Badger Daylighting Ltd.

Consolidated Financial Statements

For the years ended December 31, 2020, and 2019

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Badger Daylighting Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

A. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Trade receivables are measured at amortized cost. The amortized cost is reduced by impairment losses, recorded as an allowance for doubtful accounts ("allowance"), at an amount equal to the lifetime expected credit losses that result from all possible default events over the expected life. When a trade receivable is deemed uncollectible, it is written off against the allowance. Management specifically analyzes historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the lifetime expected credit losses for customer receivables. We identified the allowance as a key audit matter because of the significant amount of estimation required by management when determining the allowance related to aged receivables greater than 120 days. This required a high degree of auditor judgment as the estimates made by management contain significant measurement uncertainty. Auditing these estimates required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures, which resulted in an increased extent of audit effort.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the allowance for aged receivables greater than 120 days included the following, among others:

- Assessed the methodologies used to estimate the allowance by understanding the processes adopted to monitor and manage claims and collections.
- Tested the mathematical accuracy of the calculations and verified that the allowance had been calculated in accordance with management's policy.

- Evaluated the reasonableness of the allowance by assessing that management considered the number of days a receivable is overdue, historical and subsequent collection of receivables, specific customer creditworthiness and current economic trends.
- For a selection of customer receivables:
  - Inspected payments made post year-end, if any, and any correspondence between the customer and the Company, and other supporting documents to evaluate the completeness of the allowance.
  - Confirmed receivables directly with customers to evaluate the existence and valuation of receivables to evaluate whether an allowance should be recorded.
  - For those not yet collected, evaluated collectability through a review of customer credit assessments, history of payment and performing searches in public databases for contradictory information that may suggest an allowance should be recorded.
- Evaluated the allowance by performing a retrospective analysis by comparing actual write-offs in the year to the historical allowance and receivables balances.

Other Information

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

- Management's Discussion and Analysis

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

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

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

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

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

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

B. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
March 11, 2021

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

As at	Notes	**December 31, 2020**	December 31, 2019
ASSETS			
Current Assets			
Cash and cash equivalents	20	**17,295**	8,801
Trade and other receivables	6	**148,112**	182,168
Prepaid expenses		**8,542**	9,646
Inventories		**9,340**	8,256
Income taxes receivable	13	**5,428**	9,592
		188,717	218,463
Non-current Assets			
Property, plant and equipment	10	**380,525**	395,264
Right-of-use assets	9	**21,354**	23,217
Intangible assets	11	**30,668**	30,397
Goodwill	11	**1,621**	1,621
		434,168	450,499
Total Assets		**622,885**	668,962
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	12	**51,018**	67,357
Lease liability	9	**5,412**	5,709
Share-based plan liability	17	**28,179**	23,878
Dividends payable	14	**1,743**	1,659
Current portion of senior secured notes	15	**31,830**	32,470
		118,182	131,073
Non-current Liabilities			
Trade and other payables	12	**3,209**	-
Lease liability	9	**9,798**	11,442
Senior secured notes	15	**31,830**	64,940
Borrowings under credit facility	15	**68,066**	66,248
Deferred income tax	13	**63,281**	64,588
		176,184	207,218
Shareholders' Equity			
Shareholders' capital	16	**78,851**	79,009
Contributed surplus		**548**	548
Accumulated other comprehensive income		**19,119**	23,202
Retained earnings		**230,001**	227,912
		328,519	330,671
Total Liabilities and Shareholders' Equity		**622,885**	668,962

The accompanying notes are an integral part of these consolidated financial statements. These consolidated financial statements were approved by the Board of Directors on March 11, 2021 and were signed on its behalf.

Signed: Catherine Best
Director

Signed: Glen D. Roane
Director

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

	Notes	For the years ended December 31, 2020	2019
Revenue	7	**558,627**	654,282
Direct costs		**394,287**	453,264
Gross profit		**164,340**	201,018
Depreciation and amortization	9,10,11	**72,792**	63,524
General and administrative		**41,512**	42,572
Share-based plans	17	**8,877**	11,039
Operating profit		**41,159**	83,883
Loss on sale and impairment of property, plant and equipment		**1,799**	55
Finance cost		**8,337**	6,917
Foreign exchange (gain) loss		**(2,120)**	713
Profit before income tax		**33,143**	76,198
Current income tax expense	13	**8,141**	2,691
Deferred income tax expense	13	**253**	13,775
Income tax expense		**8,394**	16,466
Net profit		**24,749**	59,732
Other comprehensive income:			
Foreign exchange differences on translation of foreign operations		**(4,976)**	(19,053)
Unrealized foreign exchange gain on net investment hedge	15	**893**	4,905
Other comprehensive (loss) income		**(4,083)**	(14,148)
Comprehensive income		**20,666**	45,584
Net profit per share			
Basic and diluted	19	**$0.71**	$1.67

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 unless otherwise stated)

	Notes	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
As at January 1, 2019		82,600	548	37,350	246,004	366,502
Opening IFRS 16 adjustment		-	-	-	254	254
Net profit		-	-	-	59,732	59,732
Other comprehensive (loss) income		-	-	(14,148)	-	(14,148)
Dividends		-	-	-	(20,078)	(20,078)
Shares repurchased and cancelled under normal course issuer bid	16	(3,591)	-	-	(58,000)	(61,591)
As at December 31, 2019		**79,009**	**548**	**23,202**	**227,912**	**330,671**
As at January 1, 2020		79,009	548	23,202	227,912	330,671
Net profit		-	-	-	24,749	24,749
Other comprehensive (loss) income		-	-	(4,083)	-	(4,083)
Dividends		-	-	-	(20,741)	(20,741)
Shares repurchased and cancelled under normal course issuer bid	16	(158)	-	-	(1,919)	(2,077)
As at December 31, 2020		**78,851**	**548**	**19,119**	**230,001**	**328,519**

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

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

		For the years ended December 31,	
	Notes	**2020**	2019
Operating activities			
Net profit		**24,749**	59,732
Non-cash adjustments to reconcile net profit from operations to cash flow from operating activities before working capital and other adjustments:			
Depreciation and amortization		**72,792**	63,524
Deferred income tax expense		**253**	13,775
Loss on sale and impairment of property, plant and equipment		**1,799**	55
Finance cost		**8,337**	6,917
Current income tax expense		**8,141**	2,691
Share-based plans		**8,877**	11,039
Unrealized foreign exchange (gain)		**(2,932)**	(44)
Cash flow from operating activities before working capital and other adjustments		**122,016**	157,689
Change in non-cash working capital	20	**26,789**	(23,618)
Income taxes paid	13	**(11,927)**	(17,002)
Income taxes recovered	13	**7,553**	5,426
Interest paid on lease liabilities	9	**(606)**	(527)
Share-based plan paid	17	**(4,575)**	(8,562)
Cash flows from operating activities		**139,250**	113,406
Investing activities			
Purchase of property, plant and equipment	10	**(57,738)**	(109,943)
Upfront payments for right-of-use assets	9	**(1,660)**	(4,913)
Proceeds from sale of property, plant and equipment		**4,691**	2,738
Additions to intangible asset	11	**(3,193)**	(17,609)
Change in non-cash working capital	20	**(5,060)**	3,702
Cash flows used in investing activities		**(62,960)**	(126,025)
Financing activities			
Borrowings under credit facility	15	**127,567**	96,107
Repayments of credit facility	15	**(125,897)**	(28,950)
Repayment of senior secured notes	15	**(32,858)**	-
Interest paid		**(7,003)**	(6,523)
Payment of lease liabilities	9	**(6,356)**	(4,957)
Dividends paid	14	**(20,659)**	(20,065)
Common shares repurchased under normal course issuer bid	16	**(2,077)**	(61,591)
Change in non-cash working capital	20	**-**	354
Cash flows used in financing activities		**(67,283)**	(25,625)
Effect of foreign exchange rate changes on cash		**(513)**	(1,258)
Increase (decrease) in cash and cash equivalents		**8,494**	(39,502)
Cash and cash equivalents, beginning of year		**8,801**	48,303
Cash and cash equivalents, end of year		**17,295**	8,801

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

1 Incorporation and operations

Badger Daylighting Ltd. and its subsidiaries (together "Badger" or the "Company") provide non-destructive excavating services to utilities, industrial, construction, transportation and other industries in Canada and the United States ("U.S."). Badger is a publicly traded company. The head office of Badger is located at Suite 400, 919-11th Avenue SW, Calgary, Alberta T2R 1P3. The registered office of Badger is located at c/o CAS Corporate Governance Services Inc., 600, 815-8th Avenue SW, Calgary, Alberta T2P 3P2.

The consolidated financial statements of the Company for the years ended December 31, 2020 and December 31, 2019 were authorised for issue in accordance with a resolution of the Board of Directors ("Board") on March 11, 2021.

2 Basis of preparation

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

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

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

Reclassification of comparative figures
Certain comparative amounts for the prior period have been reclassified to conform to the current year presentation.

3 Significant accounting judgements, estimates and assumptions

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

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The COVID-19 outbreak and related mitigation measures have had an adverse impact on global economic conditions resulting in government response actions, social distancing, business closures and reduced travel. These measures have caused disruptions to normal business operations and have increased economic uncertainty which have had an impact on the Company's financial results for the year ended December 31, 2020.

Management has considered the impact of COVID-19 on significant accounting judgements, estimates and assumptions used in the preparation of the financial statements and did not identify any material changes in the current year. The duration of the pandemic and its impact on the Company's financial performance and position is an area of estimation uncertainty and judgement, which is constantly monitored and reflected in management's estimates.

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

A) Useful lives of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at the end of each reporting period and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. Future results of operations could be materially affected by changes in the estimated useful lives due to the factors mentioned above. The amounts and timing of recorded expenses would be affected by this as a reduction in the estimated useful lives of the property, plant and equipment would increase the recorded depreciation expense with an offset to the value of the related property, plant and equipment.

B) Intangible assets

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

C) Income taxes

Current income taxes

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

Deferred income taxes

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

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

D) Allowance for doubtful accounts

The Company records a loss allowance for expected credit losses on financial assets that are measured at amortized cost. The amortized cost is reduced by impairment losses at an amount equal to the lifetime expected credit losses that result from all possible default events over the expected life of the financial instrument. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

E) Determining cash generating units

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

F) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. An impairment occurs when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes, which requires management judgement. Impairment of non-financial assets would be recognized in the Company's consolidated statement of comprehensive income.

G) Goodwill

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

H) Functional currency

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

4 Summary of significant accounting policies

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

A) Basis of consolidation

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

B) Cash and cash equivalents

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

C) Inventories

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

D) Leases

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

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

E) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

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

	Useful life	Residual Value
Buildings and land improvements	2 to 30 years	None
Office equipment and other	4 to 10 years	0-15%
Trucks and trailers	6 to 10 years	0-5%

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

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period or when events or conditions occur that impact capitalized costs or useful lives and are adjusted prospectively, if appropriate.

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

F) Intangible assets

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

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

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

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

	Service rights	ERP and Software
Useful lives	Indefinite	10 years
Amortization method	No amortization	Straight-line

G) Impairment of non-financial assets excluding goodwill

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

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

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

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

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

H) Provisions

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

I) Goodwill

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

J) Income taxes

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

Current income tax

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

Deferred income tax

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

Deferred income tax assets:

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

Deferred income tax liabilities:

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

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

K) Revenue recognition

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

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

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

L) Finance costs

Finance costs comprise interest expense on borrowings on the Company's senior secured notes and syndicated revolving credit facility, stand by fees on the Company's syndicated revolving credit facility and finance costs relating to the Company's lease obligations. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

M) Share-based plans

The Company has cash-settled share-based plans, Deferred Share Units ("DSUs") and Performance Share Units ("PSUs") under which it receives services from employees as consideration for cash payments.

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

N) Segment reporting

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

O) Foreign currency translation

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

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

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

P) Financial instruments

<u>Financial assets</u>

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

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely

payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets measured at amortized cost are measured at cost using the effective interest method. The amortized cost is reduced by impairment losses at an amount equal to the lifetime expected credit losses that result from all possible default events over the expected life of the financial instrument. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

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

Financial liabilities

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

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

Financial liabilities are classified as current liabilities if payment is due within one year or less, if not, they are presented as non-current liabilities. Financial liabilities are derecognized when the obligation in discharged, cancelled or expired.

Fair value measurement

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

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

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

Q) Equity instruments

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

R) Government grants

Government grants are recognized when the company has reasonable assurance that it has complied with the conditions of the grants and that they will be received. The company recognizes the grants in profit and loss on a consistent basis over the periods in which expenses and related costs for which the grants are intended are recognized. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of providing financial support to the Company with no future costs are recognized in profit or loss in the period in which they become receivable.

(Expressed in thousands of Canadian Dollars unless otherwise stated)

5 Recently announced accounting pronouncements

Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current - amendments to IAS 1 to promote consistency in determining and reporting whether, in the statement of financial position, debt and other liabilities should be classified as current (settled within one year) or non-current based on rights that exist at the end of the reporting period. The amendment is effective January 1, 2023 and is required to be adopted retrospectively. Early adoption is permitted, and management does not anticipate material impact on the Company's consolidated financial statements.

6 Trade and other receivables

As at	**December 31, 2020**	December 31, 2019
Trade receivables[(1)]	**146,165**	181,014
Holdback receivables[(1)]	**1,613**	1,651
Allowance for doubtful accounts	**(5,860)**	(5,611)
Total trade receivables	**141,918**	177,054
Accrued revenue and other receivables	**6,194**	5,114
Trade and other receivables	**148,112**	182,168

(1) Comparative figures have been adjusted to conform to the current year's presentation.

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

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

(Expressed in thousands of Canadian Dollars unless otherwise stated)

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

	Total	Current	31-60 days	61-90 days	91-120 days	Greater than 120 days
As at December 31, 2020						
Trade receivables	**146,165**	**77,916**	**17,780**	**14,432**	**5,729**	**30,308**
Holdback receivables	**1,613**	**3**	**19**	**32**	**19**	**1,540**
Allowance for doubtful accounts	**(5,860)**	**-**	**(390)**	**(610)**	**-**	**(4,860)**
	141,918	**77,919**	**17,409**	**13,854**	**5,748**	**26,988**
As at December 31, 2019						
Trade receivables[1]	181,014	91,197	39,218	10,779	10,811	29,009
Holdback receivables[1]	1,651	-	1	21	40	1,589
Allowance for doubtful accounts	(5,611)	-	-	-	-	(5,611)
	177,054	91,197	39,219	10,800	10,851	24,987

(1) Comparative figures have been adjusted to conform to the current year's presentation

The changes in the allowance for doubtful account for the years ended December 31, 2020 and December 31, 2019 are as follows:

As at December 31, 2018	6,896
Additions to the allowance (bad debt expense)	6,596
Accounts written off (reduces allowance for doubtful accounts)	(1,654)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(6,035)
Exchange differences	(192)
As at December 31, 2019	5,611
Additions to the allowance (bad debt expense)	4,505
Accounts written off (reduces allowance for doubtful accounts)	(3,954)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(174)
Exchange differences	(128)
As at December 31, 2020	**5,860**

7 Revenue

The following table disaggregates the Company's revenue by type of service and type of customer.

	For the years ended December 31, **2020**	2019
Hydrovac revenue – corporate	**512,253**	606,433
Hydrovac revenue – operating partners	**19,599**	21,145
Total hydrovac revenue	**531,852**	627,578
Other service revenue – corporate[1]	**25,754**	25,709
Other service revenue – operating partners[1]	**1,021**	995
Total other revenue	**26,775**	26,704
Total revenue	**558,627**	654,282

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

(Expressed in thousands of Canadian Dollars unless otherwise stated)

8 Other expenses

Restructuring
The Company initiated cost reduction initiatives in response to the COVID-19 pandemic and its impact on the North American economy. The Company also undertook additional cost reduction initiatives related to the formation of a finance and back office shared services center. As a result, the Company incurred costs related to these cost reduction initiatives of $4.6 million during the year ended December 31, 2020 and of nil during the year ended December 31, 2019. As of December 31, 2020, all cash outflows related to these expenditures have been made and no remaining obligations remain.

Government assistance
The Company is participating in the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs which were passed by the Government of Canada to support employers facing financial hardship, as measured by certain revenue declines, as a result of the COVID-19 pandemic. CEWS provides a reimbursement of compensation expense for the period from March 15, 2020, to June 2021, as prescribed by the government. CERS provides reimbursement of qualifying property expenses for the period from September 27, 2020 to June 2021, as prescribed by the government. The Company recognized funds of $8.6 million during the year ended December 31, 2020 and nil during the year ended December 31, 2019.

The following table outlines the total restructuring expenses and CEWS recognized during the years ended December 31, 2020 and December 31, 2019.

	For the years ended December 31,	
	2020	2019
Restructuring expenses included in:		
Direct costs	**1,910**	-
General and administrative	**2,706**	-
Total restructuring expenses	**4,616**	**-**
Government assistance included in:		
Direct costs	**(7,815)**	-
General and administrative	**(812)**	-
Total government assistance	**(8,627)**	-

(Expressed in thousands of Canadian Dollars unless otherwise stated)

9 Leases

Badger enters into leases primarily in order to secure office and yard space for the hydrovac operations and for light-duty vehicles. Terms of property leases vary including the life of the lease and the existence of extension options. Leases for light-duty vehicles are managed through a third-party and do not create a lease liability as Badger makes the required lease payments upon initiation of the lease.

Right-of-use assets

	Property	**Light-duty vehicles**	**Total**
Opening balance as at January 1, 2019	14,846	2,468	17,314
Additions	9,930	4,913	14,843
Depreciation	(5,202)	(761)	(5,963)
Disposals/modifications	(2,402)	(60)	(2,462)
Impact of foreign exchange	(333)	(182)	(515)
Right-of-use assets as at December 31, 2019	16,839	6,378	23,217
Additions	7,694	1,660	9,354
Depreciation	(6,738)	(1,069)	(7,807)
Disposals/modifications	(2,744)	(36)	(2,780)
Impact of foreign exchange	(416)	(214)	(630)
Right-of-use assets as at December 31, 2020	**14,635**	**6,719**	**21,354**

Lease liabilities

Opening balance as at January 1, 2019	14,846
Additions	9,930
Interest expense	527
Lease payments	(5,484)
Disposals/modifications	(2,332)
Impact of foreign exchange	(336)
Lease liabilities as at December 31, 2019	17,151
Additions	7,694
Interest expense	606
Lease payments	(6,962)
Disposals/modifications	(2,936)
Impact of foreign exchange	(343)
Lease liabilities as at December 31, 2020	**15,210**

Current	5,412
Long-term	9,798
Total lease liabilities	15,210

Contractual undiscounted cash flows

As at	**December 31, 2020**	December 31, 2019
Less than one year	**6,268**	6,203
One to five years	**11,188**	11,674
More than five years	**-**	500
Total	**17,456**	18,377

(Expressed in thousands of Canadian Dollars unless otherwise stated)

Amounts recognized in net profit

	December 31, 2020	December 31, 2019
Expenses related to short-term leases	2,472	1,689
Short-term lease exemptions – leases expiring in 2019	-	1,269
Total	**2,472**	2,958

10 Property, plant and equipment

	Land, land improvements and buildings	**Equipment under construction**	**Office equipment and other**	**Trucks and other vehicles**	**Total**
Cost					
As at December 31, 2018	28,707	12,208	5,429	600,415	646,759
Additions/transfers(1)	2,467	10,192	1,095	96,189	109,943
Reclass capital leases(2)	-	-	-	(2,557)	(2,557)
Disposals	-	-	(265)	(26,840)	(27,105)
Exchange differences	(198)	(33)	(579)	(27,392)	(28,202)
As at December 31, 2019	**30,976**	**22,367**	**5,680**	**639,815**	**698,838**
Additions/transfers(1)	6,230	(2,106)	979	52,635	57,738
Disposals(3)	(75)	-	(102)	(42,250)	(42,427)
Exchange differences	(193)	95	(81)	(10,325)	(10,504)
As at December 31, 2020	**36,938**	**20,356**	**6,476**	**639,875**	**703,645**
Depreciation					
As at December 31, 2018	8,924	-	2,970	271,285	283,179
Depreciation	1,213	-	627	55,343	57,183
Reclass capital leases(2)	-	-	-	(85)	(85)
Disposals	-	-	(166)	(24,146)	(24,312)
Exchange differences	(77)	-	(155)	(12,159)	(12,391)
As at December 31, 2019	**10,060**	**-**	**3,276**	**290,238**	**303,574**
Depreciation	1,295	-	569	60,604	62,468
Disposals(3)	(6)	-	(75)	(35,543)	(35,624)
Exchange differences	(63)	-	(29)	(7,206)	(7,298)
As at December 31, 2020	**11,286**	**-**	**3,741**	**308,093**	**323,120**
Net book value					
As at December 31, 2019	20,916	22,367	2,404	349,577	395,264
As at December 31, 2020	**25,652**	**20,356**	**2,735**	**331,782**	**380,525**

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

(2) Capital leases previously presented with Property, plant and equipment have been reclassified to Right-of-use assets with the adoption of IFRS 16 at January 1, 2019. See Note 9 for details.

(3) Due to the significant decline in the oil and gas industry, the Company initiated the wind up of its oil services business during the year ended December 31, 2020. The property, plant and equipment relating to this business was written down to its net realizable value. A loss of $1.1 million was recognized during the year ended December 31, 2020.

(Expressed in thousands of Canadian Dollars unless otherwise stated)

11 Goodwill and intangible assets

	Service rights	ERP	Total Intangible Assets	Goodwill
Cost				
As at December 31, 2018	8,032	5,559	13,591	3,136
Additions	100	17,509	17,609	-
Exchange differences	(3)	(426)	(429)	-
As at December 31, 2019	8,129	22,642	30,771	3,136
Additions	-	3,193	3,193	-
Exchange differences	(2)	(496)	(498)	-
As at December 31, 2020	**8,127**	**25,339**	**33,466**	**3,136**
Amortization				
As at December 31, 2018	-	-	-	1,515
Amortization	-	378	378	-
Exchange differences	-	(4)	(4)	-
As at December 31, 2019	-	374	374	1,515
Amortization	-	2,517	2,517	-
Exchange differences	-	(93)	(93)	-
As at December 31, 2020	-	**2,798**	**2,798**	**1,515**
Net book value				
As at December 31, 2019	8,129	22,268	30,397	1,621
As at December 31, 2020	**8,127**	**22,541**	**30,668**	**1,621**

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, Eastern Canada and Western U.S. CGU's. The Eastern U.S. CGU has no goodwill or intangible assets allocated to it.

The Company performed the annual impairment tests of goodwill and service rights as at December 31, 2020. The recoverable amount of the Western Canada, Eastern Canada and Western U.S. CGU's have been determined based on the higher of its fair value less cost to sell and its value in use. The value in use calculation uses post income tax cash flow projections from financial budgets approved by the Company, forecasts over a five year period based on management's best estimates, a terminal rate of growth beyond five years of 2.0%, and uses a post income tax discount rate of 10% (2019 – 10%).

No impairment related to goodwill and intangibles was recorded for the years ended December 31, 2020 or 2019.

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

- Post income tax discount rates remained flat at 10%
- Cash flows decreased by 5%

(Expressed in thousands of Canadian Dollars unless otherwise stated)

The following table shows the carrying values by CGU for intangible assets and goodwill:

As at	**December 31, 2020**		December 31, 2019	
	Intangible assets	**Goodwill**	Intangible assets	Goodwill
Western Canada	**5,379**	**-**	5,379	-
Eastern Canada	**2,653**	**1,621**	2,653	1,621
Western U.S.	**95**	**-**	97	-
Total	**8,127**	**1,621**	8,129	1,621

12 Trade and other payables

As at	**December 31, 2020**	December 31, 2019
Current		
Trade payables	**16,517**	28,040
Bonuses payable	**2,501**	7,023
Accrued expenses – short-term	**32,000**	32,294
	51,018	67,357
Non-current		
Accrued expenses – long-term	**3,209**	-
Total trade and other payables	**54,227**	67,357

Trade payables are non-interest bearing and are normally settled on 45-day payment terms. Accrued expenses – long-term relate to deferral of U.S. payroll taxes to 2022 resulting from COVID-19 related legislation.

(Expressed in thousands of Canadian Dollars unless otherwise stated)

13 Income taxes

The provision for income taxes, including deferred income taxes, reflects an effective income tax rate that differs from the actual combined Canadian federal and provincial statutory rates of 24.9% (2019 - 26.6%). The Company's U.S. subsidiaries are subject to federal and state statutory tax rates of approximately 25.6% (2019 – 25.7%). The main differences are in the table below.

As at	**December 31, 2020**	December 31, 2019
Profit before tax	**33,143**	76,198
Income tax expense at the Canadian statutory rate	**8,282**	20,269
Increase (decrease) resulting from:		
Income tax rates in foreign jurisdictions	**230**	(679)
Income tax rate changes	**(263)**	(1,382)
Income tax rate benefit of intercompany truck sales	**-**	(21)
True-up of prior period income taxes	**(792)**	(1,703)
Foreign exchange differences	**569**	(25)
Other items	**368**	7
Income tax expense	**8,394**	16,466

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

As at	**December 31, 2020**	December 31, 2019
Net deferred income tax liability		
Deferred income tax assets		
Share-based plan	**6,838**	5,899
Accrued liabilities	**1,501**	1,453
Lease liabilities	**3,801**	4,295
Salaries and wages	**1,147**	2,013
Total deferred tax asset	**13,287**	13,660
Deferred income tax liabilities		
Property, plant and equipment	**69,690**	73,042
Right-of-use assets	**3,681**	4,217
Intangible assets	**1,784**	106
Prepaid expenses	**1,162**	883
Unrealized foreign exchange gain	**251**	-
Total deferred income tax liability	**76,568**	78,248
Net deferred income tax liability	**63,281**	64,588

Changes in the deferred tax assets and liabilities are recognized in profit and loss except for $0.2 million in foreign currency exchange rate differences that are recognized in other comprehensive income. A deferred income tax asset of $1.0 million (2019 - $2.2 million) related to allowable capital losses has not been recognized on unrealized foreign exchange losses arising from the translation of U.S. dollar denominated senior secured notes.

(Expressed in thousands of Canadian Dollars unless otherwise stated)

14 Dividends Payable

During the year ended December 31, 2020, the Company paid dividends of $20,659 (2019 - $20,065) or $0.5924 per common share (2019 - $0.5625 per common share) and declared $1,743 in dividends (2019 - $1,659) or $0.0500 per common share (2019 - $0.0475 per common share) to its shareholders of record at the close of business on December 31, 2020 that was paid on January 15, 2021.

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

15 Debt

As at	**December 31, 2020**	December 31, 2019
Current portion of senior secured notes	**31,830**	32,470
Current debt	**31,830**	32,470
		-

As at	**December 31, 2020**	December 31, 2019
Borrowings under credit facility	**68,820**	67,157
Less: unamortized debt issuance costs	**(754)**	(909)
Net borrowings under credit facility	**68,066**	66,248
Senior secured notes	**31,830**	64,940
Total long-term debt	**99,896**	131,188

As at	**December 31, 2020**	December 31, 2019
Syndicated revolving credit facility capacity	**300,000**	300,000
Supplemental credit facility	**100,000**	**-**
Less: borrowings under credit facility	**(68,820)**	(67,157)
Less: letters of credit	**(4,750)**	(4,401)
Available amount	**326,430**	228,442

Syndicated revolving credit facility

The Company has a $300.0 million syndicated revolving credit facility with a syndicate of five lenders. The $300.0 million syndicated revolving credit facility allows for borrowings in either Canadian or U.S. dollars, providing Badger with the administrative flexibility to borrow in the functional currency in both its Canadian and the U.S. operations. The syndicated revolving credit facility, which is a five-year term, matures on September 30, 2024. Badger has the flexibility to expand the syndicated revolving credit facility, subject to approval by the lenders, by an additional $150.0 million Canadian dollars. Badger maintains the syndicated revolving credit facility for general corporate and liquidity purposes, in addition to financing requirements, if any, related to Badger's capital expenditure requirements. The increase and extension of the syndicated revolving credit facility completed on September 30, 2019, has no impact on the Company's existing senior secured notes, including the respective financial covenant ratios and maturity dates, all of which is further detailed below.

The syndicated revolving credit facility bears interest, at the Company's option, at either the bank's prime rate plus a tiered set of basis points or bankers' acceptance ("BA")/London interbank offered rate ("LIBOR") also with a tiered structure. A standby fee is also required on the unused portion of the syndicated revolving credit facility on a tiered basis. The prime rate tiers range between zero and 175 basis points. The BA/LIBOR tiers range from 120 to 300 basis points. The standby fee tiers range between 24 and 60 basis points. All of the tiers are based on the Company's Total Debt to Compliance EBITDA ratio. Stand-by fees are expensed as incurred. Under the terms of the syndicated revolving credit facility, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2020, and as at December 31, 2020, the Company was in compliance with all of these covenants.

The syndicated revolving credit facility is collateralized by a general security interest over the Company's assets, property and undertaking, present and future. The outstanding letters of credit, which reduce the amount of available credit under the syndicated revolving credit facility, support the U.S. insurance program and certain other performance bonds.

Supplemental credit facility

On May 7, 2020, the Company entered into a supplemental $100.0 million credit facility with the same group of lenders as its existing syndicated revolving credit facility. The supplemental credit facility has a term of one year, expiring on May 6, 2021. The supplemental credit facility is available for general corporate purposes, providing the Company with additional liquidity and financial flexibility should it be required. Key conditions of the facility, including financial covenants and pricing, are consistent with the Company's existing syndicated revolving credit facility. As at December 31, 2020, the Company had no amounts outstanding on its supplemental credit facility.

As at December 31, 2020, the Company had available $326.4 million (December 31, 2019 - $228.4 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 with an original principal of US$75.0 million. The notes, which rank pari passu with the syndicated revolving credit facility, have a current principal amount outstanding of US$50.0 million, and an interest rate of 4.83% per annum and mature on January 24, 2022. A repayment of US$25.0 million, as required under the terms of the notes, was completed on January 24, 2020. The remaining amortizing principal repayments of US$25.0 million are due under the notes on January 24, 2021, and January 24, 2022. Interest is paid semi-annually in arrears.

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

Under the terms of the senior secured notes, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2020, and as at December 31, 2020, the Company was in compliance with all of these covenants. As at December 31, 2020, the fair value of the senior secured notes was approximately US$51.3 million.

Hedge on net investment

The Company's U.S. dollar denominated senior secured notes has been designated as a hedge of the net investment in its U.S. operations. At the inception of the hedge and on an ongoing basis, the Company documents whether the hedge is highly effective in offsetting foreign exchange fluctuations of its net investment. The effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income; any ineffectiveness is recorded immediately in earnings. Amounts included in foreign currency translation reserve will be recognized in net profit when there is a reduction of the hedged net investment.

(Expressed in thousands of Canadian Dollars unless otherwise stated)

16 Shareholders' capital

A) Authorized shares

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

B) Issued and outstanding

Normal course issuer bid

In 2018, the Company announced a normal course issuer bid ("NCIB") to repurchase for cancellation up to 2,000,000 common shares commencing on May 15, 2018, and ended on May 14, 2019. On May 21, 2019, the Company announced a new normal course issuer bid ("NCIB") to repurchase for cancellation up to 2,000,000 common shares commencing on May 21, 2019, and ending on May 20, 2020, or such earlier date on which the Company completes its purchases of common shares.

During the year ended December 31, 2020, pursuant to its NCIB, the Company purchased and cancelled 69,900 common shares, at a weighted average price per share of $29.72.

	Number of Shares	Amount
As at December 31, 2018	36,512,892	82,600
Common shares repurchased and cancelled through NCIB	(1,579,154)	(3,568)
Common shares repurchased prior to December 31, 2019 and cancelled subsequent to December 31, 2019 through NCIB	(10,000)	(23)
As at December 31, 2019	34,923,738	79,009
Common shares repurchased and cancelled through NCIB	**(69,900)**	**(158)**
As at December 31, 2020	**34,853,838**	**78,851**

17 Share-based plans

A) Deferred Share Unit Plan

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

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

(Expressed in thousands of Canadian Dollars unless otherwise stated)

The liability for deferred units outstanding as at December 31, 2020 is $20.9 million (December 31, 2019 - $15.9 million). The fair value of deferred units exercisable as at December 31, 2020 is $15.6 million (December 31, 2019 - $13.0 million). Changes in the number of deferred units under the DSU Plan were as follows:

	Units
As at December 31, 2018	467,520
Granted	95,897
Dividends earned	7,225
Redeemed for cash	(38,918)
Forfeited	(17,433)
As at December 31, 2019	514,291
Granted	219,938
Dividends earned	12,020
Redeemed for cash	(77,496)
Forfeited	(8,657)
As at December 31, 2020	**660,096**
Exercisable as at December 31, 2020	**411,639**

B) Performance Share Unit Plan

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

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

The liability for PSUs outstanding as at December 31, 2020 is $7.3 million (December 31, 2019 - $8.0 million). The fair value of units exercisable at December 31, 2020 is $2.8 million (December 31, 2019 - $3.0 million). Changes in the number of PSUs under the PSU plan were as follows:

	Units
As at December 31, 2018	317,361
Granted	92,912
Redeemed	(141,203)
Forfeited	(774)
As at December 31, 2019	268,296
Granted	171,224
Redeemed	(61,064)
Forfeited	(4,936)
As at December 31, 2020	**373,520**
Exercisable as at December 31, 2020	**115,094**

(Expressed in thousands of Canadian Dollars unless otherwise stated)

18 Expenses by nature

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

	For the years ended December 31, 2020	2019
Wages, salaries and benefits	**260,649**	301,793
Maintenance and repairs	**42,955**	43,244
Fuel	**23,460**	33,582
Vehicle licence and insurance	**19,419**	17,429
Office expenses and property tax	**18,953**	16,005

19 Earnings per share

Basic earnings per share ("EPS")

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

	For the years ended December 31, 2020	2019
Net profit	**24,749**	59,732

	For the years ended December 31, 2020	2019
Weighted average number of common shares, basic	**34,870,893**	35,825,820

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.

	For the years ended December 31, 2020	2019
Basic weighted average number of common shares	**34,870,893**	35,825,820
Effect of dilutive deferred share units	**-**	-
Weighted average number of common shares, diluted	**34,870,893**	35,825,820

	For the years ended December 31, 2020	2019
Basic and diluted earnings per share	**$0.71**	$1.67

(Expressed in thousands of Canadian Dollars unless otherwise stated)

20 Statement of cash flow supplemental information

The following table provides supplemental information on the components of changes in non-cash working capital in operating and investing activities:

	For the years ended December 31,	
	2020	2019
Operating activities		
Source (use) of cash:		
Trade and other receivables	**32,551**	(26,763)
Prepaid expenses	**963**	(3,090)
Inventories	**(1,142)**	(2,355)
Trade and other payables	**(5,583)**	8,590
Change in non-cash working capital	**26,789**	(23,618)
Investing activities		
Source (use) of cash:		
Trade and other payables[(1)]	**(5,060)**	3,702
Change in non-cash working capital	**(5,060)**	3,702
Financing activities		
Source of cash:		
Trade and other payables[(2)]	-	354
Change in non-cash working capital	-	354

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

(2) Non-cash working capital changes from trade and other payables relate to share repurchases under the normal course issuer bid for shares that have been repurchased but cash settled subsequent to December 31, 2020.

	For the years ended December 31,	
	2020	2019
Cash and cash equivalents:		
Cash	**17,295**	8,801
Cash equivalents	**-**	**-**
Total cash and cash equivalents	**17,295**	8,801

(Expressed in thousands of Canadian Dollars unless otherwise stated)

21 Segment reporting

The Company has identified three reportable segments consisting of two geographic segments (U.S. and Canada) and a Corporate segment. The U.S. and Canadian operating segments provide non-destructive excavating services. The following is selected information for the years ended December 31, 2020 and 2019 based on these geographic/reportable segments.

For the years ended				December 31, 2020				December 31, 2019
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	**94,945**	**436,907**	**-**	**531,852**	120,002	507,576	-	627,578
Other revenue	**17,785**	**8,990**	**-**	**26,775**	21,809	4,895	-	26,704
Total revenue	**112,730**	**445,897**	**-**	**558,627**	141,811	512,471	-	654,282
Direct costs	**74,920**	**319,367**	**-**	**394,287**	100,434	352,830	-	453,264
Depreciation of property, plant and equipment	**19,743**	**52,942**	**107**	**72,792**	18,009	45,417	98	63,524
General and administrative(1)	**5,056**	**23,567**	**12,889**	**41,512**	7,594	23,121	11,857	42,572
Share-based plan(2)	**-**	**-**	**8,877**	**8,877**	-	-	11,039	11,039
Finance cost(3)	**230**	**367**	**7,740**	**8,337**	268	249	6,400	6,917
Other(4)	**(818)**	**497**	**-**	**(321)**	459	309	-	768
Profit (loss) before tax	**13,599**	**49,157**	**(29,613)**	**33,143**	15,047	90,545	(29,394)	76,198

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

	Canada	U.S.	Corporate	Total
As at December 31, 2020				
Property, plant and equipment	**123,584**	**256,941**	**-**	**380,525**
Right of use assets	**6,641**	**14,241**	**472**	**21,354**
Intangible assets	**17,260**	**13,408**	**-**	**30,668**
Goodwill	**1,621**	**-**	**-**	**1,621**
Total assets	**210,447**	**411,966**	**472**	**622,885**
Total liabilities(1)	**67,446**	**63,430**	**163,490**	**294,366**
As at December 31, 2019				
Property, plant and equipment	120,639	274,625	-	395,264
Right of use assets	8,642	14,006	569	23,217
Intangible assets	15,574	14,823	-	30,397
Goodwill	1,621	-	-	1,621
Total assets	188,453	479,940	569	668,962
Total liabilities(1)	40,756	105,830	191,705	338,291

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

(Expressed in thousands of Canadian Dollars unless otherwise stated)

22 Related party disclosure

There were no significant outstanding balances with related parties as at December 31, 2020 and December 31, 2019.

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

For the years ended	**December 31, 2020**	December 31, 2019
Compensation, including bonuses	**3,854**	4,258
Share-based payments	**5,373**	4,867
Total	**9,227**	9,125

23 Subsidiaries

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

		Percentage equity interest	
Name	**Country of Incorporation**	**2020**	2019
Badger Daylighting (Fort McMurray) Inc.	Canada	**100%**	100%
Badger Edmonton Ltd.	Canada	**100%**	100%
Fieldtek Ltd.	Canada	**100%**	100%
Badger ULC [1]	Canada	**-**	100%
Badger Daylighting Limited Partnership	Canada	**100%**	100%
2305931 Alberta Ltd.	Canada	**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%

(1) Badger ULC was dissolved in the year ended December 31, 2020.

24 Capital management

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

As at	**December 31, 2020**	December 31, 2019
Senior secured notes	**31,830**	64,940
Current portion of senior secured notes	**31,830**	32,470
Borrowings under credit facility	**68,820**	67,157
Lease liability	**9,798**	11,442
Current portion of lease liability	**5,412**	5,709
Total obligations	**147,690**	181,718
Add: issued letters of credit	**4,750**	4,401
Cash and cash equivalents	**(17,295)**	(8,801)
Net debt	**135,145**	177,318
Shareholders' equity	**328,519**	330,671
Total capitalization	**463,664**	507,989
Net debt to total capitalization	**29%**	35%

(Expressed in thousands of Canadian Dollars unless otherwise stated)

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

Under the terms of the syndicated revolving credit facility and the senior secured notes, the Company must comply with certain financial and non-financial covenants, as defined by the respective credit agreements. The Company's significant financial covenants and the summary of the compliance with these covenants are detailed in the summary below:

Ratio(1)(2)(3)(4)(5)	**December 31, 2020**	December 31, 2019	**Threshold**
Total Debt to Compliance EBITDA Credit Facility	**1.2:1**	1.2:1	4.00:1 max
Total Debt to Compliance EBITDA Senior Secured Notes	**1.2:1**	1.2:1	2.75:1 max
Interest Coverage Ratio Credit Facility	**14.1:1**	21.6:1	3.00:1 min
Interest Coverage Ratio Senior Secured Notes	**14.0:1**	21.2:1	3.00:1 min
Tangible Net Worth	**$277.4 million**	$275.7 million	$205.2 million

(1) Total Debt to Compliance EBITDA Credit Facility as at December 31, 2020, calculated as $135.1 million in Total Debt divided by $117.3 million of Compliance EBITDA and for December 31, 2019, calculated as $177.3 million in Total Debt divided by $149.1 million of Compliance EBITDA.

(2) Total Debt to Compliance EBITDA senior secured notes as at December 31, 2020, calculated as $142.4 million in Total Debt divided by $116.0 million of Compliance EBITDA and for December 31, 2019, calculated as $177.3 million in Total Debt divided by $146.6 million of Compliance EBITDA.

(3) The Interest Coverage Ratio Credit Facility is calculated as Compliance EBITDA divided by interest expense. For the twelve months ended December 31, 2020, calculated as $117.3 million in Compliance EBITDA divided by $8.3 million in interest expense and for the twelve months ended December 31, 2019, calculated as $149.1 million in Compliance EBITDA divided by $6.9 million in interest expense. Interest expense is calculated in accordance with IFRS on a trailing 12-month basis.

(4) The Interest Coverage Ratio senior secured notes is calculated as Compliance EBITDA divided by interest expense. For the twelve months ended December 31, 2020, calculated as $116.0 million in Compliance EBITDA divided by $8.3 million in interest expense and for the twelve months ended December 31, 2019, calculated as $146.6 million in Compliance EBITDA divided by $6.9 million in interest expense. Interest expense is calculated in accordance with IFRS on a trailing 12-month basis.

(5) Tangible Net Worth consists of total shareholders equity less other comprehensive income subsequent to September 30, 2013 less intangible assets. This covenant was effective upon establishment of the credit facilities. See Note 15.

Throughout 2020 and as at December 31, 2020 the Company was in compliance with all of these covenants.

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

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

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

(Expressed in thousands of Canadian Dollars unless otherwise stated)

25 Financial instruments and risk management

Fair values

The Company's financial instruments recognized on the consolidated statement of financial position consist of cash and cash equivalents, trade and other receivables, income taxes receivable, trade and other payables, dividends payable, income taxes payable and long-term debt. The fair values of these recognized financial instruments, excluding long-term debt, approximate their carrying values due to their short-term maturity. The fair value of the long-term debt is classified as a Level 2 instrument in the fair value hierarchy and has been valued using industry standard valuation techniques derived from observable market data.

Credit risk

Credit risk arises where a financial loss would be experienced if a counterparty to a financial asset failed to meet its contractual obligations. The Company's credit risk exposure is primarily through its trade receivables which are subject to industry credit risks. Credit risks are mitigated by the Company's large and diversified customer base across the utility, petroleum and construction industries. The Company actively monitors the financial strength of its customer base through its credit process to minimize the risk of default on receivables. The Company has a due diligence process to approve credit for new and existing customers by assessing the creditworthiness of each customer. Before work is performed for the customer, its creditworthiness is assessed and a credit rating and maximum credit limit are assigned.

Liquidity risk

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

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

At December 31, 2020, the Company had available $326.4 million of authorized borrowing capacity on the syndicated revolving credit facility. The credit facility matures on September 30, 2024. The Company believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2020, based on contractual undiscounted payments.

	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
As at December 31, 2020					
Trade and other payables	**51,018**	**3,209**	**-**	**-**	**54,227**
Share-based plan liability	**28,179**	**-**	**-**	**-**	**28,179**
Long-term debt	**31,830**	**31,830**	**68,820**	**-**	**132,480**
Total	**111,027**	**35,039**	**68,820**	**-**	**214,886**

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2019					
Trade and other payables	67,357	-	-	-	67,357
Share-based plan liability	23,878	-	-	-	23,878
Long-term debt	32,470	32,470	99,627	-	164,567
Total	123,705	32,470	99,627	-	255,802

(Expressed in thousands of Canadian Dollars unless otherwise stated)

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

Interest rate risk
The Company is exposed to interest rate risk in relation to interest expense on a portion of its long-term debt whose rate is floating. Interest is calculated based on prime lending rates, banker's acceptance rates (BA) or the London interbank offered rate (LIBOR) and is dependent on the nature of the borrowing. Interest rates are subject to change. The Company does not use interest rate hedges, fixed interest rate contracts or other similar derivative instruments to manage its exposure to interest rate fluctuations.

The following table demonstrates the impact to earnings before income taxes if interest rates had been 1% higher, and all other variables were held constant.

For the years ended	**December 31, 2020**	December 31, 2019
Effect on earnings before income taxes	**(778)**	(280)

For a hypothetical 1% decrease in interest rates, there would be an equal and opposite effect on earnings before income taxes in the table above.

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

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

As at	**December 31, 2020**	December 31, 2019
Cash	**9,992**	8,801
Trade and other receivables	**109,086**	134,594
Income taxes receivable	**4,275**	3,469
Trade and other payables	**(37,004)**	(38,497)
Long-term debt	**(67,480)**	(97,410)

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

For the years ended	**December 31, 2020**	December 31, 2019
Effect on earnings before income taxes	**532**	1,163
Effect on other comprehensive income	**1,172**	742

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

(Expressed in thousands of Canadian Dollars unless otherwise stated)

26 Commitments and contingencies

The Company had the following commitments as at December 31, 2020:

	2021	2022	2023	2024	2025	Thereafter	Total
Operating leases[(1)]	791	717	524	511	378	35	**2,956**
Service contract[(2)]	4,294	4,410	3,053	-	-	-	**11,757**
Senior secured note interest[(3)]	2,306	769	-	-	-	-	**3,075**
Purchase commitments[(4)]	5,555	-	-	-	-	-	**5,555**
Total	**12,946**	**5,896**	**3,577**	**511**	**378**	**35**	**23,343**

(1) Operating leases include building and office space.
(2) Contract with third party service provider for information technology services related to the ERP.
(3) Senior note interest is the interest due on the Company's senior secured notes at 4.83% per annum paid semi-annually in arrears translated into Canadian dollars at the December 31, 2020 closing U.S. to Canadian foreign currency exchange rate. See Note 15.
(4) Purchase commitments include amounts related to manufacturing operations, the purchase of light-duty trucks and other committed capital expenditures.

Legal disputes

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