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BADGER DAYLIGHTING LTD. ANNOUNCES RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016

Calgary, Alberta – Badger Daylighting Ltd (the "Company" or "Badger") is pleased to announce its results for the twelve months ended December 31st, 2016.

FINANCIAL HIGHLIGHTS

($ thousands, except per share and total shares outstanding information)

	Three months ended December 31,		Twelve months ended December 31,	
	2016	**2015**	**2016**	**2015**
Revenue				
Hydrovac service revenue	101,577	93,500	368,563	367,638
Other revenue	9,319	7,564	35,639	36,982
Total revenue	110,896	101,064	404,202	404,620
Adjusted EBITDA	28,433	26,197	104,763	107,759
Legal settlement (recovery) and related costs	-	(11,909)	-	9,711
Impairment of Fieldtek oil tank cleaning assets	-	6,508	-	6,508
Profit before tax	14,204	16,294	47,131	41,243
Net profit	7,350	20,486	28,912	38,488
Profit per share – basic and diluted ($)	0.20	0.55	0.78	1.04
Cash flow from operating activities before changes in working capital	28,763	21,950	104,757	104,021
Cash flow from operating activities before changes in working capital – basic and diluted ($)	0.78	0.59	2.82	2.80
Dividends declared	3,673	3,339	14,247	13,350
Total shares outstanding (end of period)	37,100,681	37,100,681	37,100,681	37,100,681

OVERVIEW

Highlights for the three months ended December 31, 2016:

- Total revenue increased by 9.7 percent to $110.9 million in the fourth quarter of 2016 from $101.1 million in the comparable quarter in the prior year. United States revenue (in Canadian dollars) increased by 15.8 percent while Canadian revenue decreased by 1.3 percent. Exchange rates applicable to converting US revenue were comparable between the fourth quarter of 2016 and the same period in 2015.
- Total hydrovac revenue increased by 8.6 percent to $101.6 million, from $93.5 million in the comparable period from the prior year. Revenue growth from non-oil and gas producing regions, particularly in the United States continues and year over year revenue declines in oil and gas producing regions have moderated.
- Adjusted EBITDA increased by 8.5 percent to $28.4 million from $26.2 million. Adjusted EBITDA margin is consistent at 25.9 percent in the fourth quarter of 2015 and 25.6 percent in the fourth quarter of 2016.
- US Adjusted EBITDA as a percent of revenue was comparable between periods with Adjusted EBITDA margins being 28.0 percent in the fourth quarter of 2016 as compared to 28.2 percent in the comparable quarter of 2015. US Adjusted EBITDA in Canadian dollars was $21.2 million in the fourth quarter of 2016 versus $18.5 million in the same period of 2015.
- Canadian Adjusted EBITDA as a percent of revenue decreased from 21.7 percent to 20.5 percent largely due to continued competitive pressures on rates and competition in general in Western Canada. Eastern Canada has shown improvement following a weak first quarter, with fourth quarter Adjusted EBITDA margins exceeding that of the comparable quarter in 2015. Canadian Adjusted EBITDA was $7.2 million in the fourth quarter of 2016 versus $7.7 million in the fourth quarter of 2015.
- Badger continues to focus on fleet utilization, with fourth quarter 2016 Revenue per Truck (RPT) of $27,023 versus fourth quarter 2015 of $25,205. Since December 31, 2015 the Company has repositioned 237 units within its operations to support organic growth and improve overall utilization. The Company believes repositioning is largely complete between Canada and the US. Repositioning will occur in future as Badger monitors utilization at existing operating centers and opens new operating centers. The Company's hydrovac build rate continued in the range of three to six units per month during the fourth quarter of 2016.
- Cash flow from operations before changes in working capital in the quarter increased from $22.0 million in 2015 to $28.8 million in 2016 as a legal settlement payment which reduced cash flow in the fourth quarter of 2015 and there was higher Adjusted EBITDA in the fourth quarter of 2016 over the same period in 2015.

Highlights for the year-ended December 31, 2016:

- Total revenue was comparable between 2016 and 2015, with higher year over year revenue in the second though fourth quarters of 2016 making up the shortfall from the first quarter of 2016.
- Hydrovac revenue was comparable between 2016 and 2015, with hydrovac revenue in 2016 being $368.6 million as compared to $367.6 million in 2015.
- For 2016, 75 percent of Badger's hydrovac revenue was from non-oil and gas sector customers. Oil and gas customers accounted for approximately 25 percent of revenue. In 2014, approximately 51 percent of the Company's revenue was from oil and gas. The Company has maintained its market presence in its oil and gas markets and is well positioned to respond to future improvements in demand.
- 2016 revenue from non-oil and gas customers grew by 21 percent from 2015, following a 27 percent increase in these markets in 2015 from 2014. Revenue for oil and gas customers declined by 34 percent in 2016, following a 25 percent decline in 2015.
- Other revenue was consistent year over year at $35.6 million compared to $37.0 million in 2015.
- Adjusted EBITDA decreased by 2.8 percent from $107.8 million in 2015 to $104.8 million in 2016.
- Adjusted EBITDA margin for 2016 was 25.9 percent versus 26.6 percent in 2015. Adjusted EBITDA margin for the year in Canada was 21.3 percent in 2016 as compared to 22.4 percent in 2015 and in the US Adjusted EBITDA margin was 28.3 percent in 2016, versus 29.2 percent in 2015.
- Cash flow from operations before working capital adjustments were comparable between years. Cash flow from operations (after working capital adjustments) was $79.1 million in 2016 as compared to $100.3 million in 2015 as stronger revenue late in 2016 as compared to the same period in 2015 lead to an increase in receivables, which was offset by lower tax payments in 2016 as compared to 2015.
- Earnings per share was $0.78 for 2016 compared to $1.04 for 2015.
- Capital expenditures in 2016 were $23.5 million as compared to $39.0 million in 2015. In total, 55 Badger units were produced in 2016. Full year 2016 RPT was $24,815 versus $25,726 in 2015. The Company continues to focus on improving utilization of the fleet, with year over year improvement from the second through the fourth quarter of 2016 offsetting lower first quarter RPT.
- Badger had 1,024 hydrovacs at the end of 2016, reflecting the addition of 55 hydrovacs to the fleet in 2016 and the retirement of 49 units. Of the total, 356 units were operating in Canada and 668 in the United States at year-end. Badger had 364 units in Canada and 654 in the United States for a total of 1,018 units at December 31, 2015. The new units were financed from cash generated from operations.
- There was no balance outstanding on the syndicated revolving credit facility through the year.

OUTLOOK

In our 2016 Outlook we stated that we expected "2016 will be a year of running hard to stay in place". This is exactly what happened. Non-oil and gas revenue grew by 21 percent, almost offsetting a 34 percent erosion in oil and gas revenues. Badger's reduced dependence on the oil and gas sector has been a multi-year trend, with non-oil and gas revenues growing from 45 percent in 2013 to 75 percent in 2016. This past year again demonstrated the flexibility inherent in the Badger business model, enabling the Company to react, adapt and respond to local and regional economic conditions. As we look forward to 2017 Badger sees continued growth in non-oil and gas markets and stabilized demand in the oil and gas sector.

2016 Comments

1. Total revenue and hydrovac revenue were consistent year over year, despite a weak start to 2016. Revenue and Adjusted EBITDA were down 13 percent and 29 percent respectively in the first quarter of 2016. The first quarter shortfall was largely eliminated through the balance of 2016 and particularly in the fourth quarter.
2. Badger's 2016 hydrovac revenue is 70.8 percent from the US, and 29.2 percent from Canada. (2015: 67.2 percent from the US and 32.8 percent from Canada).
3. Revenue from the oil and gas sector declined 34 percent which was offset by revenue growth of 21 percent from other infrastructure end-use market segments. Fourth quarter growth in revenue of 10 percent demonstrates the potential for growth going forward assuming activity levels in the oil and gas sector stabilize.
4. The US continues to drive Badger's growth. US revenue in US dollars increased 3.2 percent, with increased revenue in the East overcoming lower revenue in the West. While the West experienced declines in revenue due to the downturn in the oil and gas industry, utilization is improving and there are opportunities to grow revenue from a lower base.
5. Western Canadian revenue was down significantly in 2016 over 2015, with the decrease coming almost entirely in the first half of the year. Low investment in the oil and gas sector, largely in Alberta is causing traditionally oil-patch focused hydrovac competitors to compete for the work in urban centers, leading to overall lower hourly rates. Eastern Canadian 2016 revenue was relatively flat for the full year compared to 2015. The management organization and the realignment of resources in that region is well underway and we are looking for improvement from Eastern Canada in 2017.
6. Badger continued to strengthen its balance sheet during 2016, exiting the year with total debt less cash of $37.8 million ($78.9 million in 2015), nothing drawn on the $125 million syndicated revolving credit facility and total debt less cash to Adjusted EBITDA of 0.36 (2015: 0.73).
7. 2016 RPT was $24,815 in 2016 versus $25,726 in 2015. Badger did not achieve its target of $30,000 in RPT in 2016, and continues to work towards achieving that target. While there was an overall decline in RPT for the year, utilization has been improving and RPT in the fourth quarter of 2016 exceeded RPT in the prior year.
8. Badger built 55 units and retired 49 during 2016, increasing the fleet size by 6 units. A significant number of units were transferred to support our growth opportunities from areas with lower utilization, and fleet management is an ongoing focus. The Company considers replacement of older units and demand for units to support growth in determining its build rate.
9. 2016 Adjusted EBITDA was 25.9 percent of revenue (2015: 26.6 percent) which is below our target of approximately 28 to 29 percent of revenue. The overall causes were a soft first quarter and the ongoing slowdown in oil and gas activity.

2017 Business Focus

1. Badger maintained stable revenue while reducing our concentration of revenue in the oil and gas sector in 2016. Badger must continue to grow in non-oil and gas sectors which have demand for Badger services in 2017. In 2016, Badger grew 21 percent in areas not related to the oil and gas industry while increasing its exposure to these markets, generating 75 percent of hydrovac revenue from non-oil and gas sectors. This business transition focus will continue in 2017.
2. Badger will focus on continued growth. Badger is adding regional operational resources to increase its focus on expansion.
3. Badger will invest in improving our business systems, processes and procedures, with a view of driving efficiencies and supporting the growth opportunities that lie ahead.
4. Badger hydrovac production remained at a maintenance level of truck builds in 2016. Overall fleet utilization is improving and Badger is seeing increased demand for growth units. Our replacement truck estimate for 2017 is about the same as for 2016. Badger believes it will retire 40 to 50 trucks in 2017. 49 trucks were retired in 2016 (44 in 2015). The Company is planning on a build rate of 70 to 100 units in 2017 (55 were built in 2016 which included the 16 units with unreliable engines that were rebuilt with new chassis).
5. For 2017, Badger is planning a build rate of between 70 to 100 units for the year.
6. Badger will continue to focus on increasing revenue per truck with a target of at least $30,000 per month.
7. Badger will increase the effectiveness of sales and business development efforts to continue to grow Badger's customer base.
8. Badger will continue to build the organization to achieve our overall objective of doubling the US business in three to five years. People are the key and Badger's ability to attract and retain key people are the means to achieve growth. Attracting, retaining and developing staff will be a focus area for Badger in 2017.
9. Badger will continue to focus on safety in everything we do and providing value added service to all customers with the motto "Best Operator and Best Truck".

2017 Outlook

2016 was a year where we needed to run hard to stay in place. While revenue for the year was comparable to the prior year, beneath the surface Badger made great strides to broaden our customer base, expand our geographical coverage, reposition our fleet and strengthen our balance sheet to be primed and ready to drive future growth. 2017 will see Badger continue where we left off from the positive results of the last quarter of 2016 with pursuit of continued growth in non-oil and gas markets and lower year over year decline in oil and gas demand. While Badger is growing in non-oil and gas, we continue to maintain our presence in our oil and gas markets and are well positioned to capitalize on improvements in oil and gas industry activity. Badger manages for the long term and believes that its business model is flexible, has significant scale advantages and excellent long term opportunities.

Results of Operations

Revenues

Fourth quarter revenues of $110.9 million for the three months ended December 31, 2016 were 9.7 percent higher than the $101.1 million generated during the comparable period in 2015. The increase is attributable to the following:

- Canadian revenue decreased by 1.3 percent to $35.2 million from $35.7 million. Both Western Canada and Eastern Canada had revenue in the fourth quarter that was slightly lower than the same period in the prior year.
- Revenue growth in the United States was strong, increasing by 16.0 percent in US dollar terms for the three months ended December 31, 2016 over the comparable quarter in 2015. United States revenue in Canadian dollars increased from $65.4 million to $75.7 million for the three months ended December 31, 2016, an increase of 15.8 percent from the same period in the prior year. The 16.0 percent increase in US revenue is the highest quarter over comparable quarter increase in revenue from the US business in the year.

Total revenue for the year was comparable at $404.2 million as compared to $404.6 million in 2015.

Badger's average revenue per truck per month during the three months ended December 31, 2016 was $27,023 versus $25,205 for the three months ended December 31, 2015. For the year, the revenue per truck in 2016 was $24,815 versus $25,726 in 2015. The reduction in revenue per truck for the year was generated in the first quarter of 2016, with the second and third quarters producing roughly similar results as the prior year, and a recovery in the fourth quarter of 2016 to a higher level than the fourth quarter of 2015. The increase was not enough to offset the low first quarter 2016 levels.

Direct Costs

Direct costs for the quarter ended December 31, 2016 were 70.6 percent of revenue ($78.3 million) as compared to direct costs of 71.3 percent of revenue ($72.0 million) for the quarter ended December 31, 2015. Both Canada and the US saw this same pattern of slightly lower percentages of revenue consumed by Direct Costs in the fourth quarter of 2016. 2016 direct costs were $284.3 million, or 70.3 percent of revenue, versus $283.1 million, or 70.0 percent of revenue, for 2015.

Gross Profit

The gross profit margin was 29.4 percent for the quarter ended December 31, 2016, up from the 28.7 percent for the quarter ended December 31, 2015. Gross profit margin for 2016 was 29.7 percent versus 30.0 percent for 2015. In 2016 Canada had a gross profit margin of 24.0 percent in the fourth quarter (22.4 percent in the fourth quarter of 2015) and 25.2 percent for the year (26.2 percent in 2015). The United States gross profit margin was 31.9 percent in the fourth quarter of 2016 (32.2 percent in the fourth quarter of 2015) and 31.9 percent for the year in 2016 (32.4 percent in 2015).

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $11.0 million for the three months ended December 31, 2016 which was comparable to the same quarter in 2015 as the overall hydrovac fleet was little changed in total. Depreciation for all of 2016 was $43.4 million versus $42.4 million in 2015.

Finance Cost

Finance cost was $1.0 million for the quarter ended December 31, 2016 versus $2.3 million for the same quarter in 2015. The higher finance cost in the prior year was due to interest owing on income taxes related to the change in transfer prices for hydrovacs sold to the US operations. Finance costs were $5.0 million in 2016 versus $5.9 million in 2015, as a result of the same factors.

General and Administrative

General and administrative expenses increased from $2.8 million in the fourth quarter of 2015 to $4.2 million in the same quarter of 2016, largely due to a reversal of over-accrued US health liabilities in the fourth quarter of 2015 as well as some increase in payroll expenses in 2016 as the US continues to grow. As a percentage of revenue for the full year, general and administrative expenses increased from 3.4 percent in 2015 to 3.7 percent in 2016, remaining under Badger's 4.0 percent target.

Income Taxes

The effective tax rate for the year ended December 31, 2016 was 38.7 percent as compared to an effective tax rate in 2015 of 28.8 percent before the benefit of recording the recovery of a prior years transfer pricing adjustment (the actual effective tax rate was 6.7 percent including the transfer pricing adjustment). The increase in the effective tax rate is the result of fewer Badger hydrovacs transferred to the US operations and overall growth in US profit which is taxed at a higher rate relative to Canadian profits.

Deferred taxes decreased from a recovery of $18.0 million in 2015 to an expense of $0.7 million in 2016. Of the $18.0 million recovery in 2015, $16.6 million related to transfer pricing adjustments from prior years.

Net Profit

The fourth quarter of 2016 resulted in $7.3 million net profit as compared to a net profit of $20.5 million in the same period in 2015. Fourth quarter 2015 net profit included three significant non-recurring transactions which included recording the benefit of the transfer pricing adjustment, the reversal of a legal provision and recording of an impairment in Fieldtek oil tank cleaning assets. Net profit for the full year 2016 was lower at $28.9 million as compared to $38.5 million for 2015 based as a result of the same factors noted above.

Other Comprehensive Income

The company incurred a $6.4 million loss in other comprehensive income on the foreign currency translation of its US operations because the US dollar weakened toward the end of 2016. Note that the company chose to designate the US dollar denominated senior secured note as a hedge of the net investment in its US operations starting in the first quarter of 2015, and accordingly, offset the exchange differences on translation of the US operations with the opposite exchange differences on the translation of the US dollar-denominated debt. The hedge offset the foreign exchange loss by $3.2 million, resulting in a total other comprehensive loss of $3.3 million.

Liquidity and Dividends

Cash flow from operations was lower in 2016 primarily due to an increased need for working capital to support increased sales. As revenue slowed through 2015, receivables were drawn down producing a significant source of cash at that time.

The Company had working capital of $121.1 million at December 31, 2016 compared to $83.7 million at December 31, 2015 as reduced investment in building hydrovacs allowed cash balances to increase.

The Company pays cash dividends monthly to its shareholders. They may be reduced, increased or suspended by the Board of Directors depending on the operations of Badger and the performance of its assets. The actual cash flow available for dividends to shareholders of Badger is a function of numerous factors, including: the Company's financial performance; debt covenants and obligations; working capital requirements; maintenance and growth capital expenditure requirements for the purchase of property, plant and equipment, and the number of shares outstanding.

The Company maintains a strong balance sheet. Its debt management strategy includes retaining sufficient funds from available distributable cash to finance capital expenditures as well as working capital needs. Capital expenditures will generally be financed through existing debt facilities, proceeds received from equity financings or cash retained from operating activities. The majority of the cash provided by operating activities in 2016 was used to increase cash available for future growth, to finance capital expenditures and to pay dividends to shareholders.

The average age of Badger's fleet is approximately four and a half years. Badger determines the average age of the fleet with reference to the year the unit is produced. In the year of production the unit is considered not to age, and then ages a full year for every year thereafter. In the second and third quarter of 2016, references in this section stated that the average age at those times were "approximately four years" and "less than four years". At both times the age of the fleet should have been referenced as being approximately five years.

Badger is restricted from declaring dividends if it is in breach of the covenants under its credit facilities. As at the date of this MD&A the Company is in compliance with all debt covenants and is able to fully utilize its credit facilities as well as declare dividends. Badger does not have a credit rating.

Capital Resources

Investing

The Company invested $6.0 million in property, plant and equipment for the three months ended December 31, 2016 compared to $5.4 million for the three months ended December 31, 2015. For the year, the Company spent $23.5 million in 2016, a $15.5 million decrease over the $39.0 million spent in 2015. The decrease in property plant and equipment is largely due to the reduced production of hydrovacs in 2016. With a maintenance build rate, the cost to build a hydrovac unit was comparable to 2015.

During the year ended December 31, 2016, Badger added 55 units to the fleet (64 in 2015), of which 49 have been reflected as replacements of retired units (44 in 2015).

Financing

Syndicated revolving credit facility

In 2014, the Corporation established a $125 million syndicated revolving credit facility (the "credit facility"). The purpose of the credit facility is to finance the Corporation's capital expenditure program and for general corporate purposes. The credit facility bears interest, at the Corporation's option, at either the bank's prime rate plus a tiered set of basis points or bankers' acceptance 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 tier ranges 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 "Bank EBITDA" ratio. Bank EBITDA is defined as earnings before interest, taxes, depreciation and amortization. The stand-by fee is expensed as incurred.

The credit facility expires on July 22, 2018.

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

As at December 31, 2016, the Corporation has issued letters of credit of approximately $3.7 million (December 31, 2015 - $3.4 million). The outstanding letters of credit support the U.S. insurance program and certain performance bonds and reduce the amount available under the syndicated credit facility.

At December 31, 2016, the Corporation had available $121.3 million (December 31, 2015 - $121.6 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Senior secured notes

On January 24, 2014 Badger closed a private placement of senior secured notes. The notes, which rank pari passu with the extendable revolving credit facility, have a principal amount of US $75.0 million and an interest rate of 4.83 percent per annum and mature on January 24, 2022. The Canadian dollar equivalent on January 24, 2014 was $82.9 million. Amortizing principal repayments of US $25.0 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 Corporation's assets, property and undertaking, present and future.

In the fourth quarter of 2016, Badger recorded an unrealized foreign exchange loss of $2.3 million as a component of other comprehensive income (a cumulative gain on foreign exchange of $3.2 million for all of 2016) on the foreign currency revaluation of senior secured notes. In the fourth quarter of 2015 there was a foreign exchange loss of $3.4 million.

Under the terms of the credit facility and the senior secured notes, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2016, and as at December 31, 2016, the Corporation was in compliance with all of these covenants.

SHARE CAPITAL

Shares outstanding at December 31, 2016 and March 17, 2017 were 37,100,681.

SELECTED QUARTERLY FINANCIAL INFORMATION

All amounts are $000's except Per Share amounts are $'s	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	110,896	113,167	91,981	88,157	101,064	111,431	90,435	101,689
Net profit (loss)	7,349	11,944	5,951	3,668	20,486	17,090	(10,533)	11,443
Net profit (loss) per share – basic and diluted	0.20	0.32	0.16	0.10	0.55	0.46	(0.28)	0.31

CHANGES IN ACCOUNTING POLICIES

The Corporation adopted amendments to IFRS 7, IAS 32, IAS 36, and IFRIC 21 on January 1, 2014. There was no material impact to the Corporation's interim condensed consolidated financial statements as a result of the adoption of those standards.

ACCOUNTING STANDARDS PENDING ADOPTION

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

i) IFRS 9, 'Financial Instruments' was issued as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial instruments that must be applied starting January 1, 2018, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Corporation will assess the impact of this standard on the consolidated financial statements.

ii) IFRS 15, 'Revenue from Contracts with Customers' replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, 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 and is effective for annual periods beginning on or after January 1, 2017. 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 and is available for early adoption. The Corporation has not yet selected a transition method nor determined the effect of the standard on the consolidated financial reporting.

iii) IFRS 16, 'Leases' will supersede the current IAS 17, 'Leases' standard. 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 and 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 standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The Corporation 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
- recognise 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. The extent of the impact of adoption of the standard has not yet been determined.

CRITICAL ACCOUNTING ESTIMATES

Management is responsible for applying judgement in preparing accounting estimates. Certain estimates and related disclosure included in the financial statements are particularly sensitive because of their significance to the financial statements and the possibility that future events affecting them may differ significantly from management's current judgements. An accounting estimate is considered critical only if it requires the Company to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and if different estimates the Company could have used would have a material impact on Badger's financial condition, changes in financial condition or results of operations.

While there are several estimates and assumptions made by management in the preparation of financial statements in accordance with IFRS, the following critical accounting estimates have been identified by management:

Depreciation of hydrovac units

This accounting estimate has the greatest effect on the Company's financial results. It is carried out on the basis of the units' estimated useful lives. The Company currently depreciates hydrovac units over 10 years based on current knowledge and working experience. There is a certain amount of business risk that newer technology or some other unforeseen circumstance could lower this life expectancy. A change in the remaining life of the hydrovac units or the expected residual value would affect the depreciation rate used to depreciate the hydrovac units and thus affect depreciation expense as reported in the Company's consolidated statement of comprehensive income. These changes are reported prospectively when they occur.

Tax pools and their recoverability

Badger has estimated its tax pools for the income tax provision. The actual tax pools the Company may be able to use could be materially different in the future. Badger has recognized the benefit of a transfer pricing adjustment on the sale of hydrovac vehicles from Canada to the United States relating to the years 2009 to 2013 based on an estimate of the fair values of these vehicles. The tax pools that result from the transfer pricing adjustment may be materially different and depend on final resolution from both Canada and the United States taxing authorities.

Intangible assets

Intangible assets consist of service rights acquired from Badger'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. Impairment exists when the carrying amount of the intangible asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the projections 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. When an impairment loss reverses, the carrying amount of the intangible asset is increased to the revised estimate of the recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized.

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 long-lived assets

The carrying value of long-lived assets, which include property, plant and equipment and intangible assets, is assessed for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Collectability of trade and other receivables

The Company estimates the collectability of its trade and other receivables. The Company continually reviews the balances and makes an allowance when a receivable is deemed uncollectable. The actual collectability of trade and other receivables could differ materially from the estimate.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments recognized on the consolidated statements of financial position consist of cash and cash equivalents, trade and other receivables, trade and other payables, deferred unit plan liability, dividends payable and long-term debt. The fair values of these recognized financial instruments, excluding long-term debt, approximate their carrying value due to their short-term maturity. The carrying value of the long-term debt approximates fair value because the long-term facilities have a floating interest rate.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash flows from financial assets on hand at the balance sheet date. A substantial portion of the Company's trade receivables 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 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 Company raising 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.

Market risk

The significant market risks affecting the financial instruments held by the Company are those related to interest rates and foreign currency exchange rates, 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 at prime. The prime interest rate is subject to change. No amount was drawn on the portion of long term debt that is subject to a floating interest rate. The Company does not use interest rate hedges or fixed interest rate contracts to manage its exposure to interest rate fluctuations but has chosen to issue

USD 75.0 million in fixed rate senior secured notes which fixes interest exposure on a portion of the long term debt.

Foreign exchange risk

The Company is exposed to foreign currency fluctuations as revenue and expenses derived from United States operations are denominated in United States dollars. The United States subsidiaries are subject to translation gains and losses on consolidation. The Company's Canadian operations purchase certain products in United States dollars. Foreign exchange gains and losses are included in net profit while foreign exchange gains and losses arising on the translation of the assets, liabilities, revenues and expenses of the Company's United States operations are included in OCI. The Company also holds United States dollar denominated debt which is used to manage the exposure to foreign exchange gains and losses arising from the translation of its United States functional currency operations included in OCI.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Badger's President and CEO and its VP Finance and CFO have designed, or caused to be designed under their direct supervision, Badger's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to Badger, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. Further, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's disclosure controls and procedures at December 31, 2016 and have concluded the disclosure controls and procedures are fully effective.

Internal Control over Financial Reporting

Badger's President and CEO and its VP Finance and CFO have also designed, or caused to be designed under their direct supervision, Badger's internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Further, using the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's internal control over financial reporting at December 31, 2016 and have concluded the internal controls over financial reporting are effective.

Changes in Internal Control over Financial Reporting

There were no changes to Badger's internal control over financial reporting in the fourth quarter of 2016.

Inherent Limitations

Notwithstanding the foregoing, because of its inherent limitations a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management's estimates may be incorrect, or assumptions about future events may be incorrect,

resulting in varying results. In addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

BUSINESS RISKS

[Reference is also made to Badger's 2016 Annual Information Form]

Reliance on certain end use and geographic markets

Badger's reliance on the oil and natural gas sector has been decreasing over time, but remains at approximately 25 percent of the Company's revenues in 2016. The petroleum service industry, in which Badger participates, relies heavily on the volume of capital expenditures made by oil and natural gas explorers and producers. These spending decisions are based on several factors including, but not limited to: hydrocarbon prices, production levels of current reserves, fiscal regimes in operating areas, technology-driven exploration and extraction methodologies, and access to capital, all of which can vary greatly. To minimize the impact of the oil and natural gas industry's cycles, the Company also focuses on generating revenue from the utility and general contracting market segments.

Competition

The Company operates in a highly competitive environment for hydrovac services in Canada and the United States. In order to remain the leading provider of hydrovac services in these regions, Badger continually enhances its safety and operational procedures to ensure that they meet or exceed customer expectations. Badger also has the in-house capabilities necessary to continuously improve its daylighting units so that they remain the most productive and efficient hydrovacs in the business. There can be no assurance that Badger's competitors will not achieve greater market acceptance due to pricing, efficiency, safety or other factors.

United States operations

Badger also faces risks associated with doing business in the United States. The Company has made a significant investment in the United States to develop the hydrovac market. The growth rate of the United States market is very hard to predict. The United States, and each of the 50 states, have their own unique set of laws, policies and regulations that have a real or apprehended effect on business operating conditions, approval or delay of potential new projects that could require Badger's services, current rates of capital investment and the general level of confidence about future economic conditions among businesses and organizations.

Safety

Badger is exposed to liabilities that are unique to the services that it provides. Such liabilities may relate to an accident or incident involving one of Badger's hydrovacs or damage to equipment or property caused by one of the hydrovacs, and could involve significant potential claims or injuries to employees or third parties. The amount of Badger's insurance coverage may not be adequate to cover potential claims or liabilities and Badger may be forced to bear substantial costs as a result of one or more accidents. Substantial claims resulting from an accident in excess of its related insurance coverage would harm Badger's financial condition and operating results. Moreover, any accident or incident involving Badger, even if Badger is fully insured or not held liable, could damage Badger's reputation among customers and the public, thereby making it more difficult for Badger to compete effectively, and could significantly affect the future cost and availability of insurance. Because Badger does not purchase replacement hydrovacs, but rather constructs them, the Company self-insures against the physical damage it could

incur on the hydrovac units. Franchise owners are required to hold certain levels of insurance on the hydrovacs they lease from Badger. These decisions will be re-evaluated periodically as circumstances change.

Safety is one of the Company's on-going concerns. Badger has implemented programs to ensure its operations meet or exceed current hydrovac safety standards. The Company also employs safety advisors in each region who are responsible for maintaining and developing the Company's safety policies. These regional safety advisors monitor the Company's operations to ensure they are operating in compliance with such policies.

Environmental risk

Badger is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Badger could be liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed at other locations. The failure to comply with such environmental laws could damage Badger's reputation and have a negative effect on Badger's operating and financial results.

Depreciation of hydrovac units

The Company depreciates the hydrovac units over 10 years, a policy that is based on its current knowledge and operating experience. There is a certain amount of business risk that newer technology or some other unforeseen circumstance could lower this life expectancy.

Dependence on key personnel

Badger's success depends on the services of key senior management members. The experience and talents of these individuals will be a significant factor in Badger's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on Badger's operations and business prospects. Management and the Board of Directors are focused on succession planning and contingency planning with respect to key senior management personnel.

Availability of labour and equipment

While Badger has historically been able to source the labour and equipment required to run its business, there can be no assurances it will be able to do so in the future.

Reliance on key suppliers

Badger has established relationships with key suppliers. There can be no assurance that current sources of equipment, parts, components or relationships with key suppliers will be maintained. If these are not maintained, Badger's ability to manufacture its hydrovac units may be impaired.

Fluctuations in weather and seasonality

Badger's operating results have been, and are expected to remain, subject to quarterly and other fluctuations due to a variety of factors including changes in weather conditions and seasonality. For example, in Western Canada Badger's results may be negatively affected if there is an extended spring break-up period since oil and natural gas

industry sites may be inaccessible during such periods. The Company may then experience a slow period during spring thaw. In the Eastern United States, Badger has experienced reduced work in unusually cold and snowy winters.

In the Western United States, Badger has from time-to-time been restricted by the imposition of government regulations from conducting its work in environmentally sensitive areas during the winter mating seasons of certain mammals and birds. This has had a negative effect on Badger's results. As such, changes in the weather and seasonality may, depending on the location and nature of the event, have either a positive or negative effect on Badger's operating and financial results.

Fluctuations in the economy and political landscape

Operations could be adversely affected by a general economic downturn, changes in the political landscape or limitations on spending. At the end of 2016, seventy-five percent of Badger's revenue source from a wide dispersion of geographic locations and customer markets. To the extent there are regional or more broadly based business cycles Badger's results can be negatively affected

Compliance with government regulations

While Badger believes it is in compliance with all applicable government standards and regulations, there can be no assurance that all of Badger's business are, or will be, able to continue to comply with all applicable standards and regulations.

Litigation

Legal proceedings may arise from time to time in the course of Badger's business. All industries, including the hydrovac industry, are subject to legal claims, with and without merit. Such legal claims may be brought against Badger or one or more of its subsidiaries in the future from time to time. Defense and settlement costs of legal claims can be substantial, even with respect to claims without merit. Due to the inherent uncertainty of the litigation process, such process could divert management time and effort and the resolution of any particular legal proceeding to which Badger may become subject could have a material effect on Badger's financial position and results of operations.

Income tax matters

Badger and its subsidiaries are subject to federal, provincial and state income taxes in Canada and the United States, as applicable. While Badger works to keep itself and its subsidiaries in full compliance with all applicable legal requirements relating to federal, provincial and state legislation on income tax, sales tax, goods and services tax, excise tax and all other direct or indirect taxes including business tax, real estate tax, municipal and other taxes, there can be no assurance that Badger and its subsidiaries will not be subject to assessment, reassessment, audit, investigation, inquiry or judicial or administrative proceedings under any such laws. As taxing regimes change their tax basis and rates, or initiate reviews of prior tax returns, Badger's liability to income tax may increase and Badger could be exposed to increased costs of taxation, which could, among other things, reduce the amount of funds available to distribute to shareholders or otherwise have a material adverse effect on Badger's business, results of operations or financial condition.

Cyber security and terrorism

Badger may be threatened by problems such as cyber-attacks, computer viruses, or terrorism that may disrupt operations and harm operating results. Badger's business requires the continued operation of information technology systems and network infrastructure. Despite the implementation of security measures, technology systems are vulnerable to disability or failures due to hacking, viruses, acts of war or terrorism, and other causes. If Badger's information technology systems were to fail and Badger was unable to recover in a timely way, Badger might be unable to fulfill critical business functions, which could have a material adverse effect on its business, financial condition, and results of operations.

In addition, Badger's assets may be the target of terrorist activities that could disrupt its ability to service customers. Badger may be required by regulators or by the future terrorist threat environment to make investments in security that cannot be predicted. The implementation of security guidelines and measures and maintenance of insurance, to the extent available, addressing such activities could increase costs. These types of events could materially adversely affect Badger's business and results of operations.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements and information contained in this MD&A and other continuous disclosure documents of the Company referenced herein, including statements related to the Company's capital expenditures, projected growth, view and outlook toward margins, cash dividends, customer pricing, future market opportunities and statements, and information that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions relating to matters that are not historical facts, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. These statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements and information. The Company believes the expectations reflected in such forward-looking statements and information are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements and information included in this MD&A should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this MD&A.

In particular, forward looking information and statements include discussion reflecting the Company's belief that:

- Overall activity and the economy remains relatively constant in areas and market segments not affected by activities in the oil and natural gas sector;
- Areas associated with the oil and natural gas industry see the decline in investment by that industry and the decline in overall activity levels moderate;
- Badger can manage costs in areas and sectors affected by the low energy price environment and reallocate assets as required to areas which have strong economies and which have benefited from weak oil prices;
- Badger can grow in areas unaffected by the low oil price environment;
- Badger in 2017 can further develop the organization to position itself to be able to handle the planned future growth;
- The business development efforts will provide Badger with the additional new customers necessary to grow the business in 2017 and the future;

- Badger's fleet is available to perform work in 2017 and truck replacements are not significantly more than planned;
- Badger achieves Adjusted EBITDA levels of approximately 28 to 29 percent of revenue.

The forward-looking statements rely on certain expected economic conditions and overall demand for Badger's services and are based on certain assumptions. The assumptions used to generate forward-looking statements are, among other things, that:

- Badger has the ability to achieve its revenue, net profit and cash flow forecasts for 2017;
- There will be a long-term demand for hydrovac services from oil refineries, petro-chemical plants, power plants and other large industrial facilities in North America;
- Badger will maintain relationships with current customers and develop successful relationships with new customers;
- Badger will collect customer payments in a timely manner;
- Badger will be able to compete effectively for the demand for its services;
- The overall market for its services will not be adversely affected by weather, natural disasters, global events, legislation changes, technological advances, economic disruption or other factors beyond Badgers control;
- Badger will execute its growth strategy;
- Badger will obtain all labour, parts and supplies necessary to complete the planned hydrovac build.

Risk factors and other uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements include, but are not limited to: price fluctuations for oil and natural gas and related products and services; political and economic conditions; industry competition; Badger's ability to attract and retain key personnel; the availability of future debt and equity financing; changes in laws or regulations, including taxation and environmental regulations; extreme or unsettled weather patterns; and fluctuations in foreign exchange or interest rates.

Readers are cautioned that the foregoing factors are not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results is included in reports on file with securities regulatory authorities in Canada and may be accessed through the SEDAR website (www.sedar.com) or at the Company's website. The forward-looking statements and information contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

NON-IFRS FINANCIAL MEASURES

This MD&A contains references to certain financial measures, including some that do not have any standardized meaning prescribed by IFRS and that may not be comparable to similar measures presented by other corporations or entities. These financial measures are identified and defined below:

"Cash available for growth and dividends" is used by management to supplement cash flow as a measure of operating performance and leverage. The objective of this measure is to calculate the amount available for growth and/or dividends to shareholders. It is defined as funds generated from operations less required debt repayments and maintenance capital expenditures, plus any proceeds received on the disposal of assets.

"Adjusted EBITDA" is earnings before interest, taxes, depreciation and amortization, share-based compensation, gains and losses on sale of property, plant and equipment, gains and losses on foreign exchange, and a non-recurring legal provision. Adjusted EBITDA is a measure of the Company's operating profitability and is therefore useful to management and investors as it provides improved continuity with respect to the comparison of our operating results over time. Adjusted EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, the results are taxed in various jurisdictions, and assets are amortized. In addition, Adjusted EBITDA excludes gains and losses on sale of property, plant and equipment as these gains and losses are considered incidental and secondary to the principal business activities, it excludes gains and losses on foreign exchange as such gains and losses can vary significantly based on factors beyond our control, it excludes share-based compensation as these expenses can vary significantly with changes in the price of our common shares and it excludes the legal settlement and related costs recorded in 2015 as this is non-recurring and outside our normal course of business.

Adjusted EBITDA is calculated as follows:

	For the year ended,	
	December 31, 2016	**December 31, 2015**
Net profit	28,912	38,488
Add:		
Depreciation of property, plant and equipment	43,425	42,366
Amortization of intangible assets	-	1,276
Impairment related to oil tank cleaning assets	-	6,508
Share-based compensation expense	6,904	1,710
Loss (gain) on sale of property, plant and equipment	2,410	(159)
Finance cost	4,952	5,915
Legal settlement	-	9,711
Foreign exchange (gain) loss	(59)	(811)
Tax expense	18,219	2,755
Adjusted EBITDA	**104,763**	**107,759**

Adjusted EBITDA is more directly calculated as follows:

	For the year ended, December 31, 2016	December 31, 2015
Revenue	404,202	404,620
Less:		
Direct costs	284,297	283,105
General and administrative expense	15,142	13,756
Adjusted EBITDA	**104,763**	**107,759**

"Revenue per truck per month" (RPT) is a measure of hydrovac fleet utilization. It is a measure of hydrovac revenue only. The RPT is calculated by combining Canadian and US dollar hydrovac revenue without converting for exchange differences, dividing the hydrovac revenue for the period by the simple average of hydrovacs in service throughout the period, and further dividing by the number of months in the period.

Revenue per truck (/mo)	**2016**				**2015**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Total	27,023	28,062	23,038	21,105	25,197	28,106	23,317	26,258

FLEET SUMMARY

Number of hydrovacs	**2016**				**2015**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Canada	356	353	358	361	364	375	393	393
US	668	675	661	651	654	645	626	618
Total	1,024	1,028	1,019	1,012	1,018	1,020	1,019	1,011

MARKETING AND FRANCHISE AGREEMENTS

Number of Marketing and Franchise Agreements	**2016**				**2015**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Canada	12	12	12	13	13	14	14	15
US	4	5	5	5	5	5	7	8
Total	16	17	17	18	18	19	21	23

FOREIGN EXCHANGE RATES

Foreign exchange rates are an important factor that affects the results of Badger's operations.

1 USD:CAD	**2016**				**2015**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Quarterly average	1.3340	1.3051	1.2885	1.3748	1.3354	1.3085	1.2300	1.2409
Period end	1.3426	1.3116	1.3009	1.2970	1.3847	1.3391	1.2475	1.2678

DESCRIPTION OF BUSINESS

Badger is North America's largest provider of non-destructive excavating and related services. Badger traditionally works for contractors and facility owners across a broad range of infrastructure related industries. The Company's key technology is the Badger Hydrovac, which is used primarily for safe digging in congested grounds and challenging conditions. The Badger Hydrovac uses a pressurized water stream to liquefy the soil cover, which is then removed with a powerful vacuum system and deposited into a storage tank. Badger manufactures its truck-mounted hydrovac units.

Badger's business model involves the provision of excavating services through two distinct methods: via Badger Corporate operations and via operating partners (franchisees in the United States and agents in Canada). For the first method, Badger has established corporate run operations in locations to market and deliver the service in the local area directly. For the second method, Badger Corporate works with its operating partners in certain locations to provide hydrovac services to the end user. In this partnership, Badger provides the expertise, the trucks, and North American marketing and administration support. The operating partners deliver the service by operating the equipment and developing their local markets. Badger continues to own the trucks and all work is invoiced by Badger and then shared with the operating partner based upon a revenue sharing formula. In the earlier phase of its growth and development Badger frequently used operating partners to expand its business into new markets. Badger's operating partners remain an important part of Badger's operations, however, Badger largely pursues expansion into new geographic areas through Badger Corporate operations.

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

For more information regarding this press release, please contact:

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Badger Daylighting Ltd.

Consolidated Financial Statements

For the year ended December 31, 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 statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements 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 audit. We conducted our audit 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 audit 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, 2016, and December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 17, 2017
Calgary, Alberta

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

As at December 31	Notes	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents		62,875	24,991
Trade and other receivables	6	92,467	83,402
Prepaid expenses		3,013	2,734
Inventories		3,617	3,300
Income taxes receivable		2,969	9,486
		164,941	123,913
Non-current Assets			
Property, plant and equipment	7	284,300	313,666
Goodwill and intangible assets	8	9,106	9,106
		293,406	322,772
Total Assets		458,347	446,685
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	10	28,999	30,765
Share-based plan liability	16	12,381	8,381
Income taxes payable		1,206	-
Dividends payable	12	1,224	1,113
		43,810	40,259
Non-current Liabilities			
Long-term debt	13	100,698	103,852
Deferred income tax	11	34,768	34,888
		135,466	138,740
Shareholders' Equity			
Shareholders' capital	15	82,724	82,724
Contributed surplus		548	548
Accumulated other comprehensive income		29,937	33,218
Retained earnings		165,862	151,196
		279,071	267,686
Total Liabilities and Shareholders' Equity		458,347	446,685

The accompanying notes are an integral part of these consolidated financial statements. These consolidated financial statements were approved by the Board on March 17, 2017 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)

For the year ended December 31	Notes	2016	2015
Revenues		404,202	404,620
Direct costs	17	284,297	283,105
Gross profit		119,905	121,515
Depreciation of property, plant and equipment		43,425	42,366
Amortization of intangible assets		-	1,276
Impairment of Fieldtek oil tank cleaning assets		-	6,508
General and administrative	17	15,142	13,756
Share-based compensation expense	16	6,904	1,710
Operating profit		54,434	55,899
Loss (gain) on sale of property, plant and equipment		2,410	(159)
Finance cost		4,952	5,915
Legal settlement and related costs		-	9,711
Foreign exchange gain		(59)	(811)
Profit before tax		47,131	41,243
Current income tax expense		17,561	20,747
Deferred income tax expense (recovery)		658	(17,992)
Total tax expense	11	18,219	2,755
Net profit		28,912	38,488
Exchange differences on translation of foreign operations		(6,434)	33,437
Unrealized foreign exchange loss on net investment hedge		3,153	(16,919)
Other comprehensive income		(3,281)	16,518
Total comprehensive income		25,631	55,006
Earnings per share			
Basic and diluted	18	0.78	1.04

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

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

For the year ended	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
As at December 31, 2014	80,944	548	16,700	126,056	224,248
Net profit for the year	-	-	-	38,488	38,488
Other comprehensive income for the year	-	-	16,518	-	16,518
Shares issued on redemption of deferred share units	1,780	-	-	-	1,780
Dividends declared	-	-	-	(13,348)	(13,348)
As at December 31, 2015	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 declared	-	-	-	(14,246)	(14,246)
As at December 31, 2016	82,724	548	29,937	165,862	279,071

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

BADGER DAYLIGHTING LTD.
Consolidated Statement of Cash Flows
For the years ended December 31, 2016 and December 31, 2015
(Expressed in thousands of Canadian Dollars unless stated otherwise)

For the year ended December 31	Notes	2016	2015
Operating activities			
Net profit for the year		28,912	38,488
Non-cash adjustments to reconcile profit from operations to net cash flows:			
Depreciation of property, plant and equipment		43,425	42,366
Amortization of intangible assets		-	1,276
Impairment of Fieldtek oil tank cleaning assets		-	6,508
Deferred income tax		658	(17,992)
Loss (gain) on sale of property plant and equipment		2,410	(159)
Legal settlement		-	5,048
Finance cost	24	4,884	6,048
Current tax expense		17,561	20,747
Share-based compensation expense		6,904	1,710
Unrealized foreign exchange loss (gain)		3	(19)
Cash flow from operating activities before changes in working capital		104,757	104,021
Changes in non-cash working capital		(13,038)	32,870
Current tax paid		(9,740)	(30,403)
Share-based compensation paid in cash		(2,904)	(6,217)
Cash flows from operating activities		79,075	100,271
Investing activities			
Purchase of property, plant and equipment		(23,488)	(38,967)
Proceeds from sale of property, plant and equipment		567	737
Change in non-cash working capital		874	(1,453)
Cash flows used in investing activities		(22,047)	(39,683)
Financing activities			
Proceeds from issuance of shares on redemption of deferred share units		-	1,780
Repayment of long-term debt		-	(37,426)
Dividends paid		(14,247)	(13,348)
Interest paid	24	(4,950)	(5,914)
Unrealized foreign exchange (gain) loss		(12)	(112)
Cash flows from financing activities		(19,209)	(55,020)
Effect of foreign exchange rate changes on cash		65	271
Net increase in cash		37,884	5,839
Cash, beginning of year		24,991	19,152
Cash, end of year		62,875	24,991

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

1 Incorporation and Operations

Badger Daylighting Ltd. and its subsidiaries (together "Badger" or the "Corporation") primarily provide non-destructive excavating services to the utility, transportation, industrial, engineering, construction and petroleum industries in Canada and the United States. Badger is a publicly traded corporation. The address of the registered office is 1000, 635 – 8th Avenue SW, Calgary, Alberta T2P 3M3. The consolidated financial statements of the Corporation were authorised for issue by the Board of Directors on March 17, 2017.

2 Basis of Preparation

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

Basis of measurement
These consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value consideration given in exchange for goods and services.

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

3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

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

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

3 Significant Accounting Judgements, Estimates and Assumptions (continued)

Taxes

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

Useful lives of property, plant and equipment

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

Allowance for doubtful accounts

The Corporation makes 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 analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful accounts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

4 Summary of Significant Accounting Policies

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

A) Basis of consolidation

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

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

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

4 Summary of Significant Accounting Policies (continued)

D) Property, plant and equipment (continued)

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

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

Gains or losses arising from 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 at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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

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

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

F) Impairment of non-financial assets excluding goodwill

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

4 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

G) Provisions

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

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 Corporation's CGU's expected to benefit from the synergies of the combination. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

I) Taxes

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

Current income tax

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

4 Summary of Significant Accounting Policies (continued)

I) Taxes (continued)

Deferred tax

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

Deferred tax assets:

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

Deferred tax liabilities:

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

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

J) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, sales taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Specific factors that the Corporation refers to includes the fact that the Corporation is ultimately responsible for the provision of services, it holds the contracts with customers, bills and collects all revenue and therefore bears credit risk and the Corporation retains ownership of all service vehicles. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

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

Truck placement fees

Truck placement fees are recognized when the truck is delivered to the operating partner. There were no material truck placement fees recognized in either 2016 or 2015.

4 Summary of Significant Accounting Policies (continued)

K) Finance costs

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

L) Share-based plans

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

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

M) Segment reporting

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

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 (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the accumulated other comprehensive income 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 assets

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

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

4 Summary of Significant Accounting Policies (continued)

O) Financial assets (continued)

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

A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance 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.

P) Financial liabilities

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

Other financial liabilities include trade and other payables, deferred unit plan liability, performance share unit plan, 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.

Q) Equity instruments

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

5 Recent accounting pronouncements

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

i) IFRS 9, 'Financial Instruments' was issued as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial instruments that must be applied starting January 1, 2018, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The extent of the impact of adoption of the standard has not yet been determined.

ii) 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 and is effective for annual periods beginning on or after January 1, 2017. 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 and is available for early adoption. The Corporation has not yet selected a transition method nor determined the effect of the standard on the consolidated financial reporting.

iii) IFRS 16, 'Leases' will supersede the current IAS 17, 'Leases' standard. 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 and 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 standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The Corporation 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
   - recognise 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. The extent of the impact of adoption of the standard has not yet been determined.

6 Trade and other receivables

	2016	2015
Trade receivables	89,847	81,981
Other sundry receivables	2,620	1,421
	92,467	83,402

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

The aging analysis of trade receivables is as follows:

			Past due but not impaired		
	Total	Not past due	31-60 days	61-90 days	Greater than 90 days
December 31, 2016	89,847	36,485	28,297	11,672	13,393
December 31, 2015	81,981	31,607	23,653	11,772	14,949

The allowance for doubtful accounts as at December 31, 2016 is $1,492 (2015 - $2,100). The changes in this account for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Balance, beginning of the year	2,100	1,023
Net change in allowance	(336)	1,474
Net amounts recovered (written off as uncollectible)	(259)	(489)
Exchange differences	(13)	92
Balance, end of the year	1,492	2,100

7 Property, plant and equipment

	Land	Land improvements	Buildings	Equipment under construction	Shoring equipment	Shop and office equipment	Trucks and trailers	Total
Cost								
At December 31, 2014	5,481	634	17,114	7,484	2,825	1,290	404,520	439,348
Additions/transfers	548	-	3,727	242	-	1,119	33,331	38,967
Disposals	-	-	-	-	(603)	-	(10,618)	(11,221)
Exchange differences	114	-	786	-	-	120	48,673	49,693
At December 31, 2015	6,143	634	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	6,112	634	21,454	5,825	2,190	3,546	477,456	517,217
Depreciation and impairment								
At December 31, 2014	-	453	4,755	-	1,704	590	145,827	153,329
Depreciation charge for the year	-	169	798	-	175	212	41,012	42,366
Disposals	-	-	-	-	(496)	-	(10,147)	(10,643)
Impairment of Fieldtek oil tank cleaning assets	-	-	-	-	-	-	1,379	1,379
Exchange differences	-	-	15	-	-	49	16,626	16,690
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 differences	-	-	(1)	-	-	(9)	(3,174)	(3,182)
At December 31, 2016	-	634	6,574	-	1,496	1,215	222,997	232,917
Net book value								
At December 31, 2015	6,143	12	16,059	7,726	839	1,678	281,209	313,666
At December 31, 2016	6,112	-	14,880	5,825	694	2,331	254,459	284,300

8 Goodwill and intangible assets

	Service rights	Other intangibles	Goodwill	Total
Cost				
At December 31, 2015 and December 31, 2016	7,485	7,359	3,136	17,980
Amortization and impairment				
At December 31, 2014	-	2,469	-	2,469
Impairment of Fieldtek oil tank cleaning assets	-	3,614	1,515	5,129
Amortization	-	1,276	-	1,276
At December 31, 2015	-	7,359	1,515	8,874
Amortization	-	-	-	-
At December 31, 2016	-	7,359	1,515	8,874
Net book value				
At December 31, 2015	7,485	-	1,621	9,106
At December 31, 2016	7,485	-	1,621	9,106

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 Corporation performed the annual impairment tests of goodwill and service rights at December 31. The recoverable amount of the Eastern Canada, Western Canada and Fieldtek CGUs have been determined based on a value in use calculation using post-tax cash flow projections from financial budgets approved by senior management for 2017, 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-tax discount rate of 12.0% (2015 – 12.0%).

No impairment was recorded for 2016. In 2015 the Corporation recorded an impairment charge of $6,508 against goodwill, other intangibles, and carrying value of trucks and trailers used in the oil tank cleaning business (Fieldtek CGU).

The most significant assumptions used in the impairment calculation is the discount rate and the estimates used in determining future expected cash flows. The Corporation performed a sensitivity analysis and noted no possible impact in either the Western Canada or Eastern Canada CGU under any of the following situations:

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

8 Goodwill and intangible assets (continued)

The following table shows the carrying values and impairment by CGU for intangible assets as at December 31, 2016 and 2015:

	December 31, 2016		December 31, 2015		
	Service rights	Goodwill	Impairment	Service rights	Goodwill
Fieldtek	-	-	5,129	-	-
Western Canada	4,930	-	-	4,930	-
Eastern Canada	2,555	1,621	-	2,555	1,621
Total	7,485	1,621	5,129	7,485	1,621

9 Legal settlement

On December 29, 2015, Badger entered into an agreement with a former franchisee who had filed a legal action against a subsidiary of Badger in Creek County, Oklahoma to pay USD $7.5 million to settle a jury award of approximately USD $13.7 million in favor of the former franchisee and his franchise. Badger paid USD $2.5 million in December, 2015, and the remaining USD $5.0 million was paid in January, 2016. Badger had initially accrued a total of USD $17.5 million in the second quarter of 2015 to reflect the jury award plus an estimate of legal costs and interest in connection to this matter and the over-accrual being reversed in the fourth quarter of 2015. Directly related costs of $1.5 million were also incurred by the Corporation in relation to this legal dispute in 2015.

10 Trade and other payables

	2016	2015
Current		
Trade payables	14,309	10,714
Bonuses payable	3,171	3,260
Accrued expenses	11,519	9,867
Legal settlement payable	-	6,924
	28,999	30,765

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

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% (2015 – 26.2%). The Corporation's U.S. subsidiaries are subject to federal and state statutory tax rates of approximately 40% for both 2016 and 2015. The main differences are as follows:

	2016	2015
Profit before tax	47,131	41,243
Income tax expense at the Canadian statutory rate	12,645	10,818
Increase (decrease) resulting from:		
Tax rates in foreign jurisdictions	4,599	2,378
Tax rate changes	(83)	-
Transfer pricing adjustment from prior years	-	(9,211)
True-up of prior period taxes	998	-
Exchange differences	(126)	(945)
Other items	186	(285)
Income tax expense	18,219	2,755

During 2015 the Corporation undertook a review of past transfer pricing policies with respect to the sale of hydrovac and other vehicles from Canada to the US subsidiaries. Based on this review and underlying facts the Corporation has amended tax filings for the 2009 to 2013 taxation years in Canada and has made the required applications to the appropriate taxation authorities. Based on the amended tax returns the Corporation recognized a $9,211 tax benefit in 2015 as the Corporation assessed the likelihood of realization of this benefit as being probable. Review by the respective taxation authorities is on-going.

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

11 Income taxes (continued)

	As at December 31, 2014	Recognized in profit or loss	As at December 31, 2015	Recognized in profit or loss	As at December 31, 2016
Deferred tax assets					
Tax loss carry-forwards	2,651	(2,651)	-	-	-
Share-based compensation plan(s)	3,308	(1,038)	2,270	1,073	3,343
Share issue costs	211	(100)	111	(111)	-
Legal settlement	-	2,769	2,769	(2,769)	-
	6,170	(1,020)	5,150	(1,807)	3,343
Deferred tax liabilities					
Property, plant and equipment	48,477	(9,556)	38,921	(909)	38,012
Intangible assets	422	(1,079)	(657)	174	(483)
Partnership income	2,009	(835)	1,174	(1,174)	-
Reserve	502	98	600	(18)	582
Unrealized foreign exchange gain	592	(592)	-	-	-
	52,002	(11,964)	40,038	(1,924)	38,111
Exchange differences in OCI		(7,048)		775	
Net deferred tax liability	45,832	(17,992)	34,888	658	34,768

A deferred tax asset of $2.4 million (2015: $2.8 million) related to allowable capital losses has not been recognized on unrealized foreign exchange losses arising from the translation of US dollar-denominated senior secured notes.

12 Dividends payable

During the year ended December 31, 2016, the Corporation paid cash dividends of $14,135 (2015 - $13,348) (or $0.384 per common share (2015 - $0.36 per common share) and declared a $1,224 cash dividend (2015 - $1,113) (or $0.033 per common share (2015 - $0.03 per common share) to its shareholders of record at the close of business on December 31, 2016 that was paid January 16, 2017.

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

13 Long-term debt

	2016	2015
Syndicated revolving credit facility	-	-
Senior secured notes	100,698	103,852
	100,698	103,852

Syndicated revolving credit facility

The Corporation has established a $125,000 syndicated revolving credit facility (the "credit facility"). The purpose of the credit facility is to finance the Corporation's capital expenditure program and for general corporate purposes. The credit facility bears interest, at the Corporation's option, at either the bank's prime rate plus a tiered set of basis points or bankers' acceptance 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 tier ranges 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 Corporation's Funded Debt to Bank EBITDA ratio. Bank EBITDA is defined as earnings before interest, taxes, depreciation and amortization. The stand-by fee is expensed as incurred.

The credit facility expires on July 22, 2018.

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

Under the terms of the credit facility, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2016, and as at December 31, 2016, the Corporation was in compliance with all of these covenants.

As at December 31, 2016, the Corporation has issued letters of credit of approximately $3.7 million (December 31, 2015 - $3.4 million). The outstanding letters of credit support the insurance program in the United States and certain performance bonds and reduce the amount available under the syndicated credit facility.

At December 31, 2016, the Corporation had available $121.3 million (December 31, 2015 - $121.6 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

13 Long term debt (continued)

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 $75,000, and an interest rate of 4.83% per annum and mature on January 24, 2022. Amortizing principal repayments of US $25,000 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 Corporation's assets, property and undertaking, present and future.

Under the terms of the senior secured notes, the Corporation must comply with certain financial and non-financial covenants, as defined by the senior secured note agreement. See note 22 for a description of the financial covenants. Throughout 2016, and as at December 31, 2016, the Corporation was in compliance with all of these covenants.

14 Financial instruments

The Corporation'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 Corporation 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 earnings when there is a reduction of the hedged net investment.

15 Shareholders' capital and reserves

A) Authorized shares

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

B) Issued and outstanding

	Number of Shares	Amount ($)
At December 31, 2014	37,033,893	80,944
Shares issued on redemption of deferred share units	66,788	1,780
At December 31, 2015 and December 31, 2016	37,100,681	82,724

16 Share-based payment plans

A) Deferred Share Unit Plan

The Deferred Share Unit Plan ("DSU") was established to reward officers and employees. Directors may also participate in the plan whereby they will be paid 60% to 100% of the annual retainer in the form of deferred units. Pursuant to the terms of the 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 for the dividends that would otherwise have been paid on the deferred units as if they instead had been issued as Badger shares on the date of the grant. The deferred units granted other than to the directors, which vest immediately, vest equally over a period of three years from the date of the grant. Upon vesting, the participant may elect to redeem the deferred units for an equal number of Badger shares or the cash equivalent. A maximum of 1,500,000 Common Shares have been reserved for issuance pursuant to the Deferred Share Unit Plan.

The DSU 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 under the plan as at December 31, 2016 is $9,659 (December 31, 2015 - $8,039). The fair value of deferred units exercisable as at December 31, 2016 is $8,693 (December 31, 2015 - $6,936). Changes in the number of deferred units under the DSU were as follows:

	Units
At December 31, 2014	511,806
Granted	63,086
Dividends earned	6,846
Redeemed	(221,262)
Forfeited	(2,968)
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
Exercisable at December 31, 2016	268,312

16 Share-based payment plans (continued)

B) Performance Share Unit Plan

The Corporation introduced a performance share unit (PSU) plan for officers of the Corporation in the second quarter of 2015. 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 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.

In June 2016, the Corporation committed to matching shares purchased by the Chief Executive Officer (CEO) with an equivalent number of PSUs, up to an amount equal to the CEO's annual base salary. Purchases of common shares were made by the CEO prior to December 31, 2016 and this has resulted in granting 18,599 PSUs. These PSUs will be forfeited if the common shares purchased are sold prior to vesting of the corresponding PSUs.

The PSU Plan has been accounted for as a cash-settled plan. The compensation expense is based on the estimated fair value of the performance share units 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, 2016 is $2,722 (December 31, 2015 - $342). There are no PSUs exercisable as at December 31, 2016 (December 31, 2015 – none). Changes in the number of PSUs under the PSU plan were as follows:

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

17 Expenses by nature

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

	2016	2015
Wages, salaries and benefits	177,096	163,907
Fees paid to operating partners	35,812	49,104
Repairs and maintenance	26,311	24,970
Fuel	18,618	19,273

18 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 basic earnings per share for the year ended December 31, 2016, was based on the profit available to common shareholders of $28,912 (2015 - $38,488), and a weighted average number of common shares outstanding of 37,100,681 (2015 – 37,073,547).

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:

	2016	2015
Issued common shares outstanding, beginning of year	37,100,681	37,033,893
Effect of shares issued on redemption of deferred share units	-	39,654
Basic and diluted weighted average number of common shares, end of year	37,100,681	37,073,547

19 Segment reporting

The Corporation operates in two geographic/reportable segments providing non-destructive excavating services in each of these segments. The following is selected information for the years ended December 31, 2016 and 2015 based on these geographic segments.

For the year ended:	December 31, 2016			December 31, 2015		
	Canada	U.S.	Total	Canada	U.S.	Total
Revenues	135,841	268,361	404,202	153,849	250,771	404,620
Direct costs	101,607	182,690	284,297	113,484	169,621	283,105
Depreciation of property, plant and equipment	13,611	29,814	43,425	15,288	27,078	42,366
Amortization of intangible assets	-	-	-	1,276	-	1,276
Impairment of Fieldtek oil tank cleaning assets	-	-	-	6,508	-	6,508
General and administrative	5,314	9,828	15,142	5,861	7,895	13,756
Profit before tax	3,958	43,173	47,131	4,824	36,419	41,243

For the year ended:	December 31, 2016			December 31, 2015		
	Canada	U.S.	Total	Canada	U.S.	Total
Additions to non-current assets:						
Property, plant and equipment	1,642	21,846	23,488	2,151	36,816	38,967

	Canada	U.S.	Total
As at December 31, 2016			
Property, plant and equipment	92,917	191,383	284,300
Intangible assets	9,106	-	9,106
Total assets	173,539	284,808	458,347
As at December 31, 2015			
Property, plant and equipment	105,555	208,111	313,666
Intangible assets	9,106	-	9,106
Total assets	157,285	289,400	446,685

20 Related party disclosure

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

		% equity interest	
Name	**Country of Incorporation**	**2016**	**2015**
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%

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

Transactions with related parties

During the year ended December 31, 2016, the Corporation received consulting services from an individual related to the CEO in the normal course of business and on an arm's length basis. An expense of $6 was incurred. In 2015, there were no significant related party transactions.

Related party balances

As at December 31, 2016 and December 31, 2015 there were no significant outstanding balances with related parties.

Compensation of key management personnel

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

	2016	**2015**
Compensation, including bonuses	3,303	2,953
Share-based payments	4,005	2,667
	7,309	5,620

Key management personnel and director transactions

Key management and directors of the Corporation control 1 percent of the voting shares of the Corporation.

21 Capital management

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

21 Capital management (continued)

	2016	2015
Long-term debt	100,698	103,852
Cash	(62,875)	(24,991)
Net debt	37,823	78,861
Shareholders' equity	279,071	267,686
Total capitalization	316,894	346,547
Net debt to total capitalization (%)	12%	23%

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

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

Ratio	December 31, 2016	December 31, 2015	Threshold
Funded Debt[1] to Bank EBITDA[2]	0.95:1	1.03:1	2.75:1 maximum
Bank EBITDA[2] to Interest Expense[3]	19.29:1	15.35:1	3.00:1 minimum
Tangible Net Worth[4]	$240,267	$243,813	$153,273

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

[3] Interest expense is interest expense as calculated in accordance with IFRS. This covenant was effective upon establishment of the syndicated credit facility (see note 13).

[4] Tangible Net Worth is total consolidated shareholders equity less intangible assets. This covenant was effective upon establishment of the syndicated credit facility (see note 13).

Throughout 2016 and as at December 31, 2016 the Corporation was in compliance with all of these covenants.

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

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

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

22 Financial instruments and risk management

Fair values

The Corporation's financial instruments recognized on the consolidated statement of financial position consist of cash, trade and other receivables, trade and other payables, share-based plan liability, dividends payable and long-term debt. The fair values of these recognized financial instruments, excluding long-term debt, approximate their carrying values due to their short-term maturity. The fair value of the long-term debt is not materially different from its carrying value.

Credit risk

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

Liquidity risk

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

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

At December 31, 2016, the Corporation had available $121.3 million of authorized borrowing capacity on the extendable revolving credit facility. The credit facility expires on July 22, 2018. The Corporation believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

The table below summarizes the maturity profile of the Corporation’s financial liabilities at December 31, 2016 based on contractual undiscounted payments.

	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	142,058

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2015					
Trade and other payables	30,765	-	-	-	30,765
Share-based plan liability	8,039	-	342	-	8,381
Long-term debt	-	-	34,618	69,234	103,852
	38,804	-	34,960	69,234	142,998

22 Financial instruments and risk management (continued)

Market risk

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

Interest rate risk

The Corporation is exposed to interest rate risk in relation to interest expense on 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 so net profit wouldn't affected by changes to the prime rate (2015 - $0.1 million reduction in net profit with a one percent increase in the prime interest rate). The Corporation does not currently use interest rate hedges or fixed interest rate contracts to manage the Corporation's exposure to interest rate fluctuations.

Foreign exchange risk

The Corporation has Canadian operations which purchase certain products in United States dollars and United States operations. 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 Corporation'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 Corporation's United States subsidiaries are included in OCI.

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

	2016	2015
Cash	25,721	20,455
Trade and other receivables	61,453	52,046
Income taxes receivable	2,969	7,280
Trade and other payables	(5,430)	(22,942)
Long-term debt	(100,698)	(103,852)
	(15,985)	(47,013)

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

For the year ended December 31, 2016	Effect on profit/(loss) before tax 2016	Effect on profit/(loss) before tax 2015
10% strengthening in the Canadian dollar against the US dollar	(2,399)	(4,274)

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 OCI to that presented in the tables above.

23 Commitments and contingencies

Legal disputes

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

Operating leases

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

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

	2016	2015
Within one year	4,440	4,004
After one year but not more than five years	6,411	6,359
Total	10,851	10,363

Purchase commitments

At December 31, 2016 the Corporation has commitments to purchase approximately $8.0 million (December 31, 2015: $1.2 million) worth of capital assets and various parts and materials. There are no set terms for remitting payment for these financial obligations.

24 Change in accounting policy

Cash flow from operating activities and cash flow from financing activities for 2015 have changed in order to separately report an add-back of accrued interest in cash flow from operations, and deduct interest paid as a cash flow from financing activities. In 2015, these two amounts were shown net in cash flow from financing. As a result, $6,048 was added to cash flow from operations in 2015, and deducted from cash flow from financing. Management believes this change in accounting policy provides readers with more detail and a clearer understanding of the cash flow generated from operations.