Badger Daylighting Ltd.

Interim Condensed Consolidated Financial Statements (unaudited)

For the period ended September 30, 2014

REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Corporation have been prepared by Badger Daylighting Ltd. management.

The Corporation's independent auditor has not performed a review of the accompanying unaudited interim condensed consolidated financial statements in accordance with standards established by the CICA for a review of interim financial statements by an entity's auditor.

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

As at	Notes	September 30, 2014 $	December 31, 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents		10,637	8,623
Trade and other receivables		109,431	92,115
Prepaid expenses		3,883	1,459
Inventories		2,379	3,300
		126,329	105,497
Non-current Assets			
Property, plant and equipment		268,135	211,614
Goodwill and intangible assets		15,830	16,787
		283,965	228,401
Total Assets		410,294	333,898
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		29,510	23,657
Deferred unit plan liability	6	12,925	13,933
Income taxes payable		5,254	4,952
Dividends payable		1,111	1,111
		48,800	43,653
Non-current Liabilities			
Long-term debt	4	116,787	82,319
Deferred income tax		40,473	36,857
		157,260	119,176
Shareholders' Equity			
Shareholders' capital	5	80,944	80,944
Contributed surplus	5	548	548
Accumulated other comprehensive income (loss)	5	10,398	3,291
Retained earnings		112,344	86,286
		204,234	171,069
Total Liabilities and Shareholders' Equity		410,294	333,898

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

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

	Notes	For the nine months ended September 30, 2014 $	For the nine months ended September 30, 2013 $	For the three months ended September 30, 2014 $	For the three months ended September 30, 2013 $
Revenues	7	313,869	230,354	113,121	87,543
Direct costs		212,835	151,122	72,857	56,611
Gross profit		101,034	79,232	40,264	30,932
Depreciation of property, plant and equipment		24,276	17,255	8,600	6,153
Amortization of intangible assets		957	-	319	-
Selling, general and administrative		15,652	10,601	4,342	4,290
Deferred unit plan		2,354	6,624	(2,560)	2,916
Operating profit		57,795	44,752	29,563	17,573
Gain on sale of property, plant and equipment		(252)	(112)	(36)	(60)
Finance cost		4,212	1,178	1,893	490
Unrealized foreign exchange (gain) loss		1,173		3,765	
Profit before tax		52,662	43,686	23,941	17,143
Income tax expense		16,605	14,556	7,863	5,369
Net profit for the period		36,057	29,130	16,078	11,774
Other comprehensive income (loss):					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		7,107	2,478	7,313	(1,668)
Total comprehensive income for the period attributable to shareholders of the Corporation		43,164	31,608	23,391	10,106
Earnings per share					
Basic	8	0.97	0.79	0.43	0.32
Diluted	8	0.97	0.79	0.43	0.32

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

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

	Notes	Shareholders' capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total equity $
As at January 1, 2013		80,640	2,061	(2,239)	59,246	139,708
Net profit for the period		-	-	-	29,130	29,130
Other comprehensive income for the period		-	-	2,478	-	2,478
Share options exercised	5	176	-	-	-	176
Options surrendered for cash	5	-	(1,513)	-	-	(1,513)
Dividends		-	-	-	(9,990)	(9,990)
As at September 30, 2013		80,816	548	239	78,386	159,989
As at January 1, 2014		80,944	548	3,291	86,286	171,069
Net profit for the period		-	-	-	36,057	36,057
Other comprehensive income for the period		-	-	7,107	-	7,107
Dividends		-	-	-	(9,999)	(9,999)
As at September 30, 2014		80,944	548	10,398	112,344	204,234

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

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

	Notes	For the nine months ended September 30, 2014 $	For the nine months ended September 30, 2013 $	For the three months ended September 30, 2014 $	For the three months ended September 30, 2013 $
Operating activities					
Net profit for the period		36,057	29,130	16,078	11,774
Non-cash adjustments to reconcile profit from operations to net cash flows:					
Depreciation of property, plant and equipment		24,276	17,255	8,600	6,153
Amortization of intangible assets		957	-	319	-
Deferred income tax		1,623	5,348	750	2,260
Equity-settled share plan settled in cash	5	-	(1,513)	-	-
Gain on sale of property plant and equipment		(252)	(112)	(36)	(60)
Unrealized foreign exchange (gain) loss		1,172	-	3,764	-
Unrealized foreign exchange (gain) loss on deferred tax		1,992	740	1,477	(493)
		65,825	50,848	30,952	19,633
Net change in non-cash working capital relating to operating activities		(12,416)	(14,290)	(15,683)	(10,648)
Net cash flows from operating activities		53,409	36,558	15,269	8,985
Investing activities					
Purchase of property, plant and equipment		(75,097)	(51,326)	(21,929)	(19,050)
Purchase of intangible assets		-	(2,555)	-	-
Proceeds from sale of property, plant and equipment		406	267	65	80
Net cash flows used in investing activities		(74,691)	(53,614)	(21,864)	(18,970)
Financing activities					
Proceeds received on the exercise of share options		-	176	-	41
Proceeds from long-term debt		116,207	25,947	17,218	11,689
Repayment of long-term debt		(82,912)	-	-	-
Dividends paid to owners		(9,999)	(9,989)	(3,333)	(3,330)
Net cash flows from financing activities		23,296	16,134	13,885	8,400
Net (decrease) increase in cash and cash equivalents		2,014	(922)	7,290	(1,586)
Cash and cash equivalents, beginning of period		8,623	2,460	3,347	3,124
Cash and cash equivalents, end of period		10,637	1,538	10,637	1,539
Supplemental cash flow information:					
Interest paid		4,212	1,178	1,893	490
Income tax paid		15,015	9,324	4,502	1,881

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

1 Incorporation and Operations

Badger Daylighting Ltd. and its subsidiaries (together "Badger" or the "Corporation") provide non-destructive excavating services to the utility, transportation, industrial, engineering, construction and petroleum industries in Canada and the United States. Badger is a publicly traded corporation. The address of the registered office is 1000, 635 – 8th Avenue SW, Calgary, Alberta T2P 3M3.

The interim condensed consolidated financial statements of the Corporation for the period ended September 30, 2014 were authorised for issue in accordance with a resolution of the directors on November 13, 2014.

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

2 Basis of Preparation

Statement of compliance
These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

The interim condensed consolidated financial statements should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2013, as well as the Corporation's interim consolidated financial statements for the period ended September 30, 2014.

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

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

3 Recent accounting pronouncements

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.

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

i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial instruments 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 in conjunction with the other phases, when the final standard including all phases is issued.

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

3 Recent accounting pronouncements (continued)

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 Corporation will assess the impact of this standard when the final standard is issued.

4 Long-term debt

	September 30, 2014 $	December 31, 2013 $
Extendable revolving credit facility	32,731	82,319
Senior secured notes	84,056	-
	116,787	82,319

Syndicated credit facility

The Corporation has established a $125 million syndicated 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 EBITDA ratio. The stand-by fee is expensed as incurred.

The credit facility expires on July 22, 2018.

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

Under the terms of the credit facilities, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2014, and as at September 30, 2014, the Corporation was in compliance with all of these covenants.

As at September 30, 2014, the Corporation has issued letters of credit of approximately $2.0 million. The outstanding letters of credit support the U.S. insurance program and reduce the amount available under the syndicated credit facility.

At September 30, 2014, the Corporation had available $93.9 million (June 30, 2014 - $59.2 million under the old facility) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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

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4 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. The Canadian dollar equivalent on January 24, 2014 was $82,912. 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.

For the nine months ended September 30, 2014, Badger recorded an unrealized foreign exchange gain of $ 1,173. This was due to the impact of the change over the period in the value of the Canadian dollar relative to the US dollar on the Corporation's $75,000 of US dollar denominated debt.

5 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, 2012	36,979,893	80,640
Shares issued pursuant to the share option plan	54,000	304
At December 31, 2013 and September 30, 2014	37,033,893	80,944

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

C) Accumulated other comprehensive income (loss)

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

D) Contributed surplus

The contributed surplus reserve is used to recognise the fair value of share options granted to employees, including key management personnel, as part of their remuneration.

	For the nine months ended		For the three months ended	
	September 30, 2014 $	September 30, 2013 $	September 30, 2014 $	September 30, 2013 $
Opening balance	548	2,061	548	548
Equity-settled share plan settled in cash	-	(1,513)	-	-
Closing balance	548	548	548	548

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

6 Deferred Unit Plan

The Deferred Unit Plan ("DUP") was established to reward officers and employees. Directors may also participate in the plan whereby they will be paid 60% to 100% of the annual retainer in the form of deferred units. Pursuant to the terms of the DUP, participants are granted deferred units with a value equivalent to the value of a Badger share. Subsequent to the January 2014 three-for-one common share split, each unit under the plan was amended to provide three units, each with a value of one post-split Badger share. The deferred units granted earn additional deferred units for the dividends that would otherwise have been paid on the deferred units as if they instead had been issued as Badger shares on the date of the grant. The deferred units granted other than to the directors, which vest immediately, vest equally over a period of three years from the date of the grant. Upon vesting, the participant may elect to redeem the deferred units for an equal number of Badger shares or the cash equivalent.

The DUP has been accounted for as a cash-settled plan. The compensation expense is based on the estimated fair value of the deferred units outstanding at the end of each quarter (share price $28,12 September 30, 2014; share price $28.42 December 31, 2013) and recognized using graded vesting throughout the term of the vesting period, with a corresponding credit to liabilities.

The liability of deferred units outstanding as at September 30, 2014 is $12,925 (December 31, 2013 - $13,933). The fair value of deferred units exercisable as at September 30, 2014 is $11,332 (December 31, 2013 - $10,799). Changes in the number of deferred units under the Badger DUP were as follows:

	Units
At December 31, 2012	498,375
Granted	101,550
Dividends earned	14,418
Redeemed	(34,002)
Forfeited	(13,323)
At December 31, 2013	567,018
Granted	53,196
Dividends earned	3,969
Redeemed	(91,678)
Forfeited	(17,604)
At September 30, 2014	**514,991**
Exercisable at September 30, 2014	**403,027**

7 Revenues

	For the nine months ended		**For the three months ended**	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
	$	**$**	**$**	**$**
Rendering of services	312,318	228,901	112,796	87,034
Truck placement fees	1,551	1,453	325	509
	313,869	**230,354**	**113,121**	**87,543**

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

8 Earnings per share

Basic earnings per share ("EPS")

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

The calculation of basic earnings per share for the nine months ended September 30, 2014, was based on the net profit available to common shareholders of $36,057 (2013 - $29,130), and a weighted average number of common shares outstanding of 37,033,893 (2013 – 36,979,893).

The calculation of basic earnings per share for the three months ended September 30, 2014, was based on the net profit available to common shareholders of $16,078 (2013 - $11,774), and a weighted average number of common shares outstanding of 37,033,893 (2013 – 36,997,893).

The weighted average number of common shares is calculated as follows:

	For the nine months ended		For the three months ended	
	September 30, 2014	**September 30, 2013**	**September 30, 2014**	**September 30, 2013**
Issued common shares outstanding, beginning of period	37,033,893	36,979,893	37,033,893	36,997,893
Effect of share options exercised	-	19,911	-	8,610
Weighted average number of common shares, end of period	37,033,893	36,999,804	37,033,893	37,006,503

Diluted EPS

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

The calculation of diluted earnings per share for the nine months ended September 30, 2014, was based on a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 37,033,893 (2013 – 37,018,476).

The calculation of diluted earnings per share for the three months ended September 30, 2014, was based on a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 37,033,893 (2013 – 37,026,609).

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

8 Earnings per share (continued)

The weighted average number of dilutive potential common shares is calculated as follows:

	For the nine months ended		For the three months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Weighted average number of common shares (basic)	37,033,893	36,999,804	37,033,893	37,006,503
Effect of share options	-	18,672	-	20,106
Weighted average number of common shares (diluted)	37,033,893	37,018,476	37,033,893	37,026,609

9 Segment reporting

The Corporation operates in two geographic/reportable segments providing non-destructive excavating services to each of these segments. The following is selected information for the periods ended September 30, 2014 and 2013 based on these geographic segments.

For nine months ended:	September 30, 2014			September 30, 2013		
	Canada ($)	U.S. ($)	Total ($)	Canada ($)	U.S. ($)	Total ($)
Revenues	166,299	147,570	313,869	118,981	111,373	230,354
Direct costs	111,552	101,283	212,835	76,117	75,005	151,122
Depreciation of property, plant and equipment	10,843	13,433	24,276	8,193	9,062	17,255
Amortization of intangible assets	957	-	957	-	-	-
Selling, general and administrative	11,811	3,841	15,652	7,803	2,798	10,601
Deferred unit plan	2,354	-	2,354	6,624	-	6,624
Profit before tax	26,249	26,413	52,662	19,289	24,397	43,686

For three months ended:	September 30, 2014			September 30, 2013		
	Canada ($)	U.S. ($)	Total ($)	Canada ($)	U.S. ($)	Total ($)
Revenues	57,207	55,914	113,121	42,618	44,924	87,542
Direct costs	36,794	36,063	72,857	27,149	29,462	56,611
Depreciation of property, plant and equipment	3,775	4,825	8,600	2,855	3,298	6,153
Amortization of intangible assets	319	0	319	-	-	-
Selling, general and administrative	3,185	1,157	4,342	3,008	1,282	4,290
Deferred unit plan	(2,560)	-	(2,560)	2,916	-	2,916
Profit before tax	12,629	11,312	23,941	6,318	10,825	17,143

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

9 Segment reporting (continued)

Selected Consolidated Statement of Financial Position Information

	Canada ($)	U.S. ($)	Total ($)
As at September 30, 2014			
Property, plant and equipment	121,919	146,216	268,135
Intangible assets	15,830	-	15,830
Total assets	204,072	206,222	410,294
As at December 31, 2013			
Property, plant and equipment	103,740	107,874	211,614
Intangible assets	16,787	-	16,787
Total assets	178,703	155,195	333,898

Selected Consolidated Statement of Cash Flows Information

For nine months ended:	**September 30, 2014**			**September 30, 2013**		
	Canada ($)	**U.S. ($)**	**Total ($)**	**Canada ($)**	**U.S. ($)**	**Total ($)**
Additions to non-current assets:						
Property, plant and equipment	29,072	46,025	75,097	19,323	32,003	51,326
Intangible assets	-	-	-	2,555	-	2,555

For three months ended:	**September 30, 2014**			**September 30, 2013**		
	Canada ($)	**U.S. ($)**	**Total ($)**	**Canada ($)**	**U.S. ($)**	**Total ($)**
Additions to non-current assets:						
Property, plant and equipment	3,607	18,322	21,929	7,787	11,263	19,050
Intangible assets	-	-	-	-	-	-

10 Subsidiaries

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**	**September 30, 2014**	**December 31, 2013**
Badger Daylighting (Fort McMurray) Inc.	Canada	100%	100%
Badger Edmonton Ltd.	Canada	100%	100%
Fieldtek Ltd.	Canada	100%	100%
Badger ULC	Canada	100%	100%
Badger Daylighting USA, Inc.	United States of America	100%	100%
Badger Daylighting Corp.	United States of America	100%	100%
Badger, LLC	United States of America	100%	100%

Balances and transactions between Badger Daylighting Ltd. and its subsidiaries have been eliminated on consolidation and are not disclosed in this Note. There are no significant restrictions on the Corporation's or its subsidiaries ability to access or use the assets, and settle the liabilities, of the Corporation.