

Badger Daylighting Ltd.
Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2020, and 2019

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

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

As at	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current Assets			
Cash and cash equivalents	15	20,136	8,801
Trade and other receivables	6	177,140	182,168
Prepaid expenses		11,387	9,646
Inventories		10,428	8,256
Income taxes receivable		-	9,592
Assets held for sale	9	-	-
		219,091	218,463
Non-current Assets			
Property, plant and equipment		397,196	395,264
Right-of-use assets	10	23,006	23,217
Intangible assets		31,996	30,397
Goodwill		1,621	1,621
		453,819	450,499
Total Assets		672,910	668,962
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		62,340	67,357
Lease liability	10	5,873	5,709
Share-based plan liability	13	26,494	23,878
Income taxes payable		269	-
Dividends payable		1,743	1,659
Current portion of senior secured notes	11	33,348	32,470
		130,067	131,073
Non-current Liabilities			
Lease liability	10	11,094	11,442
Senior secured notes	11	33,348	64,940
Borrowings under credit facility	11	84,111	66,248
Deferred income tax		68,254	64,588
		196,807	207,218
Shareholders' Equity			
Shareholders' capital	12	78,851	79,009
Contributed surplus		548	548
Accumulated other comprehensive income		33,234	23,202
Retained earnings		233,403	227,912
		346,036	330,671
Total Liabilities and Shareholders' Equity		672,910	668,962

The accompanying notes are an integral part of these unaudited 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 September 30,		For the nine months ended September 30,	
	Notes	2020	2019	2020	2019
Revenue	7	156,853	183,743	428,015	491,567
Direct costs	8	100,687	123,506	295,138	338,185
Gross profit		56,166	60,237	132,877	153,382
Depreciation and amortization		18,452	16,125	55,484	46,214
General and administrative	8	9,041	10,128	32,054	30,775
Share-based plans	13	6,122	(2,408)	6,551	12,931
Operating profit		22,551	36,392	38,788	63,462
(Gain) loss on sale and impairment of property, plant and equipment	9	(416)	(170)	1,302	(390)
Finance cost		1,703	1,910	6,665	4,882
Foreign exchange (gain) loss		(646)	(83)	(190)	586
Profit before income tax		21,910	34,735	31,011	58,384
Current income tax expense		5,916	2,783	5,916	3,749
Deferred income tax (recovery) expense		(159)	6,113	2,173	10,816
Income tax expense		5,757	8,896	8,089	14,565
Net profit		16,153	25,839	22,922	43,819
Other comprehensive income:					
Foreign exchange differences on translation of foreign operations		(8,031)	3,943	12,175	(9,044)
Unrealized foreign exchange gain (loss) on net investment hedge	11	1,445	(1,170)	(2,143)	2,993
Other comprehensive (loss) income		(6,586)	2,773	10,032	(6,051)
Comprehensive income		9,567	28,612	32,954	37,768
Net profit per share					
Basic and diluted	14	\$0.46	\$0.73	\$0.66	\$1.20

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

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

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

	Notes	Shareholders' capital	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings	Total equity
As at January 1, 2019		82,600	548	37,350	246,004	366,502
Opening IFRS 16 adjustment		-	-	-	254	254
Net profit		-	-	-	43,819	43,819
Other comprehensive loss		-	-	(6,051)	-	(6,051)
Dividends		-	-	-	(15,087)	(15,087)
Shares repurchased and cancelled under normal course issuer bid	12	(3,095)	-	-	(50,505)	(53,600)
As at September 30, 2019		79,505	548	31,299	224,485	335,837
As at January 1, 2020		79,009	548	23,202	227,912	330,671
Net profit		-	-	-	22,922	22,922
Other comprehensive income		-	-	10,032	-	10,032
Dividends		-	-	-	(15,512)	(15,512)
Shares repurchased and cancelled under normal course issuer bid	12	(158)	-	-	(1,919)	(2,077)
As at September 30, 2020		78,851	548	33,234	233,403	346,036

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

BADGER DAYLIGHTING LTD.

Interim Condensed Consolidated Statement of Cash Flows

For the three and nine months ended September 30, 2020 and September 30, 2019

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

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
Operating activities					
Net profit		16,153	25,839	22,922	43,819
Non-cash adjustments to reconcile net profit from operations to cash flow from operating activities before working capital and other adjustments:					
Depreciation and amortization		18,452	16,125	55,484	46,214
Deferred income tax (recovery) expense		(159)	6,113	2,173	10,816
(Gain) loss on sale and impairment of property, plant and equipment		(416)	(170)	1,302	(390)
Finance cost		1,703	1,910	6,665	4,882
Current income tax expense		5,916	2,783	5,916	3,749
Share-based plans	13	6,122	(2,408)	6,551	12,931
Unrealized foreign exchange (gain) loss		(794)	(15)	(1,021)	72
Cash flow from operating activities before working capital and other adjustments		46,977	50,177	99,992	122,093
Change in non-cash working capital	15	(17,201)	(19,240)	7,715	(32,888)
Income taxes paid		(3,095)	(10,880)	(3,582)	(13,780)
Income taxes recovered		7,131	1,938	7,497	4,462
Interest paid on lease liabilities	10	(150)	(125)	(470)	(364)
Share-based plan paid	13	(1,957)	(449)	(3,935)	(8,562)
Cash flows from operating activities		31,705	21,421	107,217	70,961
Investing activities					
Purchase of property, plant and equipment		(15,955)	(36,665)	(43,129)	(79,215)
Upfront payments for right-of-use assets	10	(180)	(1,133)	(916)	(4,082)
Proceeds from sale of property, plant and equipment		676	1,201	1,052	2,158
Additions to intangible assets		(20)	(5,324)	(3,193)	(15,798)
Change in non-cash working capital	15	(1,872)	(3,481)	(5,844)	(2,016)
Cash flows (used in) investing activities		(17,351)	(45,402)	(52,030)	(98,953)
Financing activities					
Borrowings under credit facility	11	-	50,000	123,740	71,000
Repayment of credit facility	11	(11,000)	-	(105,897)	-
Repayment of senior secured notes	11	-	-	(32,858)	-
Interest paid		(2,066)	(3,537)	(6,749)	(6,338)
Payment of lease liabilities	10	(1,533)	(1,377)	(4,736)	(3,550)
Dividends paid		(5,229)	(5,067)	(15,430)	(15,064)
Common shares repurchased under normal course issuer bid	12	-	(25,872)	(2,077)	(53,600)
Change in non-cash working capital	15	-	(68)	-	408
Cash flows (used in) from financing activities		(19,828)	14,079	(44,007)	(7,144)
Effect of foreign exchange rate changes on cash		(397)	257	155	(960)
(Decrease) increase in cash and cash equivalents		(5,871)	(9,645)	11,335	(36,096)
Cash and cash equivalents, beginning of period		26,007	21,852	8,801	48,303
Cash and cash equivalents, end of period		20,136	12,207	20,136	12,207

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

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Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and September 30, 2019
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

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 unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2020 and September 30, 2019 were authorised for issue in accordance with a resolution of the Board of Directors (“Board”) on November 4, 2020.

2 Basis of preparation

Statement of compliance

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

Reclassification of comparative figures

Certain reclassifications have been made to the prior year’s financial statements to enhance comparability with the current year’s financial statements.

3 Significant accounting judgements, estimates and assumptions

The preparation of these unaudited 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 unaudited 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, 2019. 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 unaudited 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, 2019, except as detailed below. These policies have been consistently applied to all periods presented.

A) Government assistance

The Company may receive certain government assistance to maintain its operations and staffing levels. These grants are recognized when there is reasonable assurance the Company will comply with the conditions attaching to them, and that the grants will be received. Government assistance is applied against the qualifying expense to which the assistance relates.

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For the three and nine months ended September 30, 2020 and September 30, 2019
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

B) Assets held for sale

Assets held for disposal are no longer depreciated and are presented separately in the statement of financial position at the lower of their carrying amount and fair value less costs to sell. An asset is regarded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

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	September 30, 2020	December 31, 2019
Trade receivables ⁽¹⁾	170,099	181,014
Holdback receivables ⁽¹⁾	1,544	1,651
Allowance for doubtful accounts	(7,209)	(5,611)
Total trade receivables	164,434	177,054
Accrued revenue and other receivables	12,706	5,114
Trade and other receivables	177,140	182,168

⁽¹⁾ Comparative figures have been adjusted to conform to the current year's presentation.

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 the Company's general payment 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.

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

	Total	Current	31-60 days	61-90 days	91-120 days	Greater than 120 days
As at September 30, 2020						
Trade receivables	170,099	100,260	17,641	8,382	5,575	38,241
Holdback receivables	1,544	-	3	21	43	1,477
Allowance for doubtful accounts	(7,209)	-	-	-	-	(7,209)
	164,434	100,260	17,644	8,403	5,618	32,509
As at December 31, 2019						
Trade receivables ⁽¹⁾	181,014	91,197	39,218	10,779	10,811	29,009
Holdback receivables ⁽¹⁾	1,651	-	1	21	40	1,589
Allowance for doubtful accounts	(5,611)	-	-	-	-	(5,611)
	177,054	91,197	39,219	10,800	10,851	24,987

⁽¹⁾ Comparative figures have been adjusted to conform to the current year's presentation.

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Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and September 30, 2019
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The changes in the allowance for doubtful account for the nine months ended September 30, 2020 and year ended December 31, 2019 are as follows:

As at December 31, 2018	6,896
Additions to the allowance (bad debt expense)	6,596
Accounts written off (reduces allowance for doubtful accounts)	(1,654)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(6,035)
Exchange differences	(192)
As at December 31, 2019	5,611
Additions to the allowance (bad debt expense)	3,445
Accounts written off (reduces allowance for doubtful accounts)	(1,881)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(109)
Exchange differences	143
As at September 30, 2020	7,209

7 Revenue

The following table disaggregates the Company's revenue by type of service and type of customer.

	For the three months ended		For the nine months	
	September 30,		ended September 30,	
	2020	2019	2020	2019
Hydrovac revenue – corporate	143,721	171,103	394,013	455,740
Hydrovac revenue – operating partners	5,942	5,412	14,203	16,344
Total hydrovac revenue	149,663	176,515	408,216	472,084
Other service revenue – corporate ⁽¹⁾	6,928	6,988	19,055	18,746
Other service revenue – operating partners ⁽¹⁾	262	240	744	737
Total other revenue	7,190	7,228	19,799	19,483
Total revenue	156,853	183,743	428,015	491,567

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

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Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and September 30, 2019
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

8 Other expenses

Restructuring

The Company initiated cost reduction initiatives in response to the COVID-19 pandemic and its impact on the North American economy. The Company also undertook additional cost reduction initiatives related to the formation of a finance and back office shared services center. As a result, the Company incurred costs related to these cost reduction initiatives of nil during the three months ended September 30, 2020, and \$4.6 during the nine months ended September 30, 2020. During the three and nine months ended September 30, 2020, actual cash outflows related to these expenditures was \$1.1 million and \$3.0 million respectively. The remaining obligations are anticipated to be settled in the next 12 month period.

Government assistance

The Company is participating in the Canada Emergency Wage Subsidy (“CEWS”) which was passed by the Government of Canada to support employers facing financial hardship, as measured by certain revenue declines, as a result of the COVID-19 pandemic. CEWS provides a reimbursement of compensation expense for the period from March 15, 2020, to June 2021, as prescribed by the government. The Company recognized funds of \$2.0 million and \$7.2 million during the three and nine months ended September 30, 2020, respectively. The Company continues to evaluate its eligibility for the program on an ongoing basis and will continue to evaluate if and when there are any extensions to the program.

The following table outlines the total restructuring expenses and CEWS recognized during the three and nine months ended September 30, 2020:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Restructuring expenses included in:				
Direct costs	-	-	1,910	-
General and administrative	-	-	2,706	-
Total restructuring expenses	-	-	4,616	-
CEWS included in:				
Direct costs	(1,922)	-	(6,571)	-
General and administrative	(110)	-	(666)	-
Total CEWS	(2,032)	-	(7,237)	-

9 Assets held for sale

Due to the significant decline in the oil and gas industry, the Company initiated the wind up of its oil field tank cleaning business during the nine months ended September 30, 2020. The property, plant and equipment relating to this business was written down to its net realizable value and an impairment loss of \$1.1 million was recognized during the nine months ended September 30, 2020. During the three months ended September 30, 2020, the assets classified as held for sale were sold for net proceeds of \$1.7 million and a loss of \$0.1 million was recognized. At September 30, 2020 the remaining net book value of this property, plant and equipment is nil.

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

10 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 as at January 1, 2019	14,846	2,468	17,314
Additions	9,930	4,913	14,843
Depreciation	(5,202)	(761)	(5,963)
Disposals/modifications	(2,402)	(60)	(2,462)
Impact of foreign exchange	(333)	(182)	(515)
Right-of-use assets as at December 31, 2019	16,839	6,378	23,217
Additions	6,662	916	7,578
Depreciation	(5,002)	(897)	(5,899)
Disposals/modifications	(2,224)	(69)	(2,293)
Impact of foreign exchange	228	175	403
Right-of-use assets as at September 30, 2020	16,503	6,503	23,006

Lease liabilities

Opening balance as at January 1, 2019	14,846
Additions	9,930
Interest expense	527
Lease payments	(5,484)
Disposals/modifications	(2,332)
Impact of foreign exchange	(336)
Lease liabilities as at December 31, 2019	17,151
Additions	6,662
Interest expense	470
Lease payments	(5,206)
Disposals/modifications	(2,327)
Impact of foreign exchange	217
Lease liabilities as at September 30, 2020	16,967
Current	5,873
Long-term	11,094
Total lease liabilities	16,967

Contractual undiscounted cash flows

As at	September 30, 2020	December 31, 2019
Less than one year	6,371	6,203
One to five years	11,632	11,674
More than five years	27	500
Total	18,030	18,377

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Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and September 30, 2019
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

Amounts recognized in net profit

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Expenses related to short-term leases	576	302	1,829	1,068
Short-term lease exemptions – expiring leases	-	356	-	1,147
Total	576	658	1,829	2,215

11 Debt

As at	September 30, 2020	December 31, 2019
Current portion of senior secured notes	33,348	32,470
Current debt	33,348	32,470

As at	September 30, 2020	December 31, 2019
Borrowings under syndicated revolving credit facility	85,000	67,157
Less: unamortized debt issuance costs	(889)	(909)
Net borrowings under syndicated revolving credit facility	84,111	66,248
Senior secured notes	33,348	64,940
Total long-term debt	117,459	131,188

As at	September 30, 2020	December 31, 2019
Syndicated revolving credit facility capacity	300,000	300,000
Supplemental credit facility	100,000	-
Less: borrowings under syndicated revolving credit facility	(85,000)	(67,157)
Less: letters of credit	(4,974)	(4,401)
Available amount	310,026	228,442

Syndicated revolving credit facility

The Company has a \$300.0 million syndicated revolving credit facility with a syndicate of five lenders. The \$300.0 million syndicated revolving credit facility allows for borrowings in either Canadian or U.S. dollars, providing Badger with the administrative flexibility to borrow in the functional currency in both its Canadian and the U.S. operations. The syndicated revolving credit facility, which is a five-year term, matures on September 30, 2024. Badger has the flexibility to expand the syndicated revolving credit facility, subject to approval by the lenders, by an additional \$150.0 million Canadian dollars. Badger maintains the syndicated revolving credit facility for general corporate and liquidity purposes, in addition to financing requirements, if any, related to Badger's capital expenditure requirements. The increase and extension of the syndicated revolving credit facility completed on September 30, 2019, has no impact on the Company's existing senior secured notes, including the respective financial covenant ratios and maturity dates, all of which is further detailed below.

The syndicated revolving 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 ("BA")/London interbank offered rate ("LIBOR") also with a tiered structure. A standby fee is also required on the unused portion of the syndicated revolving credit facility on a tiered basis. The prime rate tiers range between zero and 175 basis points. The BA/LIBOR tiers range from 120 to 300 basis points. The standby fee tiers range between 24 and 60 basis points. All of the tiers are based on the Company's Total Debt to Compliance EBITDA ratio. Stand-by fees are expensed as incurred. Under the terms of the syndicated revolving credit facility, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2020, and as at September 30, 2020, the Company was in compliance with all of these covenants.

The syndicated revolving credit facility is collateralized by a general security interest over the Company's assets, property and undertaking, present and future. The outstanding letters of credit, which reduce the amount of available

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credit under the syndicated revolving credit facility, support the U.S. insurance program and certain other performance bonds.

Supplemental credit facility

On May 7, 2020, the Company entered into a supplemental \$100.0 million credit facility with the same group of lenders as its existing syndicated revolving credit facility. The supplemental credit facility has a term of one year, expiring on May 6, 2021. The supplemental credit facility is available for general corporate purposes, providing the Company with additional liquidity and financial flexibility should it be required. Key conditions of the facility, including financial covenants and pricing, are consistent with the Company's existing syndicated revolving credit facility. As at September 30, 2020, the Company had no amounts outstanding on its supplemental credit facility.

As at September 30, 2020, the Company had available \$310.0 million (December 31, 2019 - \$228.4 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Senior secured notes

On January 24, 2014, Badger closed a private placement of senior secured notes with an original principal of US\$75.0 million. The notes, which rank pari passu with the syndicated revolving credit facility, have a current principal amount outstanding of US\$50.0 million, and an interest rate of 4.83% per annum and mature on January 24, 2022. A repayment of US\$25.0 million, as required under the terms of the notes, was completed on January 24, 2020. The remaining amortizing principal repayments of US\$25.0 million are due under the notes on 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 2020, and as at September 30, 2020, the Company was in compliance with all of these covenants. As at September 30, 2020, the fair value of the senior secured notes was approximately US\$51.6 million.

Hedge on net investment

The Company's U.S. dollar denominated senior secured notes has been designated as a hedge of the net investment in its U.S. operations. At the inception of the hedge and on an ongoing basis, the Company documents whether the hedge is highly effective in offsetting foreign exchange fluctuations of its net investment. The effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income; any ineffectiveness is recorded immediately in earnings. Amounts included in foreign currency translation reserve will be recognized in net profit when there is a reduction of the hedged net investment.

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For the three and nine months ended September 30, 2020 and September 30, 2019
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12 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 ended on May 14, 2019. On May 21, 2019, the Company announced a new normal course issuer bid ("NCIB") to repurchase for cancellation up to 2,000,000 common shares commencing on May 21, 2019, and ending on May 20, 2020, or such earlier date on which the Company completes its purchases of common shares.

During the nine months ended September 30, 2020, pursuant to its NCIB, the Company purchased and cancelled 69,900 common shares, at a weighted average price per share of \$29.72.

	Number of Shares	Amount
As at December 31, 2018	36,512,892	82,600
Common shares repurchased and cancelled through NCIB	(1,579,154)	(3,568)
Common shares repurchased prior to December 31, 2019 and cancelled subsequent to December 31, 2019 through NCIB	(10,000)	(23)
As at December 31, 2019	34,923,738	79,009
Common shares repurchased and cancelled through NCIB	(69,900)	(158)
As at September 30, 2020	34,853,838	78,851

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13 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 September 30, 2020, is \$20.2 million (December 31, 2019 - \$15.9 million). The fair value of deferred units exercisable as at September 30, 2020, is \$16.1 million (December 31, 2019 - \$13.0 million). Changes in the number of deferred units under the DSU Plan were as follows:

	Units
As at December 31, 2018	467,520
Granted	95,897
Dividends earned	7,225
Redeemed for cash	(38,918)
Forfeited	(17,433)
As at December 31, 2019	514,291
Granted	219,938
Dividends earned	9,412
Redeemed for cash	(61,149)
Forfeited	(2,110)
As at September 30, 2020	680,382
Exercisable as at September 30, 2020	423,465

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.

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The liability for PSUs outstanding as at September 30, 2020, is \$6.3 million (December 31, 2019 - \$8.0 million). The fair value of units exercisable at September 30, 2020, is nil (December 31, 2019 - \$3.0 million). Changes in the number of PSUs under the PSU plan were as follows:

	Units
As at December 31, 2018	317,361
Granted	92,912
Redeemed	(141,203)
Forfeited	(774)
As at December 31, 2019	268,296
Granted	171,224
Redeemed	(61,064)
As at September 30, 2020	378,456
Exercisable as at September 30, 2020	-

14 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 period. The denominator is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Net profit	16,153	25,839	22,922	43,819

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Weighted average number of common shares, basic	34,853,838	35,472,696	34,873,262	36,421,889

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.

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Basic weighted average number of common shares	34,853,838	35,472,696	34,873,262	36,421,889
Effect of dilutive deferred share units	-	-	-	-
Weighted average number of common shares, diluted	34,853,838	35,472,696	34,873,262	36,421,889

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Basic and diluted earnings per share	\$0.46	\$0.73	\$0.66	\$1.20

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15 Statement of cash flow supplemental information

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Operating activities				
Source (use) of cash:				
Trade and other receivables	(18,521)	(19,462)	10,569	(36,184)
Prepaid expenses	(5,010)	(3,737)	(1,644)	(3,314)
Inventories	1,494	(1,684)	(2,120)	(2,132)
Trade and other payables	4,836	5,643	910	8,742
Change in non-cash working capital	(17,201)	(19,240)	7,715	(32,888)
Investing activities				
Source (use) of cash:				
Trade and other receivables	(1,768)	-	(1,768)	-
Trade and other payables ⁽¹⁾	(104)	(3,481)	(4,076)	(2,016)
Change in non-cash working capital	(1,872)	(3,481)	(5,844)	(2,016)
Financing activities				
Source (use) of cash:				
Trade and other payables ⁽²⁾	-	(68)	-	408
Change in non-cash working capital	-	(68)	-	408

⁽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.

⁽²⁾ Non-cash working capital changes from trade and other payables relate to share repurchases under the normal course issuer bid for shares that have been repurchased and cash settled subsequent to September 30, 2019.

As at	September 30, 2020	December 31, 2019
Cash and cash equivalents:		
Cash	20,136	8,801
Cash equivalents	-	-
Total cash and cash equivalents	20,136	8,801

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16 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 and nine months ended September 30, 2020, and 2019, based on these geographic/reportable segments.

For the three months ended	September 30, 2020				September 30, 2019			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	25,998	123,665	-	149,663	31,464	145,051	-	176,515
Other revenue	4,925	2,265	-	7,190	5,944	1,284	-	7,228
Total revenue	30,923	125,930	-	156,853	37,408	146,335	-	183,743
Direct costs	17,251	83,436	-	100,687	25,146	98,360	-	123,506
Depreciation and amortization	4,874	13,554	24	18,452	4,486	11,614	25	16,125
General and administrative ⁽¹⁾	974	4,864	3,203	9,041	1,703	5,506	2,919	10,128
Share-based plan ⁽²⁾	-	-	6,122	6,122	-	-	(2,408)	(2,408)
Finance cost ⁽³⁾	56	93	1,554	1,703	68	62	1,780	1,910
Other ⁽⁴⁾	(993)	(69)	-	(1,062)	(169)	(84)	-	(253)
Profit (loss) before tax	8,761	24,052	(10,903)	21,910	6,174	30,877	(2,316)	34,735

For the nine months ended	September 30, 2020				September 30, 2019			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	72,149	336,067	-	408,216	90,214	381,870	-	472,084
Other revenue	14,284	5,515	-	19,799	16,356	3,127	-	19,483
Total revenue	86,433	341,582	-	428,015	106,570	384,997	-	491,567
Direct costs	56,132	239,006	-	295,138	74,933	263,252	-	338,185
Depreciation and amortization	14,786	40,625	73	55,484	13,092	33,048	74	46,214
General and administrative ⁽¹⁾	4,135	17,524	10,395	32,054	5,403	17,214	8,158	30,775
Share-based plan ⁽²⁾	-	-	6,551	6,551	-	-	12,931	12,931
Finance cost ⁽³⁾	179	280	6,206	6,665	206	160	4,516	4,882
Other ⁽⁴⁾	655	457	-	1,112	424	(228)	-	196
Profit (loss) before tax	10,546	43,690	(23,225)	31,011	12,512	71,551	(25,679)	58,384

(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 loss (gain) and impairment on sale of property, plant and equipment, and foreign exchange (gain) losses.

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	Canada	U.S.	Corporate	Total
As at September 30, 2020				
Property, plant and equipment	121,503	275,693	-	397,196
Right-of-use assets	7,186	15,325	495	23,006
Intangible assets	17,451	14,545	-	31,996
Goodwill	1,621	-	-	1,621
Total assets	222,438	449,977	495	672,910
Total liabilities ⁽¹⁾	35,332	111,404	180,138	326,874
As at December 31, 2019				
Property, plant and equipment	120,639	274,625	-	395,264
Right-of-use assets	8,642	14,006	569	23,217
Intangible assets	15,574	14,823	-	30,397
Goodwill	1,621	-	-	1,621
Total assets	188,453	479,940	569	668,962
Total liabilities ⁽¹⁾	40,756	105,830	191,705	338,291

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

17 Commitments

The Company had the following commitments as at September 30, 2020:

	2020	2021	2022	2023	2024	Thereafter	Total
Operating leases ⁽¹⁾	208	782	717	524	511	413	3,155
Service contract ⁽²⁾	493	1,972	1,972	493	-	-	4,930
Senior secured note interest ⁽³⁾	-	2,416	805	-	-	-	3,221
Purchase commitments ⁽⁴⁾	4,443	-	-	-	-	-	4,443
Total	5,144	5,170	3,494	1,017	511	413	15,749

⁽¹⁾ Operating leases include variable costs for building and office space.

⁽²⁾ Contract with third party service provider for information technology services.

⁽³⁾ Senior secured 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 September 30, 2020 closing U.S. to Canadian foreign currency exchange rate. See Note 11.

⁽⁴⁾ Purchase commitments include amounts related to manufacturing operations, the purchase of light-duty trucks and other committed capital expenditures.