Badger Daylighting Ltd.

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

Independent Auditor's Report

To the Shareholders and the Board of Directors of Badger Daylighting Ltd.

Opinion

We have audited the consolidated financial statements of Badger Daylighting Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sippy Chhina.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
March 12, 2019

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

As at	Notes	December 31, 2018	December 31, 2017
ASSETS			
Current Assets			
Cash and cash equivalents	20	**48,303**	46,105
Trade and other receivables	7	**159,750**	112,032
Prepaid expenses		**6,244**	4,884
Inventories		**5,996**	5,348
Income taxes receivable	13	**4,805**	225
		225,098	168,594
Non-current Assets			
Income taxes receivable	12	**-**	15,225
Property, plant and equipment	9	**363,580**	308,050
Intangible assets	10	**13,591**	7,858
Goodwill	10	**1,621**	1,621
		378,792	332,754
Total Assets		**603,890**	501,348
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	11	**54,453**	39,312
Share-based plan liability	17	**21,401**	13,986
Income taxes payable	13	**4,164**	-
Dividends payable	14	**1,646**	1,410
		81,664	54,708
Non-current Liabilities			
Long-term debt	15	**102,315**	94,088
Deferred income tax	13	**53,409**	34,058
		155,724	128,146
Shareholders' Equity			
Shareholders' capital	16	**82,600**	82,724
Contributed surplus		**548**	548
Accumulated other comprehensive income		**37,350**	19,127
Retained earnings		**246,004**	216,095
		366,502	318,494
Total Liabilities and Shareholders' Equity		**603,890**	501,348

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 12, 2019 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, 2018	2017
Revenue	5,8	**615,442**	496,808
Direct costs	5	**424,162**	350,216
Gross profit		**191,280**	146,592
Depreciation of property, plant and equipment		**48,996**	45,458
General and administrative		**29,573**	21,211
Share-based plans		**10,321**	1,679
Operating profit		**102,390**	78,244
Loss on sale of property, plant and equipment		**740**	305
Finance cost		**4,892**	5,523
Foreign exchange (gain) loss		**(876)**	791
Profit before income tax		**97,634**	71,625
Current income tax expense	13	**12,779**	20,322
Deferred income tax expense (recovery)	13	**17,038**	(14,549)
Income tax expense		**29,817**	5,773
Net profit		**67,817**	65,852
Other comprehensive income:			
Foreign exchange differences on translation of foreign operations		**26,450**	(17,421)
Unrealized foreign exchange (loss) gain on net investment hedge	15	**(8,227)**	6,611
Other comprehensive income (loss)		**18,223**	(10,810)
Comprehensive income		**86,040**	55,042
Net profit per share			
Basic and diluted	19	**1.83**	1.77

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)

	Note	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
As at January 1, 2017		82,724	548	29,937	165,862	279,071
Net profit		-	-	-	65,852	65,852
Other comprehensive loss		-	-	(10,810)	-	(10,810)
Dividends		-	-	-	(15,619)	(15,619)
As at December 31, 2017		82,724	548	19,127	216,095	318,494
As at January 1, 2018		82,724	548	19,127	216,095	318,494
Net profit		-	-	-	67,817	67,817
Other comprehensive income		-	-	18,223	-	18,223
Dividends		-	-	-	(19,232)	(19,232)
Shares issued on redemption of deferred share units	16	1,288	-	-	-	1,288
Shares repurchased and cancelled under normal course issuer bid	16	(1,412)	-	-	(18,676)	(20,088)
As at December 31, 2018		**82,600**	**548**	**37,350**	**246,004**	**366,502**

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, 2018	2017
Operating activities			
Net profit		**67,817**	65,852
Non-cash adjustments to reconcile net profit from operations to cash flow from operating activities before working capital and other adjustments:			
Depreciation of property, plant and equipment		**48,996**	45,458
Deferred income tax expense (recovery)		**17,038**	(14,549)
Loss on sale of property, plant and equipment		**740**	305
Finance cost		**4,892**	4,736
Current income tax expense		**12,779**	20,322
Share-based plans		**10,321**	1,679
Unrealized foreign exchange gain		**(89)**	(120)
Cash flow from operating activities before working capital and other adjustments		**162,494**	123,683
Change in non-cash working capital	20	**(28,320)**	(17,319)
Income taxes paid		**(13,573)**	(18,889)
Income taxes recovered	12	**15,399**	-
Share-based plan paid		**(1,618)**	(75)
Cash flows from operating activities		**134,382**	87,400
Investing activities			
Purchase of property, plant and equipment	9	**(89,187)**	(83,609)
Proceeds from sale of property, plant and equipment		**1,867**	1,470
Acquisition of Operating Partners and related assets		**(174)**	(873)
Additions to intangible asset	10	**(5,369)**	-
Change in non-cash working capital	20	**(423)**	1,273
Cash flows used in investing activities		**(93,286)**	(81,739)
Financing activities			
Interest paid		**(4,841)**	(4,912)
Dividends paid	14	**(18,996)**	(15,433)
Common shares repurchased under normal course issuer bid	16	**(20,088)**	-
Change in non-cash working capital	20	**2,232**	-
Cash flows used in financing activities		**(41,693)**	(20,345)
Effect of foreign exchange rate changes on cash		**2,795**	(2,086)
Increase (decrease) in cash and cash equivalents		**2,198**	(16,770)
Cash and cash equivalents, beginning of year		**46,105**	62,875
Cash and cash equivalents, end of year		**48,303**	46,105

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 utilities, petroleum, construction, industrial, transportation, telecom and engineering industries in Canada and the United States ("U.S."). Badger is a publicly traded company. The head office of Badger is located at Suite 400, 919-11th Avenue SW, Calgary, Alberta T2R 1P3. The registered office of Badger is located at c/o CAS Corporate Governance Services Inc., 600, 815-8th Avenue SW, Calgary, Alberta T2P 3P2.

The consolidated financial statements of the Company for the years ended December 31, 2018 and December 31, 2017 were authorised for issue in accordance with a resolution of the Board of Directors ("Board") on March 12, 2019.

2 Basis of preparation

Statement of compliance
These consolidated financial statements of the Company 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 on a historical cost basis except for share-based plan transactions measured at fair market value. Historical cost is generally based on the fair value consideration given in exchange for goods and services at the time of the transaction.

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

Reclassification of comparative figures
Certain comparative revenue and direct costs amounts for the prior period have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15. See Note 5 for details.

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 periods. 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 a 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

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. 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, which requires management judgement. 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 names, non-compete agreements and costs associated with the Company's Enterprise Resource Planning ("ERP") implementation. 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 annual 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) Cash and cash equivalents

Cash includes cash and cash equivalents, which are defined as highly liquid investments with maturities of three months or less.

C) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being defined to include the laid-down cost for materials on a weighted average basis. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence or damage.

D) 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.

E) 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 to 30 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.

F) Intangible assets

Intangible assets represent service rights acquired, customer relationships, trade name, non-compete agreements and costs associated with the Company's ERP implementation. 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	ERP system
Useful lives	Indefinite	10 years
Amortization method	No amortization	Straight-line

G) 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.

H) 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.

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 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.

J) 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.

K) Revenue recognition

Badger's revenue primarily arises from contracts with customers. Revenue is recognized when a customer obtains control over the goods or services at which point performance obligations are satisfied and when the collection is reasonably assured. Badger recognizes revenue from hydrovacs, hydrovac related services, and other services.

The above mentioned performance obligations are part of contracts that have an expected duration of less than one year.

The total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The transaction price for the services Badger provides is agreed upon with the customer at the time the contracts are entered into and do not contain significant financing components.

L) Finance costs

Finance costs comprise interest expense on borrowings on the Company's senior secured notes and syndicated revolving credit facility and stand by fees on the Company's syndicated revolving 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.

M) Share-based plans

The Company has cash-settled share-based plans, Deferred Share Units ("DSUs") and Performance Share Units ("PSUs") 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. The fair value of the PSUs is adjusted for the estimate of the outcome of the performance conditions.

N) 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.

O) 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 month. The resulting translation adjustments are included in accumulated other comprehensive income when the 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.

P) Financial instruments

Financial assets

The classification of financial assets is based on the Company's assessment of its business model for holding financial assets. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets measured at amortized cost are measured at cost using the effective interest method. The amortized cost is reduced by impairment losses at an amount equal to the lifetime expected credit losses that result from all possible default events over the expected life of the financial instrument. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and 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 derecognized 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

The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the statement of comprehensive income.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the statement of comprehensive income.

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. Financial liabilities are derecognized when the obligation in discharged, cancelled or expired.

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.

Q) Equity instruments

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

5 Standards adopted and changes in accounting policies

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for revenue recognition. It replaced IAS 18 – *Revenue,* IAS 11 – *Construction Contracts* and related interpretations. The company has adopted IFRS 15 on January 1, 2018 using the full retrospective method, therefore certain prior year comparative figures have been adjusted as discussed below. There was no impact on Badger's consolidated statement of financial position or net income. The adoption of IFRS 15 did not impact the timing of revenue recognition, however, new disclosures were required.

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 context of the identification of the contract with the customer and control of the underlying services.

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"). Following the assessment of 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 are 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 has assessed 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 are 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.

The following tables summarize the IFRS 15 changes for the year ended December 31, 2017:

Year ended December 31, 2017	Revenue	Direct costs	Gross profit	Gross margin
Historical - Reported under IAS 18	499,236	352,644	146,592	29.4%
Operating partner adjustments				
Less: Revenue reported under IAS 18[(1)]	(52,620)		(52,620)	
Less: Payments to operating partners under IAS 18[(6)]		(30,625)	30,625	
Add: Net revenue under IFRS 15[(2)]	21,995		21,995	
Third party adjustments				
Less: Revenue reported under IAS 18[(3)]	(7,143)		(7,143)	
Add: Revenue under IFRS 15[(4)]	35,340		35,340	
Add: Direct costs under IFRS 15[(5)]		28,197	(28,197)	
Reported under IFRS 15	**496,808**	**350,216**	**146,592**	**29.5%**
Net impact of IFRS 15 adoption	(2,428)	(2,428)	-	0.1%

(1) Operating partner revenue was reported gross as a component of revenue on the Consolidated Statement of Comprehensive Income under IAS 18.

(2) As a result of the adoption of IFRS 15, revenue from operating partners is recorded net of payments to operating partners as a component of consolidated revenue on the Consolidated Statement of Comprehensive Income.

(3) Revenue from third parties was reported net of direct costs as a component of revenue on the Consolidated Statement of Comprehensive income under IAS 18.

(4) As a result of the adoption of IFRS 15, revenue from third party transactions is recorded gross as a component of revenue on the Consolidated Statement of Comprehensive Income.

(5) As a result of the adoption of IFRS 15, direct costs from third party transactions is recorded gross as a component of direct costs on the Consolidated Statement of Comprehensive Income.

(6) Payments to operating partners were reported gross as a component of direct costs on the Consolidated Statement of Comprehensive Income under IAS 18. Payments to operating partners of $33.6 million as disclosed in Note 16 of the 2017 audited annual consolidated financial statements included $30.6 million paid to operating partners, with the remaining balance related to fees paid to independent operators, which will continue to be presented gross as a component of direct costs. Independent operators do not have a franchise agreement and the provision of services for independent operators is controlled by Badger Corporate.

IFRS 9 – Financial Instruments

The International Accounting Standards Board issued IFRS 9 – *Financial Instruments* introduced 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 Company adopted IFRS 9 effective January 1, 2018 on a retrospective basis. The prior year comparative information has not been adjusted with respect to the adoption of IFRS 9's classification and measurement requirements as the adoption of IFRS 9 did not result in material changes to the determination of Badger's anticipated credit losses and associated allowance for doubtful accounts.

The classification and measurement of financial instruments under IFRS 9 did not impact Badger's classification of financial instruments as all financial assets and liabilities will continue to be measured at amortized cost. There were no adjustments to the carrying amounts of financial instruments as a result of the measurement classification category changes from IAS 39 to IFRS 9.

Consistent with the requirements of IFRS 9, Badger assesses the lifetime expected credit losses on an ongoing basis and updates its assumptions, if and when required. All hedging relationships designated under IAS 39 at December 31, 2017, met the criteria for hedge accounting under IFRS 9 at January 1, 2018, and are therefore regarded as continuing the hedging relationships.

6 Recent accounting pronouncements

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.

7 Trade and other receivables

	December 31, 2018	December 31, 2017
Trade receivables	**158,860**	109,904
Holdback receivables	**2,014**	1,702
Allowance for doubtful accounts	**(6,896)**	(1,622)
Total trade receivables	**153,978**	109,984
Accrued revenue and other receivables	**5,772**	2,048
Trade and other receivables	**159,750**	112,032

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, 2018						
Trade receivables	**158,860**	**61,551**	**45,264**	**22,795**	**10,892**	**18,358**
Holdback receivables	**2,014**	**-**	**5**	**110**	**193**	**1,706**
Allowance for doubtful accounts	**(6,896)**	**(5,194)**	**(110)**	**-**	**(2)**	**(1,590)**
	153,978	**56,357**	**45,159**	**22,905**	**11,083**	**18,474**
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

[1] Trade receivables in the 0-30 day category includes amounts invoiced from December 1, 2018 to December 31, 2018.

The changes in the allowance for doubtful account for the years ended December 31, 2018 and December 31, 2017 are as follows:

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
Additions to the allowance (bad debt expense)	10,796
Accounts written off (reduces allowance for doubtful accounts)	(4,448)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(1,298)
Exchange differences	224
At December 31, 2018	**6,896**

8 Revenue

The following table disaggregates the Company's revenue by type of service and type of customer. Prior period comparative information has been reclassified to conform to the current presentation. Hydrovac revenue now includes all hydrovac and hydrovac related services.

	Year ended December 31,	
	2018	2017
Hydrovac revenue – corporate	**565,560**	448,027
Hydrovac revenue – operating partners	**21,646**	21,055
Total hydrovac revenue	**587,206**	469,082
Other service revenue – corporate[(1)]	**27,204**	26,785
Other service revenue – operating partners[(1)]	**1,032**	941
Total other revenue	**28,236**	27,726
Total revenue	**615,442**	496,808

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

9 Property, plant and equipment

	Land and land improvements	Buildings	Equipment under construction	Shoring equipment	Shop and office equipment	Leased vehicles	Trucks and other vehicles	Total
Cost								
At December 31, 2016	6,746	21,454	5,825	2,190	3,546	-	477,456	517,217
Additions/transfers[1][2]	-	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
Additions/transfers[2]	-	28	223	2	788	2,439	85,707	89,187
Other adjustments[3]	-	-	-		-	-	(1,838)	(1,838)
Disposals	-	(530)	-	(351)	(436)	-	(27,066)	(28,383)
Exchange differences	80	529	44	-	133	118	32,901	33,805
At December 31, 2018	**6,761**	**21,926**	**12,208**	**1,861**	**4,577**	**2,557**	**596,869**	**646,759**
Depreciation								
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
Depreciation charge for the year	13	827	-	112	533	85	47,426	48,996
Disposals	-	(82)	-	(272)	(247)	-	(25,175)	(25,776)
Exchange differences	1	73	-	-	64	4	13,879	14,021
At December 31, 2018	**648**	**8,276**	**-**	**1,451**	**2,063**	**89**	**270,652**	**283,179**
Net book value								
At December 31, 2017	6,047	14,441	11,941	599	2,379	-	272,643	308,050
At December 31, 2018	**6,113**	**13,650**	**12,208**	**410**	**2,514**	**2,468**	**326,217**	**363,580**

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

(2) The net additions of equipment under construction are included in additions/transfers.

(3) Other adjustments relate to capitalized excise and sales tax upon implementing revised transfer prices on trucks sold from Canada to the U.S. for 2018.

10 Goodwill and intangible assets

		Intangible assets		
	Service rights	**ERP[1]**	**Total**	**Goodwill**
Cost				
At December 31, 2016	7,485	-	7,485	3,136
Additions	373	-	373	-
At December 31, 2017	7,858	-	7,858	3,136
Additions	174	5,369	5,543	-
Exchange differences	-	190	190	-
At December 31, 2018	**8,032**	**5,559**	**13,591**	**3,136**
Amortization				
At December 31, 2016	-	-	-	1,515
Amortization	-	-	-	-
At December 31, 2017	-	-	-	1,515
Amortization	-	-	-	-
At December 31, 2018	**-**	**-**	**-**	**1,515**
Net book value				
At December 31, 2017	7,858	-	7,858	1,621
At December 31, 2018	**8,032**	**5,559**	**13,591**	**1,621**

(1) The ERP system is not yet available for use, therefore no amortization has been recorded at December 31, 2018.

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 Central Canada and Eastern Canada CGUs respectively. Central United States, Western United States, Eastern United States, Western Canada 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, 2018. The recoverable amount of the Eastern Canada and Central 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, 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% (2017 – 12.0%).

No impairment was recorded for 2018 or 2017.

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 Central 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, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Intangible assets	**Goodwill**	Intangible assets	Goodwill
Central Canada	**5,379**	**-**	5,205	-
Eastern Canada	**2,653**	**1,621**	2,653	1,621
Total	**8,032**	**1,621**	7,858	1,621

11 Trade and other payables

	December 31, 2018	December 31, 2017
Current		
Trade payables	**25,129**	15,842
Bonuses payable	**10,801**	6,854
Accrued expenses	**18,523**	16,616
Total trade and other payables	**54,453**	39,312

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

12 Income taxes receivable

As previously disclosed, Badger had a US$12.1 million income tax receivable ($15.2 million in Canadian dollars as at December 31, 2017), due from U.S. taxation authorities related to previously completed transfer pricing activities for the years 2009 through 2013. The collection of the receivable was pending the final negotiation between the relevant taxation bodies in Canada and the United States ("Competent Authority"). During the second quarter of 2018, the Competent Authority completed their review, agreeing on a final settlement of US$10.8 million. The US$1.3 million ($1.7 million Canadian dollars) difference between the US$12.1 million receivable and the agreed upon settlement of US$10.8 million, combined with additional tax of $1.9 million due to the taxation of certain foreign currency gains as part of the settlement, resulted in a one-time increase to current income tax expense of $3.4 million and a one-time increase to deferred income tax expense of $0.2 million. The $3.4 million in current income taxes and $0.2 million in deferred income taxes related to the final negotiation has been recognized as a component of Badger's second quarter 2018 income tax expense as noted above. As a result of the Competent Authority reviewing and resolving this matter there will be no material impact on future period net earnings.

13 Income taxes

The provision for income taxes, including deferred income taxes, reflects an effective income tax rate that differs from the actual combined Canadian federal and provincial statutory rates of 26.8% (2017 - 26.8%). The Company's U.S. subsidiaries are subject to federal and state statutory tax rates of approximately 26.5% for 2018 (2017 - 40.0%). The main differences are in the table below.

	December 31, 2018	December 31, 2017
Profit before tax	**97,634**	71,625
Income tax expense at the Canadian statutory rate	**26,166**	19,196
Increase (decrease) resulting from:		
Income tax rates in foreign jurisdictions	**(312)**	7,388
Income tax rate changes	**-**	(17,186)
Settlement of prior years' transfer pricing activities	**1,621**	-
Foreign exchange on settlement of intercompany balances related to prior years' transfer pricing activities	**1,956**	-
Income tax rate benefit of intercompany truck sales	**(9)**	(1,926)
True-up of prior period income taxes	**(1,122)**	(982)
Foreign exchange differences	**671**	-
Other items	**846**	(717)
Income tax expense	**29,817**	5,773

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

	December 31, 2018	December 31, 2017
Net deferred income tax liability		
Deferred income tax assets		
Share-based plan	**5,774**	3,784
Accrued liabilities	**1,337**	549
Salaries and wages	**763**	515
Total deferred tax asset	**7,874**	4,848
Deferred income tax liabilities		
Property, plant and equipment	**59,416**	37,821
Intangible assets	**(66)**	(221)
Reserve	**-**	544
Insurance	**812**	503
Prepaid expenses	**1,121**	259
Total deferred income tax liability	**61,283**	38,906
Deferred income tax liability	**53,409**	34,058

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 in the prior year. The revaluation applied 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 12.

Changes in the deferred tax assets and liabilities are recognized in profit and loss except for $2.0 million in foreign currency exchange rate differences that are recognized in other comprehensive income. A deferred income tax asset of $2.6 million (2017 - $1.5 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.

14 Dividends Payable

During the year ended December 31, 2018, the Company paid dividends of $18,996 (2017 - $15,433) or $0.512 per common share (2017 - $0.416 per common share) and declared $1,646 in dividends (2017 - $1,410) or $0.045 per common share (2017 - $0.038 per common share) to its shareholders of record at the close of business on December 31, 2018 that was paid on January 15, 2019.

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 Board 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).

15 Long-term debt

	December 31, 2018	December 31, 2017
Senior secured notes	**102,315**	94,088
Syndicated revolving credit facility	**-**	-
Long-term debt	**102,315**	94,088

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 $147.7 million in aggregate Canadian dollars, consists of a $100.0 million Canadian tranche and a US$35.0 million ($47.7 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, 2018, the Company had available $143.8 million (December 31, 2017 - $140.8 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at December 31, 2018, the Company has issued letters of credit of approximately $3.9 million (December 31, 2017 - $3.3 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 lenders. Throughout 2018, and as at December 31, 2018, 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. See Note 24. Throughout 2018, and as at December 31, 2018, the Company was in compliance with all of these covenants.

As at December 31, 2018, the fair value of the senior secured notes was approximately US$76.0 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.

16 Shareholders' capital

A) Authorized shares

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

B) Issued and outstanding

Normal course issuer bid
In 2018, the Company announced a normal course issuer bid ("NCIB") to repurchase for cancellation up to 2,000,000 common shares commencing on May 15, 2018, and ending on May 14, 2019, or such earlier date on which the Company completes its purchases of common shares. As of December 31, 2018, the Company has repurchased 558,768 common shares at a weighted average price of $31.96 per share for a total amount of $17,856. In addition, the Company purchased 69,846 common shares in the last two days of fiscal 2018 at a weighted average price per share of $31.97 which were settled and cancelled subsequent to December 31, 2018. In total, the Company purchased 628,614 common shares at a weighted average price per share of $31.96 during fiscal 2018. Subsequent to December 31, 2018, the Company purchased 633,454 additional shares at a weighted average price per share of $33.50.

	Number of Shares	Amount
At December 31, 2017 and 2016	37,100,681	82,724
Common shares repurchased and cancelled through NCIB	(558,768)	(1,254)
Common shares issued on redemption of deferred share units	40,825	1,288
Common shares repurchased prior to December 31, 2018 and cancelled subsequent to December 31, 2018 through NCIB	(69,846)	(158)
At December 31, 2018	**36,512,892**	**82,600**

17 Share-based plans

A) Deferred Share Unit Plan

The Deferred Share Unit ("DSU") Plan was established to promote greater alignment of interests between the executive officers and the Shareholders of the Company. The Board may also participate in the plan whereby they will be paid 60% to 100% of the annual retainer in the form of deferred units. Pursuant to the terms of the DSU, participants are granted deferred units with a value equivalent to the value of a Badger share. The deferred units granted earn additional deferred units at the same rate as dividends on Badger common shares. The deferred units granted other than to the Board, which vest immediately, vest equally over a period of three years from the date of the grant. Upon vesting, the participant may elect to redeem the deferred units for an equal number of Badger shares or the cash equivalent. A maximum of 1,500,000 Common Shares have been reserved for issuance pursuant to the DSU Plan.

The DSU Plan is accounted for as a cash-settled plan. Compensation expense is based on the estimated fair value of the deferred units outstanding at the end of each quarter using a volume weighted average share price and recognized using graded vesting throughout the term of the vesting period, with a corresponding credit to liabilities.

The liability for deferred units outstanding as at December 31, 2018 is $13.0 million (December 31, 2017 - $9.9 million). The fair value of deferred units exercisable as at December 31, 2018 is $10.7 million (December 31, 2017 - $8.7 million). Changes in the number of deferred units under the DSU Plan were as follows:

	Units
At December 31, 2016	327,037
Granted	71,958
Dividends earned	5,612
Redeemed	(3,288)
Forfeited	-
At December 31, 2017	401,319
Granted	131,821
Dividends earned	8,470
Redeemed for cash	(27,427)
Redeemed for common shares	(40,825)
Forfeited	(5,838)
At December 31, 2018	**467,520**
Exercisable at December 31, 2018	**330,771**

B) Performance Share Unit Plan

The Company also has a Performance Share Unit ("PSU") Plan for officers of the Company. Officers must elect to have at least half but may elect to have all of their annual long-term incentive compensation awarded in PSUs, with the remainder, if any, awarded in DSUs. The PSUs represent rights to share value based on the number of PSUs issued and achieving certain performance criteria as set out by the Board of Directors. Subject to achievement of performance criteria, under the terms of the plan, PSUs awarded will vest on a three-year term on their anniversary date and are recognized over their vesting period. PSUs, which meet the performance and other vesting criteria, will be settled in cash upon exercise.

The PSU Plan is accounted for as a cash-settled plan. Compensation expense is based on the estimated fair value of the PSUs outstanding at the end of each quarter using a volume weighted average share price and recognized over the vesting period, with a corresponding credit to liabilities.

The liability for PSUs outstanding as at December 31, 2018 is $8.4 million (December 31, 2017 - $4.1 million). The fair value of units exercisable at December 31, 2018 is $5.5 million (December 31, 2017 - $1.5 million). Changes in the number of PSUs under the PSU plan were as follows:

	Units
At December 31, 2016	198,316
Granted	62,310
Redeemed	-
Forfeited	-
At December 31, 2017	260,626
Granted	116,868
Redeemed	(56,043)
Forfeited	(4,090)
At December 31, 2018	**317,361**
Exercisable at December 31, 2018	**141,203**

18 Expenses by nature

The Company presents certain expenses in the consolidated statement of comprehensive income by function. The following table presents significant expenses by nature:

For the year ended December 31,	**2018**	2017
Wages, salaries and benefits	**269,396**	226,411
Repairs and maintenance	**35,934**	30,251
Fuel	**32,965**	26,129
Vehicle licence and insurance	**15,594**	12,584
Office expenses and property tax	**13,970**	12,466

19 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, 2018, was based on the net profit available to common shareholders of $67,817 (2017 - $65,852), and a weighted average number of common shares outstanding of 37,083,766 (2017 - 37,100,681).

	For the year ended December 31,	
	2018	2017
Weighted average number of common shares, basic	**37,083,766**	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,	
	2018	2017
Basic weighted average number of common shares	**37,083,766**	37,100,681
Effect of dilutive deferred share units	**-**	-
Weighted average number of common shares, diluted	**37,083,766**	37,100,681

20 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,	
	2018	2017
Operating activities		
Source (use) of cash:		
Trade and other receivables	**(39,873)**	(24,244)
Prepaid expenses	**(1,054)**	(2,033)
Inventories	**(493)**	(1,836)
Trade and other payables	**13,100**	10,794
Change in non-cash working capital	**(28,320)**	(17,319)
Investing activities		
Source (use) of cash:		
Trade and other payables[(1)]	**(423)**	1,273
Change in non-cash working capital	**(423)**	1,273
Financing activities		
Source of cash:		
Trade and other payables[(2)]	**2,232**	-
Change in non-cash working capital	**2,232**	-

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

(2) Non-cash working capital changes from trade and other payables relate to share repurchases under the normal course issuer bid for shares that have been repurchased but not cash settled until subsequent to December 31, 2018.

	For the year ended December 31,	
	2018	2017
Cash and cash equivalents:		
Cash	**32,354**	35,705
Cash equivalents	**15,949**	10,400
Total cash and cash equivalents	**48,303**	46,105

21 Segment reporting

The Company has identified three reportable segments consisting of two geographic segments (U.S. and Canada) and a Corporate segment. The U.S. and Canadian operating segments provide non-destructive excavating services. The following is selected information for the years ended December 31, 2018 and 2017 based on these geographic/reportable segments. The prior year comparative information for revenue and direct costs has been reclassified to conform with current year presentation. See Note 5 for details.

For the year ended	December 31, 2018				December 31, 2017			
	Canada	**U.S.**	**Corporate**	**Total**	**Canada**	**U.S.**	**Corporate**	**Total**
Hydrovac revenue	**124,218**	**462,988**	**-**	**587,206**	114,388	354,694	-	469,082
Other revenue	**25,307**	**2,929**	**-**	**28,236**	25,312	2,414	-	27,726
Total revenue	**149,525**	**465,917**	**-**	**615,442**	139,700	357,108		496,808
Direct costs	**108,626**	**315,536**	**-**	**424,162**	101,675	248,541	-	350,216
Depreciation of property, plant and equipment	**14,806**	**34,190**	**-**	**48,996**	14,241	31,217	-	45,458
General and administrative[1]	**5,811**	**15,764**	**7,998**	**29,573**	3,892	11,218	6,101	21,211
Share-based plan[2]	**-**	**-**	**10,321**	**10,321**	-	-	1,679	1,679
Finance cost[3]	**-**	**-**	**4,892**	**4,892**	-	-	5,523	5,523
Other[4]	**(300)**	**164**	**-**	**(136)**	982	114	-	1,096
Profit (loss) before tax	**20,582**	**100,263**	**(23,211)**	**97,634**	18,914	66,014	(13,303)	71,625

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

	Canada	**U.S.**	**Corporate**	**Total**
As at December 31, 2018				
Property, plant and equipment	**102,740**	**260,840**	**-**	**363,580**
Intangible assets	**9,850**	**3,741**	**-**	**13,591**
Goodwill	**1,621**	**-**	**-**	**1,621**
Total assets	**198,867**	**405,023**	**-**	**603,890**
Total liabilities[1]	**31,188**	**78,697**	**127,503**	**237,388**
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

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

22 Related party disclosure

There were no significant outstanding balances with related parties as at December 31, 2018 and December 31, 2017.

Compensation of key management personnel
The remuneration of the Board and other members of key management personnel were as follows:

	2018	2017
Compensation, including bonuses	**4,857**	4,043
Share-based payments	**3,972**	2,808
	8,829	6,851

23 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**	**2018**	2017
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%

24 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 and cash equivalents. 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:

	2018	2017
Long-term debt	**102,315**	94,088
Cash and cash equivalents	**(48,303)**	(46,105)
Net debt	**54,012**	47,983
Shareholders' equity	**366,502**	318,494
Total capitalization	**420,514**	366,477
Net debt to total capitalization	**13%**	13%

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 significant financial covenants are as follows:

Ratio	December 31, 2018	December 31, 2017	Threshold
Funded Debt[(1)] to Compliance EBITDA[(2)]	**0.6:1**	0.7:1	2.75:1 maximum
Compliance EBITDA to Interest Expense[(3)]	**30.9:1**	22.3:1	3.00:1 minimum
Tangible Net Worth[(4)]	**$314,087**	$290,127	$184,058

(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 30, 2013 less intangible assets. This covenant was effective upon establishment of the credit facilities. See Note 15.

Throughout 2018 and as at December 31, 2018 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.

25 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, income taxes receivable, trade and other payables, dividends payable, income taxes 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 utility, petroleum and construction industries and is subject to industry credit risks. The Company manages its exposure to credit risk through standard credit granting procedures and 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, 2018, the Company had available $143.8 million of authorized borrowing capacity on the extendable revolving credit facility. The credit facility matures on August 11, 2021. 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, 2018, based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2018					
Trade and other payables	**54,453**	**-**	**-**	**-**	**54,453**
Share-based plan liability	**21,401**	**-**	**-**	**-**	**21,401**
Long-term debt	**-**	**34,105**	**68,210**	**-**	**102,315**
Total	**75,854**	**34,105**	**68,210**	**-**	**178,169**

	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
Total	53,298	31,363	62,725	-	147,386

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 whose rate is floating. Interest is calculated based on prime lending rates, banker's acceptance rates (BA) or the London interbank offered rate (LIBOR) and is dependent on the nature of the borrowing. Interest rates are subject to change. No amount was, or currently is, drawn on the portion of long-term debt that is subject to a floating interest rate. There was no balance drawn on these facilities in the year therefore net profit would not be affected by changes to interest rates (2017 - nil). The Company does not use interest rate hedges, fixed interest rate contracts or other similar derivative instruments to manage its 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):

	2018	2017
Cash	**30,935**	31,777
Trade and other receivables	**121,490**	76,696
Income taxes receivable - current	**-**	203
Income taxes receivable - long-term	**-**	15,225
Trade and other payables	**(28,196)**	(22,182)
Income taxes payable	**(4,164)**	-
Long-term debt	**(102,315)**	(94,088)

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:

	2018	2017
Effect on earnings before income taxes	**2,432**	(5,980)
Effect on other comprehensive income	**829**	-

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 in the tables above.

26 Commitments and contingencies

The Company had the following commitments at December 31, 2018:

	2019	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Operating leases[(1)]	4,849	3,838	2,369	1,204	786	1,184	**14,230**
Service contract[(2)]	2,116	1,747	1,780	1,389	220	-	**7,252**
Senior secured note interest[(3)]	4,942	4,118	2,471	824	-	-	**12,355**
Senior secured note repayment[(4)]	-	34,105	34,105	34,105	-	-	**102,315**
Purchase commitments[(5)]	26,514	-	-	-	-	-	**26,514**
Total	**38,421**	**43,808**	**40,725**	**37,522**	**1,006**	**1,184**	**162,666**

(1) Operating leases include building and office space.

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

(3) Senior note interest is the interest due on the Company's senior secured notes at 4.83% per annum paid semi-annually in arrears translated into Canadian dollars at the December 31, 2018 closing U.S. to Canadian foreign currency exchange rate. See Note 14.

(4) Senior note repayment is the principal amounts of the senior secured notes due translated into Canadian dollars at the December 31, 2018, closing U.S. to Canadian foreign currency exchange rate. See Note 15.

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

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.