Badger Daylighting Ltd.

Consolidated Financial Statements

For the year ended December 31, 2013



Building a better working world

Independent Auditor's Report

To the Shareholders of Badger Daylighting Ltd.

We have audited the accompanying consolidated financial statements of Badger Daylighting Ltd., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Badger Daylighting Ltd. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Calgary, Canada
March 14, 2014

Chartered Accountants

BADGER DAYLIGHTING LTD.
Consolidated Statement of Financial Position
(Expressed in thousands of Canadian Dollars)

As at December 31	Notes	2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	8,623	2,460
Trade and other receivables	8	92,115	63,570
Prepaid expenses		1,459	1,346
Inventories	9	3,300	2,087
		105,497	69,463
Non-current Assets			
Property, plant and equipment	10	211,614	149,568
Goodwill and intangible assets	11	16,787	6,551
		228,401	156,119
Total Assets		333,898	225,582
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	12	23,657	17,076
Deferred unit plan liability	17	13,933	3,923
Income taxes payable		4,952	3,421
Dividends payable	14	1,111	1,109
		43,653	25,529
Non-current Liabilities			
Long-term debt	15	82,319	29,773
Deferred income tax	13	36,857	30,572
		119,176	60,345
Shareholders' Equity			
Shareholders' capital	1, 16	80,944	80,640
Contributed surplus	16	548	2,061
Accumulated other comprehensive income (loss)	16	3,291	(2,239)
Retained earnings		86,286	59,246
		171,069	139,708
Total Liabilities and Shareholders' Equity		333,898	225,582
Commitments and contingencies	25		

The accompanying notes are an integral part of these consolidated financial statements. These consolidated financial statements were approved by the Board on March 14, 2014 and were signed on its behalf.

Signed: Glen D. Roane
Director

Signed: David M. Calnan
Director

BADGER DAYLIGHTING LTD.
Consolidated Statement of Comprehensive Income
(Expressed in thousands of Canadian Dollars)

For the year ended December 31	Notes	2013 $	2012 $
Revenues	18	324,594	239,228
Direct costs	19	214,711	163,673
Gross profit		109,883	75,555
Depreciation of property, plant and equipment	10	24,183	18,365
Amortization of intangible assets	11	213	49
Selling, general and administrative	19	15,714	11,741
Deferred unit plan	17	10,010	2,320
Operating profit		59,763	43,080
Loss (gain) on sale of property, plant and equipment		291	(175)
Finance cost		1,645	1,247
Profit before tax		57,827	42,008
Income tax expense	13	17,464	13,958
Net profit for the year		40,363	28,050
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		5,530	(1,235)
Total comprehensive income for the year attributable to shareholders of the Corporation		45,893	26,815
Earnings per share			
Basic	1, 20	1.09	0.80
Diluted	1, 20	1.09	0.80

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

BADGER DAYLIGHTING LTD.
Consolidated Statement of Changes in Equity
(Expressed in thousands of Canadian Dollars)

For the year ended	Notes	Shareholders' capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total equity $
As at December 31, 2011		44,473	2,658	(1,004)	43,254	89,381
Net profit for the year		-	-	-	28,050	28,050
Other comprehensive income (loss) for the year		-	-	(1,235)	-	(1,235)
Share-based payment transactions	16, 17	-	58	-	-	58
Share options exercised	16, 17	205	-	-	-	205
Options surrendered for cash	16, 17	-	(655)	-	-	(655)
Shares issued pursuant to equity financing	16	35,962	-	-	-	35,962
Dividends	14	-	-	-	(12,058)	(12,058)
As at December 31, 2012		80,640	2,061	(2,239)	59,246	139,708
Net profit for the year		-	-	-	40,363	40,363
Other comprehensive income (loss) for the year		-	-	5,530	-	5,530
Share options exercised	16, 17	304	-	-	-	304
Options surrendered for cash	16, 17	-	(1,513)	-	-	(1,513)
Dividends	14	-	-	-	(13,323)	(13,323)
As at December 31, 2013		80,944	548	3,291	86,286	171,069

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

BADGER DAYLIGHTING LTD.
Consolidated Statement of Cash Flows
(Expressed in thousands of Canadian Dollars)

For the year ended December 31	Notes	2013 $	2012 $
Operating activities			
Net profit for the year		40,363	28,050
Non-cash adjustments to reconcile profit from operations to net cash flows:			
Depreciation of property, plant and equipment	10	24,183	18,365
Amortization of intangible assets	11	213	49
Deferred income tax	13	4,729	6,013
Share-based payment transaction expense	16, 17	-	58
Equity-settled share plan settled in cash	16, 17	(1,513)	(655)
Loss (gain) on sale of property plant and equipment		291	(175)
Unrealized foreign exchange (gain) loss on deferred tax		1,556	(849)
		69,822	50,856
Net change in non-cash working capital relating to operating activities		(11,419)	(4,655)
Net cash flows from operating activities		58,403	46,201
Investing activities			
Purchase of property, plant and equipment	10	(70,479)	(54,093)
Purchase of intangible assets	11	(2,555)	-
Proceeds from sale of property, plant and equipment		425	212
Business combination	6	(19,160)	-
Net cash flows used in investing activities		(91,769)	(53,881)
Financing activities			
Proceeds from issuance of shares, net of issuance costs	16	-	35,962
Proceeds received on the exercise of share options	16	304	205
Proceeds from long-term debt		52,546	-
Repayment of long-term debt		-	(16,782)
Dividends paid to owners	14	(13,321)	(11,867)
Net cash flows from financing activities		39,529	7,518
Net increase (decrease) in cash and cash equivalents		6,163	(162)
Cash and cash equivalents, beginning of year	7	2,460	2,622
Cash and cash equivalents, end of year	7	8,623	2,460
Supplemental cash flow information:			
Interest paid		1,645	1,247
Income tax paid		10,869	9,711

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

1 Incorporation and Operations

Badger Daylighting Ltd. and its subsidiaries (together "Badger" or the "Corporation") provide non-destructive excavating services to the utility, transportation, industrial, engineering, construction and petroleum industries in Canada and the United States. Badger is a publicly traded corporation. The address of the registered office is 1000, 635 – 8th Avenue SW, Calgary, Alberta T2P 3M3. The consolidated financial statements of the Corporation were authorised for issue by the Board of Directors on March 14, 2014.

All current and comparative share capital and profit per share amounts have been adjusted to reflect the three-for-one share split that was completed in January 2014.

2 Basis of Preparation

Statement of compliance
These consolidated financial statements of the Corporation are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis of measurement
These consolidated financial statements have been prepared under the historical cost convention.

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of these 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments 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. However, actual outcomes can differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3 Significant Accounting Judgements, Estimates and Assumptions (continued)

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities of the respective jurisdictions in which it operates. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Useful lives of property, plant and equipment

The Corporation estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

Business combinations

In a business combination, the Corporation may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment and intangible assets acquired, the Corporation relies on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples. For further information on business acquisitions, see Note 6.

Allowance for doubtful debts

The Corporation makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

4 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

A) Basis of consolidation

The consolidated financial statements include the accounts of Badger Daylighting Ltd. and its subsidiaries, all of which are wholly owned. Subsidiaries are consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intra-company balances, income and expenses, unrealized gains and losses and dividends resulting from intra-company transactions are eliminated in full.

B) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and short-term investments with original maturities of three months or less and are recorded at cost, which approximates fair market value.

C) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being defined to include laid-down cost for materials on a weighted average basis.

D) Leases

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the balance of the liability. Finance charges are recognized in the consolidated statement of comprehensive income. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Corporation's consolidated statement of financial position. Operating lease payments are recognized as a direct cost in the consolidated statement of comprehensive income.

E) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis to recognize the cost less estimated residual value over the estimated useful life of the assets as follows:

Land improvements	50%
Buildings	5%
Shoring equipment	10%
Shop and office equipment	10%-25%
Truck and trailers	8%-15%

4 Summary of Significant Accounting Policies (continued)

E) Property, plant and equipment (continued)

Depreciation of equipment under construction is not recorded until such time as the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Gains or losses arising from derecogniton of an item of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

F) Intangible assets

Intangible assets represent service rights acquired, customer relationships, trade name and non-compete agreements. Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

A summary of the policies applied to the Corporation's intangible assets is as follows:

	Service rights	**Other intangibles**
Useful lives	Indefinite	5 years
Amortization method	No amortization	Straight-line

G) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

4 Summary of Significant Accounting Policies (continued)

G) Impairment of non-financial assets excluding goodwill (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income.

H) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

I) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGU's expected to benefit from the synergies of the combination. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

J) Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income except to the extent it relates to items recognized directly in equity.

Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

4 Summary of Significant Accounting Policies (continued)

J) Taxes (continued)

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

K) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, sales taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

The Corporation recognizes revenue from services when the services are provided.

Truck placement fees

Truck placement fees are recognized when the truck is delivered to the operating partner.

4 Summary of Significant Accounting Policies (continued)

L) Share-based payment

The Corporation operates a number of equity-settled and cash-settled share-based compensation plans under which it receives services from employees as consideration for equity instruments of the Corporation or cash payments.

Equity-settled awards

The Corporation uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Cash-settled awards

The Corporation uses the market price of its shares to estimate the fair value of cash-settled awards. Fair value is established initially at the grant date and the obligation is revalued each reporting period until the awards are settled with any changes in the obligation recognized in the consolidated statement of comprehensive income.

M) Finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method. No borrowing costs were capitalized during the year.

N) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

O) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the aggregate consideration transferred, measured at the acquisition date. All acquisition costs are expensed as incurred in selling, general and administrative expenses. Any contingent consideration to be paid is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in accordance with IAS 39, Financial Instruments – Recognition and Measurement.

4 Summary of Significant Accounting Policies (continued)

P) Foreign currency translation

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the accumulated other comprehensive income (loss) when settlement of which is neither planned nor likely to occur in the foreseeable future.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gain or losses related to such items are recognized in other comprehensive income, and presented in accumulated other comprehensive income (loss) in equity.

Q) Financial assets

The Corporation classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Corporation's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the consolidated statement of financial position.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method.

A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

4 Summary of Significant Accounting Policies (continued)

R) Financial liabilities

The Corporation classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Other financial liabilities include trade and other payables, deferred unit plan liability, dividends payable and long-term debt. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Financial liabilities are classified as current liabilities if payment is due within one year or less, if not, they are presented as non-current liabilities.

S) Equity instruments

Equity instruments issued by the Corporation are recorded at the proceeds received net of direct issue costs.

5 Recent accounting pronouncements

The Corporation adopted IFRS 10, 11, 12, 13 and amendments to IAS 1 and IAS 19 on January 1, 2013. There was no material impact to the Corporation's consolidated financial statements as a result of the adoption of those standards.

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial instruments. While early adoption is permitted, the new standard has been deferred by the IASB until the issue date of the completed version of IFRS 9 is known. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Corporation will assess the impact of this standard in conjunction with the other phases, when the final standard including all phases is issued.

6 Business acquisitions

A) In May 2013, the Corporation acquired the service rights from certain of its Canadian agents for cash consideration of $2,555. The entire purchase price was allocated to intangible assets (service rights).

B) On November 1, 2013, the Corporation acquired the business and operating assets of Fieldtek Holdings Ltd. ("Fieldtek"). Fieldtek is a privately owned company based in Lloydminster, Alberta providing general vacuum truck and auxiliary services to the oil and gas industry, focused primarily on production tank cleaning and removal of waste oil and sand.

6 Business acquisitions (continued)

The aggregate purchase price of $19,160 was financed with Corporation's extendable revolving credit facility. The goodwill of $1,515 comprises the value of expected synergies arising from the acquisition and other not separately recognized intangibles. Goodwill is allocated entirely to the Canada segment. The fair values of the assets acquired were as follows:

	$
Property, plant and equipment	11,266
Intangible assets	6,379
Goodwill	1,515
	19,160

7 Cash and cash equivalents

	2013 $	2012 $
Cash at banks and on hand	8,524	2,367
Short-term investments	99	93
	8,623	2,460

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods of between one and three months, depending on the immediate cash requirements of the Corporation, and earn interest at the respective short-term investment rates.

8 Trade and other receivables

	2013 $	2012 $
Trade receivables	90,113	63,163
Other sundry receivables	2,002	407
	92,115	63,570

Trade receivables are non-interest bearing and are generally on 30-90 day terms. The allowance for doubtful debts as at December 31, 2013 is $534 (2012 - $123).

The ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total $	Not past due $	31-60 days $	61-90 days $	Greater than 90 days $
December 31, 2013	90,113	45,679	22,211	10,947	11,276
December 31, 2012	63,163	35,032	16,512	5,897	5,722

9 Inventories

	2013 $	2012 $
Raw materials	3,300	2,087

10 Property, plant and equipment

	Land $	Land improvements $	Buildings $	Equipment under construction $	Shoring equipment $	Shop and office equipment $	Trucks and trailers $	Total $
Cost								
At December 31, 2011	5,260	147	10,162	4,860	2,255	559	170,952	194,195
Additions/transfers	35	80	1,918	1,482	120	281	50,177	54,093
Disposals	-	-	-	-	(59)	-	(1,878)	(1,937)
Exchange differences	(3)	-	(6)	-	-	(4)	(1,691)	(1,704)
At December 31, 2012	5,292	227	12,074	6,342	2,316	836	217,560	244,647
Additions/transfers	144	371	1,606	696	132	267	67,263	70,479
Business combination	-	-	-	-	-	-	11,266	11,266
Disposals	-	-	-	-	(83)	(64)	(4,708)	(4,855)
Exchange differences	15	-	37	-	-	18	7,469	7,539
At December 31, 2013	5,451	598	13,717	7,038	2,365	1,057	298,850	329,076
Depreciation								
At December 31, 2011	-	29	2,942	-	1,389	241	74,593	79,194
Depreciation charge for the year	-	91	529	-	160	105	17,480	18,365
Disposals	-	-	-	-	(35)	-	(1,865)	(1,900)
Exchange differences	-	-	-	-	-	(2)	(578)	(580)
At December 31, 2012	-	120	3,471	-	1,514	344	89,630	95,079
Depreciation charge for the year	-	141	622	-	153	124	23,143	24,183
Disposals	-	-	-	-	(51)	(56)	(4,033)	(4,140)
Exchange differences	-	-	1	-	-	8	2,331	2,340
At December 31, 2013	-	261	4,094	-	1,616	420	111,071	117,462
Net book value								
At December 31, 2012	5,292	107	8,603	6,342	802	492	127,930	149,568
At December 31, 2013	5,451	337	9,623	7,038	749	637	187,779	211,614

11 Goodwill and intangible assets

	Service rights $	Other intangibles $	Goodwill $	Total $
Cost				
At December 31, 2012	4,930	980	1,621	7,531
Additions (see Business acquisitions, Note 6)	2,555	6,379	1,515	10,449
At December 31, 2013	7,485	7,359	3,136	17,980
Amortization and impairment				
At December 31, 2012	-	980	-	980
Amortization for the year	-	213	-	213
At December 31, 2013	-	1,193	-	1,193
Net book value				
At December 31, 2012	4,930	-	1,621	6,551
At December 31, 2013	7,485	6,166	3,136	16,787

Impairment testing of goodwill and intangibles with indefinite lives
For impairment testing purposes, goodwill acquired through business combinations and service rights with indefinite lives have been allocated to the Eastern Canada and Western Canada cash-generating units respectively.

The Corporation performed the annual impairment tests of goodwill and service rights at December 31. The recoverable amount of the Eastern Canada and Western Canada cash-generating units have been determined based on a value in use calculation using post-tax cash flow projections from financial budgets approved by senior management, and projected over a five year period based on a growth rate of 4%. The post-tax discount rate applied to cash flow projections is 9.88% (2012 - 11.05%). As a result of this analysis, management did not identify any impairment.

12 Trade and other payables

	2013 $	2012 $
Current		
Trade payables	18,738	12,356
Bonuses payable	2,644	2,088
Accrued expenses	2,275	1,873
Other sundry payables	-	759
	23,657	17,076

Trade payables are non-interest bearing and are normally settled on 45 day terms.

13 Income taxes

The major components of income tax expense for the years are as follows:

	2013 $	2012 $
Current income tax	12,735	7,945
Deferred income tax	4,729	6,013
Total income tax expense	17,464	13,958

The provision for income taxes, including deferred taxes, reflects an effective income tax rate that differs from the actual combined Canadian federal and provincial statutory rates of 25.50% (2012 – 25.85%). The Corporation's U.S. subsidiaries are subject to federal and state statutory tax rates of approximately 40% for both 2013 and 2012. The main differences are as follows:

	2013 $	2012 $
Profit before tax	57,827	42,008
Income tax expense at the statutory rate	14,746	10,859
Increase (decrease) resulting from:		
Losses not previously recognized/not recognized	-	650
Tax rates in other jurisdictions	4,453	2,136
Other items	(1,735)	313
Income tax expense	17,464	13,958

All deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. In addition, deferred tax assets and liabilities have been offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

	As at December 31, 2012 $	Recognized in profit or loss $	As at December 31, 2013 $
Deferred tax assets			
Tax loss carry-forwards	2,424	(2,165)	259
Deferred unit plan	1,000	2,553	3,553
Share issue costs	421	(105)	316
	3,845	283	4,128
Deferred tax liabilities			
Property, plant and equipment	29,827	7,281	37,108
Intangible assets	310	206	516
Partnership income	3,847	(945)	2,902
Reserve	433	26	459
	34,417	6,568	40,985
Net deferred tax liability	30,572	6,285	36,857

14 Dividends payable

During the year ended December 31, 2013, the Corporation paid cash dividends of $13,321 (2012 - $11,867) (or $1.08 per common share (2012 - $1.025 per common share)) and declared a $1,111 cash dividend (2012 - $1,109) (or $0.09 per common share (2012 - $0.09 per common share)) to its shareholders of record at the close of business on December 31, 2013 to be paid January 15, 2014.

The Corporation declares dividends monthly to its shareholders. Determination of the amount of cash dividends for any period is at the sole discretion of the directors and is based on certain criteria including financial performance as well as the projected liquidity and capital resource position of the Corporation. Dividends are declared to shareholders of the Corporation on the last business day of each month and paid on the 15th day of the month following the declaration (or if such day is not a business day, the next following business day).

15 Long-term debt

	2013 $	2012 $
Extendable revolving credit facility	82,319	29,773

The Corporation has established a $100,000 extendable revolving credit facility (see Note 26). The purpose of the credit facility is to finance the Corporation's capital expenditure program and for general corporate purposes. The credit facility bears interest, at the Corporation's option, at either the bank's prime rate (December 31, 2013 – 3.00%) or bankers' acceptance rate plus 1.25% (December 31, 2013 – 2.41%). An additional stand-by fee calculated at an annual rate of 0.25% per annum is also required on the unused portion of the credit facility. This fee is expensed as incurred.

The credit facility has no required principal repayment. The credit facility expires on June 22, 2014 and is renewable by mutual agreement of the Corporation and the lender for an additional 364 day period, after which the entire amount must be repaid. If not renewed, interest is payable monthly on the facility for 364 days after which the entire amount is to be repaid.

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

Under the terms of the credit facilities, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2013, and as at December 31, 2013, the Corporation was in compliance with all of these covenants (see Note 23).

As at December 31, 2013, the Corporation has issued letters of credit in the amount of approximately $1,360. The outstanding letters of credit reduce the amount available under the extendable revolving credit facility.

At December 31, 2013, the Corporation had available $16,321 (December 31, 2012 - $24,592) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

16 Shareholders' capital and reserves

A) Authorized shares

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

B) Issued and outstanding

	Number of Shares	Amount $
At December 31, 2011	32,440,893	44,473
Shares issued pursuant to equity financing, net of issuance costs	4,500,000	35,962
Shares issued pursuant to the share option plan	39,000	205
At December 31, 2012	36,979,893	80,640
Shares issued pursuant to the share option plan	54,000	304
At December 31, 2013	37,033,893	80,944

On June 19, 2012, the Corporation completed an equity financing through the issuance of 4,500,000 common shares at a price of $8.33 per common share for gross proceeds of $37,500. The Corporation incurred share issue costs of $1,538 (net of income taxes of $526), in connection with the equity financing, including a commission fee paid to the underwriters of $1,687 and professional and miscellaneous fees of $377.

Share amounts have been restated to reflect the impact of the three-for-one common share split completed in January 2014.

C) Accumulated other comprehensive income (loss)

The accumulated other comprehensive income (loss) is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

D) Contributed surplus

The contributed surplus reserve is used to recognize the fair value of share options granted to employees, including key management personnel, as part of their remuneration. Refer to Note 17 for further details of these plans.

	2013 $	2012 $
Opening balance	2,061	2,658
Share-based payment transactions	-	58
Equity-settled share plan settled in cash	(1,513)	(655)
Closing balance	548	2,061

17 Share-based payment plans

Share plan (equity-settled)

Under the Share Plan, directors, officers, employees and consultants of the Corporation are eligible to receive share options to acquire ordinary shares of the Corporation, with terms not to exceed 10 years from the date of the grant. The exercise price shall not be less than the closing price of the shares traded on the Toronto Stock Exchange on the first date preceding the date of the grant. Under the Share Plan, vesting periods are determined by the directors of the Corporation at the time of the grant. All share options granted through to December 31, 2013 vest equally over a period of three years from the date of grant. The maximum number of shares to be issued under this plan may not exceed 250,000 shares.

A summary of the share-based payment transactions for the years ended December 31, 2013 and 2012 are as follows:

	2013		2012	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at beginning of year	110,375	21.54	187,750	19.00
Share options exercised	(18,000)	16.87	(13,000)	15.78
Options surrendered for cash	(92,375)	22.45	(52,375)	13.69
Forfeited	-	-	(12,000)	22.45
Outstanding at end of year	-	-	110,375	21.54

Pursuant to the share plan the Corporation had 92,375 (2012 – 52,375) vested share options surrendered by employees in return for a cash settlement of $1,513 (2012 - $655).

Deferred Unit Plan (cash-settled)

The Deferred Unit Plan ("DUP") was established to reward officers and employees. Directors 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 DUP, participants are granted deferred units with a value equivalent to the value of a Badger share. Subsequent to the January 2014 three-for-one common share split, each unit under the plan was amended to provide three units, each with a value of one post-split Badger share. The outstanding and exercisable units below have not been adjusted to reflect the change in rights. The ending DUP liability was unchanged. The deferred units granted earn additional deferred units for the dividends that would otherwise have been paid on the deferred units as if they instead had been issued as Badger shares on the date of the grant. The deferred units granted other than to the directors, 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. The DUP has been accounted for as a cash-settled plan. The compensation expense is based on the estimated fair value of the deferred units outstanding at the end of each quarter and recognized using graded vesting throughout the term of the vesting period, with a corresponding credit to liabilities.

17 Share-based payment plans (continued)

The liability of deferred units outstanding as at December 31, 2013 is $13,933 (2012 - $3,923). The fair value of deferred units exercisable as at December 31, 2013 is $10,799 (2012 - $1,438). Changes in the number of deferred units under the Badger DUP were as follows:

	Units
At December 31, 2011	131,178
Granted	48,170
Dividends earned	4,067
Redeemed	(5,003)
Forfeited	(12,287)
At December 31, 2012	166,125
Granted	33,850
Dividends earned	4,806
Redeemed	(11,334)
Forfeited	(4,441)
At December 31, 2013	189,006
Exercisable at December 31, 2013	126,673

18 Revenues

	2013 $	2012 $
Rendering of services	322,654	237,838
Truck placement fees	1,940	1,390
	324,594	239,228

19 Expenses by nature

Direct costs and selling, general and administrative expenses include the following major expenses by nature:

	2013 $	2012 $
Wages, salaries and benefits	124,854	90,634
Fees paid to operating partners	50,141	42,441
Fuel	17,311	11,956
Repairs and maintenance	17,973	14,617

20 Earnings per share

Basic earnings per share ("EPS")

Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The denominator is calculated by adjusting the shares in issue at the beginning of the year by the number of shares bought back or issued during the year, multiplied by a time-weighting factor. Earnings per share and share amounts have been retroactively restated to reflect the three-for-one share split completed in January 2014.

The calculation of basic earnings per share for the year ended December 31, 2013, was based on the profit available to common shareholders of $40,363 (2012 - $28,050), and a weighted average number of common shares outstanding of 37,006,770 (2012 – 34,871,040).

20 Earnings per share (continued)

Weighted average number of common shares

	2013	2012
Issued common shares outstanding, beginning of year	36,979,893	32,440,893
Effect of share options exercised	26,877	32,607
Effect of equity financing	-	2,397,540
Weighted average number of common shares, end of year	37,006,770	34,871,040

Diluted EPS

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential shares. The effects of anti-dilutive potential shares are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Corporation is in a loss position. Diluted earnings per share and share amounts have been retroactively restated to reflect the three-for-one share split completed in January 2014.

The calculation of diluted earnings per share for the year ended December 31, 2013, was based on a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 37,006,770 (2012 – 34,925,940), calculated as follows:

	2013	2012
Weighted average number of common shares (basic)	37,006,770	34,871,040
Effect of share options	-	54,900
Weighted average number of common shares (diluted)	37,006,770	34,925,940

21 Segment reporting

The Corporation operates in two geographic/reportable segments providing non-destructive excavating services in each of these segments. The following is selected information for the years ended December 31, 2013 and 2012 based on these geographic segments.

For the year ended:	December 31, 2013			December 31, 2012		
	Canada ($)	U.S. ($)	Total ($)	Canada ($)	U.S. ($)	Total ($)
Revenues	169,684	154,910	324,594	129,270	109,958	239,228
Direct costs	109,092	105,619	214,711	82,193	81,480	163,673
Depreciation of property, plant and equipment	11,409	12,774	24,183	9,081	9,284	18,365
Amortization of intangible assets	213	-	213	49	-	49
Selling, general and administrative	11,315	4,399	15,714	8,589	3,152	11,741
Profit before tax	26,320	31,507	57,827	26,002	16,006	42,008

For the year ended:	December 31, 2013			December 31, 2012		
	Canada ($)	U.S. ($)	Total ($)	Canada ($)	U.S. ($)	Total ($)
Additions to non-current assets:						
Property, plant and equipment	26,032	44,447	70,479	30,095	23,998	54,093
Intangible assets	2,555	-	2,555	-	-	-

21 Segment reporting (continued)

	Canada ($)	U.S. ($)	Total ($)
As at December 31, 2013			
Property, plant and equipment	103,740	107,874	211,614
Intangible assets	16,787	-	16,787
Total assets	178,703	155,195	333,898
As at December 31, 2012			
Property, plant and equipment	77,969	71,599	149,568
Intangible assets	6,551	-	6,551
Total assets	126,316	99,266	225,582

22 Related party disclosure

The consolidated financial statements include the financial statements of Badger Daylighting Ltd. and the subsidiaries listed in the following table:

		% equity interest	
Name	**Country of Incorporation**	**2013**	**2012**
Badger Daylighting (Fort McMurray) Inc.	Canada	100%	100%
Badger Edmonton Ltd.	Canada	100%	100%
Fieldtek Ltd.	Canada	100%	100%
Badger ULC	Canada	100%	100%
Badger Daylighting USA, Inc.	United States of America	100%	100%
Badger Daylighting Corp.	United States of America	100%	100%
Badger, LLC	United States of America	100%	100%

Balances and transactions between Badger Daylighting Ltd. and its subsidiaries have been eliminated on consolidation and are not disclosed in this Note. Details of transactions between the Corporation and other related parties are disclosed below.

Transactions with related parties

During the year ended December 31, 2013, the Corporation was charged $197 (2012 - $201) for professional fees by a partnership in which a director of the Corporation is a partner. These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the fair value, which is the amount of consideration established and agreed to by the related parties.

Related party balances

As at December 31, 2013 and December 31, 2012 there were no significant outstanding balances with related parties.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	2013	2012
	$	$
Compensation, including bonuses	2,251	1,935
Share-based payments	678	679
	2,929	2,614

Key management personnel and director transactions

Key management and directors of the Corporation control 2.8 percent of the voting shares of the Corporation.

23 Capital management

The Corporation's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Corporation considers the capital structure to consist of net debt and shareholders' equity. The Corporation considers net debt to be total long-term debt less cash and cash equivalents. The Corporation seeks to maintain a balance between the level of net debt and shareholders' equity to facilitate access to capital markets to fund growth and working capital. On a historical basis, it is management's objective and view that the Corporation has maintained a conservative and appropriate ratio of net debt to net debt plus shareholders' equity. The Corporation may occasionally need to increase these levels to facilitate acquisition or expansion activities. This ratio was as follows:

	2013 $	2012 $
Long-term debt	82,319	29,773
Cash and cash equivalents	(8,623)	(2,460)
Net debt	73,696	27,313
Shareholders' equity	171,069	139,708
Total capitalization	244,765	167,021
Net debt to total capitalization (%)	30%	16%

The Corporation sets the amounts of its various forms of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce net debt.

The Corporation is bound by certain financial and non-financial covenants as defined by its bank. If the Corporation is in violation of any of these covenants its ability to pay dividends may be inhibited. The Corporation monitors these covenants to ensure it remains in compliance. The financial covenants are as follows:

Ratio	December 31, 2013	December 31, 2012	Threshold
Funded Debt[1] to EBITDA[2]	0.88:1	0.44:1	2.25:1 maximum
Fixed Charge Coverage[3]	3.44:1	4.58:1	1.00:1 minimum

[1] Funded Debt is long-term debt, less cash and cash equivalents.

[2] Funded Debt to EBITDA (earnings before interest, taxes, depreciation and amortization) means the ratio of consolidated Funded Debt to the aggregated EBITDA for the trailing twelve-months. Funded Debt is defined as long-term debt including any current portion thereof. EBITDA is defined as the trailing twelve-months of EBITDA for the Corporation.

[3] Fixed Charge Coverage Ratio means, based on the trailing twelve-month EBITDA less unfinanced capital expenditures and cash taxes, plus the unused portion of the extendable revolving credit facility to the sum of the aggregate of scheduled long-term debt principal payments, interest and dividends.

Throughout 2013 and as at December 31, 2013 the Corporation was in compliance with all of these covenants.

There were no changes in the Corporation's approach to capital management during the year.

The Corporation’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Corporation’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation’s financial performance.

Risk management is carried out by senior management, and the Board of Directors.

24 Financial instruments and risk management

Fair values

The Corporation's financial instruments recognized on the consolidated statement of financial position consist of cash and cash equivalents, trade and other receivables, trade and other payables, deferred unit plan liability, dividends payable and long-term debt. The fair values of these recognized financial instruments, excluding long-term debt, approximate their carrying values due to their short-term maturity.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. A substantial portion of the Corporation's trade receivable balance is with customers in the petroleum and utility industries and is subject to normal industry credit risks. The Corporation manages its exposure to credit risk through standard credit granting procedures and short payment terms. The Corporation attempts to monitor financial conditions of its customers and the industries in which they operate.

Liquidity risk

Liquidity risk is the risk that, as a result of operational liquidity requirements, the Corporation will not have sufficient funds to settle an obligation on the due date and will be forced to sell financial assets at a price which is less than what they are worth, or will be unable to settle or recover a financial asset.

The Corporation's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Corporation to raise capital by issuing equity or obtaining additional debt financing. The Corporation also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

At December 31, 2013, the Corporation had available $16,321 of authorized borrowing capacity on the extendable revolving credit facility. The credit facility expires on June 22, 2014 and is renewable by mutual agreement of the Corporation and the lender for an additional 364-day period. If not renewed, interest is payable monthly on the facility for 364 days after which the entire amount is to be repaid. The Corporation believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

The table below summarizes the maturity profile of the Corporation’s financial liabilities at December 31, 2013 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2013					
Trade and other payables	23,657	-	-	-	23,657
Deferred unit plan liability	13,933	-	-	-	13,933
Long-term debt	-	82,319	-	-	82,319
	37,590	82,319	-	-	119,909

24 Financial instruments and risk management (continued)

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2012					
Trade and other payables	17,076	-	-	-	17,076
Deferred unit plan liability	3,923	-	-	-	3,923
Long-term debt	-	29,773	-	-	29,773
	20,999	29,773	-	-	50,772

Market risk

The significant market risk exposures affecting the financial instruments held by the Corporation are those related to interest rates and foreign currency exchange rates which are explained as follows:

Interest rate risk

The Corporation is exposed to interest rate risk in relation to interest expense on its long-term debt. Interest is calculated at prime on its borrowing facilities. The prime interest rate is subject to change. A sensitivity analysis would indicate that net profit for the year ended December 31, 2013 would have been affected by approximately $380 if the average interest rate changed by one percent. The Corporation does not currently use interest rate hedges or fixed interest rate contracts to manage the Corporation's exposure to interest rate fluctuations.

Foreign exchange risk

The Corporation has United States operations and Canadian operations which purchase certain products in United States dollars. As a result, fluctuations in the value of the Canadian dollar relative to the United States dollar can result in foreign exchange gains and losses. The Corporation does not currently have any agreements to fix or hedge the exchange rate of the Canadian dollar to the United States dollar.

United States dollar denominated balances, subject to exchange rate fluctuations, were as follows (amounts shown in Canadian dollar equivalent):

	2013 $	2012 $
Cash and cash equivalents	8,623	2,460
Trade and other receivables	37,399	24,187
Trade and other payables	(8,734)	(6,093)
Income taxes payable	(3,097)	(335)
Long-term debt	(58,300)	(25,500)
	(24,109)	(5,281)

The following table demonstrates the Corporation's sensitivity to a 10% increase or decrease in the Canadian dollar against the foreign exchange rates. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in the foreign currency rate (amounts shown in Canadian dollar equivalent).

Increase/decrease in foreign exchange rate	Effect on profit/(loss) before tax 2013 $	Effect on profit/(loss) before tax 2012 $
10% strengthening in the Canadian dollar against the US dollar	(3,133)	(1,365)
10% weakening in the Canadian dollar against the US dollar	3,135	1,517

25 Commitments and contingencies

Legal disputes

The Corporation is not involved in any legal disputes that would generate a material impact to the financial results of the Corporation.

Operating leases

The Corporation has entered into operating leases for shop and office premises.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2013 $	2012 $
Within one year	2,575	1,849
After one year but not more than five years	4,159	2,401
Total	6,734	4,250

Purchase commitments

At December 31, 2013 the Corporation has commitments to purchase approximately $34,735 worth of capital assets and various parts and materials. There are no set terms for remitting payment for these financial obligations.

26 Subsequent events

a) During January 2014 the Corporation completed a split of all of the issued and outstanding common shares on a basis of three common shares for every one existing common share held.

b) On January 24, 2014 Badger closed a private placement of senior secured notes. The notes, which rank pari passu with the extendable revolving credit facility, have a principal amount of US $75,000, and interest rate of 4.83% per annum and mature on January 24, 2022. Amortizing principal repayments of US $25 million are due under the notes on January 24, 2020, January 24, 2021 and January 24, 2022. Interest will be paid semi-annually in arrears.

c) In connection with the senior secured note financing, on January 24, 2014 the Company amended the terms of its extendable revolving credit facility agreement, whereby the principal amount was reduced from $100,000 to $75,000.

