

**Badger Daylighting Ltd.**

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

For the three months ended March 31, 2020, and 2019

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

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

<b>As at</b>	<b>Notes</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	13	96,421	8,801
Trade and other receivables	6	176,909	182,168
Prepaid expenses		9,585	9,646
Inventories		10,666	8,256
Income taxes receivable		12,480	9,592
		<b>306,061</b>	<b>218,463</b>
<b>Non-current Assets</b>			
Property, plant and equipment		428,776	395,264
Right-of-use assets	8	24,934	23,217
Intangible assets		32,293	30,397
Goodwill		1,621	1,621
		<b>487,624</b>	<b>450,499</b>
<b>Total Assets</b>		<b>793,685</b>	<b>668,962</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables		67,059	67,357
Lease liability	8	5,940	5,709
Share-based plan liability	11	14,830	23,878
Dividends payable		1,743	1,659
Current portion of senior secured notes	9	35,468	32,470
		<b>125,040</b>	<b>131,073</b>
<b>Non-current Liabilities</b>			
Lease liability	8	12,729	11,442
Senior secured notes	9	35,468	64,940
Borrowings under credit facility	9	190,589	66,248
Deferred income tax		74,346	64,588
		<b>313,132</b>	<b>207,218</b>
<b>Shareholders' Equity</b>			
Shareholders' capital	10	78,851	79,009
Contributed surplus		548	548
Accumulated other comprehensive income		50,109	23,202
Retained earnings		226,005	227,912
		<b>355,513</b>	<b>330,671</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>793,685</b>	<b>668,962</b>

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 March 31,	
	Notes	2020	2019
Revenue	7	136,678	146,614
Direct costs		106,399	104,052
<b>Gross profit</b>		<b>30,279</b>	42,562
Depreciation and amortization		18,096	14,675
General and administrative		12,140	9,288
Share-based plans	11	(9,048)	8,300
<b>Operating profit</b>		<b>9,091</b>	10,299
Loss (gain) on sale of property, plant and equipment		39	(208)
Finance cost		2,379	1,444
Foreign exchange (gain) loss		(165)	693
<b>Profit before income tax</b>		<b>6,838</b>	8,370
Current income tax (recovery) expense		(2,535)	1,904
Deferred income tax expense		4,305	435
<b>Income tax expense</b>		<b>1,770</b>	2,339
<b>Net profit</b>		<b>5,068</b>	6,031
<b>Other comprehensive income:</b>			
Foreign exchange differences on translation of foreign operations		33,290	(5,997)
Unrealized foreign exchange (loss) gain on net investment hedge	9	(6,383)	2,093
<b>Other comprehensive income (loss)</b>		<b>26,907</b>	(3,904)
<b>Comprehensive income</b>		<b>31,975</b>	2,127
<b>Net profit per share</b>			
Basic and diluted	12	\$0.15	\$0.16

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		-	-	-	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)
<b>As at March 31, 2019</b>		<b>81,168</b>	<b>548</b>	<b>33,446</b>	<b>227,573</b>	<b>342,735</b>
As at January 1, 2020		79,009	548	23,202	227,912	330,671
Net profit		-	-	-	5,068	5,068
Other comprehensive income		-	-	26,907	-	26,907
Dividends		-	-	-	(5,056)	(5,056)
Shares repurchased and cancelled under normal course issuer bid	10	(158)	-	-	(1,919)	(2,077)
<b>As at March 31, 2020</b>		<b>78,851</b>	<b>548</b>	<b>50,109</b>	<b>226,005</b>	<b>355,513</b>

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 months ended March 31, 2020 and March 31, 2019

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

		For the three months ended March 31,	
	Notes	2020	2019
<b>Operating activities</b>			
Net profit		5,068	6,031
Non-cash adjustments to reconcile net profit from operations to cash flow from operating activities before working capital and other adjustments:			
Depreciation and amortization		18,096	14,675
Deferred income tax expense		4,305	435
Loss (gain) on sale of property, plant and equipment		39	(208)
Finance cost		2,379	1,444
Current income tax (recovery) expense		(2,535)	1,904
Share-based plans		(9,048)	8,300
Unrealized foreign exchange (gain) loss		(130)	51
Cash flow from operating activities before working capital and other adjustments		18,174	32,632
Change in non-cash working capital	13	7,785	9,137
Income taxes paid		(336)	(421)
Income taxes recovered		329	2,107
Interest paid on lease liabilities	8	(164)	(105)
Share-based plan paid	11	-	(7,161)
<b>Cash flows from operating activities</b>		<b>25,788</b>	<b>36,189</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(20,811)	(20,575)
Upfront payments for right-of-use assets	8	(88)	(1,170)
Proceeds from sale of property, plant and equipment		248	557
Additions to intangible asset		(1,126)	(4,582)
Change in non-cash working capital	13	3,315	1,038
<b>Cash flows used in investing activities</b>		<b>(18,462)</b>	<b>(24,732)</b>
<b>Financing activities</b>			
Borrowings under credit facility	9	122,508	7,500
Repayment of senior secured notes	9	(32,858)	-
Interest paid		(3,453)	(2,684)
Payment of lease liabilities	8	(1,554)	(1,020)
Dividends paid		(4,972)	(4,885)
Common shares repurchased under normal course issuer bid	10	(2,077)	(21,205)
<b>Cash flows from (used in) financing activities</b>		<b>77,594</b>	<b>(22,294)</b>
Effect of foreign exchange rate changes on cash		2,700	(680)
Increase (decrease) in cash and cash equivalents		87,620	(11,517)
Cash and cash equivalents, beginning of period		8,801	48,303
<b>Cash and cash equivalents, end of period</b>		<b>96,421</b>	<b>36,786</b>

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 months ended March 31, 2020 and March 31, 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, 919-11<sup>th</sup> Avenue SW, Calgary, Alberta T2R 1P3. The registered office of Badger is located at c/o CAS Corporate Governance Services Inc., 600, 815-8<sup>th</sup> Avenue SW, Calgary, Alberta T2P 3P2.

The unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2020 and March 31, 2019 were authorised for issue in accordance with a resolution of the Board of Directors (“Board”) on May 7, 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.

### **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. These policies have been consistently applied to all periods presented.

### **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.

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

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

#### 6 Trade and other receivables

As at	March 31, 2020	December 31, 2019
Trade receivables	168,652	175,453
Holdback receivables	7,941	7,212
Allowance for doubtful accounts	(6,996)	(5,611)
<b>Total trade receivables</b>	<b>169,597</b>	<b>177,054</b>
Accrued revenue and other receivables	7,312	5,114
<b>Trade and other receivables</b>	<b>176,909</b>	<b>182,168</b>

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
<b>As at March 31, 2020</b>						
Trade receivables	168,652	95,502	9,847	12,046	9,887	41,370
Holdback receivables	7,941	2,880	397	572	549	3,543
Allowance for doubtful accounts	(6,996)	-	-	-	(20)	(6,976)
	<b>169,597</b>	<b>98,382</b>	<b>10,244</b>	<b>12,618</b>	<b>10,416</b>	<b>37,937</b>
<b>As at December 31, 2019</b>						
Trade receivables	175,453	89,561	38,044	10,378	10,299	27,171
Holdback receivables	7,212	1,636	1,175	422	552	3,427
Allowance for doubtful accounts	(5,611)	-	-	-	-	(5,611)
	177,054	91,197	39,219	10,800	10,851	24,987

The changes in the allowance for doubtful account for the three months ended March 31, 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)	999
Accounts written off (reduces allowance for doubtful accounts)	(61)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(38)
Exchange differences	485
<b>As at March 31, 2020</b>	<b>6,996</b>

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

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

## 7 Revenue

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

	For the three months ended March 31,	
	2020	2019
Hydrovac revenue – corporate	125,999	135,820
Hydrovac revenue – operating partners	4,208	5,394
<b>Total hydrovac revenue</b>	<b>130,207</b>	<b>141,214</b>
Other service revenue – corporate <sup>(1)</sup>	6,233	5,156
Other service revenue – operating partners <sup>(1)</sup>	238	244
<b>Total other revenue</b>	<b>6,471</b>	<b>5,400</b>
<b>Total revenue</b>	<b>136,678</b>	<b>146,614</b>

<sup>(1)</sup> 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, 2020 and March 31, 2019

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

## 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 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	2,813	88	2,901
Depreciation	(1,646)	(279)	(1,925)
Disposals/modifications	(580)	-	(580)
Impact of foreign exchange	808	513	1,321
<b>Right-of-use assets as at March 31, 2020</b>	<b>18,234</b>	<b>6,700</b>	<b>24,934</b>

### 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	2,813
Interest expense	159
Lease payments	(1,718)
Disposals/modifications	(610)
Impact of foreign exchange	874
<b>Lease liabilities as at March 31, 2020</b>	<b>18,669</b>
Current	5,940
Long-term	12,729

### Contractual undiscounted cash flows

As at	March 31, 2020	December 31, 2019
Less than one year	6,415	6,203
One to five years	12,855	11,674
More than five years	300	500
<b>Total</b>	<b>19,570</b>	<b>18,377</b>

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

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

#### Amounts recognized in net profit

	For the three months ended March 31,	
	2020	2019
Expenses related to short-term leases	636	350
Short-term lease exemptions – expiring leases	-	400
<b>Total</b>	<b>636</b>	<b>750</b>

## 9 Debt

As at	March 31, 2020	December 31, 2019
Current portion of senior secured notes	35,468	32,470
<b>Current debt</b>	<b>35,468</b>	<b>32,470</b>

As at	March 31, 2020	December 31, 2019
Borrowings under credit facility	191,468	67,157
Less: unamortized debt issuance costs	(879)	(909)
Net borrowings under credit facility	190,589	66,248
Senior secured notes	35,468	64,940
<b>Total long-term debt</b>	<b>226,057</b>	<b>131,188</b>

As at	March 31, 2020	December 31, 2019
Credit facility capacity	300,000	300,000
Less: borrowings under credit facility	(191,468)	(67,157)
Less: letters of credit	(4,801)	(4,401)
<b>Available amount</b>	<b>103,731</b>	<b>228,442</b>

#### 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 Credit Facility, subject to approval by the lenders, by an additional \$150.0 million Canadian dollars. Badger maintains the 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 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 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 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 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 Credit Facility, support the U.S. insurance program and certain other performance bonds.

As at March 31, 2020, the Company had available \$103.7 million (December 31, 2019 - \$228.4 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

# BADGER DAYLIGHTING LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

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

### 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 March 31, 2020, the Company was in compliance with all of these covenants. As at March 31, 2020, the fair value of the senior secured notes was approximately US\$50.9 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.

## 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 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 three months ended March 31, 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)
<b>As at March 31, 2020</b>	<b>34,853,838</b>	<b>78,851</b>

# BADGER DAYLIGHTING LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

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

### 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, 2020 is \$10.9 million (December 31, 2019 - \$15.9 million). The fair value of deferred units exercisable as at March 31, 2020 is \$10.0 million (December 31, 2019 - \$13.0 million). Changes in the number of deferred units under the DSU Plan were as follows:

	<b>Units</b>
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	181,339
Dividends earned	3,227
<b>As at March 31, 2020</b>	<b>698,857</b>
<b>Exercisable as at March 31, 2020</b>	<b>438,630</b>

#### 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, 2020 and March 31, 2019

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

The liability for PSUs outstanding as at March 31, 2020 is \$3.9 million (December 31, 2019 - \$8.0 million). The fair value of units exercisable at March 31, 2020 is \$1.8 million (December 31, 2019 - \$3.0 million). Changes in the number of PSUs under the PSU plan were as follows:

	<b>Units</b>
As at December 31, 2018	317,361
Granted	92,912
Redeemed	(141,203)
Forfeited	(774)
As at December 31, 2019	268,296
Granted	169,723
<b>As at March 31, 2020</b>	<b>438,019</b>
<b>Exercisable as at March 31, 2020</b>	<b>61,064</b>

## 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 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.

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Net profit	<b>5,068</b>	6,031

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of common shares, basic	<b>34,892,213</b>	36,592,791

### 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.

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Basic weighted average number of common shares	<b>34,892,213</b>	36,592,791
Effect of dilutive deferred share units	-	-
Weighted average number of common shares, diluted	<b>34,892,213</b>	36,592,791

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Basic and diluted earnings per share	<b>\$0.15</b>	\$0.16

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

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

#### 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,	
	2020	2019
<b>Operating activities</b>		
Source (use) of cash:		
Trade and other receivables	16,840	7,974
Prepaid expenses	484	862
Inventories	(2,222)	(188)
Trade and other payables	(7,317)	489
Change in non-cash working capital	7,785	9,137
<b>Investing activities</b>		
Source of cash:		
Trade and other payables <sup>(1)</sup>	3,315	1,038
Change in non-cash working capital	3,315	1,038

<sup>(1)</sup> 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, 2020	December 31, 2019
Cash and cash equivalents:		
Cash	85,041	8,801
Cash equivalents	11,380	-
Total cash and cash equivalents	96,421	8,801

# BADGER DAYLIGHTING LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

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

### 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, 2020 and 2019 based on these geographic/reportable segments.

For the three months ended	March 31, 2020				March 31, 2019			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	25,559	104,648	-	130,207	30,876	110,338	-	141,214
Other revenue	4,897	1,574	-	6,471	4,742	658	-	5,400
Total revenue	30,456	106,222	-	136,678	35,618	110,996	-	146,614
Direct costs	23,830	82,569	-	106,399	25,173	78,879	-	104,052
Depreciation and amortization	4,939	13,133	24	18,096	4,231	10,420	24	14,675
General and administrative <sup>(1)</sup>	1,699	6,271	4,170	12,140	2,314	5,242	1,732	9,288
Share-based plan <sup>(2)</sup>	-	-	(9,048)	(9,048)	-	-	8,300	8,300
Finance cost <sup>(3)</sup>	62	92	2,225	2,379	71	43	1,330	1,444
Other <sup>(4)</sup>	(194)	68	-	(126)	612	(127)	-	485
Profit (loss) before tax	120	4,089	2,629	6,838	3,217	16,539	(11,386)	8,370

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

	Canada	U.S.	Corporate	Total
<b>As at March 31, 2020</b>				
Property, plant and equipment	122,617	306,159	-	428,776
Right-of-use assets	8,846	15,543	545	24,934
Intangible assets	16,238	16,055	-	32,293
Goodwill	1,621	-	-	1,621
Total assets	255,106	538,034	545	793,685
Total liabilities <sup>(1)</sup>	63,612	112,389	262,171	438,172
<b>As at December 31, 2019</b>				
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 <sup>(1)</sup>	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 credit facility and accrued interest.

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

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

## 15 Commitments

The Company had the following commitments as at March 31, 2020:

	2020	2021	2022	2023	2024	Thereafter	Total
Operating leases <sup>(1)</sup>	813	806	731	536	528	463	3,877
Service contract <sup>(2)</sup>	1,479	1,972	1,972	493	-	-	5,916
Senior secured note interest <sup>(3)</sup>	1,713	2,570	857	-	-	-	5,140
Purchase commitments <sup>(4)</sup>	6,359	-	-	-	-	-	6,359
<b>Total</b>	<b>10,364</b>	<b>5,348</b>	<b>3,560</b>	<b>1,029</b>	<b>528</b>	<b>463</b>	<b>21,292</b>

<sup>(1)</sup> Operating leases include variable costs for building and office space.

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

<sup>(3)</sup> 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 March 31, 2020 closing U.S. to Canadian foreign currency exchange rate. See Note 9.

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

## 16 Subsequent events

### Restructuring costs

In April 2020, 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 will incur costs related to these cost reduction initiatives of approximately \$4.0 million in the second quarter of 2020.

### 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 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, are consistent with the Company's existing syndicated revolving credit facility, as disclosed in Note 9.