

Badger Daylighting Ltd.

**Interim Condensed Consolidated Financial Statements
(Unaudited)**

For the three months ended March 31, 2019 and 2018

BADGER DAYLIGHTING LTD.**Interim Condensed Consolidated Statement of Financial Position**

(Unaudited - Expressed in thousands of Canadian Dollars)

As at	Notes	March 31, 2019	December 31, 2018
ASSETS			
Current Assets			
Cash and cash equivalents	13	36,786	48,303
Trade and other receivables	6	149,975	159,750
Prepaid expenses		5,288	6,244
Inventories		6,145	5,996
Income taxes receivable		5,130	4,805
		203,324	225,098
Non-current Assets			
Property, plant and equipment		362,582	363,580
Right-of-use assets	4,8	17,607	-
Intangible assets		18,112	13,591
Goodwill		1,621	1,621
		399,922	378,792
Total Assets		603,246	603,890
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		53,508	54,453
Lease liability	4,8	4,210	-
Share-based plan liability	11	22,540	21,401
Dividends payable		1,704	1,646
Income taxes payable		7,993	4,164
Borrowings under credit facility	9	7,500	-
Current portion of long-term debt	9	33,408	-
		130,863	81,664
Non-current Liabilities			
Lease liability	4,8	9,995	-
Long-term debt	9	66,815	102,315
Deferred income tax		52,838	53,409
		129,648	155,724
Shareholders' Equity			
Shareholders' capital		81,168	82,600
Contributed surplus		548	548
Accumulated other comprehensive income		33,446	37,350
Retained earnings		227,573	246,004
		342,735	366,502
Total Liabilities and Shareholders' Equity		603,246	603,890

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

BADGER DAYLIGHTING LTD.**Interim Condensed Consolidated Statement of Comprehensive Income**

(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

		For the three months ended March 31,	
	Notes	2019	2018
Revenue	7	146,614	120,571
Direct costs		104,052	89,757
Gross profit		42,562	30,814
Depreciation of property, plant and equipment and right-of-use assets	8	14,675	11,700
General and administrative		9,288	6,371
Share-based plans	11	8,300	62
Operating profit		10,299	12,681
(Gain) loss on sale of property, plant and equipment		(208)	701
Finance cost	8	1,444	1,248
Foreign exchange loss (gain)		693	(350)
Profit before income tax expense		8,370	11,082
Current income tax expense		1,904	1,785
Deferred income tax expense		435	1,223
Income tax expense		2,339	3,008
Net profit		6,031	8,074
Other comprehensive income:			
Foreign exchange differences on translation of foreign operations		(5,997)	7,646
Unrealized foreign exchange gain (loss) on net investment hedge	9	2,093	(2,618)
Other comprehensive (loss) income		(3,904)	5,028
Comprehensive income		2,127	13,102
Net profit per share			
Basic and diluted	12	\$0.16	\$0.22

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

BADGER DAYLIGHTING LTD.**Interim Condensed Consolidated Statement of Changes in Equity**

(Unaudited - Expressed in thousands of Canadian Dollars)

	Notes	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
As at January 1, 2018		82,724	548	19,127	216,095	318,494
Net profit		-	-	-	8,074	8,074
Other comprehensive income		-	-	5,028	-	5,028
Dividends		-	-	-	(4,229)	(4,229)
As at March 31, 2018		82,724	548	24,155	219,940	327,367
As at January 1, 2019		82,600	548	37,350	246,004	366,502
Opening IFRS 16 adjustment	4,8	-	-	-	254	254
Net profit		-	-	-	6,031	6,031
Other comprehensive loss		-	-	(3,904)	-	(3,904)
Dividends		-	-	-	(4,943)	(4,943)
Shares repurchased and cancelled under normal course issuer bid	10	(1,432)	-	-	(19,773)	(21,205)
As at March 31, 2019		81,168	548	33,446	227,573	342,735

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

BADGER DAYLIGHTING LTD.**Interim Condensed Consolidated Statement of Cash Flows**

(Unaudited - Expressed in thousands of Canadian Dollars)

		For the three months ended March 31,	
	Notes	2019	2018
Operating activities			
Net profit		6,031	8,074
Non-cash adjustments to reconcile net profit from operations to cash flow from operating activities before working capital and other adjustments:			
Depreciation of property, plant and equipment and right-of-use assets	4,8	14,675	11,700
Deferred income tax expense		435	1,223
(Gain) loss on sale of property, plant and equipment		(208)	701
Finance cost	8	1,444	1,146
Current income tax expense		1,904	1,785
Share-based plans	11	8,300	62
Unrealized foreign exchange loss (gain)		51	(12)
Cash flow from operating activities before working capital and other adjustments		32,632	24,679
Change in non-cash working capital	13	9,137	9,986
Income taxes paid		(421)	(1,810)
Income taxes recovered		2,107	-
Interest paid on lease liabilities	4,8	(105)	-
Share-based plan paid	11	(7,161)	(537)
Cash flows from operating activities		36,189	32,318
Investing activities			
Purchase of property, plant and equipment		(20,575)	(23,147)
Upfront payments for right-of-use assets	4,8	(1,170)	-
Proceeds from sale of property, plant and equipment		557	837
Additions to intangible asset		(4,582)	-
Change in non-cash working capital	13	1,038	249
Cash flows used in investing activities		(24,732)	(22,061)
Financing activities			
Draw on credit facility	9	7,500	-
Interest paid		(2,684)	(2,313)
Payment of lease liabilities	4,8	(1,020)	-
Dividends paid		(4,885)	(4,229)
Common shares repurchased under normal course issuer bid	10	(21,205)	-
Cash flows used in financing activities		(22,294)	(6,542)
Effect of foreign exchange rate changes on cash		(680)	1,086
(Decrease) increase in cash and cash equivalents		(11,517)	4,801
Cash and cash equivalents, beginning of period		48,303	46,105
Cash and cash equivalents, end of period		36,786	50,906

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

1 Incorporation and operations

Badger Daylighting Ltd. and its subsidiaries (together “Badger” or the “Company”) provide non-destructive excavating services to the utilities, petroleum, construction, industrial, transportation, telecom and engineering industries in Canada and the United States (“U.S.”). Badger is a publicly traded company. The head office of Badger is located at Suite 400, 919-11th Avenue SW, Calgary, Alberta T2R 1P3. The registered office of Badger is located at c/o CAS Corporate Governance Services Inc., 600, 815-8th Avenue SW, Calgary, Alberta T2P 3P2.

The interim condensed consolidated financial statements of the Company for the three months ended March 31, 2019 and March 31, 2018 were authorised for issue in accordance with a resolution of the Board of Directors (“Board”) on May 13, 2019.

2 Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board.

Basis of measurement

These interim condensed consolidated financial statements have been prepared on a historical cost basis except for share-based plan transactions measured at fair market value. Historical cost is generally based on the fair value consideration given in exchange for goods and services at the time of the transaction.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

3 Significant accounting judgements, estimates and assumptions

The preparation of these interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the interim condensed consolidated financial statements and reported amounts of revenues, expenses, gains and losses during the reporting period. These judgements, estimates and assumptions are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2018. Estimates and judgements are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 Standards adopted and changes in accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2018 other than those for which the transition is specified by the adoption of a new IFRS standard and included below. These policies have been consistently applied to all periods presented unless otherwise stated.

IFRS 16 – Leases

The International Accounting Standards Board issued IFRS 16 – *Leases*, supersedes the existing standard, IAS 17 – *Leases* and IFRIC 4 – *Determining whether an arrangement contains a lease*. The standard is effective for fiscal years beginning on or after January 1, 2019. Under IFRS 16, a lease exists when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees, generally all leases will require an asset and liability to be recognized on the statement of financial position at inception.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets of \$14,846 and lease liabilities of \$14,846 were recorded as at January 1, 2019 relating to property leases. The Company leases light-duty vehicles, however the full consideration of the underlying asset is paid at the inception of the lease, therefore no lease liability is required to be recognized. Right-of-use assets of \$2,468 and lease liabilities of nil were recorded as of January 1, 2019 relating to the vehicle leases. The light-duty vehicle leases were reclassified from Property, Plant and Equipment to Right-of-use assets effective January 1, 2019. Retained earnings were adjusted by \$254 to account for the variance between the historical lease expense for a single lease and the future lease liability. When measuring lease liabilities, the Company discounted lease payments using its weighted-average incremental borrowing rate of 3% at January 1, 2019.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. The practical expedient to account for any lease and associated non-lease components as a single arrangement and the use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease has been applied. Variable lease payments are not included in the measurement of the lease liability.

The following table reconciles the Company's operating lease obligations as at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 as at January 1, 2019.

Operating lease commitments as at December 31, 2018	14,230
Less: variable costs not included in lease obligation	(2,714)
Add: Extension options reasonably certain to be exercised	3,784
Impact of discounting	(454)
Lease obligations recognized as at January 1, 2019	14,846

Effective January 1, 2019, the Company adopted IFRS 16 with the accounting policy as follows:

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. This determination is made on a lease by lease basis and reviewed annually to ensure the determination incorporates current facts. In addition, the right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate and uses a

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

single discount rate for a portfolio of leases with reasonably similar characteristics. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from changes in the Company's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company remeasures the lease liability when the lease term has changed by discounting the revised lease payments using a revised discount rate. When a lease contract is modified, it is accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease, the Company will remeasure the liability using the Company's incremental borrowing rate, with a corresponding adjustment to the right-of-use asset.

5 Seasonality of operations

The Company's sales are typically highest in the second, third and fourth quarters as a result of the seasonal upswing in construction activity, the impact of which typically results in higher activity levels. In the first quarter, construction activity in the majority of Canada and certain regions of the U.S. typically reduces as a result of winter weather conditions. Partially offsetting the impact of the seasonality related to construction activity, is demand for certain oil and gas related activities which are typically strongest in the first quarter and weakest in the second quarter as a result of spring break-up and restrictions related to road access. As the Company continues to grow its U.S. customer base, the impact of seasonality may shift over time. Similarly to sales, the Company's net working capital requirements will typically follow the seasonality of the related sales activity.

6 Trade and other receivables

	As at March 31, 2019	As at December 31, 2018
Trade receivables	149,383	158,860
Holdback receivables	2,306	2,014
Allowance for doubtful accounts	(8,025)	(6,896)
Total trade receivables	143,664	153,978
Accrued revenue and other receivables	6,311	5,772
Trade and other receivables	149,975	159,750

Holdback receivables are amounts customers withhold paying until the completion of the contract. These amounts are agreed in advance and typically have collection terms beyond general terms.

Accrued revenue represents revenue for services which have been completed and for which an invoice has not yet been rendered. All such recorded amounts are considered collectable.

Trade receivables are non-interest bearing and are generally on 30-90 day payment terms.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

The aging analysis of trade receivables, holdback receivables and the allowance for doubtful accounts is as follows:

	Total	0-30 days ⁽¹⁾	31-60 days	61-90 days	91-120 days	Greater than 120 days
As at March 31, 2019						
Trade receivables	149,383	60,049	42,612	15,524	9,533	21,665
Holdback receivables	2,306	-	96	83	150	1,977
Allowance for doubtful accounts	(8,025)	-	-	(3,359)	(3,331)	(1,335)
	143,664	60,049	42,708	12,248	6,352	22,307
As at December 31, 2018						
Trade receivables	158,860	61,551	45,264	22,795	10,892	18,358
Holdback receivables	2,014	-	5	110	193	1,706
Allowance for doubtful accounts	(6,896)	(5,194)	(110)	-	(2)	(1,590)
	153,978	56,357	45,159	22,905	11,083	18,474

⁽¹⁾ Trade receivables in the 0-30 day category includes amounts invoiced from March 1, 2019 to March 31, 2019.

The changes in the allowance for doubtful account for the three months ended March 31, 2019 and year-ended December 31, 2018 are as follows:

As at December 31, 2017	1,622
Additions to the allowance (bad debt expense)	10,796
Accounts written off (reduces allowance for doubtful accounts)	(4,448)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(1,298)
Exchange differences	224
As at December 31, 2018	6,896
Additions to the allowance (bad debt expense)	1,947
Accounts written off (reduces allowance for doubtful accounts)	(107)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(632)
Exchange differences	(79)
As at March 31, 2019	8,025

7 Revenue

The following table disaggregates the Company's revenue by type of service and type of customer. Prior period comparative information has been reclassified to conform to the current presentation. Hydrovac revenue includes all hydrovac and hydrovac related services.

	Three months ended March 31,	
	2019	2018
Hydrovac revenue – corporate	135,820	110,001
Hydrovac revenue – operating partners	5,394	5,003
Total hydrovac revenue	141,214	115,004
Other service revenue – corporate ⁽¹⁾	5,156	5,335
Other service revenue – operating partners ⁽¹⁾	244	232
Total other revenue	5,400	5,567
Total revenue	146,614	120,571

⁽¹⁾ Other revenue includes non hydrovac related services, truck placement fees and other administrative related revenue.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

8 Leases

Badger enters into leases primarily in order to secure office and yard space for the hydrovac operations and for light-duty vehicles. Terms of property leases vary including the life of the lease and the existence of extension options. Leases for light-duty vehicles are managed through a third-party and do not create a lease liability as Badger makes the required lease payments upon initiation of the lease.

Right-of-use assets

	Property	Light-duty vehicles	Total
Opening balance – January 1, 2019	14,846	2,468	17,314
Additions	460	1,170	1,630
Depreciation	(1,095)	(106)	(1,201)
Disposals	-	-	-
Impact of foreign exchange	(96)	(40)	(136)
Total right-of-use assets as at March 31, 2019	14,115	3,492	17,607

Lease liabilities

	As at March 31, 2019
Opening balance – January 1, 2019	14,846
Additions	460
Interest expense	119
Lease payments	(1,125)
Impact of foreign exchange	(95)
Total lease liabilities	14,205
Current	4,210
Long-term	9,995

Contractual undiscounted cash flows

	As at March 31, 2019
Less than one year	4,600
One to five years	9,524
More than five years	1,171
Total	15,295

Amounts recognized in net profit

	For the three months ended March 31, 2019
Expenses related to short-term leases	350
Short-term lease exemptions – leases expiring in 2019	400
Total	750

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

9 Long-term debt

	As at March 31, 2019	As at December 31, 2018
Current portion of senior secured notes	33,408	-
Borrowings under credit facility	7,500	-
Senior secured notes	66,815	102,315
Total long-term debt	107,723	102,315

Syndicated revolving credit facility

Badger has established a syndicated revolving credit facility (the “credit facility”) with a syndicate of three lenders. The credit facility, which is \$146.8 million in aggregate Canadian dollars, consists of a \$100.0 million Canadian tranche and a US\$35.0 million (\$46.8 million Canadian dollar equivalent) U.S. denominated tranche, providing Badger with the administrative flexibility to borrow in both Canada and the United States. The credit facility, which is a four year term, matures on August 11, 2021. Badger has the flexibility to expand the credit facility with approval of the syndicate by an additional \$100.0 million.

Badger maintains the credit facility for general liquidity management, general corporate purposes and to finance Badger’s capital expenditure program. The credit facility bears interest, at the Company's option, at either the bank's prime rate plus a tiered set of basis points or bankers' acceptance/LIBOR rate also with a tiered structure. A stand-by fee is also required on the unused portion of the credit facility on a tiered basis. The prime rate tiers range between zero and 125 basis points. The bankers’ acceptance/LIBOR tiers range from 125 to 250 basis points. The stand-by fee tiers range between 25 and 50 basis points. All of the tiers are based on the Company’s Funded Debt to Compliance EBITDA ratio. Stand-by fees are expensed as incurred.

The credit facility is collateralized by a general security interest over the Company’s assets, property and undertaking, present and future.

As at March 31, 2019, the Company had available \$135.5 million (December 31, 2018 - \$143.8 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at March 31, 2019, the Company has issued letters of credit of approximately \$3.8 million (December 31, 2018 - \$3.9 million). The outstanding letters of credit which reduce the amount of available credit under the syndicated credit facility, support Badger’s U.S. insurance program and certain other performance bonds.

Under the terms of the credit facility, the Company must comply with certain financial and non-financial covenants, as defined by the lenders. Throughout 2019, and as at March 31, 2019, the Company was in compliance with all of these covenants.

Senior secured notes

On January 24, 2014 Badger closed a private placement of senior secured notes. The notes, which rank pari passu with the extendable revolving credit facility, have a principal amount of US\$75 million, and an interest rate of 4.83% per annum and mature on January 24, 2022. Amortizing principal repayments of US\$25 million are due under the notes on January 24, 2020, January 24, 2021 and January 24, 2022. Interest is paid semi-annually in arrears.

The senior secured notes are collateralized by a general security interest over the Company’s assets, property and undertaking, present and future.

Under the terms of the senior secured notes, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2019, and as at March 31, 2019, the Company was in compliance with all of these covenants.

As at March 31, 2019, the fair value of the senior secured notes was approximately US\$76.3million.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

10 Shareholders' capital

A) Authorized shares

An unlimited number of voting common shares are authorized without nominal or par value.

B) Issued and outstanding

Normal course issuer bid

In 2018, the Company announced a normal course issuer bid ("NCIB") to repurchase for cancellation up to 2,000,000 common shares commencing on May 15, 2018, and ending on May 14, 2019, or such earlier date on which the Company completes its purchases of common shares. During the three months ended March 31, 2019, the Company purchased 633,454 common shares at a weighted average price per share of \$33.50. On a cumulative basis, the Company purchased a total of 1,262,068 common shares at a weighted average price per share of \$32.72.

	Number of Shares	Amount
As at December 31, 2017	37,100,681	82,724
Common shares repurchased and cancelled through NCIB	(558,768)	(1,254)
Common shares issued on redemption of deferred share units	40,825	1,288
Common shares repurchased prior to December 31, 2018 and cancelled subsequent to December 31, 2018 through NCIB	(69,846)	(158)
As at December 31, 2018	36,512,892	82,600
Common shares repurchased and cancelled through NCIB	(633,454)	(1,432)
As at March 31, 2019	35,879,438	81,168

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

11 Share-based plans

A) Deferred Share Unit Plan

The Deferred Share Unit (“DSU”) Plan was established to promote greater alignment of interests between the executive officers and the Shareholders of the Company. The Board may also participate in the plan whereby they will be paid 60% to 100% of the annual retainer in the form of deferred units. Pursuant to the terms of the DSU, participants are granted deferred units with a value equivalent to the value of a Badger share. The deferred units granted earn additional deferred units at the same rate as dividends on Badger common shares. The deferred units granted other than to the Board, which vest immediately, vest equally over a period of three years from the date of the grant. Upon vesting, the participant may elect to redeem the deferred units for an equal number of Badger shares or the cash equivalent. A maximum of 1,500,000 Common Shares have been reserved for issuance pursuant to the DSU Plan.

The DSU Plan is accounted for as a cash-settled plan. Compensation expense is based on the estimated fair value of the deferred units outstanding at the end of each quarter using a volume weighted average share price and recognized using graded vesting throughout the term of the vesting period, with a corresponding credit to liabilities.

The liability for deferred units outstanding as at March 31, 2019 is \$16.9 million (December 31, 2018 - \$13.0 million). The fair value of deferred units exercisable as at March 31, 2019 is \$15.3 million (December 31, 2018 - \$10.7 million). Changes in the number of deferred units under the DSU Plan were as follows:

	Units
As at December 31, 2017	401,319
Granted	131,821
Dividends earned	8,470
Redeemed for cash	(27,427)
Redeemed for common shares	(40,825)
Forfeited	(5,838)
As at December 31, 2018	467,520
Granted	69,446
Dividends earned	1,739
Redeemed for cash	(3,233)
Forfeited	(2,450)
As at March 31, 2019	533,022
Exercisable as at March 31, 2019	376,224

B) Performance Share Unit Plan

The Company also has a Performance Share Unit (“PSU”) Plan for officers of the Company. Officers must elect to have at least half but may elect to have all of their annual long-term incentive compensation awarded in PSUs, with the remainder, if any, awarded in DSUs. The PSUs represent rights to share value based on the number of PSUs issued and achieving certain performance criteria as set out by the Board of Directors. Subject to achievement of performance criteria, under the terms of the plan, PSUs awarded will vest on a three-year term on their anniversary date and are recognized over their vesting period. PSUs, which meet the performance and other vesting criteria, will be settled in cash upon exercise.

The PSU Plan is accounted for as a cash-settled plan. Compensation expense is based on the estimated fair value of the PSUs outstanding at the end of each quarter using a volume weighted average share price and recognized over the vesting period, with a corresponding credit to liabilities.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

The liability for PSUs outstanding as at March 31, 2019 is \$5.6 million (December 31, 2018 - \$8.4 million). The fair value of units exercisable as at March 31, 2019 is nil (December 31, 2018 - \$5.5 million). Changes in the number of PSUs under the PSU plan were as follows:

	Units
As at December 31, 2017	260,626
Granted	116,868
Redeemed	(56,043)
Forfeited	(4,090)
As at December 31, 2018	317,361
Granted	72,089
Redeemed	(141,203)
Forfeited	-
As at March 31, 2019	248,247
Exercisable as at March 31, 2019	-

12 Earnings per share

Basic earnings per share ("EPS")

Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The denominator is calculated by adjusting the shares in issue at the beginning of the year by the number of shares bought back or issued during the year, multiplied by a time-weighting factor.

The calculation of earnings per share for the three months ended March 31, 2019, was based on the net profit available to common shareholders of \$6.0 million (2018 - \$8.1 million), and a weighted average number of common shares outstanding of 36,592,791 (2018 - 37,100,681).

	For the three months ended March 31,	
	2019	2018
Weighted average number of common shares, basic	36,592,791	37,100,681

Diluted EPS

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of any dilutive potential shares. The effects of anti-dilutive potential shares are ignored in calculating diluted EPS.

Weighted average number of common shares:

	For the three months ended March 31,	
	2019	2018
Basic weighted average number of common shares	36,592,791	37,100,681
Effect of dilutive deferred share units	-	-
Weighted average number of common shares, diluted	36,592,791	37,100,681

BADGER DAYLIGHTING LTD.**Notes to the Interim Condensed Consolidated Financial Statements**

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

13 Statement of cash flow supplemental information

The following table provides supplemental information on the components of changes in non-cash working capital in operating and investing activities:

	For the three months ended March 31,	
	2019	2018
Operating activities		
Source (use) of cash:		
Trade and other receivables	7,974	4,654
Prepaid expenses	862	(782)
Inventories	(188)	(710)
Trade and other payables	489	6,824
Change in non-cash working capital	9,137	9,986
Investing activities		
Source (use) of cash:		
Trade and other payables ⁽¹⁾	1,038	249
Change in non-cash working capital	1,038	249

⁽¹⁾ Non-cash working capital changes from trade and other payables relate to vendors supplying Badger's manufacturing operations and are included in investing activities as these supplies are additions to property, plant and equipment.

	As at March 31,	As at December 31,
	2019	2018
Cash and cash equivalents:		
Cash	28,237	32,354
Cash equivalents	8,549	15,949
Total cash and cash equivalents	36,786	48,303

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

14 Segment reporting

The Company has identified three reportable segments consisting of two geographic segments (U.S. and Canada) and a Corporate segment. The U.S. and Canadian operating segments provide non-destructive excavating services. The following is selected information for the three months ended March 31, 2019 and 2018 based on these geographic/reportable segments.

For the three months ended	March 31, 2019				March 31, 2018			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	30,876	110,338	-	141,214	30,125	84,879	-	115,004
Other revenue	4,742	658	-	5,400	5,072	495	-	5,567
Total revenue	35,618	110,996	-	146,614	35,197	85,374	-	120,571
Direct costs	25,173	78,879	-	104,052	27,290	62,467	-	89,757
Depreciation of property, plant and equipment	4,231	10,420	24	14,675	3,678	8,022	-	11,700
General and administrative ⁽¹⁾	2,314	5,242	1,732	9,288	1,533	3,725	1,113	6,371
Share-based plan ⁽²⁾	-	-	8,300	8,300	-	-	62	62
Finance cost ⁽³⁾	71	43	1,330	1,444	-	-	1,248	1,248
Other ⁽⁴⁾	612	(127)	-	485	3	348	-	351
Profit (loss) before tax	3,217	16,539	(11,386)	8,370	2,693	10,812	(2,423)	11,082

⁽¹⁾ Included in general and administrative expenses for the corporate segment are employee, office, and other costs related to public company administration.

⁽²⁾ Share-based plans for participants in both the U.S. and Canada is reported in the corporate segment.

⁽³⁾ Finance costs from the Company's credit facilities are reported in the corporate segment.

⁽⁴⁾ Included in other are the (gain) loss on sale of property, plant and equipment, and foreign exchange loss (gain).

	Canada	U.S.	Corporate	Total
As at March 31, 2019				
Property, plant and equipment	107,112	255,470	-	362,582
Right-of-use assets	9,558	7,405	644	17,607
Intangible assets	11,375	6,737	-	18,112
Goodwill	1,621	-	-	1,621
Total assets	196,858	406,388	-	603,246
Total liabilities ⁽¹⁾	42,256	84,727	133,528	260,511
As at December 31, 2018				
Property, plant and equipment	102,740	260,840	-	363,580
Intangible assets	9,850	3,741	-	13,591
Goodwill	1,621	-	-	1,621
Total assets	198,867	405,023	-	603,890
Total liabilities ⁽¹⁾	31,188	78,697	127,503	237,388

⁽¹⁾ Included in total liabilities for the corporate segment are share-based plan liabilities, senior secured notes, borrowings under the credit facility, dividends payable, accrued interest, and the corporate office lease liability.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and March 31, 2018

(Unaudited - Expressed in thousands of Canadian Dollars unless stated otherwise)

15 Commitments and contingencies

The Company had the following commitments as at March 31, 2019:

	2019	2020	2021	2022	2023	Thereafter	Total
Operating leases ⁽¹⁾	454	630	612	572	462	839	3,569
Service contract ⁽²⁾	1,941	1,747	1,780	1,389	220	-	7,077
Senior secured note interest ⁽³⁾	2,420	4,034	2,420	807	-	-	9,681
Senior secured note repayment ⁽⁴⁾	-	33,408	33,408	33,407	-	-	100,223
Purchase commitments ⁽⁵⁾	21,256	-	-	-	-	-	21,256
Total	26,071	39,819	38,220	36,175	682	839	141,806

⁽¹⁾ Operating leases include variable costs for building and office space. See Note 4 for additional information.

⁽²⁾ Contract with third party service provider for information technology services related to the ERP.

⁽³⁾ Senior note interest is the interest due on the Company's senior secured notes at 4.83% per annum paid semi-annually in arrears translated into Canadian dollars at the March 31, 2019 closing U.S. to Canadian foreign currency exchange rate. See Note 9.

⁽⁴⁾ Senior note repayment is the principal amounts of the senior secured notes due translated into Canadian dollars at the March 31, 2019, closing U.S. to Canadian foreign currency exchange rate. See Note 9.

⁽⁵⁾ Purchase commitments include amounts related to manufacturing operations, the purchase of light-duty vehicles and other committed capital expenditures.