		**424,423**	398,446
Liabilities and equity			
Current			
Trade payables and accruals		**19,576**	20,391
Income taxes payable other		**17,881**	17,881
Stock-based compensation liability	6	**5,417**	3,089
Total current liabilities		**42,874**	41,361
Non-current			
Stock-based compensation liability	6	**4,486**	2,758
Onerous lease obligation		**2,302**	2,326
Deferred tax liabilities		**15,556**	4,515
Total non-current liabilities		**22,344**	9,599
Equity			
Share capital	6	**155,275**	150,887
Share-based benefits reserve		**26,001**	24,425
Foreign currency translation reserve		**57,246**	40,358
Retained earnings		**120,683**	131,816
Total equity		**359,205**	347,486
Total liabilities and equity		**424,423**	398,446

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

Condensed Consolidated Interim Statements of Operations

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note*	**2018**	2017 (Restated-Note 2)	**2018**	2017 (Restated-Note 2)
(CDN 000s, except per share data) (unaudited)		**($)**	($)	**($)**	($)
Revenue		**68,271**	55,792	**142,084**	114,841
Operating expenses					
Rental services		**25,209**	24,099	**51,248**	45,582
Local administration		**3,147**	2,535	**6,004**	5,248
Depreciation and amortization		**9,220**	10,823	**18,395**	22,796
		37,576	37,457	**75,647**	73,626
Gross profit		**30,695**	18,335	**66,437**	41,215
Other expenses					
Research and development		**6,617**	6,261	**12,976**	12,138
Corporate services		**3,840**	3,536	**7,645**	7,604
Stock-based compensation expense	6	**3,855**	3,177	**6,389**	5,724
Other expense (income)	8	**5,844**	(1,689)	**8,377**	(250)
		20,156	11,285	**35,387**	25,216
Income before income taxes		**10,539**	7,050	**31,050**	15,999
Income tax provision		**5,060**	1,082	**13,212**	3,227
Net income		**5,479**	5,968	**17,838**	12,772
Income per share	7				
Basic		**0.06**	0.07	**0.21**	0.15
Diluted		**0.06**	0.07	**0.21**	0.15

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

Condensed Consolidated Interim Statements of Other Comprehensive Income

		Three Months Ended June 30,		Six Months Ended June 30,	
	Note*	**2018**	2017 (Restated-Note 2)	**2018**	2017 (Restated-Note 2)
(CDN 000s) (unaudited)		**($)**	**($)**	**($)**	($)
Net income		**5,479**	5,968	**17,838**	12,772
Items that may be reclassified subsequently to net income:					
Tax (recovery) expense on net investment in foreign operations related to an inter-company financing	2	(777)	927	**(1,766)**	1,276
Foreign currency translation adjustment		8,874	(9,733)	**18,654**	(10,738)
Other comprehensive gain (loss)		**8,097**	(8,806)	**16,888**	(9,462)
Total comprehensive income (loss)		**13,576**	(2,838)	**34,726**	3,310

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

Condensed Consolidated Interim Statements of Changes in Equity

(CDN 000s) (unaudited)	Note*	Share Capital ($)	Share-Based Benefits Reserve ($)	Foreign Currency Translation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at January 1, 2017 - Previously reported		139,730	23,026	69,443	154,452	386,651
Correction of error	2	—	—	(9,871)	9,871	—
Balance at January 1, 2017 - Currently reported		139,730	23,026	59,572	164,323	386,651
Net income - as restated	2	—	—	—	12,772	12,772
Dividends	6	—	—	—	(28,813)	(28,813)
Other comprehensive loss - as restated	2	—	—	(9,462)	—	(9,462)
Exercise of stock options		4,065	(985)	—	—	3,080
Expense related to vesting of options		—	1,638	—	—	1,638
Balance at June 30, 2017		143,795	23,679	50,110	148,282	365,866
Net income - as restated	2	—	—	—	12,418	12,418
Dividends		—	—	—	(28,884)	(28,884)
Other comprehensive loss		—	—	(9,752)	—	(9,752)
Exercise of stock options		5,342	(1,262)	—	—	4,080
Expense related to vesting of options		—	2,008	—	—	2,008
Verdazo Acquisition		1,750	—	—	—	1,750
Balance at December 31, 2017		150,887	24,425	40,358	131,816	347,486
Net income		—	—	—	17,838	17,838
Dividends	6	—	—	—	(28,971)	(28,971)
Other comprehensive income		—	—	16,888	—	16,888
Exercise of stock options	6	4,388	(716)	—	—	3,672
Expense related to vesting of options		—	2,292	—	—	2,292
Balance at June 30, 2018		**155,275**	**26,001**	**57,246**	**120,683**	**359,205**

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

Condensed Consolidated Interim Statements of Cash Flows

	Note*	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017 (Restated-Note 2)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017 (Restated-Note 2)
(CDN 000s) (unaudited)		**($)**	($)	**($)**	($)
Cash from (used in) operating activities					
Net income		**5,479**	5,968	**17,838**	12,772
Adjustment for non-cash items:					
Depreciation and amortization		**9,220**	10,823	**18,395**	22,796
Stock-based compensation	6	**3,855**	3,177	**6,389**	5,724
Deferred income taxes		**3,361**	(125)	**10,664**	(665)
Unrealized foreign exchange loss (gain) and other		**5,921**	(1,048)	**8,508**	(758)
Funds flow from operations		**27,836**	18,795	**61,794**	39,869
Movements in non-cash working capital items:					
Increase (decrease) in trade and other receivables		**2,150**	3,659	**(6,747)**	1,816
Decrease in prepaid expenses		**794**	700	**1,275**	258
Decrease in income taxes recoverable		**1,205**	2,774	**1,270**	9,566
Increase (decrease) in trade payables, accruals and stock-based compensation liability		**387**	(780)	**(978)**	3,134
Effects of exchange rate changes		**76**	(522)	**310**	985
Cash generated from operating activities		**32,448**	24,626	**56,924**	55,628
Income tax paid		**(4,831)**	(425)	**(4,963)**	(1,596)
Net cash from operating activities		**27,617**	24,201	**51,961**	54,032
Cash flows from (used in) financing activities					
Proceeds from issuance of common shares	6	**3,444**	2,374	**3,672**	3,080
Payment of dividends	6	**(14,491)**	(14,419)	**(28,971)**	(28,813)
Net cash used in financing activities		**(11,047)**	(12,045)	**(25,299)**	(25,733)
Cash flows (used in) from investing activities					
Additions to property, plant and equipment		**(3,514)**	(4,439)	**(8,325)**	(5,280)
Development costs		**(1,257)**	(660)	**(2,243)**	(953)
Proceeds on disposal of investment and property, plant and equipment		**76**	11	**96**	14
Purchase of short-term investments	10	**(65,840)**	—	**(65,840)**	—
Acquisition		**—**	—	**—**	(4,750)
Proceeds on sale of net operating assets		**—**	—	**—**	7,123
Changes in non-cash working capital		**211**	515	**550**	326
Net cash used in investing activities		**(70,324)**	(4,573)	**(75,762)**	(3,520)
Effect of exchange rate on cash and cash equivalents		**2,254**	(4,409)	**6,313**	(4,738)
Net (decrease) increase in cash and cash equivalents		**(51,500)**	3,174	**(42,787)**	20,041
Cash and cash equivalents, beginning of period		**162,842**	163,346	**154,129**	146,479
Cash and cash equivalents, end of period	9	**111,342**	166,520	**111,342**	166,520

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

Notes to Condensed Consolidated Interim Financial Statements

($CDN 000s, except per share data) (unaudited)

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 condensed consolidated interim 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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the requirements of International Accounting Standard ("IAS") 34, Interim Financial Reporting and include the accounts of Pason and its wholly owned subsidiaries. All significant inter-company balances and transactions including revenue and expenses have been eliminated. These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2017 and first quarter 2018 financial statements.

Correction of Error

During the fourth quarter of 2017, the Company adjusted for an immaterial non-cash error in the recognition of a component of its deferred income tax expense. The error was a result of the Company recognizing in the statement of operations the deferred income tax effect of the future taxable foreign exchange gain adjustment associated with its net investment in foreign operations related to an inter-company financing, when the amount should have been adjusted through the foreign currency translation reserve within equity.

Accordingly, this adjustment has been corrected on a retrospective basis with all prior period comparative figures being restated. The cumulative impact of this error as of January 1, 2017 was to increase retained earnings and reduce Foreign Currency Translation Reserve by $9,871.

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
	Previously reported	Correction	As restated	Previously reported	Correction	As restated
	($)	($)	($)	($)	($)	($)
Consolidated Statement of Operations						
Income taxes	155	927	1,082	1,951	1,276	3,227
Net income	6,895	(927)	5,968	14,048	(1,276)	12,772
Net income per share						
Basic	0.08	(0.01)	0.07	0.17	(0.02)	0.15
Diluted	0.08	(0.01)	0.07	0.17	(0.02)	0.15
Consolidated Statements of Other Comprehensive Income (loss)						
Other comprehensive loss	(9,733)	927	(8,806)	(10,738)	1,276	(9,462)

3. Significant Accounting Policies

There have been no significant accounting policy changes other than as discussed below; refer to the audited annual consolidated financial statements as at and for the year ended December 31, 2017 and first quarter 2018 financial statements.

Adoption of new and amended standards

IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers, on January 1, 2018. There was no impact to the Company's financial position, results of operations, or cash flows as a result of the adoption of either standard. Refer to the Company's 2018 first quarter financial statements for further details.

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.

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 leases and developing the framework to capture the impacts of the new standard and does not expect the Company's Consolidated Balance Sheets will be materially affected. At this time it is not possible to make reasonable estimates of the effects of the new standard.

4. Seasonality

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

5. Operating Segments

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

Information regarding the results of each reportable segment is included below. Performance is measured based on 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-group balances and transactions are eliminated.

The Group operates in three geographic segments: Canada, the United States, and International (Latin America, Offshore, the Eastern Hemisphere, and the Middle East). The following table represents a disaggregation of revenue from contracts with customers along with the reportable segment for each category:

Three Months Ended June 30, 2018	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	**4,180**	**26,973**	**4,267**	**35,420**
Mud Management and Safety	**2,962**	**14,643**	**1,699**	**19,304**
Communications	**1,506**	**4,200**	**405**	**6,111**
Drilling Intelligence	**1,117**	**2,909**	**348**	**4,374**
Analytics and Other	**900**	**1,553**	**609**	**3,062**
Total Revenue	**10,665**	**50,278**	**7,328**	**68,271**
Rental services and local administration	**6,136**	**17,455**	**4,765**	**28,356**
Depreciation and amortization	**4,223**	**4,100**	**897**	**9,220**
Segment gross profit	**306**	**28,723**	**1,666**	**30,695**
Research and development				**6,617**
Corporate services				**3,840**
Stock-based compensation				**3,855**
Other expense				**5,844**
Income taxes				**5,060**
Net income				**5,479**
Capital expenditures	**1,087**	**3,537**	**147**	**4,771**
As at June 30, 2018				
Property plant and equipment	**40,312**	**68,432**	**14,903**	**123,647**
Goodwill	**1,259**	**7,342**	**2,600**	**11,201**
Intangible assets	**21,952**	**—**	**—**	**21,952**
Segment assets	**110,409**	**272,311**	**41,703**	**424,423**
Segment liabilities	**45,763**	**14,713**	**4,742**	**65,218**

Three Months Ended June 30, 2017 (Restated - Note 2)				
Revenue				
Drilling Data	4,157	20,466	3,694	28,317
Mud Management and Safety	3,117	12,090	1,216	16,423
Communications	1,670	3,388	322	5,380
Drilling Intelligence	746	1,973	502	3,221
Analytics and Other	789	1,278	384	2,451
Total Revenue	10,479	39,195	6,118	55,792
Rental services and local administration	5,559	16,302	4,773	26,634
Depreciation and amortization	5,645	4,170	1,008	10,823
Segment gross (loss) profit	(725)	18,723	337	18,335
Research and development				6,261
Corporate services				3,536
Stock-based compensation				3,177
Other income				(1,689)
Income taxes				1,082
Net income				5,968
Capital expenditures	171	4,929	(1)	5,099
As at June 30, 2017				
Property plant and equipment	46,493	69,103	18,624	134,220
Goodwill	1,259	6,995	2,600	10,854
Intangible assets	28,146	655	—	28,801
Segment assets	119,681	240,334	52,976	412,991
Segment liabilities	22,209	10,182	14,734	47,125

Six Months Ended June 30, 2018	Canada	United States	International	Total
	($)	($)	($)	($)
Revenue				
Drilling Data	**14,100**	**50,671**	**7,944**	**72,715**
Mud Management and Safety	**9,623**	**27,879**	**3,062**	**40,564**
Communications	**5,275**	**7,898**	**736**	**13,909**
Drilling Intelligence	**3,235**	**5,053**	**667**	**8,955**
Analytics and Other	**1,856**	**2,885**	**1,200**	**5,941**
Total Revenue	**34,089**	**94,386**	**13,609**	**142,084**
Rental services and local administration	**13,464**	**34,340**	**9,448**	**57,252**
Depreciation and amortization	**8,608**	**7,928**	**1,859**	**18,395**
Segment gross profit	**12,017**	**52,118**	**2,302**	**66,437**
Research and development				**12,976**
Corporate services				**7,645**
Stock-based compensation				**6,389**
Other expenses				**8,377**
Income tax expense				**13,212**
Net Income				**17,838**
Capital expenditures	**3,050**	**6,800**	**718**	**10,568**
As at June 30, 2018				
Property plant and equipment	**40,312**	**68,432**	**14,903**	**123,647**
Goodwill	**1,259**	**7,342**	**2,600**	**11,201**
Intangible assets	**21,952**	**—**	**—**	**21,952**
Segment assets	**110,409**	**272,311**	**41,703**	**424,423**
Segment liabilities	**45,763**	**14,713**	**4,742**	**65,218**

Six Months Ended June 30, 2017 (Restated - Note 2)				
Revenue				
Drilling Data	14,602	35,742	6,741	57,085
Mud Management and Safety	10,109	21,589	2,239	33,937
Communications	5,353	5,985	535	11,873
Drilling Intelligence	2,778	3,457	979	7,214
Analytics and Other	1,624	2,388	720	4,732
Total Revenue	34,466	69,161	11,214	114,841
Rental services and local administration	11,353	30,512	8,965	50,830
Depreciation and amortization	11,579	9,171	2,046	22,796
Segment gross profit	11,534	29,478	203	41,215
Research and development				12,138
Corporate services				7,604
Stock-based compensation				5,724
Other income				(250)
Income tax expense				3,227
Net income				12,772
Capital expenditures	118	6,215	(100)	6,233
As at June 30, 2017				
Property plant and equipment	46,493	69,103	18,624	134,220
Goodwill	1,259	6,995	2,600	10,854
Intangible assets	28,146	655	—	28,801
Segment assets	119,681	240,334	52,976	412,991
Segment liabilities	22,209	10,182	14,734	47,125

6. Share Capital

	Common Shares			
	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	($)	**(#)**	($)	(#)
Balance, beginning of period	**150,887**	**85,158**	139,730	84,628
Exercise of stock options:	**4,388**	**220**	9,407	431
Verdazo Acquisition	**—**	**—**	1,750	99
Balance, end of period	**155,275**	**85,378**	150,887	85,158

Common shares

At June 30, 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 June 30, 2018, 5,225 (2017: 4,490) stock options were outstanding for common shares at exercise prices ranging from $15.94 to $27.96 per share, expiring between 2018 and 2022 as follows:

	Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	Share Options	**Weighted Average Exercise Price**	Share Options	Weighted Average Exercise Price
	(#)	**($)**	(#)	($)
Outstanding, beginning of period	**5,514**	**20.06**	5,075	20.52
Granted	**—**	**—**	89	19.32
Equity settled	**(220)**	**16.74**	(187)	16.52
Expired or forfeited	**(69)**	**18.93**	(487)	22.27
Outstanding, end of period	**5,225**	**20.21**	4,490	20.47
Exercisable, end of period	**2,475**	**22.81**	2,007	22.95
Available for grant, end of period	**751**		1,447	

Stock-based compensation expense and liability

The stock option, restricted share unit (RSU), deferred share unit (DSU), and performance share unit (PSU) plans expense are summarized as follows:

Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
	($)	($)	**($)**	($)
Stock options	**1,168**	801	**2,291**	1,638
RSUs	**1,104**	690	**1,603**	1,194
DSUs	**593**	125	**585**	175
PSUs	**720**	853	**1,370**	1,302
Deferred compensation expense	**270**	708	**540**	1,415
Stock-based compensation	**3,855**	3,177	**6,389**	5,724

On December 31, 2016, the Company purchased all of the existing and outstanding shares of Verdazo Analytics, Inc. (Verdazo). In accordance with IFRS, a portion of the deferred compensation payable was not considered part of the purchase price but is accounted for as future stock-based compensation expense over the vesting period. This amount, which is being accrued over the three year period ending December 31, 2019, totals $4,201.

Liability

As at	June 30, 2018	December 31, 2017
	($)	($)
RSUs	**1,893**	935
PSUs	**1,905**	1,075
Deferred compensation expense	**1,619**	1,079
Current portion of stock-based compensation liability	**5,417**	3,089
RSUs	**992**	390
DSUs	**2,536**	1,951
PSUs	**958**	417
Non-current portion of stock-based compensation liability	**4,486**	2,758
Total stock-based compensation liability	**9,903**	5,847

Common share dividends

During the quarter ended June 30, 2018, the Company declared and paid dividends of $14,491 (2017: $14,419) or $0.17 per common share (2017: $0.17).

7. 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
	(#)	(#)	**(#)**	(#)
Issued common shares outstanding, beginning of period	**85,172**	84,655	**85,158**	84,628
Effect of exercised options	**70**	101	**50**	82
Weighted average number of common shares outstanding for the period	**85,242**	84,756	**85,208**	84,710

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
	(#)	(#)	**(#)**	(#)
Weighted average number of common shares (basic)	**85,242**	84,756	**85,208**	84,710
Effect of share options	**496**	283	**413**	255
Weighted average number of common shares (diluted)	**85,738**	85,039	**85,621**	84,965

Options totaling 2,514 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.

8. Other Expenses (Income)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
	($)	($)	**($)**	($)
Foreign exchange loss (gain)	**5,787**	(689)	**8,191**	(466)
Other	**57**	(1,000)	**186**	216
Other expenses (income)	**5,844**	(1,689)	**8,377**	(250)

In 2017, the Company's Argentina subsidiary initiated repayment of advances made to it by the Canadian operating company. As a result, 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 recoded in the Consolidated Statements of Other Comprehensive Income.

9. Cash and Cash Equivalents

As at	**June 30, 2018**	December 31, 2017
	($)	($)
Cash	**62,742**	74,902
Cash equivalents	**48,600**	79,227
Cash and cash equivalents	**111,342**	154,129

Cash equivalents are made up of cash invested in money market funds with interest rates up to 1.80%.

10. Short-term investments

As at	**June 30, 2018**	December 31, 2017
	($)	($)
Short-term investments	**65,840**	—

During the second quarter of 2018, the Company invested in a USD $50,000 term deposit bearing an interest rate of 2.30% maturing in November, 2018.

11. Financial Instruments

The carrying values of financial assets and liabilities approximate their fair value due to the short-term nature of these items. Pason's financial instruments include cash and cash equivalents, short-term investments, trade and other receivables, trade payables and accruals, and stock-based compensation liability.

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	**June 30, 2018**
	($)	($)	($)	**($)**
Cash and cash equivalents	111,342	—	—	**111,342**
Short-term investments	65,840	—	—	**65,840**
Total financial assets at fair value	177,182	—	—	**177,182**

12. Approval of Interim Financial Statements

The condensed unaudited consolidated interim financial statements were approved by the Board of Directors on August 8, 2018.

13. Events After the Reporting Period

On August 8, 2018, the Company announced a quarterly dividend of $0.18 per share on the Company's common shares. The dividend will be paid on September 28, 2018 to shareholders of record at the close of business on September 14, 2018.