

**Badger Daylighting Ltd.**  
**Interim Condensed Consolidated Financial Statements**  
**(Unaudited)**

For the three months ended March 31, 2021, and 2020

**BADGER DAYLIGHTING LTD.****Interim Condensed Consolidated Statement of Financial Position**

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

<b>As at</b>	<b>Notes</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	13	13,498	17,295
Trade and other receivables	6	117,513	148,112
Prepaid expenses		8,037	8,542
Inventories		9,956	9,340
Income taxes receivable		6,797	5,428
		<b>155,801</b>	<b>188,717</b>
<b>Non-current Assets</b>			
Property, plant and equipment		374,085	380,525
Right-of-use assets	8	22,372	21,354
Intangible assets		29,873	30,668
Goodwill		1,621	1,621
		<b>427,951</b>	<b>434,168</b>
<b>Total Assets</b>		<b>583,752</b>	<b>622,885</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables		52,066	51,018
Lease liability	8	5,760	5,412
Share-based plan liability	11	32,615	28,179
Dividends payable		1,830	1,743
Current portion of senior secured notes	9	31,438	31,830
		<b>123,709</b>	<b>118,182</b>
<b>Non-current Liabilities</b>			
Trade and other payables		3,170	3,209
Lease liability	8	11,100	9,798
Senior secured notes	9	-	31,830
Borrowings under credit facility	9	80,610	68,066
Deferred income tax		59,421	63,281
		<b>154,301</b>	<b>176,184</b>
<b>Shareholders' Equity</b>			
Shareholders' capital	10	78,851	78,851
Contributed surplus		548	548
Accumulated other comprehensive income		16,593	19,119
Retained earnings		209,750	230,001
		<b>305,742</b>	<b>328,519</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>583,752</b>	<b>622,885</b>

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

**BADGER DAYLIGHTING LTD.****Interim Condensed Consolidated Statement of Comprehensive Income**

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

		For the three months ended March 31,	
	Notes	2021	2020
Revenue	7	108,468	136,678
Direct costs		91,487	106,399
<b>Gross profit</b>		<b>16,981</b>	<b>30,279</b>
Depreciation and amortization		17,847	18,096
General and administrative		11,490	12,140
Share-based plans	11	5,334	(9,048)
<b>Operating (loss) profit</b>		<b>(17,690)</b>	<b>9,091</b>
Loss on sale of property, plant and equipment		95	39
Finance cost		1,208	2,379
Foreign exchange loss (gain)		533	(165)
<b>(Loss) profit before income tax</b>		<b>(19,526)</b>	<b>6,838</b>
Current income tax (recovery) expense		(1,425)	(2,535)
Deferred income tax (recovery) expense		(3,165)	4,305
<b>Income tax (recovery) expense</b>		<b>(4,590)</b>	<b>1,770</b>
<b>Net (loss) profit</b>		<b>(14,936)</b>	<b>5,068</b>
<b>Other comprehensive income:</b>			
Foreign exchange differences on translation of foreign operations		(2,727)	33,290
Unrealized foreign exchange gain (loss) on net investment hedge	9	201	(6,383)
<b>Other comprehensive (loss) income</b>		<b>(2,526)</b>	<b>26,907</b>
<b>Comprehensive (loss) income</b>		<b>(17,462)</b>	<b>31,975</b>
<b>Net (loss) profit per share</b>			
Basic and diluted	12	(\$0.43)	\$0.15

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

**BADGER DAYLIGHTING LTD.****Interim Condensed Consolidated Statement of Changes in Equity**

(Unaudited - 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, 2020		79,009	548	23,202	227,912	330,671
Net profit		-	-	-	5,068	5,068
Other comprehensive (loss) income		-	-	26,907	-	26,907
Dividends		-	-	-	(5,056)	(5,056)
Shares repurchased and cancelled under normal course issuer bid	10	(158)	-	-	(1,919)	(2,077)
<b>As at March 31, 2020</b>		<b>78,851</b>	<b>548</b>	<b>50,109</b>	<b>226,005</b>	<b>355,513</b>
As at January 1, 2021		78,851	548	19,119	230,001	328,519
Net (loss)		-	-	-	(14,936)	(14,936)
Other comprehensive (loss) income		-	-	(2,526)	-	(2,526)
Dividends		-	-	-	(5,315)	(5,315)
<b>As at March 31, 2021</b>		<b>78,851</b>	<b>548</b>	<b>16,593</b>	<b>209,750</b>	<b>305,742</b>

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

**BADGER DAYLIGHTING LTD.****Interim Condensed Consolidated Statement of Cash Flows**

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

		For the three months ended March 31,	
	Notes	2021	2020
<b>Operating activities</b>			
Net (loss) profit		(14,936)	5,068
Non-cash adjustments to reconcile net (loss) profit from operations to cash flow from operating activities before working capital and other adjustments:			
Depreciation and amortization		17,847	18,096
Deferred income tax (recovery) expense		(3,165)	4,305
Loss on sale of property, plant and equipment		95	39
Finance cost		1,208	2,379
Current income tax (recovery)		(1,425)	(2,535)
Share-based plans		5,334	(9,048)
Unrealized foreign exchange loss (gain)		235	(130)
Cash flow from operating activities before working capital and other adjustments		5,193	18,174
Change in non-cash working capital	13	31,622	7,785
Income taxes paid		(4)	(336)
Income taxes recovered		7	329
Interest paid on lease liabilities	8	(145)	(164)
Share-based plan paid	11	(898)	-
<b>Cash flows from operating activities</b>		<b>35,775</b>	<b>25,788</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(12,103)	(20,811)
Upfront payments for right-of-use assets	8	(39)	(88)
Proceeds from sale of property, plant and equipment		247	248
Additions to intangible asset		-	(1,126)
Change in non-cash working capital	13	476	3,315
<b>Cash flows used in investing activities</b>		<b>(11,419)</b>	<b>(18,462)</b>
<b>Financing activities</b>			
Borrowings under credit facility	9	31,640	122,508
Repayments of credit facility	9	(19,175)	-
Repayment of senior secured notes	9	(31,568)	(32,858)
Interest paid		(2,072)	(3,453)
Payment of lease liabilities	8	(1,632)	(1,554)
Dividends paid		(5,226)	(4,972)
Common shares repurchased under normal course issuer bid	10	-	(2,077)
<b>Cash flows used in financing activities</b>		<b>(28,033)</b>	<b>77,594</b>
Effect of foreign exchange rate changes on cash		(120)	2,700
(Decrease) increase in cash and cash equivalents		(3,797)	87,620
Cash and cash equivalents, beginning of period		17,295	8,801
<b>Cash and cash equivalents, end of period</b>		<b>13,498</b>	<b>96,421</b>

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

# **BADGER DAYLIGHTING LTD.**

## **Notes to the Interim Condensed Consolidated Financial Statements**

For the three months ended March 31, 2021 and March 31, 2020

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

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### **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, 919-11<sup>th</sup> Avenue SW, Calgary, Alberta T2R 1P3. The registered office of Badger is located at c/o CAS Corporate Governance Services Inc., 600, 815-8<sup>th</sup> Avenue SW, Calgary, Alberta T2P 3P2.

The unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2021 and March 31, 2020 were authorised for issue in accordance with a resolution of the Board of Directors (“Board”) on May 4, 2021.

### **2 Basis of preparation**

#### **Statement of compliance**

These unaudited interim condensed consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board.

#### **Basis of measurement**

These unaudited interim condensed 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 unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

### **3 Significant accounting judgements, estimates and assumptions**

The preparation of these unaudited interim condensed 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 unaudited interim condensed consolidated financial statements and reported amounts of revenues, expenses, gains and losses during the reporting period. These judgements, estimates and assumptions are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2020. 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.

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 three months ended March 31, 2021.

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.

# BADGER DAYLIGHTING LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020

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

### 4 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.

### 5 Seasonality of Operations

The Company's sales are typically highest in the second, third and fourth quarters as a result of the seasonal upswing in construction activity, the impact of which typically results in higher activity levels. In the first quarter, construction activity in the majority of Canada and certain regions of the U.S. typically reduces as a result of winter weather conditions. Partially offsetting the impact of the seasonality related to construction activity, is demand for certain oil and gas related activities which are typically strongest in the first quarter and weakest in the second quarter as a result of spring break-up and restrictions related to road access. As the Company continues to grow its U.S. customer base, the impact of seasonality may shift over time. Similarly to sales, the Company's net working capital requirements will typically follow the seasonality of the related sales activity.

### 6 Trade and other receivables

As at	March 31, 2021	December 31, 2020
Trade receivables	116,708	146,165
Holdback receivables	1,390	1,613
Allowance for doubtful accounts	(6,321)	(5,860)
<b>Total trade receivables</b>	<b>111,777</b>	<b>141,918</b>
Accrued revenue and other receivables	5,736	6,194
<b>Trade and other receivables</b>	<b>117,513</b>	<b>148,112</b>

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

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

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

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020

(Unaudited - 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
<b>As at March 31, 2021</b>						
Trade receivables	116,708	76,821	7,993	4,337	3,953	23,604
Holdback receivables	1,390	-	24	37	31	1,298
Allowance for doubtful accounts	(6,321)	-	-	(47)	(103)	(6,171)
	<b>111,777</b>	<b>76,821</b>	<b>8,017</b>	<b>4,327</b>	<b>3,881</b>	<b>18,731</b>
<b>As at December 31, 2020</b>						
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)
	<b>141,918</b>	<b>77,919</b>	<b>17,409</b>	<b>13,854</b>	<b>5,748</b>	<b>26,988</b>

The changes in the allowance for doubtful account for the three months ended March 31, 2021 and year ended December 31, 2020 are as follows:

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
Additions to the allowance (bad debt expense)	1,305
Accounts written off (reduces allowance for doubtful accounts)	(574)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(201)
Exchange differences	(69)
<b>As at March 31, 2021</b>	<b>6,321</b>

## 7 Revenue

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

	For the three months ended March 31,	
	2021	2020
Hydrovac revenue – corporate	97,993	125,999
Hydrovac revenue – operating partners	4,316	4,208
<b>Total hydrovac revenue</b>	<b>102,309</b>	<b>130,207</b>
Other service revenue – corporate <sup>(1)</sup>	5,897	6,233
Other service revenue – operating partners <sup>(1)</sup>	262	238
<b>Total other revenue</b>	<b>6,159</b>	<b>6,471</b>
<b>Total revenue</b>	<b>108,468</b>	<b>136,678</b>

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



## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020

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

## 8 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, 2020	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	<b>14,635</b>	<b>6,719</b>	<b>21,354</b>
Additions	3,820	39	3,859
Depreciation	(1,678)	(278)	(1,956)
Disposals/modifications	(483)	(213)	(696)
Impact of foreign exchange	(119)	(70)	(189)
<b>Right-of-use assets as at March 31, 2021</b>	<b>16,175</b>	<b>6,197</b>	<b>22,372</b>

### Lease liabilities

Opening balance as at January 1, 2020	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
Additions	3,819
Interest expense	145
Lease payments	(1,777)
Disposals/modifications	(414)
Impact of foreign exchange	(123)
<b>Lease liabilities as at March 31, 2021</b>	<b>16,860</b>

Current	5,760
Long-term	11,100
Total lease liabilities	16,860

### Contractual undiscounted cash flows

As at	March 31, 2021	December 31, 2020
Less than one year	6,571	6,268
One to five years	12,331	11,188
More than five years	191	-
<b>Total</b>	<b>19,093</b>	<b>17,456</b>

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020

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

#### Amounts recognized in net profit

For the three months ended	March 31, 2021	March 31, 2020
Expenses related to short-term leases	755	636
<b>Total</b>	<b>755</b>	<b>636</b>

## 9 Debt

As at	March 31, 2021	December 31, 2020
Current portion of senior secured notes	31,438	31,830
<b>Current debt</b>	<b>31,438</b>	<b>31,830</b>

As at	March 31, 2021	December 31, 2020
Borrowings under credit facility	81,263	68,820
Less: unamortized debt issuance costs	(653)	(754)
Net borrowings under credit facility	80,610	68,066
Senior secured notes	-	31,830
<b>Total long-term debt</b>	<b>80,610</b>	<b>99,896</b>

As at	March 31, 2021	December 31, 2020
Syndicated revolving credit facility capacity	300,000	300,000
Supplemental credit facility	100,000	100,000
Less: borrowings under credit facility	(81,263)	(68,820)
Less: letters of credit	(4,692)	(4,750)
<b>Available amount</b>	<b>314,045</b>	<b>326,430</b>

#### 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 2021, and as at March 31, 2021, 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.

# BADGER DAYLIGHTING LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020

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

### 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 March 31, 2021, the Company had no amounts outstanding on its supplemental credit facility.

As at March 31, 2021, the Company had available \$314.0 million (December 31, 2020 - \$326.4 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\$25.0 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, 2021. The remaining amortizing principal repayment of US\$25.0 million are due under the notes on 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 2021, and as at March 31, 2021, the Company was in compliance with all of these covenants. As at March 31, 2021, the fair value of the senior secured notes was approximately US\$26.2 million.

### Hedge on net investment

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

## 10 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

On March 11, 2021, the Board of Directors approved the Company to pursue an NCIB program of up to 1,500,000 common shares commencing on March 24, 2021, and ending on March 23, 2022 or such earlier date on which the Company completes its purchases of common shares under the NCIB, or terminates the NCIB at its option.

During the three months ended March 31, 2021, the Company did not purchase any of its common shares for cancellation under its NCIB program.

	Number of Shares	Amount
As at December 31, 2019	34,923,738	79,009
Common shares repurchased and cancelled through NCIB	(69,900)	(158)
<b>As at December 31, 2020 and March 31, 2021</b>	<b>34,853,838</b>	<b>78,851</b>

# BADGER DAYLIGHTING LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020

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

### 11 Share-based plans

#### A) Deferred Share Unit Plan

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

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

The liability for deferred units outstanding as at March 31, 2021 is \$24.0 million (December 31, 2020 - \$20.9 million). The fair value of deferred units exercisable as at March 31, 2021 is \$21.4 million (December 31, 2020 - \$15.6 million). Changes in the number of deferred units under the DSU Plan were as follows:

	<b>Units</b>
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	<b>660,096</b>
Granted	855
Dividends earned	2,315
Redeemed for cash	(18,825)
Forfeited	(12,579)
<b>As at March 31, 2021</b>	<b>631,862</b>
<b>Exercisable as at March 31, 2021</b>	<b>499,773</b>

#### 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 RSUs. 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.

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020

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The liability for PSUs outstanding as at March 31, 2021 is \$7.9 million (December 31, 2020 - \$7.3 million). The fair value of units exercisable at March 31, 2021 is \$3.2 million (December 31, 2020 - \$2.8 million). Changes in the number of PSUs under the PSU plan were as follows:

	<b>Units</b>
As at December 31, 2019	268,296
Granted	171,224
Redeemed	(61,064)
Forfeited	(4,936)
As at December 31, 2020	<b>373,520</b>
Granted	73,128
Redeemed	(4,721)
<b>As at March 31, 2021</b>	<b>441,927</b>
<b>Exercisable as at March 31, 2021</b>	<b>110,373</b>

#### C) Restricted Share Unit Plan

On March 11, 2021 the Board approved a new Restricted Share Unit (“RSU”) Plan to promote greater alignment of interests between the executive officers and the Shareholders of the Company. Pursuant to the terms of the RSU, participants are granted restricted units with a value equivalent to the value of a Badger share. The restricted units granted earn additional restricted units at the same rate as dividends on Badger common shares. The restricted units granted vest equally over a period of three years from the date of the grant. Upon vesting, payment for the vested RSUs will be made by the Company to the participants.

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

The liability for RSUs outstanding as at March 31, 2021 is \$0.7 million (December 31, 2020 - nil). The fair value of units exercisable at March 31, 2021 is nil (December 31, 2020 - nil). Changes in the number of RSUs under the RSU plan were as follows:

	<b>Units</b>
As at December 31, 2020	-
Granted	118,323
<b>As at March 31, 2021</b>	<b>118,323</b>
<b>Exercisable as at March 31, 2021</b>	-

## BADGER DAYLIGHTING LTD.

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## 12 Earnings per share

### Basic earnings per share ("EPS")

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

	For the three months ended March 31,	
	2021	2020
Net (loss) profit	(14,936)	5,068

	For the three months ended March 31,	
	2021	2020
Weighted average number of common shares, basic	34,853,838	34,892,213

### 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 three months ended March 31,	
	2021	2020
Basic weighted average number of common shares	34,853,838	34,892,213
Effect of dilutive deferred share units	-	-
Weighted average number of common shares, diluted	34,853,838	34,892,213

	For the three months ended March 31,	
	2021	2020
Basic and diluted (loss) profit earnings per share	(\$0.43)	\$0.15

**BADGER DAYLIGHTING LTD.****Notes to the Interim Condensed Consolidated Financial Statements**

For the three months ended March 31, 2021 and March 31, 2020

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**13 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:

	<b>For the three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Source (use) of cash:		
Trade and other receivables	<b>29,631</b>	16,840
Prepaid expenses	<b>433</b>	484
Inventories	<b>(641)</b>	(2,222)
Trade and other payables	<b>2,199</b>	(7,317)
Change in non-cash working capital	<b>31,622</b>	7,785
<b>Investing activities</b>		
Source of cash:		
Trade and other payables <sup>(1)</sup>	<b>476</b>	3,315
Change in non-cash working capital	<b>476</b>	3,315

<sup>(1)</sup> 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.

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Cash and cash equivalents:		
Cash	<b>13,498</b>	17,295
Cash equivalents	<b>-</b>	-
Total cash and cash equivalents	<b>13,498</b>	17,295

# BADGER DAYLIGHTING LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020

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### 14 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 three months ended March 31, 2021 and 2020 based on these geographic/reportable segments.

For the three months ended	March 31, 2021				March 31, 2020			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	17,750	84,559	-	102,309	25,559	104,648	-	130,207
Other revenue	2,907	3,252	-	6,159	4,897	1,574	-	6,471
Total revenue	20,657	87,811	-	108,468	30,456	106,222	-	136,678
Direct costs	17,738	73,749	-	91,487	23,830	82,569	-	106,399
Depreciation of property, plant and equipment	4,974	12,848	26	17,848	4,939	13,133	24	18,096
General and administrative <sup>(1)</sup>	2,182	7,294	2,014	11,490	1,699	6,271	4,170	12,140
Share-based plan <sup>(2)</sup>	-	-	5,334	5,334	-	-	(9,048)	(9,048)
Finance cost <sup>(3)</sup>	44	97	1,067	1,208	62	92	2,225	2,379
Other <sup>(4)</sup>	598	29	-	627	(194)	68	-	(126)
(Loss) profit before tax	(4,879)	(6,206)	(8,441)	(19,526)	120	4,089	2,629	6,838

<sup>(1)</sup> Included in general and administrative expenses for the corporate segment are employee, office, and other costs related to public company administration.

<sup>(2)</sup> Share-based plans for participants in both the U.S. and Canada is reported in the corporate segment.

<sup>(3)</sup> Finance costs from the Company's credit facilities are reported in the corporate segment.

<sup>(4)</sup> Included in other are the loss on sale of property, plant and equipment, and foreign exchange (gain) losses.

	Canada	U.S.	Corporate	Total
<b>As at March 31, 2021</b>				
Property, plant and equipment	121,563	252,522	-	374,085
Right of use assets	5,815	16,110	447	22,372
Intangible assets	17,070	12,803	-	29,873
Goodwill	1,621	-	-	1,621
Total assets	198,481	384,824	447	583,752
Total liabilities <sup>(1)</sup>	86,031	44,821	147,158	278,010
<b>As at December 31, 2020</b>				
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 <sup>(1)</sup>	67,446	63,430	163,490	294,366

<sup>(1)</sup> 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.



## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

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## 15 Commitments

The Company had the following commitments as at March 31, 2021:

	2021	2022	2023	2024	2025	Thereafter	Total
Operating leases <sup>(1)</sup>	669	764	552	536	412	37	2,970
Service contract <sup>(2)</sup>	3,199	4,380	3,021	-	-	-	10,600
Senior secured note interest <sup>(3)</sup>	759	759	-	-	-	-	1,518
Purchase commitments <sup>(4)</sup>	5,758	-	-	-	-	-	5,758
<b>Total</b>	<b>10,385</b>	<b>5,903</b>	<b>3,573</b>	<b>536</b>	<b>412</b>	<b>37</b>	<b>20,846</b>

<sup>(1)</sup> Operating leases include building and office space.

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

<sup>(3)</sup> 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 March 31, 2021 closing U.S. to Canadian foreign currency exchange rate. See Note 9.

<sup>(4)</sup> Purchase commitments include amounts related to manufacturing operations, the purchase of light-duty trucks and other committed capital expenditures.

## 16 Subsequent Events

### Supplemental credit facility

On May 4, 2021, the Company renewed its supplemental \$100.0 million credit facility with the same group of lenders as its existing syndicated revolving credit facility. The renewed supplemental credit facility has a term of one year, expiring on May 3, 2022. The facility is available for general corporate purposes, providing the Company with additional liquidity and financial flexibility should it be required. Key considerations of the facility, including financial covenants, are consistent with the Company's existing syndicated revolving credit facility, as disclosed in Note 9.