Badger Daylighting Ltd.

Consolidated Financial Statements

For the years ended December 31, 2019, and 2018

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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, 2019 and 2018, 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
March 11, 2020

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

As at	Notes	**December 31, 2019**	December 31, 2018
ASSETS			
Current Assets			
Cash and cash equivalents	19	**8,801**	48,303
Trade and other receivables	6	**182,168**	159,750
Prepaid expenses		**9,646**	6,244
Inventories		**8,256**	5,996
Income taxes receivable	12	**9,592**	4,805
		218,463	225,098
Non-current Assets			
Property, plant and equipment	9	**395,264**	363,580
Right-of-use assets	5,8	**23,217**	-
Intangible assets	10	**30,397**	13,591
Goodwill	10	**1,621**	1,621
		450,499	378,792
Total Assets		**668,962**	603,890
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	11	**67,357**	54,453
Lease liability	5,8	**5,709**	-
Share-based plan liability	16	**23,878**	21,401
Income taxes payable	12	**-**	4,164
Dividends payable	13	**1,659**	1,646
Current portion of long-term debt	14	**32,470**	-
		131,073	81,664
Non-current Liabilities			
Lease liability	5,8	**11,442**	-
Long-term debt	14	**64,940**	102,315
Borrowings under credit facility	14	**66,248**	-
Deferred income tax	12	**64,588**	53,409
		207,218	155,724
Shareholders' Equity			
Shareholders' capital	15	**79,009**	82,600
Contributed surplus		**548**	548
Accumulated other comprehensive income		**23,202**	37,350
Retained earnings		**227,912**	246,004
		330,671	366,502
Total Liabilities and Shareholders' Equity		**668,962**	603,890

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, 2020 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, **2019**	2018
Revenue	7	**654,282**	615,442
Direct costs		**453,264**	424,162
Gross profit		**201,018**	191,280
Depreciation and amortization	8,9,10	**63,524**	48,996
General and administrative		**42,572**	29,573
Share-based plans	16	**11,039**	10,321
Operating profit		**83,883**	102,390
Loss on sale of property, plant and equipment		**55**	740
Finance cost		**6,917**	4,892
Foreign exchange loss (gain)		**713**	(876)
Profit before income tax		**76,198**	97,634
Current income tax expense	12	**2,691**	12,779
Deferred income tax expense	12	**13,775**	17,038
Income tax expense		**16,466**	29,817
Net profit		**59,732**	67,817
Other comprehensive income:			
Foreign exchange differences on translation of foreign operations		**(19,053)**	26,450
Unrealized foreign exchange gain (loss) on net investment hedge	14	**4,905**	(8,227)
Other comprehensive (loss) income		**(14,148)**	18,223
Comprehensive income		**45,584**	86,040
Net profit per share			
Basic and diluted	18	**$1.67**	$1.83

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, 2018		82,724	548	19,127	216,095	318,494
Net profit		-	-	-	67,817	67,817
Other comprehensive income		-	-	18,223	-	18,223
Dividends		-	-	-	(19,232)	(19,232)
Shares issued on redemption of deferred share units	16	1,288	-	-	-	1,288
Shares repurchased and cancelled under normal course issuer bid	15	(1,412)	-	-	(18,676)	(20,088)
As at December 31, 2018		**82,600**	**548**	**37,350**	**246,004**	**366,502**
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 income		-	-	(14,148)	-	(14,148)
Dividends		-	-	-	(20,078)	(20,078)
Shares repurchased and cancelled under normal course issuer bid	15	(3,591)	-	-	(58,000)	(61,591)
As at December 31, 2019		**79,009**	**548**	**23,202**	**227,912**	**330,671**

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)

	Notes	For the years ended December 31, 2019	2018
Operating activities			
Net profit		**59,732**	67,817
Non-cash adjustments to reconcile net profit from operations to cash flow from operating activities before working capital and other adjustments:			
Depreciation and amortization		**63,524**	48,996
Deferred income tax expense		**13,775**	17,038
Loss on sale of property, plant and equipment		**55**	740
Finance cost		**6,917**	4,892
Current income tax expense		**2,691**	12,779
Share-based plans		**11,039**	10,321
Unrealized foreign exchange gain		**(44)**	(89)
Cash flow from operating activities before working capital and other adjustments		**157,689**	162,494
Change in non-cash working capital	19	**(23,618)**	(28,320)
Income taxes paid	12	**(17,002)**	(13,573)
Income taxes recovered	12	**5,426**	15,399
Interest paid on lease liabilities	8	**(527)**	-
Share-based plan paid	16	**(8,562)**	(1,618)
Cash flows from operating activities		**113,406**	134,382
Investing activities			
Purchase of property, plant and equipment	9	**(109,943)**	(89,187)
Upfront payments for right-of-use assets	8	**(4,913)**	-
Proceeds from sale of property, plant and equipment		**2,738**	1,867
Acquisition of Operating Partner	10	**(100)**	(174)
Additions to intangible asset	10	**(17,509)**	(5,369)
Change in non-cash working capital	19	**3,702**	(423)
Cash flows used in investing activities		**(126,025)**	(93,286)
Financing activities			
Borrowings under credit facility	14	**96,107**	-
Repayments on credit facility	14	**(28,950)**	-
Interest paid		**(6,523)**	(4,841)
Payment of lease liabilities	8	**(4,957)**	-
Dividends paid	13	**(20,065)**	(18,996)
Common shares repurchased under normal course issuer bid	15	**(61,591)**	(20,088)
Change in non-cash working capital	19	**354**	2,232
Cash flows used in financing activities		**(25,625)**	(41,693)
Effect of foreign exchange rate changes on cash		**(1,258)**	2,795
(Decrease) increase in cash and cash equivalents		**(39,502)**	2,198
Cash and cash equivalents, beginning of year		**48,303**	46,105
Cash and cash equivalents, end of year		**8,801**	48,303

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

1 Incorporation and operations

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

The consolidated financial statements of the Company for the years ended December 31, 2019 and December 31, 2018 were authorised for issue in accordance with a resolution of the Board of Directors ("Board") on March 11, 2020.

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.

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

Financial assets

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

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

- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

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

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

Financial liabilities

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

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

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

Fair value measurement

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

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

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

Q) Equity instruments

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

5 Standards adopted and changes in accounting policies

IFRS 16 – Leases

The International Accounting Standards Board issued IFRS 16 – *Leases*, supersedes the existing standard, IAS 17 – *Leases* and IFRIC 4 – *Determining whether an arrangement contains a lease*. The standard is effective for fiscal years beginning on or after January 1, 2019. Under IFRS 16, a lease exists when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees, generally all leases will require an asset and liability to be recognized on the statement of financial position at inception.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets of $14,846 and lease liabilities of $14,846 were recorded as at January 1, 2019, relating to property leases. The Company leases light-duty vehicles, however the full consideration of the underlying asset is paid at the inception of the lease, therefore no lease liability is required to be recognized. Right-of-use assets of $2,468 and lease liabilities of nil were recorded as of January 1, 2019, relating to the vehicle leases. The light-duty vehicle leases were reclassified from Property, Plant and Equipment to Right-of-use assets effective January 1, 2019. Retained earnings were adjusted by $254 to account for the variance between the historical lease expense for a single lease and the future lease liability. When measuring lease liabilities, the Company discounted lease payments using its weighted-average incremental borrowing rate of 3% at January 1, 2019.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. The practical expedient to account for any lease and associated non-lease components as a single arrangement and the use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease has been applied. Variable lease payments are not included in the measurement of the lease liability.

The following table reconciles the Company's operating lease obligations as at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 as at January 1, 2019.

Operating lease commitments as at December 31, 2018	14,230
Less: variable costs not included in lease obligation	(2,714)
Add: Extension options reasonably certain to be exercised	3,784
Impact of discounting	(454)
Lease obligations recognized as at January 1, 2019	**14,846**

Effective January 1, 2019, the Company adopted IFRS 16 with the accounting policy as follows:

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. This determination is made on a lease by lease basis and reviewed annually to ensure the determination incorporates current facts. In addition, the right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate and uses a single discount rate for a portfolio of leases with reasonably similar characteristics. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from changes in the Company's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company remeasures the lease liability when the lease term has changed by discounting the revised lease payments using a revised discount rate. When a lease contract is modified, it is accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease, the Company will remeasure the liability using the Company's incremental borrowing rate, with a corresponding adjustment to the right-of-use asset.

6 Trade and other receivables

As at	**December 31, 2019**	December 31, 2018
Trade receivables	**175,453**	158,860
Holdback receivables	**7,212**	2,014
Allowance for doubtful accounts	**(5,611)**	(6,896)
Total trade receivables	**177,054**	153,978
Accrued revenue and other receivables	**5,114**	5,772
Trade and other receivables	**182,168**	159,750

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

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

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

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

	Total	Current	31-60 days	61-90 days	91-120 days	Greater than 120 days
As at December 31, 2019						
Trade receivables	**175,453**	**89,561**	**38,044**	**10,378**	**10,299**	**27,171**
Holdback receivables	**7,212**	**1,636**	**1,175**	**422**	**552**	**3,427**
Allowance for doubtful accounts	**(5,611)**	**-**	**-**	**-**	**-**	**(5,611)**
	177,054	**91,197**	**39,219**	**10,800**	**10,851**	**24,987**
As at December 31, 2018						
Trade receivables	158,860	61,551	45,264	22,795	10,892	18,358
Holdback receivables	2,014	-	5	110	193	1,706
Allowance for doubtful accounts	(6,896)	(5,194)	(110)	-	(2)	(1,590)
	153,978	56,357	45,159	22,905	11,083	18,474

The changes in the allowance for doubtful account for the years ended December 31, 2019 and December 31, 2018 are as follows:

As at December 31, 2017	1,622
Additions to the allowance (bad debt expense)	10,796
Accounts written off (reduces allowance for doubtful accounts)	(4,448)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(1,298)
Exchange differences	224
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**

7 Revenue

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

	For the years ended December 31,	
	2019	2018
Hydrovac revenue – corporate	**606,433**	565,560
Hydrovac revenue – operating partners	**21,145**	21,646
Total hydrovac revenue	**627,578**	587,206
Other service revenue – corporate[1]	**25,709**	27,204
Other service revenue – operating partners[1]	**995**	1,032
Total other revenue	**26,704**	28,236
Total revenue	**654,282**	615,442

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

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, 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**

Lease liabilities

As at	December 31, 2019
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**
Current	5,709
Long-term	11,442

Contractual undiscounted cash flows

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

Amounts recognized in net profit

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

9 Property, plant and equipment

	Land, land improvements and buildings	Equipment under construction	Office equipment and other	Trucks and other vehicles	Total
Cost[1]					
As at December 31, 2017	28,600	11,941	5,293	508,154	553,988
Additions/transfers[2]	28	223	790	88,146	89,187
Other adjustments[3]	-	-	-	(1,838)	(1,838)
Disposals	(530)	-	(787)	(27,066)	(28,383)
Exchange differences	609	44	133	33,019	33,805
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[4]	-	-	-	(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**
Depreciation[1]					
As at December 31, 2017	8,092	-	2,780	235,066	245,938
Depreciation	840	-	645	47,511	48,996
Disposals	(82)	-	(519)	(25,175)	(25,776)
Exchange differences	74	-	64	13,883	14,021
As at December 31, 2018	8,924	-	2,970	271,285	283,179
Depreciation	1,213	-	627	55,343	57,183
Reclass capital leases[4]	-	-	-	(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**
Net book value					
As at December 31, 2018	19,783	12,208	2,459	329,130	363,580
As at December 31, 2019	**20,916**	**22,367**	**2,404**	**349,577**	**395,264**

(1) Prior period comparative figures have been restated to conform to the current year presentation.
(2) The net additions of equipment under construction are included in additions/transfers.
(3) Other adjustments relate to capitalized excise and sales tax upon implementing revised transfer prices on trucks sold from Canada to the U.S. for 2018.
(4) 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 5 and 8 for details.

10 Goodwill and intangible assets

	Intangible assets			
	Service rights	**ERP**	**Total**	**Goodwill**
Cost				
As at December 31, 2017	7,858	-	7,858	3,136
Additions	174	5,369	5,543	-
Exchange differences	-	190	190	-
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**
Amortization				
As at December 31, 2017	-	-	-	1,515
Amortization	-	-	-	-
As at December 31, 2018	-	-	-	1,515
Amortization	-	378	378	-
Exchange differences	-	(4)	(4)	-
As at December 31, 2019	**-**	**374**	**374**	**1,515**
Net book value				
As at December 31, 2018	8,032	5,559	13,591	1,621
As at December 31, 2019	**8,129**	**22,268**	**30,397**	**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 Central Canada, Eastern Canada and Central U.S. CGU's. Western United States, Eastern United States, Western Canada and Fieldtek CGUs have no goodwill or intangible assets allocated to them.

The Company performed the annual impairment tests of goodwill and service rights as at December 31, 2019. The recoverable amount of the Eastern Canada, Central Canada and Central 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% (2018 – 12.0%).

No impairment was recorded for the years ended December 31, 2019 or 2018.

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 Central Canada, Eastern Canada or Central U.S. CGU's:

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

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

As at	**December 31, 2019**		December 31, 2018	
	Intangible assets	**Goodwill**	Intangible assets	Goodwill
Central Canada	**5,379**	**-**	5,379	-
Eastern Canada	**2,653**	**1,621**	2,653	1,621
Central U.S.	**97**	**-**	-	-
Total	**8,129**	**1,621**	8,032	1,621

11 Trade and other payables

As at	**December 31, 2019**	December 31, 2018
Current		
Trade payables	**28,040**	25,129
Bonuses payable	**7,023**	10,801
Accrued expenses	**32,294**	18,523
Total trade and other payables	**67,357**	54,453

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

12 Income taxes

The provision for income taxes, including deferred income taxes, reflects an effective income tax rate that differs from the actual combined Canadian federal and provincial statutory rates of 26.6% (2018 - 26.8%). The Company's U.S. subsidiaries are subject to federal and state statutory tax rates of approximately 25.7% (2018 - 26.5%). The main differences are in the table below.

As at	**December 31, 2019**	December 31, 2018
Profit before tax	**76,198**	97,634
Income tax expense at the Canadian statutory rate	**20,269**	26,166
Increase (decrease) resulting from:		
Income tax rates in foreign jurisdictions	**(679)**	(312)
Income tax rate changes	**(1,382)**	-
Settlement of prior years' transfer pricing activities	**-**	1,621
Foreign exchange on settlement of intercompany balances related to prior years' transfer pricing activities	**-**	1,956
Income tax rate benefit of intercompany truck sales	**(21)**	(9)
True-up of prior period income taxes	**(1,703)**	(1,122)
Foreign exchange differences	**(25)**	671
Other items	**7**	846
Income tax expense	**16,466**	29,817

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

As at	**December 31, 2019**	December 31, 2018
Net deferred income tax liability		
Deferred income tax assets		
Share-based plan	**5,899**	5,774
Accrued liabilities	**1,453**	1,337
Lease liabilities	**4,295**	-
Salaries and wages	**2,013**	763
Total deferred tax asset	**13,660**	7,874
Deferred income tax liabilities		
Property, plant and equipment	**73,042**	59,416
Right-of-use assets	**4,217**	-
Intangible assets	**106**	(66)
Insurance	**-**	812
Prepaid expenses	**883**	1,121
Total deferred income tax liability	**78,248**	61,283
Net deferred income tax liability	**64,588**	53,409

Changes in the deferred tax assets and liabilities are recognized in profit and loss except for $2.0 million in foreign currency exchange rate differences that are recognized in other comprehensive income. A deferred income tax asset of $2.2 million (2018 - $2.6 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.

13 Dividends Payable

During the year ended December 31, 2019, the Company paid dividends of $20,065 (2018 - $18,996) or $0.5625 per common share (2018 - $0.512 per common share) and declared $1,659 in dividends (2018 - $1,646) or $0.0475 per common share (2018 - $0.045 per common share) to its shareholders of record at the close of business on December 31, 2019 that was paid on January 15, 2020.

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).

14 Debt

As at	**December 31, 2019**	December 31, 2018
Current portion of senior secured notes	**32,470**	-
Current debt	**32,470**	-
		-

As at	**December 31, 2019**	December 31, 2018
Borrowings under credit facility	**67,157**	-
Less: unamortized debt issuance costs	**(909)**	-
Net borrowings under credit facility	**66,248**	-
Senior secured notes	**64,940**	102,315
Total long-term debt	**131,188**	102,315

As at	**December 31, 2019**	December 31, 2018
Credit facility capacity	**300,000**	147,747
Less: borrowings under credit facility	**(67,157)**	-
Less: letters of credit	**(4,401)**	(3,856)
Available amount	**228,442**	143,891

Syndicated revolving credit facility

On September 30, 2019, the Company completed an increase and extension of its Credit Facility with a syndicate of five lenders. The updated Credit Facility, which is $300.0 million in aggregate Canadian dollars, 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 Credit Facility, which is a five-year term, matures on September 30, 2024. Badger has the flexibility to expand the Credit Facility, subject to approval by the lenders, by an additional $150.0 million Canadian dollars. Badger maintains the 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 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 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 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.

The 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 Credit Facility, support the U.S. insurance program and certain other performance bonds.

As at December 31, 2019, the Company had available $228.4 million (December 31, 2018 - $143.9 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Senior secured notes

On January 24, 2014 Badger closed a private placement of senior secured notes. The notes, which rank pari passu with the extendable revolving credit facility, have a principal amount of US$75.0 million, and an interest rate of 4.83% per annum and mature on January 24, 2022. Amortizing principal repayments of US$25.0 million are due under the notes on January 24, 2020, January 24, 2021 and January 24, 2022. Interest is paid semi-annually in arrears.

The senior secured notes are collateralized by a general security interest over the 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 2019, and as at December 31, 2019, the Company was in compliance with all of these covenants. As at December 31, 2019, the fair value of the senior secured notes was approximately US$75.7 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.

15 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, 2019, pursuant to its NCIB, the Company purchased and cancelled 1,579,154 common shares, at a weighted average price per share of $38.78. In addition, the Company purchased 10,000 common shares in the last two trading days of the year ended December 31, 2019 at a weighted average price per share of $35.35 which were settled and cancelled subsequent to December 31, 2019.

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

16 Share-based plans

A) Deferred Share Unit Plan

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

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

The liability for deferred units outstanding as at December 31, 2019 is $15.9 million (December 31, 2018 - $13.0 million). The fair value of deferred units exercisable as at December 31, 2019 is $13.0 million (December 31, 2018 - $10.7 million). Changes in the number of deferred units under the DSU Plan were as follows:

	Units
As at December 31, 2017	401,319
Granted	131,821
Dividends earned	8,470
Redeemed for cash	(27,427)
Redeemed for common shares	(40,825)
Forfeited	(5,838)
As at December 31, 2018	467,520
Granted	95,897
Dividends earned	7,225
Redeemed for cash	(38,918)
Redeemed for common shares	-
Forfeited	(17,433)
As at December 31, 2019	**514,291**
Exercisable as at December 31, 2019	**369,405**

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, 2019 is $8.0 million (December 31, 2018 - $8.4 million). The fair value of units exercisable at December 31, 2019 is $3.0 million (December 31, 2018 - $5.5 million). Changes in the number of PSUs under the PSU plan were as follows:

	Units
As at December 31, 2017	260,626
Granted	116,868
Redeemed	(56,043)
Forfeited	(4,090)
As at December 31, 2018	317,361
Granted	92,912
Redeemed	(141,203)
Forfeited	(774)
As at December 31, 2019	**268,296**
Exercisable as at December 31, 2019	**61,064**

17 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,	
	2019	2018
Wages, salaries and benefits	**301,793**	269,396
Repairs and maintenance	**43,244**	35,934
Fuel	**33,582**	32,965
Vehicle licence and insurance	**17,429**	15,594
Office expenses and property tax	**16,005**	13,970

18 Earnings per share

Basic earnings per share ("EPS")

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

	For the years ended December 31,	
	2019	2018
Net profit	**59,732**	67,817

	For the years ended December 31,	
	2019	2018
Weighted average number of common shares, basic	**35,825,820**	37,083,766

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,	
	2019	2018
Basic weighted average number of common shares	**35,825,820**	37,083,766
Effect of dilutive deferred share units	**-**	-
Weighted average number of common shares, diluted	**35,825,820**	37,083,766

	For the years ended December 31,	
	2019	2018
Basic and diluted earnings per share	**$1.67**	$1.83

19 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,	
	2019	2018
Operating activities		
Source (use) of cash:		
Trade and other receivables	**(26,763)**	(39,873)
Prepaid expenses	**(3,090)**	(1,054)
Inventories	**(2,355)**	(493)
Trade and other payables	**8,590**	13,100
Change in non-cash working capital	**(23,618)**	(28,320)
Investing activities		
Source (use) of cash:		
Trade and other payables[(1)]	**3,702**	(423)
Change in non-cash working capital	**3,702**	(423)
Financing activities		
Source of cash:		
Trade and other payables[(2)]	**354**	2,232
Change in non-cash working capital	**354**	2,232

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

(2) Non-cash working capital changes from trade and other payables relate to share repurchases under the normal course issuer bid for shares that have been repurchased but cash settled subsequent to December 31, 2019.

	For the years ended December 31,	
	2019	2018
Cash and cash equivalents:		
Cash	**8,801**	32,354
Cash equivalents	**-**	15,949
Total cash and cash equivalents	**8,801**	48,303

20 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, 2019 and 2018 based on these geographic/reportable segments.

For the years ended				December 31, 2019				December 31, 2018
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	**120,002**	**507,576**	**-**	**627,578**	124,218	462,988	-	587,206
Other revenue	**21,809**	**4,895**	**-**	**26,704**	25,307	2,929	-	28,236
Total revenue	**141,811**	**512,471**	**-**	**654,282**	149,525	465,917	-	615,442
Direct costs	**100,434**	**352,830**	**-**	**453,264**	108,626	315,536	-	424,162
Depreciation of property, plant and equipment	**18,009**	**45,417**	**98**	**63,524**	14,806	34,190	-	48,996
General and administrative[1]	**7,594**	**23,121**	**11,857**	**42,572**	5,811	15,764	7,998	29,573
Share-based plan[2]	**-**	**-**	**11,039**	**11,039**	-	-	10,321	10,321
Finance cost[3]	**268**	**249**	**6,400**	**6,917**	-	-	4,892	4,892
Other[4]	**459**	**309**	**-**	**768**	(300)	164	-	(136)
Profit (loss) before tax	**15,047**	**90,545**	**(29,394)**	**76,198**	20,582	100,263	(23,211)	97,634

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

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

(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.

21 Related party disclosure

There were no significant outstanding balances with related parties as at December 31, 2019 and December 31, 2018.

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, 2019**	December 31, 2018
Compensation, including bonuses	**4,258**	4,857
Share-based payments	**4,867**	3,972
Total	**9,125**	8,829

22 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**	**2019**	2018
Badger Daylighting (Fort McMurray) Inc.	Canada	**100%**	100%
Badger Edmonton Ltd.	Canada	**100%**	100%
Fieldtek Ltd.	Canada	**100%**	100%
Badger ULC	Canada	**100%**	100%
Badger Daylighting Limited Partnership	Canada	**100%**	100%
Badger Daylighting USA, Inc.	United States of America	**100%**	100%
Badger Daylighting Corp.	United States of America	**100%**	100%
Badger, LLC	United States of America	**100%**	100%

23 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, 2019**	December 31, 2018
Long-term debt	**64,940**	102,315
Current portion of long-term debt	**32,470**	-
Borrowings under credit facility	**67,157**	-
Lease liability	**11,442**	-
Current portion of lease liability	**5,709**	-
Total obligations	**181,718**	102,315
Add: issued letters of credit	**4,401**	3,856
Cash and cash equivalents	**(8,801)**	(48,303)
Net debt	**177,318**	57,868
Shareholders’ equity	**330,671**	366,502
Total capitalization	**507,989**	424,370
Net debt to total capitalization	**35%**	14%

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

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

Ratio[(1)(2)(3)(4)(5)]	**December 31, 2019**	**December 31, 2018**	**Threshold**
Total Debt to Compliance EBITDA Credit Facility	**1.2:1**	0.6:1	4.00:1 max
Total Debt to Compliance EBITDA Senior Secured Notes	**1.2:1**	0.6:1	2.75:1 max
Interest Coverage Ratio Credit Facility	**21.6:1**	30.9:1	3.00:1 min
Interest Coverage Ratio Senior Secured Notes	**21.2:1**	30.9:1	3.00:1 min
Tangible Net Worth	**$275.7 million**	$314.1 million	$199.0 million

(1) Total Debt to Compliance EBITDA Credit Facility as at December 31, 2019, calculated as $177.3 million in Total Debt divided by $149.1 million of Compliance EBITDA and for December 31, 2018, calculated as $96.2 million in Funded Debt divided by $151.5 million of Compliance EBITDA.

(2) Total Debt to Compliance EBITDA senior secured notes as at December 31, 2019, calculated as $177.3 million in Total Debt divided by $146.6 million of Compliance EBITDA and for December 31, 2018, calculated as $96.2 million in Funded Debt divided by $151.5 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, 2019, calculated as $149.1 million in Compliance EBITDA divided by $6.9 million in interest expense and for the twelve months ended December 31, 2018, calculated as $151.5 million in Compliance EBITDA divided by $4.9 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, 2019, calculated as $146.6 million in Compliance EBITDA divided by $6.9 million in interest expense and for the twelve months ended December 31, 2018, calculated as $151.5 million in Compliance EBITDA divided by $4.9 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 14.

Throughout 2019 and as at December 31, 2019 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.

24 Financial instruments and risk management

Fair values

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

Credit risk

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

Liquidity risk

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

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

At December 31, 2019, the Company had available $228.4 million of authorized borrowing capacity on the extendable 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, 2019, based on contractual undiscounted payments.

	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**

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

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, 2019**	December 31, 2018
Effect on earnings before income taxes	**(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, 2019**	December 31, 2018
Cash	**8,801**	30,935
Trade and other receivables	**134,594**	121,490
Income taxes receivable	**3,469**	-
Trade and other payables	**(38,497)**	(28,196)
Income taxes payable	**-**	(4,164)
Long-term debt	**(97,410)**	(102,315)

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, 2019**	December 31, 2018
Effect on earnings before income taxes	**1,163**	2,432
Effect on other comprehensive income	**742**	829

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

25 Commitments and contingencies

The Company had the following commitments as at December 31, 2019:

	2020	2021	2022	2023	2024	Thereafter	Total
Operating leases[1]	798	770	693	496	460	376	**3,593**
Service contract[2]	1,989	1,972	1,972	493	-	-	**6,426**
Senior secured note interest[3]	3,921	2,352	784	-	-	-	**7,057**
Purchase commitments[4]	32,253	-	-	-	-	-	**32,253**
Total	**38,961**	**5,094**	**3,449**	**989**	**460**	**376**	**49,329**

(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, 2019 closing U.S. to Canadian foreign currency exchange rate. See Note 14.
(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.