Badger Daylighting Ltd.

Consolidated Financial Statements

For the year ended December 31, 2017 and 2016

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 statement of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 in our audits 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, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed: Deloitte LLP

Chartered Professional Accountants
March 27, 2018
Calgary, Alberta

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

As at	Notes	December 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash and cash equivalents		**46,105**	62,875
Trade and other receivables	6	**112,032**	92,467
Prepaid expenses		**4,884**	3,013
Inventories		**5,348**	3,617
Income taxes receivable		**225**	2,969
		168,594	164,941
Non-current Assets			
Income taxes receivable	10	**15,225**	-
Property, plant and equipment	7	**308,050**	284,300
Intangible assets	8	**7,858**	7,485
Goodwill	8	**1,621**	1,621
		332,754	293,406
Total Assets		**501,348**	458,347
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	9	**39,312**	28,999
Share-based plan liability	15	**13,986**	12,381
Income taxes payable		**-**	1,206
Dividends payable	12	**1,410**	1,224
		54,708	43,810
Non-current Liabilities			
Long-term debt	13	**94,088**	100,698
Deferred income tax	11	**34,058**	34,768
		128,146	135,466
Shareholders' Equity			
Shareholders' capital	14	**82,724**	82,724
Contributed surplus		**548**	548
Accumulated other comprehensive income		**19,127**	29,937
Retained earnings		**216,095**	165,862
		318,494	279,071
Total Liabilities and Shareholders' Equity		**501,348**	458,347

The accompanying notes are an integral part of these consolidated financial statements. These consolidated financial statements were approved by the Board of Directors on March 27, 2018 and were signed on its behalf.

Signed: Catherine Best
Director

Signed: Glen D. Roane
Director

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

	Notes	For the year ended December 31 2017	2016
Revenues		**499,236**	404,202
Direct costs		**352,644**	284,297
Gross profit		**146,592**	119,905
Depreciation of property, plant and equipment		**45,458**	43,425
General and administrative		**21,211**	15,142
Share-based plan		**1,679**	6,904
Operating profit		**78,244**	54,434
Loss on sale of property, plant and equipment		**305**	2,410
Finance cost		**5,523**	4,952
Foreign exchange loss (gain)		**791**	(59)
Profit before tax		**71,625**	47,131
Current income tax expense	11	**20,322**	17,561
Deferred income tax (recovery) expense	11	**(14,549)**	658
Income tax expense		**5,773**	18,219
Net profit for the year		**65,852**	28,912
Other comprehensive income:			
Foreign exchange differences on translation of foreign operations		**(17,421)**	(6,434)
Unrealized foreign exchange gain on net investment hedge	13	**6,611**	3,153
Other comprehensive loss		**(10,810)**	(3,281)
Comprehensive income		**55,042**	25,631
Net profit per share			
Basic and diluted	17	**1.77**	0.78

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)

	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
As at January 1, 2016	82,724	548	33,218	151,196	267,686
Net profit for the year	-	-	-	28,912	28,912
Other comprehensive loss for the year	-	-	(3,281)	-	(3,281)
Dividends	-	-	-	(14,246)	(14,246)
As at December 31, 2016	82,724	548	29,937	165,862	279,071
As at January 1, 2017	82,724	548	29,937	165,862	**279,071**
Net profit for the year	-	-	-	65,852	**65,852**
Other comprehensive loss for the year	-	-	(10,810)	-	**(10,810)**
Dividends	-	-	-	(15,619)	**(15,619)**
As at December 31, 2017	**82,724**	**548**	**19,127**	**216,095**	**318,494**

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)

	Notes	For the year ended December 31 2017	2016
Operating activities			
Net profit for the year		**65,852**	28,912
Non-cash adjustments to reconcile profit from operations to net cash flows:			
Depreciation of property, plant and equipment		**45,458**	43,425
Deferred income tax (recovery) expense		**(14,549)**	658
Loss on sale of property, plant and equipment		**305**	2,410
Accrued interest		**4,736**	4,884
Current income tax expense		**20,322**	17,561
Share-based plan expense		**1,679**	6,904
Unrealized foreign exchange (gain) loss		**(120)**	3
Cash flow from operating activities before working capital and other adjustments		**123,683**	104,757
Change in non-cash working capital	18	**(17,319)**	(13,038)
Current income tax paid		**(18,889)**	(9,740)
Share-based plan paid		**(75)**	(2,904)
Cash flows from operating activities		**87,400**	79,075
Investing activities			
Purchase of property, plant and equipment		**(83,609)**	(23,488)
Proceeds from sale of property, plant and equipment		**1,470**	567
Acquisition of Operating Partners and related assets		**(873)**	-
Change in non-cash working capital	18	**1,273**	874
Cash flows used in investing activities		**(81,739)**	(22,047)
Financing activities			
Interest paid		**(4,912)**	(4,950)
Dividends paid		**(15,433)**	(14,247)
Unrealized foreign exchange loss (gain)		**-**	(12)
Cash flows used in financing activities		**(20,345)**	(19,209)
Effect of foreign exchange rate changes on cash		**(2,086)**	65
(Decrease) increase in cash and cash equivalents		**(16,770)**	37,884
Cash and cash equivalents, beginning of year		**62,875**	24,991
Cash and cash equivalents, end of year		**46,105**	62,875

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 "Company") provide non-destructive excavating services to the utility, transportation, industrial, engineering, construction and petroleum industries in Canada and the United States ("U.S."). Badger is a publicly traded company. The head office of Badger is located at 1000, 635-8th Avenue SW, Calgary, Alberta T2P 3M3. The registered office of Badger is located at c/o Shea Nerland LLP, 400, 350-7th Avenue SW, Calgary, Alberta T2P 3N9.

The consolidated financial statements of the Company for the years ended December 31, 2017 and December 31, 2016 were authorised for issue in accordance with a resolution of the Board of Directors ("Board") on March 27, 2018.

2 Basis of preparation

Statement of compliance
These consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of measurement
These consolidated financial statements have been prepared on a historical cost basis except for share-based compensation 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 consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Reclassification of comparative figures
Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been added in the statement of financial position with comparative figures presentation adjusted to conform to the current year's presentation. The items were reclassified as follows:

Goodwill and intangible assets

	Prior to reclassification	After reclassification
	December 31, 2016	December 31, 2016
Goodwill and intangible assets	9,106	-
Intangible assets	-	7,485
Goodwill	-	1,621

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, expenses, gains and losses during the reporting period. 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. 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:

A) Useful Lives of property, plant and equipment

The Company 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 at the end of each reporting period 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. Future results of operations could be materially affected by changes in the estimated useful lives due to the factors mentioned above. The amounts and timing of recorded expenses would be affected by this as a reduction in the estimated useful lives of the property, plant and equipment would increase the recorded depreciation expense with an offset to the value of the related property, plant and equipment.

B) Income taxes

Current income taxes

Provisions for current income taxes are made using the best estimate of the amount expected to be paid based on a qualitative and quantitative assessment of all relevant factors that involves management's judgment. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date changes to these provisions could result from audits by tax authorities, reassessments and changes in interpretations of standards. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the income tax provisions in the period in which such determination is made.

Deferred income taxes

Deferred income tax assets are recognized when it is considered probable that the deductible temporary differences will be recovered. If future taxable income or the timing of the reversal differs significantly from the Company's estimate, the ability to realize the deferred income tax assets could be impacted.

Deferred income tax liabilities are recognized when there are taxable temporary differences that will result in a future outflow to a tax authority. The Company records a provision for the amount that is expected to be settled. Deferred income tax liabilities may be impacted by a change in the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals and the tax laws in which the Company operates.

C) Allowance for doubtful accounts

The Company records an allowance for doubtful accounts 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 analyzes 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 accounts. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables, with the corresponding difference recognized in direct costs as reported in the Company's consolidated statement of comprehensive income.

D) Determining cash generating units

For the purpose of assessing impairment of non-financial assets, the Company must determine its cash generating units ("CGUs"). Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU.

E) Impairment of non-financial assets

An impairment occurs when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell 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 Company 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. Impairment of non-financial assets would be recognized in the Company's consolidated statement of comprehensive income.

F) Intangible assets

Intangible assets consist of service rights acquired from the Company's operating partners, customer relationships, trade name and non-compete agreements. The initial valuation of intangibles at the closing date of any acquisition requires judgement and estimates by management with respect to identification, valuation and determining the expected periods of benefit. Valuations are based on discounted expected future cash flows and other financial tools and models and are amortized over their expected periods of benefit or not amortized if it is determined the intangible asset has an indefinite life. Intangible assets are reviewed annually with respect to their useful lives or more frequently if events or changes in circumstances indicate that the assets might be impaired. A change in the remaining life of an intangible asset would affect the depreciation rate used to depreciate the intangible asset for assets being amortized, and for assets not being amortized could result in an impairment of the related asset, the impact of which would be recognized in the Company's consolidated statement of comprehensive income as amortization expense or an asset impairment charge.

G) Goodwill

Goodwill is the amount that results when the cost of acquired assets exceeds their fair value at the date of acquisition. Goodwill is recorded at cost, is not amortized and is tested at least annually for impairment. The impairment test includes the application of a fair value test, with an impairment loss recognized when the carrying amount of goodwill exceeds its estimated fair value. Impairment provisions are not reversed if there is a subsequent increase in the fair value of goodwill. Impairment of goodwill would be recognized in the Company's consolidated statement of comprehensive income.

H) Functional currency

The determination of the functional currency of the Company and each of its subsidiaries requires judgment based on the composition of revenue and costs in the locations in which it operates.

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 and its subsidiaries, all of which are wholly owned. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company 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 intercompany balances, income and expenses, unrealized gains and losses and dividends resulting from intercompany transactions are eliminated in full.

B) 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.

C) Leases

Leases in terms of which the Company 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 Company's consolidated statement of financial position. Operating lease payments are recognized as either a direct cost or general and administrative expense in the consolidated statement of comprehensive income.

D) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. 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:

	Useful life	Residual Value
Land improvements	2 years	None
Buildings	20 years	None
Shoring equipment	10 years	10-15%
Shop and office equipment	4 to 10 years	None
Trucks and trailers	6 to 10 years	0-5%

Depreciation of equipment under construction is not recorded until such time as the asset is available for use, in other words, 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 the end of each reporting period or when events or conditions occur that impact capitalized costs or useful lives and are adjusted prospectively, if appropriate.

Gains or losses arising from derecognition 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.

E) 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 annually. 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 Company's intangible assets is as follows:

	Service rights
Useful lives	Indefinite
Amortization method	No amortization

F) Impairment of non-financial assets excluding goodwill

At the end of each reporting period or when there is an indication of impairment, the Company 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 Company 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.

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.

G) Provisions

A provision is recognized if, as a result of a past event, the Company 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 a finance cost.

H) 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 Company'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.

I) Income taxes

Income tax expense comprises current and deferred income tax. Income 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 income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that are 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.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred income tax is calculated using income tax rates and laws that are 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 income 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 income 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 income tax purposes.

Deferred income 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.

J) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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 duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Specific criteria that the Company uses to evaluate exposure to significant risks and rewards associated with the rendering of services includes the responsibility for the provision of services, the ownership of the service vehicle, contracts with customers, billing, collections and credit risk. The Company concludes whether it is acting as an agent or a principal on a case by case basis and has concluded that it acts as a principal in all of its revenue arrangements with the exception of certain third party flow through costs for which the Company may act as an agent.

The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

Rendering of services include all service revenue streams and are recognized when the services are provided.

Truck placement fees

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

K) Finance costs

Finance costs comprise interest expense on borrowings and stand by fees on the Company's credit facility. 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.

L) Share-based plans

The Company has cash-settled share-based plans under which it receives services from employees as consideration for cash payments.

The Company 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 at the end of each reporting period until the awards are settled with any changes in the obligation recognized in the consolidated statement of comprehensive income.

M) Segment reporting

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are reviewed regularly by

management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

N) 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 which is 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 accumulated other comprehensive income 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 in equity.

O) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories at initial recognition: fair value through profit or loss, assets available for sale, held to maturity or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Company's financial assets are cash and cash equivalents and trade and other receivables in the consolidated statement of financial position. Trade and other receivables are classified as loans and receivables.

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 twelve months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently measured 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 Company 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 for doubtful accounts.

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.

Financial liabilities

Management determines the classification of its financial liabilities at initial recognition. The Company classifies its financial liabilities as other financial liabilities. 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, 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.

Fair value measurement

The company has classified its financial instrument fair values based on the required three-level hierarchy:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuations based on observable inputs other than quoted active market prices; and,
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flows methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

P) Equity instruments

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

5 Recent accounting pronouncements

The Company 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 Company.

IFRS 9 – Financial Instruments

The International Accounting Standards Board issued IFRS 9 – *Financial Instruments* that introduces new requirements for classifying and measuring financial instruments. The standard is effective for fiscal years beginning on or after January 1, 2018. IFRS 9 affects the classification and measurement of financial assets and financial liabilities and the recognition of expected credit losses.

The classification of financial assets is based on the Company's assessment of its business model for holding financial assets. The main classification categories are: financial assets measured at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company does not expect an impact from these changes as all financial assets and liabilities will continue to be recognized at amortized cost.

Adoption of the standard on January 1, 2018, will impact the calculation of Badger's allowance for doubtful accounts with Badger recognizing the lifetime expected credit losses on the initial recognition of the related revenue. Badger has assessed the historical lifetime expected credit losses based on historical data to determine the expected future credit losses. Adoption of IFRS 9 on January 1, 2018, will not result in a material changes to the determination of Badger's anticipated credit losses and associated allowance for doubtful accounts and therefore is not anticipated to have a material impact on Badger's net earnings. Consistent with the requirements of IFRS 9, Badger will assess the lifetime expected credit losses on an ongoing basis and will update its assumptions, if and when required, accordingly.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers replaces IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC-31 - Revenue – Barter Transactions Involving Advertising Services. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. The new standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions.

a) Identify the contract(s) with the customer;
b) Identify the performance obligation(s) in the contract;
c) Determine the transaction price;
d) Allocate the transaction price to each performance obligation in the contract;
e) Recognize revenue when (or as) the entity satisfies a performance obligation.

The new standard is effective for fiscal years beginning on or after January 1, 2018.

Under IAS 18, the Company was required to assess whether it was principal or agent to a transaction depending on when it had exposure to the significant risks and rewards associated with providing the service. Under IFRS 15, the factors used to make this determination are similar but with an emphasis on the contractual control of the underlying services.

There is no material change expected to Badger's net profit or cash flows from operations as a result of the adoption of IFRS 15.

Badger's business model involves the provision of excavating services through two distinct methods: via Badger corporate operations and via operating partners in Canada or franchisees in the United States ("operating partner").

After assessing the IFRS 15 criteria, the Company has determined that in situations where an operating partner works directly with a customer, they have primary control over the provision of services being provided. In these situations, the Company is acting as an agent on behalf of its operating partner. Beginning on January 1, 2018 such transactions will be presented in revenue, net of payments due to the operating partner. Under the previous standard, the Company assessed the basis of recognizing revenue on a gross versus net basis if the Company was exposed to credit and collection risk based on the commercial substance of the transaction.

Additionally, the Company is assessing transactions with subcontractors and other related service providers, commonly referred to as third parties, against the new criteria around control of the service. In Badger's assessment, it is a principal in transactions where the Company has control in the execution of the underlying services. Transactions with third parties will be presented in revenue on a gross basis with any associated costs recognized and presented in direct costs. Under the previous standard, Badger considered the costs as flow through payments, with the Company as agent.

Badger intends to adopt the new standard on the effective date and continues to assess the effect that the new standard will have on its presentation and disclosure requirements, which is expected to be completed throughout the first quarter of 2018. Badger expects to apply IFRS 15 on a retrospective basis upon adoption.

IFRS 16 – Leases

The International Accounting Standards Board issued IFRS 16 – *Leases*, superseding the existing standard, IAS 17 – *Leases.* The standard is effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted, but only if the entity is also applying IFRS 15. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees, generally all leases will require an asset and liability to be recognized on the statement of financial position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17. The Company is required to retrospectively apply IFRS 16 to all existing leases as of the date of transition and have the option to either:

- apply IFRS 16 with full retrospective effect; or
- recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

As a practical matter, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. Badger intends to adopt the new standard on the effective date and is currently assessing the effect that the new standard will have on its presentation and disclosure requirements, which is expected to be completed during 2018.

6 Trade and other receivables

	December 31, 2017	December 31, 2016
Trade receivables	**109,904**	90,204
Holdback receivables	**1,702**	1,135
Allowance for doubtful accounts	**(1,622)**	(1,492)
Total trade receivables	**109,984**	89,847
Accrued revenue and other receivables	**2,048**	2,620
Trade and other receivables	**112,032**	92,467

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

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

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

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

	Total	0-30 days[(1)]	31-60 days	61-90 days	91-120 days	Greater than 120 days
December 31, 2017						
Trade receivables	**109,904**	**39,209**	**34,740**	**16,865**	**8,954**	**10,136**
Holdback receivables	**1,702**	**6**	**27**	**33**	**112**	**1,524**
Allowance for doubtful accounts	**(1,622)**	**-**	**(2)**	**-**	**-**	**(1,620)**
	109,984	**39,215**	**34,765**	**16,898**	**9,066**	**10,040**
December 31, 2016						
Trade receivables	90,204	36,485	28,254	11,600	4,875	8,990
Holdback receivables	1,135	-	43	72	118	902
Allowance for doubtful accounts	(1,492)	-	-	-	(72)	(1,420)
	89,847	36,485	28,297	11,672	4,921	8,472

(1) Trade receivables in the 0-30 day category includes amounts invoiced from December 1, 2017 to December 31, 2017.

The changes in allowance for doubtful account for the years ended December 31, 2017 and December 31, 2016 are as follows:

At December 31, 2015	**2,100**
Additions to the allowance (bad debt expense)	2,087
Accounts written off (reduces allowance for doubtful accounts)	(2,423)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(259)
Exchange differences	(13)
At December 31, 2016	**1,492**
Additions to the allowance (bad debt expense)	2,951
Accounts written off (reduces allowance for doubtful accounts)	(1,700)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(1,058)
Exchange differences	(63)
At December 31, 2017	**1,622**

7 Property, plant and equipment

	Land and land improvements	Buildings	Equipment under construction	Shoring equipment	Shop and office equipment	Trucks and trailers	Total
Cost							
At December 31, 2015	6,777	21,627	7,726	2,222	2,529	475,906	516,787
Additions/transfers	-	29	(1,901)	22	1,096	24,242	23,488
Disposals	-	-	-	(55)	(51)	(13,318)	(13,424)
Exchange differences	(31)	(202)	-	-	(28)	(9,374)	(9,635)
At December 31, 2016	6,746	21,454	5,825	2,190	3,546	477,456	517,217
Additions/transfers[(1)]	-	869	6,116	44	1,136	75,942	84,107
Disposals	-	-	-	(24)	(34)	(26,967)	(27,025)
Exchange differences	(65)	(424)	-	-	(556)	(19,266)	(20,311)
At December 31, 2017	6,681	21,899	11,941	2,210	4,092	507,165	553,988
Depreciation							
At December 31, 2015	622	5,568	-	1,383	851	194,697	203,121
Depreciation charge for the year	12	1,006	-	154	424	41,829	43,425
Disposals	-	-	-	(41)	(51)	(10,355)	(10,447)
Exchange difference	-	1	-	-	(9)	(3,174)	(3,182)
At December 31, 2016	634	6,575	-	1,496	1,215	222,997	232,917
Depreciation charge for the year	-	916	-	132	550	43,860	45,458
Disposals	-	-	-	(17)	(12)	(25,221)	(25,250)
Exchange differences	-	(33)	-	-	(40)	(7,114)	(7,187)
At December 31, 2017	634	7,458	-	1,611	1,713	234,522	245,938
Net book value							
At December 31, 2016	6,112	14,879	5,825	694	2,331	254,459	284,300
At December 31, 2017	6,047	14,441	11,941	599	2,379	272,643	308,050

(1) Additions in 2017 of $84.1 million consist of capital expenditures of $83.6 million excludes $0.5 million related to the acquisition of property, plant and equipment from the acquisitions of operating partners.

8 Goodwill and intangible assets

	Intangible assets – Service rights	Goodwill	Total
Cost			
At December 31, 2015	7,485	3,136	10,621
Additions	-	-	-
At December 31, 2016	7,485	3,136	10,621
Additions	373	-	373
At December 31, 2017	**7,858**	**3,136**	**10,994**
Amortization			
At December 31, 2015	-	1,515	1,515
Amortization	-	-	-
At December 31, 2016	-	1,515	1,515
Amortization	-	-	-
At December 31, 2017	**-**	**1,515**	**1,515**
Net book value			
At December 31, 2016	7,485	1,621	9,106
At December 31, 2017	7,858	1,621	9,479

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 Western Canada and Eastern Canada CGUs respectively. Western United States, Eastern United States and Fieldtek CGUs have no goodwill or intangible assets allocated to them.

The Company performed the annual impairment tests of goodwill and service rights at December 31, 2017. The recoverable amount of the Eastern Canada and Western Canada CGUs have been determined based on the higher of its fair value less cost to sell and its value in use. The value in use calculation uses post income tax cash flow projections from financial budgets approved by the Company for 2018, forecasts over a five year period based on management's best estimates, a terminal rate of growth beyond five years of 2.0%, and uses a post income tax discount rate of 12% (2016 – 12.0%).

No impairment was recorded for 2017 or 2016.

The most significant assumptions used in the impairment calculation is the discount rate and the estimates used in determining future expected cash flows. The Company performed a sensitivity analysis by adjusting the following variables and noted no impairment in either the Western Canada or Eastern Canada CGU:

- post income tax discount rates increased by 1%
- cash flows decreased by 5%

The following table shows the carrying values by CGU for intangible assets and goodwill as at December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Intangible assets	**Goodwill**	**Intangible assets**	**Goodwill**
Western Canada	5,205	-	4,930	-
Eastern Canada	2,653	1,621	2,555	1,621
Total	7,858	1,621	7,485	1,621

9 Trade and other payables

	December 31, 2017	December 31, 2016
Current		
Trade payables	**15,842**	14,309
Bonuses payable	**6,854**	3,171
Accrued expenses	**16,616**	11,519
	39,312	28,999

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

10 Income tax receivable

	December 31, 2017	December 31, 2016
Income tax receivable	**15,225**	-

In 2015, the Company undertook a review of past transfer pricing policies with respect to the sale of hydrovac and other vehicles manufactured in Canada and sold to the Company's U.S. subsidiary, as disclosed in the 2015 consolidated financial statements. Based on this review and underlying facts, the Company determined that its past practice of selling the equipment at cost should be changed to include an arm's length markup on the sales price of the manufactured vehicles. On this basis, and for the tax years 2009 to 2013, the Company estimated that it owed additional Canadian corporate income taxes of $7.4 million and the U.S. subsidiary had a deferred income tax asset of US$12.1 million (C$15.2 million as translated as of December 31, 2017). This resulted in a net income tax recovery of $9.2 million based on the deferred tax asset of C$16.6 million as translated at December 31, 2015, which was recognized and disclosed in the 2015 consolidated financial statements. Badger amended its Canadian tax filings for the 2009 to 2013 taxation years and paid $8.4 million in 2015 in corporate income taxes and accrued interest to settle the estimated income tax liability. The Company has applied for Competent Authority assistance under the Tax Treaty between the United States and Canada to resolve the double taxation. Review by the respective taxation authorities is on-going. The income tax recovery of $9.2 million is the difference between the benefit of a higher value of depreciable assets from capital additions in the U.S., partially offset by the increased income taxes paid in Canada on the intercompany profit from trucks sold to the U.S. As the estimated income tax liability in Canada was paid in 2015, the balance remaining is the receivable from the U.S. of US$12.1 million (C$15.2 million at current exchange rates). This receivable is revalued at each reporting period for changes in foreign currency exchange rates but will not be revalued for the changes in U.S. tax rates as the asset relates to years prior to the effective date of the recent U.S. tax legislation changes (refer to Note 11). Once the taxing authorities complete their review, the U.S. receivable will be refunded. The ultimate amount of the receivable will be realized and adjustments to the estimated taxes owing in Canada is subject to negotiations between the Canadian and U.S. tax authorities on the value of the hydrovacs sold from Canada to the U.S. between 2009 and 2013.

Beginning in 2014, Badger sold equipment from Canada to the U.S. consistent with the new transfer pricing policy and has filed its taxes accordingly.

11 Income taxes

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 26.8% (2016 – 26.8%). The Company's U.S. subsidiaries are subject to federal and state statutory tax rates of approximately 40% for both 2017 and 2016. The main differences are in the table below. Comparative information has been reclassified to conform to the current presentation.

	December 31, 2017	December 31, 2016
Profit before tax	**71,625**	47,131
Income tax expense at the Canadian statutory rate	**19,196**	12,645
Increase (decrease) resulting from:		
Income tax rates in foreign jurisdictions	**7,388**	4,599
Income tax rate changes	**(17,186)**	(83)
Income tax rate benefit of intercompany truck sales	**(1,926)**	568
True-up of prior period income taxes	**(982)**	998
Exchange differences	**-**	(126)
Other items	**(717)**	(382)
Income tax expense	**5,773**	18,219

The following table details the nature of the Company's temporary differences:

	December 31, 2017	December 31, 2016
Net deferred income tax liability		
Deferred income tax assets		
Share-based plans	**3,784**	3,343
Accrued liabilities	**549**	-
Salaries and wages	**515**	-
Total deferred tax asset	**4,848**	3,343
Deferred income tax liabilities		
Property, plant and equipment	**37,821**	38,012
Intangible assets	**(221)**	(483)
Reserve	**544**	582
Insurance	**503**	-
Prepaid expenses	**259**	-
Total deferred income tax liability	**38,906**	38,111
Deferred income tax liability	**34,058**	34,768

On December 22, 2017, the United States enacted tax legislation that reduced the federal corporate income tax rate from 35% to 21% for fiscal years starting as of January 1, 2018. Following enactment of this legislation, Badger's deferred income tax liability was revalued, resulting in a $17.2 million income tax recovery shown above under tax rate changes in the rate reconciliation table. The revaluation applies to all U.S. deferred income tax assets and liabilities except the income taxes receivable associated with prior years transfer pricing activities as described in Note 10.

Changes in the deferred tax assets and liabilities are recognized in profit and loss except for $1.4 million in foreign currency exchange rate differences that are recognized in other comprehensive income.

A deferred income tax asset of $1.5 million (2016 - $2.4 million) related to allowable capital losses has not been recognized on unrealized foreign exchange losses arising from the translation of U.S. dollar denominated senior secured notes.

12 Dividends Payable

During the year ended December 31, 2017, the Company paid dividends of $15,433 (2016 - $14,247) or $0.416 per common share (2016 - $0.384 per common share) and declared a $1,410 dividend (2016 - $1,224) or $0.038 per common share (2016 - $0.033 per common share) to its shareholders of record at the close of business on December 31, 2017 that was paid January 15, 2018.

The Company currently 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 Company. Dividends, if and when, are declared to shareholders of the Company 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).

13 Long-term debt

	December 31, 2017	December 31, 2016
Senior secured notes	**94,088**	100,698
Syndicated revolving credit facility	**-**	-
Long-term debt	**94,088**	100,698

Syndicated revolving credit facility

Badger has established a syndicated revolving credit facility (the "credit facility") with a syndicate of three lenders. The credit facility, which is $144.1 million in aggregate Canadian dollars, consists of a $50.0 million Canadian tranche and a US$75.0 million ($94.1 million Canadian dollar equivalent) U.S. denominated tranche, providing Badger with the administrative flexibility to borrow in both Canada and the United States. The credit facility, which is a four year term, matures on August 11, 2021. Badger has the flexibility to expand the credit facility with approval of the syndicate by an additional $100.0 million.

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

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

At December 31, 2017, the Company had available $140.8 million (December 31, 2016 - $121.3 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at December 31, 2017, the Company has issued letters of credit of approximately $3.3 million (December 31, 2016 - $3.7 million). The outstanding letters of credit which reduce the amount of available credit under the syndicated credit facility, support Badger's U.S. insurance program and certain other performance bonds.

Under the terms of the credit facility, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2017, and as at December 31, 2017, the Company was in compliance with all of these covenants.

Senior secured notes

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

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

Under the terms of the senior secured notes, the Company must comply with certain financial and non-financial covenants, as defined by the bank (Note 22). Throughout 2017, and as at December 31, 2017, the Company was in compliance with all of these covenants.

As at December 31, 2017, the fair value of the senior secured notes was approximately US$77.2 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.

14 Shareholders' capital

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, 2015 and December 31, 2016	37,100,681	82,724
Shares issued on redemption of deferred share units	-	-
At December 31, 2017	**37,100,681**	**82,724**

15 Share-based plans

A) Deferred Share Unit Plan

The Deferred Share Unit ("DSU") Plan was established to promote a greater alignment of interests between the executive officers and the Shareholders of the Company. 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 DSU, participants are granted deferred units with a value equivalent to the value of a Badger share at the time of grant. 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 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. A maximum of 1,500,000 Common Shares have been reserved for issuance pursuant to the DSU Plan.

The DSU Plan 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 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 of deferred units outstanding as at December 31, 2017 is $9,918 (December 31, 2016 - $9,659). The fair value of deferred units exercisable as at December 31, 2017 is $8,725 (December 31, 2016 - $8,693). Changes in the number of deferred units under the DSU Plan were as follows:

	Units
At December 31, 2015	357,508
Granted	78,529
Dividends earned	5,684
Redeemed	(103,945)
Forfeited	(10,739)
At December 31, 2016	327,037
Granted	71,958
Dividends earned	5,612
Redeemed	(3,288)
Forfeited	-
At December 31, 2017	**401,319**
Exercisable at December 31, 2017	**321,008**

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 will be granted annually and 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 following 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 has been accounted for as a cash-settled plan. The 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.

The liability for PSUs outstanding as at December 31, 2017 is $4,068 (December 31, 2016 - $2,722). The fair value of units exercisable as at December 31, 2017 is $1,523 (December 31, 2016 – nil). Changes in the number of PSUs under the PSU plan were as follows:

	Units
At December 31, 2015	56,043
Granted	142,273
Redeemed	-
Forfeited	-
At December 31, 2016	198,316
Granted	62,310
Redeemed	-
Forfeited	-
At December 31, 2017	**260,626**
Exercisable at December 31, 2017	**56,043**

16 Expenses by nature

The main categories of major expenses by nature included in direct costs and general and administrative expenses include:

For the year ended December 31	**2017**	2016
Wages, salaries and benefits	**226,411**	177,096
Repairs and maintenance	**30,251**	26,311
Fees paid to operating partners	**33,649**	35,812
Fuel	**26,129**	18,618
Office expenses and property tax	**12,466**	10,609
Vehicle licence and insurance	**12,584**	10,129

17 Earnings per share

Basic earnings per share ("EPS")

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

The calculation of earnings per share for the year ended December 31, 2017, was based on the net profit available to common shareholders of $65,852 (2016 - $28,912), and a weighted average number of common shares outstanding of 37,100,681 (2016 – 37,100,681).

Diluted EPS

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

Weighted average number of common shares:

	For the year ended December 31,	
	2017	**2016**
Issued common shares outstanding, beginning of year	**37,100,681**	37,100,681
Effect of shares issued on redemption of deferred share units	**-**	-
Basic and diluted weighted average number of common shares, end of year	**37,100,681**	37,100,681

18 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 year ended December 31,	
	2017	**2016**
Operating activities		
Source (use) of cash:		
Trade and other receivables	**(24,244)**	(9,908)
Prepaid expenses	**(2,033)**	(324)
Inventories	**(1,836)**	(369)
Trade and other payables	**10,794**	(2,437)
Change in non-cash working capital	**(17,319)**	(13,038)
Investing activities		
Source (use) of cash:		
Trade and other payables[(1)]	**1,273**	874
Change in non-cash working capital	**1,273**	874

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

	For the year ended December 31,	
	2017	**2016**
Cash and cash equivalents:		
Bank accounts	**35,705**	26,635
Short-term investments	**10,400**	36,240
Total cash and cash equivalents	**46,105**	62,875

19 Segment reporting

The Company has identified three reportable segments consisting of two geographic segments (U.S. and Canada) and a Corporate reportable segment. The U.S. and Canadian operating segments provide non-destructive excavating services. Previously the results of the Corporate segment were included as a component of the Canada operating segment. Separating the Corporate results improves the comparability between the Canadian and U.S. segments. Comparative information has been reclassified to conform to the current presentation. The following is selected information for the years ended December 31, 2017 and 2016 based on these geographic/reportable segments.

For the year ended	December 31, 2017				December 31, 2016			
	Canada	**U.S.**	**Corporate**	**Total**	**Canada**	**U.S.**	**Corporate**	**Total**
Revenues	151,054	348,182	-	**499,236**	135,841	268,361	-	**404,202**
Direct costs	113,025	239,619	-	**352,644**	101,607	182,690	-	**284,297**
Depreciation of property, plant and equipment	14,241	31,217	-	**45,458**	13,611	29,814	-	**43,425**
General and administrative[1]	3,892	11,218	6,101	**21,211**	3,190	8,590	3,362	**15,142**
Share-based plan[2]	-	-	1,679	**1,679**	-	-	6,904	**6,904**
Finance cost[3]	-	-	5,523	**5,523**	-	-	4,952	**4,952**
Other[4]	982	114	-	**1,096**	152	2,199	-	**2,351**
Profit before tax	18,914	66,014	(13,303)	**71,625**	17,281	45,068	(15,218)	**47,131**

(1) Included in general and administrative expenses for the corporate segment are employee, office, and other costs related to public company administration.
(2) The share-based plan expense for participants in both the U.S. and Canada is reported in the corporate segment.
(3) Finance costs from the Company's credit facilities are reported in the corporate segment.
(4) Included in other are the (gain) loss on sale of property, plant and equipment, and foreign exchange (gain) losses.

	Canada	**U.S.**	**Corporate**	**Total**
As at December 31, 2017				
Property, plant and equipment	109,225	198,825	-	**308,050**
Intangible assets	7,858	-	-	**7,858**
Goodwill	1,621			**1,621**
Total assets	187,284	314,064	-	**501,348**
Total liabilities[1]	23,147	48,255	111,452	**182,854**
As at December 31, 2016				
Property, plant and equipment	92,917	191,383	-	**284,300**
Intangible assets	7,485	-	-	**7,485**
Goodwill	1,621			**1,621**
Total assets	173,539	284,808	-	**458,347**
Total liabilities[1]	19,788	43,078	116,410	**179,276**

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

20 Related party disclosure

There were no significant outstanding balances with related parties as at December 31, 2017 and December 31, 2016.

Compensation of key management personnel

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

	2017	2016
Compensation, including bonuses	**4,043**	3,303
Share-based payments	**2,808**	4,005
	6,851	7,308

21 Subsidiaries

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

		Percentage equity interest	
Name	**Country of Incorporation**	**2017**	**2016**
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 Limited Partnership	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%

22 Capital management

The Company's strategy is to have a sufficient capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company considers the capital structure to consist of net debt and shareholders' equity. The Company considers net debt to be total long-term debt less cash. The Company 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. The Company may occasionally need to increase these levels to facilitate acquisition or expansion activities. This ratio was as follows:

	2017	2016
Long-term debt	**94,088**	100,698
Cash	**(46,105)**	(62,875)
Net debt	**47,983**	37,823
Shareholders' equity	**318,494**	279,071
Total capitalization	**366,477**	316,894
Net debt to total capitalization	**13%**	12%

The Company sets the amounts of its various forms of capital in proportion to risk. The Company 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 Company may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce net debt.

The Company is bound by certain financial and non-financial covenants as defined by both the extendable revolving credit facility and the senior secured note agreement. If the Company is in violation of any of these covenants its ability to pay dividends may be inhibited. The Company monitors these covenants to ensure it remains in compliance. The financial covenants are as follows:

Ratio	December 31, 2017	December 31, 2016	Threshold
Funded Debt[(1)] to Compliance EBITDA[(2)]	**0.7:1**	1.0:1	2.75:1 maximum
Compliance EBITDA to Interest Expense[(3)]	**22.3:1**	19.3:1	3.00:1 minimum
Tangible Net Worth[(4)]	**$290,127**	$240,267	$167,104

(1) Funded Debt is long-term debt including any current portion thereof, less up to a maximum of $10,000 of cash.

(2) Funded Debt to Compliance EBITDA (earnings before interest, income taxes, depreciation and amortization) means the ratio of consolidated Funded Debt to the aggregated Compliance EBITDA for the trailing twelve-months.

(3) Interest Expense is calculated in accordance with IFRS.

(4) Tangible Net Worth consists of total shareholders equity less other comprehensive income subsequent to September 20, 2013 less intangible assets. This covenant was effective upon establishment of the credit facilities (see Note 13).

Throughout 2017 and as at December 31, 2017 the Company was in compliance with all of these covenants.

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

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

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

23 Financial instruments and risk management

Fair values

The Company'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, 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. The fair value of the long-term debt is classified as a Level 2 instrument in the fair value hierarchy and has been valued using industry standard valuation techniques derived from observable market data.

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 Company's trade receivable balance is with customers in the petroleum and utility industries and is subject to industry credit risks. The Company manages its exposure to credit risk through standard credit granting procedures and short payment terms. The Company 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 Company 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 Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or

obtaining additional debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

At December 31, 2017, the Company had available $140.8 million of authorized borrowing capacity on the extendable revolving credit facility. The credit facility expires on July 22, 2018. The Company 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 Company's financial liabilities at December 31, 2017 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2017					
Trade and other payables	39,312	-	-	-	**39,312**
Share-based plan liability	13,986	-	-	-	**13,986**
Long-term debt	-	31,363	62,725	-	**94,088**
	52,300	**32,361**	**62,725**	**-**	**147,386**

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2016					
Trade and other payables	28,999	-	-	-	**28,999**
Share-based plan liability	8,570	3,422	389	-	**12,381**
Long-term debt	-	-	67,132	33,566	**100,698**
	37,569	**3,422**	**67,521**	**33,566**	**142,078**

Market risk

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

Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense on a portion of its long-term debt. Interest is calculated at prime on its borrowing facilities. There was no balance drawn on these facilities in the year therefore net profit would not be affected by changes to interest rates (2016 - nil). The Company does not currently use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations.

Foreign exchange risk

The Company has Canadian operations which purchase certain products in United States dollars in addition to operations in the U.S. 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. In addition, the Company's United States subsidiaries are subject to foreign exchange gains and losses on consolidation. Realized foreign exchange gains and losses are included in net earnings while foreign exchange gains and losses arising on the translation of the assets, liabilities, revenue and expenses of the Company's United States operations are included in other comprehensive income.

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

	2017	2016
Cash	**31,777**	25,721
Trade and other receivables	**76,696**	61,453
Income taxes receivable - current	**203**	2,969
Income taxes receivable - long-term	**15,225**	-
Trade and other payables	**(5,881)**	(5,430)
Long-term debt	**(94,088)**	(100,698)

The following table demonstrates the Company's sensitivity for the above noted United States denominated balances to a hypothetical 10% strengthening in the Canadian dollar against the United States dollar and the increased (decreased) earnings before income taxes and other comprehensive income is as follows:

	Effect on profit (loss) before tax 2017	Effect on profit (loss) before tax 2016
10% strengthening in the Canadian dollar against the U.S. dollar	**(5,980)**	(2,399)

For a hypothetical 10% weakening of the Canadian dollar against the United States dollar, there would be an equal and opposite effect on earnings before income taxes and other comprehensive income to that presented in the tables above.

24 Commitments and contingencies

Legal disputes

Badger is involved in various claims and actions arising in the course of its operations. Management does not believe any of these legal disputes would result in a material impact to the financial results of the Company.

The Company had the following commitments at December 31, 2017:

	2018	2019	2020	2021	2022	Thereafter	Total
Operating leases[(1)]	5,485	3,476	1,963	1,106	617	20	**12,667**
Senior secured note interest[(2)]	4,704	4,704	3,920	2,352	784	-	**16,464**
Senior secured note repayment[(3)]	-	-	32,465	32,465	32,465	-	**97,395**
Purchase commitments[(4)]	25,450	-	-	-	-	-	**25,450**
Total	35,639	8,180	38,348	35,923	33,866	20	**151,976**

(1) Operating leases include building and office space.

(2) Senior note interest is the interest due on the Company's senior secured notes at 4.83% per annum paid semi-annually in arrears (see Note 13) translated into Canadian dollars at the average U.S. to Canadian exchange rate for 2017.

(3) Senior note repayment is the principal amounts of the senior secured notes due (see Note 13) translated into Canadian dollars at the average U.S. to Canadian exchange rate for 2017.

(4) Purchase commitments include various purchases for truck manufacturing.

25 Subsequent events

The Board of Directors of Badger has approved Badger to pursue the implementation of a Normal Course Issuer Bid ("NCIB") of up to a maximum of 2,000,000 common shares, pursuant to which Badger would have an option to repurchase its common shares for cancellation. The implementation of the NCIB is subject to normal course regulatory approvals.