

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

For the three and six months ended June 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	June 30, 2020	December 31, 2019
ASSETS			
Current Assets			
Cash and cash equivalents	15	26,007	8,801
Trade and other receivables	6	159,618	182,168
Prepaid expenses		7,026	9,646
Inventories		11,962	8,256
Income taxes receivable		9,845	9,592
Assets held for sale	9	1,815	-
		216,273	218,463
Non-current Assets			
Property, plant and equipment		403,585	395,264
Right-of-use assets	10	23,377	23,217
Intangible assets		33,091	30,397
Goodwill		1,621	1,621
		461,674	450,499
Total Assets		677,947	668,962
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		61,678	67,357
Lease liability	10	5,860	5,709
Share-based plan liability	13	22,329	23,878
Dividends payable		1,743	1,659
Current portion of senior secured notes	11	34,070	32,470
		125,680	131,073
Non-current Liabilities			
Lease liability	10	11,736	11,442
Senior secured notes	11	34,070	64,940
Borrowings under credit facility	11	95,008	66,248
Deferred income tax		69,756	64,588
		210,570	207,218
Shareholders' Equity			
Shareholders' capital	12	78,851	79,009
Contributed surplus		548	548
Accumulated other comprehensive income		39,820	23,202
Retained earnings		222,478	227,912
		341,697	330,671
Total Liabilities and Shareholders' Equity		677,947	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 June 30,		For the six months ended June 30,	
	Notes	2020	2019	2020	2019
Revenue	7	134,484	161,210	271,162	307,824
Direct costs	8	88,052	110,627	194,451	214,679
Gross profit		46,432	50,583	76,711	93,145
Depreciation and amortization		18,936	15,414	37,032	30,089
General and administrative	8	10,873	11,359	23,013	20,647
Share-based plans	13	9,477	7,039	429	15,339
Operating profit		7,146	16,771	16,237	27,070
Loss (gain) on sale and impairment of property, plant and equipment	9	1,679	(12)	1,718	(220)
Finance cost		2,583	1,528	4,962	2,972
Foreign exchange loss (gain)		621	(24)	456	669
Profit before income tax		2,263	15,279	9,101	23,649
Current income tax expense (recovery)		2,535	(938)	-	966
Deferred income tax (recovery) expense		(1,973)	4,268	2,332	4,703
Income tax expense		562	3,330	2,332	5,669
Net profit		1,701	11,949	6,769	17,980
Other comprehensive income:					
Foreign exchange differences on translation of foreign operations		(13,084)	(6,990)	20,206	(12,987)
Unrealized foreign exchange gain (loss) on net investment hedge	11	2,795	2,070	(3,588)	4,163
Other comprehensive (loss) income		(10,289)	(4,920)	16,618	(8,824)
Comprehensive (loss) income		(8,588)	7,029	23,387	9,156
Net profit per share					
Basic and diluted	14	\$0.05	\$0.33	\$0.19	\$0.50

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

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

				Accumulated other		
	Notes	Shareholders' capital	Contributed surplus	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		-	-	-	17,980	17,980
Other comprehensive loss		-	-	(8,824)	-	(8,824)
Dividends		-	-	-	(10,049)	(10,049)
Shares repurchased and cancelled under normal course issuer bid	12	(1,741)	-	-	(25,987)	(27,728)
As at June 30, 2019		80,859	548	28,526	228,202	338,135
As at January 1, 2020		79,009	548	23,202	227,912	330,671
Net profit		-	-	-	6,769	6,769
Other comprehensive income		-	-	16,618	-	16,618
Dividends		-	-	-	(10,284)	(10,284)
Shares repurchased and cancelled under normal course issuer bid	12	(158)	-	-	(1,919)	(2,077)
As at June 30, 2020		78,851	548	39,820	222,478	341,697

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 six months ended June 30, 2020 and June 30, 2019

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

		For the three months		For the six months	
	Notes	ended June 30,	2019	ended June 30,	2019
		2020		2020	
Operating activities					
Net profit		1,701	11,949	6,769	17,980
Non-cash adjustments to reconcile net profit from operations to cash flow from operating activities before working capital and other adjustments:					
Depreciation and amortization		18,936	15,414	37,032	30,089
Deferred income tax (recovery) expense		(1,973)	4,268	2,332	4,703
Loss (gain) on sale and impairment of property, plant and equipment		1,679	(12)	1,718	(220)
Finance cost		2,583	1,528	4,962	2,972
Current income tax expense (recovery)		2,535	(938)	-	966
Share-based plans	13	9,477	7,039	429	15,339
Unrealized foreign exchange (gain) loss		(97)	36	(227)	87
Cash flow from operating activities before working capital and other adjustments		34,841	39,284	53,015	71,916
Change in non-cash working capital	15	17,131	(22,785)	24,916	(13,648)
Income taxes paid		(151)	(2,479)	(487)	(2,900)
Income taxes recovered		37	417	366	2,524
Interest paid on lease liabilities	10	(156)	(134)	(320)	(239)
Share-based plan paid	13	(1,978)	(952)	(1,978)	(8,113)
Cash flows from operating activities		49,724	13,351	75,512	49,540
Investing activities					
Purchase of property, plant and equipment		(6,363)	(21,975)	(27,174)	(42,550)
Upfront payments for right-of-use assets	10	(648)	(1,779)	(736)	(2,949)
Proceeds from sale of property, plant and equipment		128	400	376	957
Additions to intangible assets		(2,047)	(5,892)	(3,173)	(10,474)
Change in non-cash working capital	15	(7,287)	427	(3,972)	1,465
Cash flows (used in) investing activities		(16,217)	(28,819)	(34,679)	(53,551)
Financing activities					
Borrowings under credit facility	11	1,232	13,500	123,740	21,000
Repayment of credit facility	11	(94,897)	-	(94,897)	-
Repayment of senior secured notes	11	-	-	(32,858)	-
Interest paid		(1,230)	(117)	(4,683)	(2,801)
Payment of lease liabilities	10	(1,649)	(1,153)	(3,203)	(2,173)
Dividends paid		(5,229)	(5,112)	(10,201)	(9,997)
Common shares repurchased under normal course issuer bid	12	-	(6,523)	(2,077)	(27,728)
Change in non-cash working capital	15	-	476	-	476
Cash flows (used in) from financing activities		(101,773)	1,071	(24,179)	(21,223)
Effect of foreign exchange rate changes on cash		(2,148)	(537)	552	(1,217)
(Decrease) increase in cash and cash equivalents		(70,414)	(14,934)	17,206	(26,451)
Cash and cash equivalents, beginning of period		96,421	36,786	8,801	48,303
Cash and cash equivalents, end of period		26,007	21,852	26,007	21,852

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

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 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 six months ended June 30, 2020 and June 30, 2019 were authorised for issue in accordance with a resolution of the Board of Directors (“Board”) on August 5, 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.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 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	June 30, 2020	December 31, 2019
Trade receivables ⁽¹⁾	151,491	181,014
Holdback receivables ⁽¹⁾	1,957	1,651
Allowance for doubtful accounts	(6,102)	(5,611)
Total trade receivables	147,346	177,054
Accrued revenue and other receivables	12,272	5,114
Trade and other receivables	159,618	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 June 30, 2020						
Trade receivables	151,491	81,001	14,037	9,502	8,164	38,787
Holdback receivables	1,957	-	3	10	31	1,913
Allowance for doubtful accounts	(6,102)	-	-	-	-	(6,102)
	147,346	81,001	14,040	9,512	8,195	34,598
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.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 30, 2019

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

The changes in the allowance for doubtful account for the six months ended June 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)	2,108
Accounts written off (reduces allowance for doubtful accounts)	(1,813)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(57)
Exchange differences	253
As at June 30, 2020	6,102

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 six months ended	
	2020	June 30, 2019	2020	June 30, 2019
Hydrovac revenue – corporate	124,293	148,817	250,292	284,637
Hydrovac revenue – operating partners	4,053	5,538	8,261	10,932
Total hydrovac revenue	128,346	154,355	258,553	295,569
Other service revenue – corporate ⁽¹⁾	5,894	6,602	12,127	11,758
Other service revenue – operating partners ⁽¹⁾	244	253	482	497
Total other revenue	6,138	6,855	12,609	12,255
Total revenue	134,484	161,210	271,162	307,824

⁽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 and six months ended June 30, 2020 and June 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 \$4.6 million during the three and six months ended June 30, 2020. During the three and six months ended June 30, 2020, actual cash outflows related to these expenditures was \$1.9 million. The remaining obligations are anticipated to be settled by December 31, 2020.

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 to August 29, 2020 as prescribed by the government. The Company recognized funds of \$5.2 million during the three and six months ended June 30, 2020. 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 six months ended June 30, 2020:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Restructuring expenses included in:				
Direct costs	1,910	-	1,910	-
General and administrative	2,706	-	2,706	-
Total restructuring expenses	4,616	-	4,616	-
CEWS included in:				
Direct costs	(4,649)	-	(4,649)	-
General and administrative	(556)	-	(556)	-
Total CEWS	(5,205)	-	(5,205)	-

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 period ended June 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 three months ended June 30, 2020. The remaining net book value of this property, plant and equipment is \$1.8 million and has been classified as held for sale on the statement of financial position.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 30, 2019

(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	3,932	736	4,668
Depreciation	(3,302)	(638)	(3,940)
Disposals/modifications	(1,233)	(33)	(1,266)
Impact of foreign exchange	379	319	698
Right-of-use assets as at June 30, 2020	16,615	6,762	23,377

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	3,932
Interest expense	320
Lease payments	(3,523)
Disposals/modifications	(767)
Impact of foreign exchange	483
Lease liabilities as at June 30, 2020	17,596

Current	5,860
Long-term	11,736
Total lease liabilities	17,596

Contractual undiscounted cash flows

As at	June 30, 2020	December 31, 2019
Less than one year	6,428	6,203
One to five years	12,375	11,674
More than five years	167	500
Total	18,970	18,377

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 30, 2019

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

Amounts recognized in net profit

	For the three months ended		For the six months ended	
	2020	June 30, 2019	2020	June 30, 2019
Expenses related to short-term leases	617	416	1,253	766
Short-term lease exemptions – expiring leases	-	391	-	791
Total	617	807	1,253	1,557

11 Debt

As at	June 30, 2020	December 31, 2019
Current portion of senior secured notes	34,070	32,470
Current debt	34,070	32,470

As at	June 30, 2020	December 31, 2019
Borrowings under syndicated revolving credit facility	96,000	67,157
Less: unamortized debt issuance costs	(992)	(909)
Net borrowings under syndicated revolving credit facility	95,008	66,248
Senior secured notes	34,070	64,940
Total long-term debt	129,078	131,188

As at	June 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	(96,000)	(67,157)
Less: letters of credit	(4,624)	(4,401)
Available amount	299,376	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.

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

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 30, 2019

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

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 June 30, 2020, the Company had no amounts outstanding on its supplemental credit facility.

As at June 30, 2020, the Company had available \$299.4 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 June 30, 2020, the Company was in compliance with all of these covenants. As at June 30, 2020, the fair value of the senior secured notes was approximately US\$50.7 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.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 30, 2019

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

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 six months ended June 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 June 30, 2020	34,853,838	78,851

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 30, 2019

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

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 June 30, 2020 is \$16.3 million (December 31, 2019 - \$15.9 million). The fair value of deferred units exercisable as at June 30, 2020 is \$14.1 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
Redeemed for cash	(7,061)
Forfeited	(2,110)
Dividends earned	6,654
As at June 30, 2020	731,712
Exercisable as at June 30, 2020	473,717

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 and six months ended June 30, 2020 and June 30, 2019

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

The liability for PSUs outstanding as at June 30, 2020 is \$6.0 million (December 31, 2019 - \$8.0 million). The fair value of units exercisable at June 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 June 30, 2020	378,456
Exercisable as at June 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		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net profit	1,701	11,949	6,769	17,980

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Weighted average number of common shares, basic	34,853,838	35,854,547	34,878,025	35,937,865

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		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Basic weighted average number of common shares	34,853,838	35,854,547	34,878,025	35,937,865
Effect of dilutive deferred share units	-	-	-	-
Weighted average number of common shares, diluted	34,853,838	35,854,547	34,878,025	35,937,865

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Basic and diluted earnings per share	\$0.05	\$0.33	\$0.19	\$0.50

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 30, 2019

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

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 and investing activities:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Operating activities				
Source (use) of cash:				
Trade and other receivables	12,250	(24,696)	29,090	(16,722)
Prepaid expenses	2,882	(439)	3,366	423
Inventories	(1,392)	(260)	(3,614)	(448)
Trade and other payables	3,391	2,610	(3,926)	3,099
Change in non-cash working capital	17,131	(22,785)	24,916	(13,648)
Investing activities				
Source of cash:				
Trade and other payables ⁽¹⁾	(7,287)	427	(3,972)	1,465
Change in non-cash working capital	(7,287)	427	(3,972)	1,465
Financing activities				
Source of cash:				
Trade and other payables ⁽²⁾	-	476	-	476
Change in non-cash working capital	-	476	-	476

⁽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 June 30, 2019.

As at	June 30, 2020	December 31, 2019
Cash and cash equivalents:		
Cash	26,007	8,801
Cash equivalents	-	-
Total cash and cash equivalents	26,007	8,801

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 30, 2019

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

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 six months ended June 30, 2020 and 2019 based on these geographic/reportable segments.

For the three months ended	June 30, 2020				June 30, 2019			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	20,592	107,754	-	128,346	27,874	126,481	-	154,355
Other revenue	4,462	1,676	-	6,138	5,670	1,185	-	6,855
Total revenue	25,054	109,430	-	134,484	33,544	127,666	-	161,210
Direct costs	15,051	73,001	-	88,052	24,614	86,013	-	110,627
Depreciation and amortization	4,973	13,938	25	18,936	4,375	11,014	25	15,414
General and administrative ⁽¹⁾	1,462	6,389	3,022	10,873	1,386	6,466	3,507	11,359
Share-based plan ⁽²⁾	-	-	9,477	9,477	-	-	7,039	7,039
Finance cost ⁽³⁾	61	95	2,427	2,583	67	55	1,406	1,528
Other ⁽⁴⁾	1,842	458	-	2,300	(19)	(17)	-	(36)
Profit (loss) before tax	1,665	15,549	(14,951)	2,263	3,121	24,135	(11,977)	15,279

For the six months ended	June 30, 2020				June 30, 2019			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	46,151	212,402	-	258,553	58,750	236,819	-	295,569
Other revenue	9,359	3,250	-	12,609	10,412	1,843	-	12,255
Total revenue	55,510	215,652	-	271,162	69,162	238,662	-	307,824
Direct costs	38,881	155,570	-	194,451	49,787	164,892	-	214,679
Depreciation and amortization	9,912	27,071	49	37,032	8,606	21,434	49	30,089
General and administrative ⁽¹⁾	3,161	12,660	7,192	23,013	3,700	11,708	5,239	20,647
Share-based plan ⁽²⁾	-	-	429	429	-	-	15,339	15,339
Finance cost ⁽³⁾	123	187	4,652	4,962	138	98	2,736	2,972
Other ⁽⁴⁾	1,648	526	-	2,174	593	(144)	-	449
Profit (loss) before tax	1,785	19,638	(12,322)	9,101	6,338	40,674	(23,363)	23,649

⁽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.

BADGER DAYLIGHTING LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and June 30, 2019

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

	Canada	U.S.	Corporate	Total
As at June 30, 2020				
Property, plant and equipment	114,829	288,756	-	403,585
Right-of-use assets	8,202	14,655	520	23,377
Intangible assets	17,784	15,307	-	33,091
Goodwill	1,621	-	-	1,621
Total assets	213,229	464,198	520	677,947
Total liabilities ⁽¹⁾	33,713	113,236	189,301	336,250
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 June 30, 2020:

	2020	2021	2022	2023	2024	Thereafter	Total
Operating leases ⁽¹⁾	787	821	748	555	540	456	3,907
Service contract ⁽²⁾	986	1,972	1,972	493	-	-	5,423
Senior secured note interest ⁽³⁾	1,646	2,468	823	-	-	-	4,937
Purchase commitments ⁽⁴⁾	3,662	-	-	-	-	-	3,662
Total	7,081	5,261	3,543	1,048	540	456	17,929

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

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

⁽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 June 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.