PRESS RELEASE **TSX-BAD**

FOR IMMEDIATE DISTRIBUTION **March 16, 2012**

BADGER DAYLIGHTING LTD. ANNOUNCES RESULTS FOR THE YEAR ENDED DECEMBER 31, 2011

Calgary, Alberta – Badger Daylighting Ltd. is pleased to announce its results for the year and three months ended December 31, 2011.

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements and related notes of Badger Daylighting Ltd. (the "Company" or "Badger") for the year ended December 31, 2011. The audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). Readers should also refer to the Annual Information Form for the year ended December 31, 2011, which along with further information relating to Badger may be found on SEDAR at *www.sedar.com*.

This MD&A has been prepared taking into consideration information available to March 15, 2012.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

MD&A should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this MD&A.
In particular, forward-looking information and statements include discussion concerning:

- Internal preparations for anticipated growth in 2012;
- That as long as the economy and the oil and natural gas industry remains relatively constant it will be able to continue to grow the business in 2012;
- That Badger in 2012 can further develop the organization to position Badger to be able to handle the future growth planned for the Company;
- That the new locations opened in the United States will provide an increased contribution to cash flows from operations and net profit during 2012;
- The business development initiative will provide Badger the additional new customers necessary to grow the business in 2012 and the future;
- That Eastern Canada will continue with stable growth depending on activity levels in the utility and construction segments which are forecast to be stable in 2012;;
- That there will be an increase in Western Canada revenue during 2012 due to various projects and spending in the oil and natural gas sector;
- That an increase in Company capital will be required to finance the anticipated capital expenditure program;
- That the extendable revolving credit facility will be renewed during 2012 for an additional 364-day period; and
- That the Company will be able to obtain additional financing for the anticipated 2012 capital expenditure program.

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

- Badger has the ability to achieve its internal revenue, net profit and cash flow forecasts for 2012;
- There will be long-term demand for hydrovac services from oil refineries, petro-chemical plants, power plants and other large industrial facilities throughout North America;
- Badger will maintain relationships with current customers and develop successful relationships with new customers;
- The Company will collect customer obligations in a timely manner; and
- Badger will execute its growth strategies.

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

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

NON-IFRS FINANCIAL MEASURES

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

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

"EBITDA" is earnings before interest, taxes, depreciation and amortization and is a measure of the Company's operating profitability and is therefore useful to management and investors. EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, assets are amortized or how the results are taxed in various jurisdictions. EBITDA is calculated from the Consolidated Statement of Comprehensive Income as gross profit less selling, general and administrative costs. It is calculated as follows:

	Three months ended December 31,		Year ended December 31,	
$	2011	2010	2011	2010
Gross profit	20,199,195	13,068,010	64,779,472	47,207,139
Selling, general and administrative	(3,912,611)	(4,271,801)	(11,974,119)	(12,571,517)
EBITDA	16,286,584	8,796,209	52,805,353	34,635,622

"Funded debt" is a measure of Badger's long-term debt position. Funded debt is long-term debt.

"Funds generated from operations" is used to assist management and investors in analyzing operating performance and leverage. It is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net profit or other measures of financial performance calculated in accordance with IFRS. Funds generated from operations are derived from the Consolidated Statement of Cash Flows and are calculated as follows:

	Three months ended December 31,		Year ended December 31,	
$	2011	2010	2011	2010
Cash provided by operating activities	15,437,743	5,862,751	33,469,398	26,104,861
Add (deduct):				
Net change in non-cash working capital relating to operating activities	(1,714,802)	3,951,438	10,313,247	7,566,292
Equity-settled share plan settled in cash	0	0	2,191,648	0
Funds generated from operations	13,722,941	9,814,189	45,974,293	33,671,153

"Growth capital expenditures" are capital expenditures that are intended to improve Badger's efficiency, productivity or overall capacity and thereby allow Badger to access new markets. They generally represent any net additions to the daylighting fleet. Growth capital expenditures exclude acquisitions made during the period.

"Maintenance capital expenditures" are any amounts incurred during a reporting period to keep the Company's daylighting fleet at the same number of units, plus any other capital expenditures required to maintain the capacities of the existing business. They also include any costs incurred to extend the operational life of a daylighting unit. This amount will fluctuate from period-to-period depending on the number of units retired from the fleet.

"Net debt" is funded debt less cash and cash equivalents.

Cash available for growth and distribution/dividends, EBITDA, funded debt, funds generated from operations, growth capital expenditures, maintenance capital expenditures and net debt throughout this document have the meanings set out above.

FINANCIAL HIGHLIGHTS

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

	Three months ended December 31, 2011	Three months ended December 31, 2010	Year ended December 31, 2011	Year ended December 31, 2010
Revenues	56,549	41,175	194,178	139,611
EBITDA	16,287	8,796	52,805	34,636
Profit before tax	11,925	5,558	35,813	20,925
Income tax expense				
Current	2,019	(125)	5,158	461
Deferred	1,201	14	4,852	831
Net profit	8,705	5,669	25,803	19,633
Profit per share – diluted ($)	0.80	0.52	2.38	1.81
Funds generated from operations	13,723	9,814	45,974	33,671
Funds generated from operations per share – diluted ($)	1.27	0.91	4.24	3.11
Maintenance capital expenditures	1,135	6,556	2,037	14,133
Required long-term debt repayments	-	81	3,259	324
Cash available for growth and distribution/dividends	12,553	3,152	40,810	20,015
Dividends declared	2,757	3,405	11,030	13,619
Growth capital expenditures	11,307	1,930	35,194	2,953
Total shares outstanding (end of year)	10,813,631	10,813,631	10,813,631	10,813,631

OVERVIEW

Highlights for the year ended December 31, 2011 are as follows:

- Revenues increased by 39 percent to $194.2 million in 2011 from $139.6 million in 2010, while EBITDA increased by 52 percent to $52.8 million in 2011 from $34.6 million in 2010.
- Cash available for growth and distributions/dividends increased by 104 percent to $40.8 million in 2011 from $20.0 million in 2010, due to increased funds generated from operations and a reduction in maintenance capital expenditures.
- Net debt increased to $43.9 million at December 31, 2011 from $28.8 million at December 31, 2010.
- The Company renewed its extendable revolving credit facility in June 2011, increasing the maximum principal from $40 million to $60 million.
- The Company added 97 new hydrovac units and removed five from service, exiting the year with 504 hydrovac units. Of the total, 245 units were operating in Canada and 259 in the United States

at year-end. They were financed from cash generated from operations and existing credit facilities.

- On January 26, 2011 Badger signed an agreement to be acquired by Clean Harbors, Inc. ("Clean Harbors"). If approved, Clean Harbors would have acquired 100 percent of Badger's outstanding common shares. The vote by shareholders and optionholders did not receive the number of votes required to approve the transaction and, therefore, the transaction was not completed. As a result, pursuant to the terms of the settlement agreement, Badger paid Clean Harbors $1.1 million.

Selected Annual Financial Information

($)	*Year ended December 31,*		
	2011	**2010**	**Previous Canadian GAAP 2009**
Revenues	194,178,089	139,610,783	134,970,474
Net profit	25,803,156	19,633,096	19,653,128
Net profit per share – basic	2.39	1.82	1.82
Net profit per share – diluted	2.38	1.81	1.82
Total assets (end of year)	183,866,809	151,196,167	137,864,137
Total long-term debt (1) (end of year)	46,554,454	40,671,395	32,284,264
Distributions/dividends declared	11,029,907	13,618,878	13,614,197

(1) Includes the current portion of long-term debt.

CORPORATE CONVERSION

On June 29, 2010, unitholders of the Badger Income Fund (the "Fund") voted in favour of converting the Fund into a corporation, pursuant to a statutory plan of arrangement (the "Conversion") involving, among others, the Fund, Badger, and the securityholders of the Fund. The Conversion was completed on December 31, 2010.

The Conversion was accounted for as a continuity of interests of the Fund since there was no change of control and since Badger continues to operate the business of the Fund. Accordingly, this MD&A and accompanying consolidated financial statements reflect Badger as a corporation at December 31, 2010 and as Badger Income Fund prior thereto. All references to "shares" refer collectively to Badger's common shares on and subsequent to December 31, 2010 and to Fund units prior to the Conversion. All references to "shareholders" refer collectively to holders of Badger's shares on and subsequent to December 31, 2010 and the Fund unitholders prior to the Conversion. References to "stock-based compensation" should be read as references to "unit-based compensation" for all periods prior to December 31, 2010.

As a result of the conversion, unitholders of the Fund received one common share of Badger for one unit of the Fund. The trust structure of Badger was reorganized into a publicly listed corporation, which became the owner of all issued and outstanding Fund units. Badger also now holds all the assets and liabilities previously held, directly or indirectly, by the Fund.

ACQUISITION OF BADGER BY CLEAN HARBORS, INC.

On January 26, 2011 Badger signed an agreement to be acquired by Clean Harbors. Under the agreement Clean Harbors was to acquire 100 percent of Badger's outstanding common shares for cash consideration of $20.50 per share (the "Transaction"). The Transaction was conditional on the approval of not less than 66 2/3 percent of votes cast by the shareholders and optionholders of Badger. Badger held a meeting to consider the transaction on April 26, 2011. The vote by shareholders and optionholders did not receive the number of votes required to approve the Transaction and, accordingly, the Transaction was not completed. As a result, pursuant to the agreement, Badger paid Clean Harbors $1.1 million.

OUTLOOK

The past year was a very good one for Badger, with the Company achieving excellent financial results and growth, both in the United States and Canada thanks to the efforts of the employees. At the end of 2011 Badger had more units in the United States than in Canada, which had been a goal for the Company. Adding net 92 hydrovac trucks to the fleet in 2011 created two main priorities for 2012. The first is to ensure enough work is generated to keep these additional trucks utilized while also finding work for the additional units planned for 2012. The second is to further develop the organization to efficiently and effectively handle the Company's planned future growth. Badger believes that if the economy and the oil and natural gas industry remain similar to where they are today, the Company will be well-positioned to sustain a good level of growth in 2012.

Major initiatives in 2012 are as follows:

1. Greatly increase the investment in growing Badger's business development capability by creating a powerful network of business development professionals. Recently Badger appointed a Director – Corporate Business Development who has been given this mandate and reports to the President and CEO. It is believed this initiative will provide Badger with the additional new customers necessary to grow the business in 2012 and beyond.

2. Add several new locations in areas of good future potential, which is necessary for future growth. It is believed this investment will begin to be repaid by late 2012.

3. Further develop the organization to handle the recent and future growth. In the fall of 2011 Badger announced the appointment of John Kelly as Vice President – USA Operations. Mr. Kelly's primary task is to build the United States organization into one that is capable of making Badger's United States business twice as big as the Canadian business within five years. This is a critical task which, if accomplished, will allow Badger to execute its aggressive growth plans.

4. Streamline Badger's administration system through the use of electronic forms and similar means to enable electronic data transfer from the field and to Badger's customers. The primary objective is to allow Badger personnel to spend less time handling paper and more time on value-added activities.

5. Continue Badger's build rate at approximately two trucks per week as long as the organization can develop the work required to utilize the net new trucks. In 2012 Badger expects to retire 10 to 15 trucks.

Additional growth trucks will be financed through a combination of cash flow from operations and Badger's revolving credit facility.

Regional outlook:

1. The United States East continues to hold the biggest potential for Badger to grow its utility business. In 2012 Badger will add more locations and more people to try to develop additional customers to diversify its revenue base. Business in the United States East is still too dependent on large projects, which can cause significant swings in regional revenue.

2. The United States West also has lots of growth potential for Badger. The focus in 2012 is to further develop existing locations where there is good growth potential and to add a few more locations.

3. In Canada East, Badger's business is mostly concentrated in the utility and construction segments in the larger population areas of Ontario. Growth is somewhat dependent on activity levels in these sectors, which is forecast to be stable in 2012.

4. Badger's Canada West business continues to grow with good economic levels plus activity in the oil and natural gas industry. Badger is forecasting continued growth in this region due to continued strong demand for its services.

Two-thousand-eleven was a great year for Badger but it has been put behind us months ago. The Company's focus, as always, is to continuously spend time on activities that will allow it to strengthen the organization for the year-ahead plus longer-term growth and continued prosperity. The goal is to remain flexible enough to take advantage of opportunities for additional growth and also be able to adjust the business to handle any slowdowns that may occur. Badger believes that as long as the economy remains relatively constant it will be able to continue to grow the business in 2012.

OVERALL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2011 COMPARED TO THE YEAR ENDED DECEMBER 31, 2010

Results of Operations

Revenues

Revenues were $194.1 million for the year ended December 31, 2011 compared to $139.6 million for the year ended December 31, 2010. The increase is attributable to the following:

- Canadian revenues increased by 34 percent from $82.9 million in 2010 to $111.0 million in 2011. Western Canada hydrovac revenue increased by 39 percent due to an increase in demand for hydrovac services in various areas generated by increased activity in the oil and natural gas industry. Eastern Canada revenue increased by 23 percent year-over-year due a general increase in activity; and

- United States revenue went from $56.7 million in 2010 to $83.2 million in 2011. Removing the effect of foreign exchange rate changes, revenues increased by 53 percent year-over-year. The increase is due to more work in the United States West and East generated by increased activity in the oil and natural gas industry plus increased activity in large projects.

Badger's average revenue per truck per month was $32,500 for 2011 versus $25,500 for 2010. The increase is due to revenue growth and increased utilization.

Direct Costs

Direct costs for 2011 were $129.4 million compared to $92.4 million for 2010. The increase of 40 percent is slightly greater than the revenue growth of 39 percent due to lower than anticipated revenues being generated from a number of the newer United States corporate locations, which continue to incur costs as they work to increase their customer base and build revenue.

Gross Profit

The gross profit percentage was 33.4 percent for 2011, a slight decrease from the 33.8 percent generated in 2010. The Canadian gross profit percentage increased from 36.0 percent for 2010 to 38.7 percent for 2011 as a result of being able to leverage off the increased revenues. United States gross profit decreased from 30.6 percent in 2010 to 26.2 percent in 2011 due to a significant increase in the number of corporate locations in 2010 and 2011, many of which are not yet generating their targeted amount of revenue as they work to increase their customer base.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $14.6 million in 2011 or $2.0 million higher than the $12.6 million incurred in 2010 due to the increased number of hydrovac units in the fleet.

Finance Cost

Finance cost was $1.2 million in 2011 versus $1.0 million in 2010. The higher financing cost was due to having higher average debt year-over-year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 4.8 percent to $12.0 million in 2011 from $12.6 million in 2010. The main reason for the decrease was the reduction in non-cash share-based expense, which went from $1.1 million in 2010 to $0.3 million in 2011. As a percentage of revenues, selling, general and administrative expenses were 6.2 percent in 2011 versus 9.0 percent in 2010.

Income Taxes

The effective tax rate was 28 percent for 2011, a significant increase from the effective tax rate of 6 percent for 2010. The main reason for the increase was the conversion to a corporate structure on December 31, 2010, as discussed above. As a trust, the distributions made to unitholders were tax-deductible.

Exchange Differences on Translation of Foreign Operations

The exchange rate differences result from converting the balance sheet and profit statement of the United States operations into Canadian currency.

Liquidity and Distributions/Dividends

Funds generated from operations increased to $46.0 million in 2011 from $33.7 million in 2010 due primarily to increased revenues and revenue leverage as costs increased by a lesser amount than revenues. The Company uses its cash to pay dividends to shareholders, build additional hydrovac units, invest in maintenance capital expenditures and repay long-term debt.

The Company had working capital of $39.7 million at December 31, 2011, a modest increase from the $38.1 million at December 31, 2010.

The following table outlines the cash available to fund growth and pay distributions/dividends to unitholders/shareholders in 2011 compared to 2010:

($)	Year ended December 31, 2011	Year ended December 31, 2010
Funds generated from operations	45,974,293	33,671,153
Add: proceeds from sale of property, plant and equipment	131,867	801,287
Deduct: required repayments of long-term debt	(3,258,554)	(323,771)
Deduct: maintenance capital expenditures	(2,037,325)	(14,133,530)
Cash available for growth capital expenditures and distributions/dividends	40,810,281	20,015,139
Growth capital expenditures	35,193,970	2,952,824
Distributions/dividends declared	11,029,907	13,618,878

In determining cash available for distributions/dividends the Company excludes non-cash working capital changes for the year as well as growth capital expenditures. Changes in non-cash working capital items have been excluded so as to remove the effects of timing differences in cash receipts and disbursements, which generally reverse themselves and can vary significantly between fiscal periods. Growth capital expenditures have been excluded so as to include only the maintenance capital expenditures required for the sustainability of the existing asset base.

The following table outlines the excess of cash provided by operating activities and net profit over distributions/dividends declared during the years ended December 31, 2011 and 2010:

($)	Year ended December 31, 2011	Year ended December 31, 2010
Cash provided by operating activities	33,469,398	26,104,861
Net profit	25,803,156	19,633,096
Distributions/dividends declared	11,029,907	13,618,878
Excess of cash provided by operating activities over distributions/dividends declared	22,439,491	12,485,983
Excess of net profit over distributions/dividends declared	14,773,249	6,014,218

Badger Income Fund had made regular monthly cash distributions to unitholders. After the conversion to a corporate structure the Company commenced remitting monthly dividends. These cash dividends may be reduced, increased or suspended by the Board of Directors depending on the operations of Badger and the performance of its assets. The actual cash flow available for dividends to shareholders of Badger is a function of numerous factors, including: the Company's financial performance; debt covenants and obligations; working capital requirements; maintenance and growth capital expenditure requirements for the purchase of property, plant and equipment; and the number of shares outstanding.

The Company maintains a strong balance sheet. The debt management strategy includes retaining sufficient funds from available distributable cash to finance maintenance capital expenditures as well as working capital needs. Growth capital expenditures will generally be financed through existing debt facilities or cash retained from operating activities. The majority of the cash provided by operating activities during 2011 and 2010 was used to finance maintenance and growth capital expenditures and to pay distributions/dividends to unitholders/shareholders.

If maintenance capital expenditures increase in future periods, the Company's cash available for growth capital expenditures and dividends will be negatively affected. Due to Badger's growth rate in recent years, the majority of the hydrovac units are relatively new, with an average age of approximately five years. As a result, Badger is currently experiencing relatively low levels of maintenance capital expenditures. Over time, Badger would expect to incur annual maintenance capital expenditures in an amount that approximates the year's depreciation expense. Badger estimates it will remove approximately 10 to 15 hydrovac units from the fleet in 2012. Badger expects that cash provided by operations and cash available for growth capital expenditures and dividends will be sufficient to fund the maintenance capital expenditures in the future.

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

Capital Resources

Investing

In 2011 the Company spent $37.2 million on property, plant and equipment compared to $17.1 million in 2010. During 2010 the Company's capital program consisted of the addition of 22 new hydrovac units, $4.2 million spent on the construction of new operational facilities and the acquisition of a facility for $0.7 million, compared to a capital program of 97 new hydrovac units built in 2011 and $1.2 million spent on the construction of new operational facilities. The costs to build a hydrovac unit decreased by approximately 10 percent from 2010 to 2011, mainly due to the increased build rate resulting in fixed overhead costs being allocated to more units and a lower-than-expected average chassis cost due to the purchase of a group of chassis from a dealer who had them in stock from cancelled orders.

Maintenance capital expenditures are incurred during a period to keep the hydrovac fleet at the same number of units plus any other capital expenditures required to maintain the business. This amount will fluctuate from period-to-period depending on the number of units retired from the fleet. During the year ended December 31, 2011 Badger added 97 units to the fleet, of which five have been reflected as maintenance capital expenditures. Total maintenance capital expenditures for the year were $2.0 million.

Financing

In June 2011 the Company's extendable revolving credit facility was renewed. The principal was increased from $40 million to $60 million. The facility will continue to help finance Badger's capital expenditure program and support corporate activities. The facility has no required principal repayments. It expires on June 24, 2012 and is renewable at Badger's option for an additional 364-day period. If not renewed, interest is payable on the facility for 364 days, after which the entire amount must be repaid. The facility bears interest at the bank's prime rate or bankers' acceptance rate plus 1.25 percent plus 0 to 0.75 percent depending on Badger's ratio of funded-debt-to-EBITDA.

The Company's net debt increased by 53 percent during 2011. As at December 31, 2011 Badger's cash and cash equivalents were $2.6 million resulting in net debt of $43.9 million versus net debt of $28.8 million at December 31, 2010. The main reason for the increase was the capital expenditures incurred during 2011.

At December 31, 2011 the Company had a long-term debt-to-equity ratio of 0.52:1 and a long-term debt-to-trailing-funds-generated-from-operations ratio of 1.01:1. Management believes that the Company's healthy balance sheet combined with funds generated from operations will provide some of the capital to fund ongoing operations, pay dividends to shareholders, finance future capital expenditures and execute its strategic plan for the foreseeable future. Based on the expected capital required to fund the anticipated 2012 capital expenditure program, additional financing may be required. This could comprise additional debt, equity or a combination thereof. Currently the Company has a $60 million extendable, revolving facility to fund working capital requirements and finance capital expenditures, of which $46.6 million was used at December 31, 2011. The Company also had a cash and cash equivalents balance of $2.6 million at December 31, 2011. The Company's practice is to utilize an appropriate mix of debt and equity to finance its maintenance capital expenditures and growth initiatives.

Badger is in compliance with all financial covenants under the credit facility agreement. Financial performance relative to the financial ratio covenants under the extendable revolving credit facility is reflected in the table below:

Ratio	**December 31, 2011**	December 31, 2010	Threshold
Funded Debt(1) to EBITDA(2)	**0.85:1**	0.83:1	2.25:1 maximum
Fixed Charge Coverage(3)	**2.11:1**	1.91:1	1.00:1 minimum

1 Funded debt is long-term debt less cash and cash equivalents.

2 Funded debt to EBITDA means the ratio of consolidated funded debt to the aggregated EBITDA for the trailing 12 months. EBITDA is defined as the Company's actual EBITDA for the trailing 12 months.

3 Fixed charge coverage ratio means the trailing 12-month EBITDA less unfinanced capital expenditures and cash taxes, plus the unused portion of the extendable revolving credit facility, to the sum of the aggregate of scheduled long-term debt principal payments, interest and distributions/dividends.

Contractual Obligations and Committed Capital Investment

The Company intends to meet its contractual obligations through funds generated by operating activities. The Company's contractual obligations for the next five years relating to repayment of long-term debt (assuming the extendable revolving credit facility is not renewed on June 24, 2012) and lease payments for shop and office premises are as follows:

($000s)	Total	2012	2013-2016	Thereafter
Long-term debt	46,554	-	46,554	-
Shop and office leases	2,047	923	1,124	-
Total contractual obligations	48,601	923	47,678	-

In addition to the contractual obligations above, at year-end 2011 the Company had committed to certain capital expenditures totalling approximately $9.1 million. These will be financed with existing credit facilities and funds generated from operations. There are no set terms for remitting payment for these financial commitments.

SHARE CAPITAL

There was no change to shareholders' capital during 2011. Shares outstanding at December 31, 2011 were 10,813,631. There was no change to the balance as of March 15, 2012.

OFF-BALANCE-SHEET ARRANGEMENTS

At December 31, 2011 and 2010, the Company had no off-balance-sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Shea Nerland Calnan LLP provides legal services to Badger at market rates. David Calnan, a Director and the Corporate Secretary of the Company, is a partner in this law firm and is involved in providing and managing Badger's legal services. The total cost of these legal services in 2011 was $356,000 compared to $240,000 in 2010.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Quarter Ended							
	2011				2010			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues ($)	56,548,569	53,853,710	42,804,832	40,970,978	41,175,494	38,727,159	29,374,171	30,333,959
Net profit ($)	8,704,497	8,152,566	4,564,267	4,381,826	5,668,694	6,371,129	3,284,227	4,309,046
Net profit per share – basic ($)	0.80	0.75	0.42	0.41	0.52	0.59	0.30	0.40
Net profit per share – diluted ($)	0.80	0.75	0.42	0.40	0.52	0.59	0.30	0.40

FOURTH QUARTER HIGHLIGHTS

- As a result of increased activity in Canada and the United States, revenue increased to $56.5 million in the three months ended December 31, 2011 from $41.2 million in the three months ended December 31, 2010. Canadian revenues increased by 26 percent, due to a general increase in demand for hydrovac services in various areas as a result of higher oil prices, increased plant work, as well as a general increase in activity in Eastern Canada. Badger's United States revenue increased to $25.4 million from $16.4 million quarter-over-quarter. Removing the effect of the change in the foreign exchange rate, United States revenues increased by 54 percent in the fourth quarter of 2011 over the last quarter of 2010. This was due to more work in the United States West driven by increased activity in new locations plus the oil and natural gas industry as well as increased activity in the United States East.

- With the increase in revenues, profit before tax increased by 115 percent in the fourth quarter of 2011 over the same period in 2010.
- Average revenue per truck per month was $35,600 in the fourth quarter of 2011 compared to $30,800 per month for the same period in 2010. The increase is due to the increase in revenues and utilization.

- The Company added 29 hydrovac units to the fleet and removed three from service.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Badger prepared its December 31, 2011 annual consolidated financial statements in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards. The adoption of IFRS did not have a material impact on Badger's operations, strategic decisions, or internal controls.

Badger's IFRS accounting policies are provided in Note 4 to the December 31, 2011 consolidated financial statements. In addition, Note 27 to the December 31, 2011 consolidated financial statements presents reconciliations between the Company's 2010 results under previous Canadian Generally Accepted Accounting Principles (GAAP) and IFRS, and an explanation of how the transition from Canadian GAAP to IFRS affected the Company's financial position, financial performance and cash flows.

Impact of conversion

The table below summarizes the Company's impact of conversion to IFRS on shareholders' equity as at January 1, 2010.

	Total assets	Total liabilities	Shareholders' equity
	$	$	$
Canadian GAAP	137,864,137	64,970,797	72,893,340
IFRS adjustments:			
Property, plant and equipment – foreign exchange	(1,857,968)		(1,857,968)
Share-based payments		2,789,638	(2,789,638)
Deferred tax		680,000	(680,000)
	(1,857,968)	3,469,638	(5,327,606)
IFRS	136,006,169	68,440,435	67,565,734

Changes in Accounting Policies

The International Accounting Standard Board (IASB) may issue new accounting standards. Badger's analysis and estimates of changes and policy decisions described below were made based on current accounting standards effective at the time of transition.

Set out below are the key areas where the adoption of IFRS affected the Company's consolidated financial statements.

IFRS 1

IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be recognized directly in retained earnings. IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards.

The Company has chosen to apply the following optional exemptions:

Area affected	**Impact of applying exemption**
Business combinations	The Company did not apply IFRS 3 – Business Combinations to past business combinations that occurred before the transition date.
Share-based payments	The Company did not apply IFRS 2 – Share-Based Payment to share-based payment transactions that had vested at the transition date.
Foreign exchange	The Company reclassified transition date cumulative translation gains and losses from accumulated other comprehensive income to retained earnings and applied the requirements of International Accounting Standard (IAS) 21 – The Effects of Changes in Exchange Rates prospectively from that date.
Borrowing costs	The Company applied the requirements of IAS 23 – Borrowing Costs prospectively from the transition date.
Arrangements containing a lease	The Company will apply the requirements of International Financial Reporting Interpretations Committee (IFRIC) 4 – Determining Whether an Arrangement Contains a Lease prospectively from the transition date.

Share-based payments

Under Canadian GAAP, the Company's stock option awards granted to employees were classified as equity-settled share-based awards and the fair value of the options was determined at the grant date and recognized on a straight-line basis over the employment period necessary to vest the award.

Under IFRS, the stock option awards are classified as cash-settled share-based awards. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value measurement at each reporting period. Each grant is accounted for on that basis.

> ***Impact:*** The Company has adjusted its expense for share-based payment awards to reflect the difference in recognition and reclassified the related liability from contributed surplus to non-current liabilities – provisions.

Deferred tax

Under Canadian GAAP, the distributions to unitholders of Badger Income Fund were a tax-deductible item. However, under IFRS, the distributions to unitholders are not a tax-deductible item.

> ***Impact:*** As the distributions are not tax-deductible under IFRS, a higher tax rate must be applied to the December 31, 2009 temporary differences. This has resulted in an increase in the Company's deferred tax liability at January 1, 2010.

Property, plant and equipment (PP&E)

Canadian GAAP requires the Company to break down its assets into significant components only when practicable. Under IAS 16 – Property, Plant and Equipment, the Company is required to allocate the amount initially recognized in respect of an item of PP&E to its significant components and depreciate each separately. Where a significant component has a useful life and depreciation method that is the same as the useful life and depreciation method of another significant component of the same item of PP&E, such components may be grouped in determining the depreciation charge.

> ***Impact:*** The Company has performed a detailed analysis which identified the significant components and useful lives of the material items of PP&E. This analysis determined that the useful lives of each significant component of an item of PP&E did not differ materially from the useful lives of other significant components of the same item. The Company has determined that the components requirement of IAS 16 will not have a material impact on its financial statements.

Impairment of non-financial assets

Canadian GAAP impairment testing involves two steps, the first of which compares the asset's carrying value with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the impairment and the carrying value is written down to estimated fair value.

PP&E and intangibles, including goodwill, are tested for impairment in accordance with IAS 36 – Impairment of Assets. IAS 36 requires that assets, other than goodwill and indefinite-life intangibles, be subjected to an impairment test if there are indicators of impairment. For goodwill and indefinite-life intangibles, IAS 36 requires that the Company perform impairment tests annually.

Under IFRS an asset is impaired when the recoverable amount is less than the carrying amount. If there is any indication an asset is impaired, the recoverable amount should be estimated. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable and willing parties. The value in use is the present value of the future cash flows (i.e., discounted cash flows) expected to be derived from an asset.

If it is not possible to estimate the recoverable amount for the individual asset other than goodwill, the Company must determine the recoverable amount for the cash-generating unit (CGU) to which that asset can be allocated. A CGU is the smallest group of assets that generates cash inflows largely independent of other assets or groups of assets. Management is therefore required to determine all of the Company's CGUs.

Impairment will be recognized more frequently under IFRS as Canadian GAAP does not require the discounting of cash flows when assessing the recoverability of an asset's carrying value. However, IAS 36 requires the reversal of an impairment loss for an asset, other than goodwill, when there is an indication that circumstances have changed and that the impairment loss no longer exists or has decreased. This is not allowed under Canadian GAAP.

> ***Impact:*** The Company, through an analysis of its operations, has identified the appropriate CGUs. The CGUs identified are not expected to have an impact on the Company's processes and controls. The Company has conducted an IFRS transition date goodwill test and has not recognized any impairment upon transition to IFRS.

ACCOUNTING STANDARDS PENDING ADOPTION

All accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS. New IFRS pronouncements have been issued but are not in effect as at December 31, 2011. The pronouncements, however, may have a future impact on the measurement and/or presentation of the Company's financial statements. The pronouncements are as follows:

i) IFRS 9 – Financial Instruments was issued in November 2009 as the first step to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2015, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is assessing the impact of this standard.

ii) IFRS 10 – Consolidated Financial Statements was issued in May 2011 and will supersede the consolidation requirements in SIC-12 – Consolidation – Special Purpose Entities and IAS 27 – Consolidated and Separate Financial Statements effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is assessing the impact of this standard.

iii) IFRS 11 – Joint Arrangements was issued in May 2011 and will supersede IAS 31 – Joint Ventures effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Company is assessing the impact of this standard.

iv) IFRS 12, -- Disclosure of Interests in Other Entities was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is assessing the impact of this standard.

v) IFRS 13 – Fair Value Measurement was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosure about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is assessing the impact of this standard.

CRITICAL ACCOUNTING ESTIMATES

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

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

Depreciation of the hydrovac units

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

Tax pools and their recoverability

Badger has estimated its tax pools for the income tax provision. The actual tax pools the Company may be able to use could be materially different in the future.

Intangible assets

Intangible assets consist of service rights acquired from Badger's operating partners, customer relationships, trade name and non-compete agreements. The initial valuation of intangibles at the closing date of any acquisition requires judgement and estimates by management with respect to identification, valuation and determining the expected periods of benefit. Valuations are based on discounted expected future cash flows and other financial tools and models and are amortized over their expected periods of benefit or not amortized if it is determined the intangible asset has an indefinite life. Intangible assets are reviewed annually with respect to their useful lives or more frequently if events or changes in circumstances indicate that the assets might be impaired. Impairment exists when the carrying amount of the intangible asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the projections for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance. When an impairment loss subsequently reverses, the carrying amount of the intangible asset is increased to the revised estimate of the recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized.

Goodwill

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

Impairment of long-lived assets

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

Collectibility of trade and other receivables

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

Share-based compensation

Compensation expense associated with stock/unit options at grant date is an estimate based on various assumptions such as volatility, annual dividend yield, risk-free interest rate and expected life. Badger uses the Black-Scholes methodology to produce an estimate of the fair value of such compensation.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

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

Credit risk

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

Liquidity risk

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

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

At December 31, 2011, the Company had available $13.4 million of authorized borrowing capacity on the extendable revolving facility and $2.6 million of cash and cash equivalents. The credit facility has no required principal repayment. The credit facility expires June 24, 2012 and is renewable at the Company's option for an additional 364-day period. If not renewed, interest is payable on the facility for 364 days after which the entire amount is to be repaid. The Company believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

Market risk

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

Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense on its long-term debt. Interest is calculated at prime. The prime interest rate is subject to change. A sensitivity analysis would indicate that net profit for the year ended December 31, 2011 would have been affected by approximately $0.3 million if the average interest rate changed by 1 percentage point. The Company does not use interest rate hedges or fixed interest rate contracts to manage its exposure to interest rate fluctuations.

Foreign exchange risk

The Company has United States operations and its Canadian operations purchase certain products in United States dollars. 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. A sensitivity analysis would indicate that a 10 percent strengthening in the Canadian dollar against the United States dollar would decrease profit before tax by approximately $1.0 million, while a 10 percent weakening of the Canadian dollar against the United States dollar would increase profit before tax by approximately $1.2 million. The Company does not have any agreements to fix the exchange rate of the Canadian dollar to the United States dollar.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

Badger's President and CEO and the VP Finance and CFO have designed, or caused to be designed under their direct supervision, Badger's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to Badger, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. Further, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's disclosure controls and procedures at December 31, 2011 and as a result of identifying the material weakness outlined below have concluded the disclosure controls and procedures are not effective.

Internal control over financial reporting

Badger's President and CEO and the VP Finance and CFO have also designed, or caused to be designed under their direct supervision, Badger's internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Further, using the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's internal control over financial reporting at December 31, 2011 and as a result of identifying the material weakness outlined below have concluded the internal controls over financial reporting are not effective.

Material weakness

Badger has identified that it does not have sufficient accounting personnel with the appropriate tax expertise to allow for an effective review of the accuracy of its accounting for income taxes and the determination of the income tax provision. Management and the Board of Directors have determined that it is not economically feasible to maintain such personnel in-house or to engage an external tax consultant to perform an independent review. This material weakness could result in a misstatement in various tax-related accounts that could result in a material misstatement to Badger's annual consolidated financial statements and disclosure that would not be prevented or detected.

Changes in internal control over financial reporting

No changes were made to the design of Badger's internal control over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Inherent limitations

Notwithstanding the foregoing, because of its inherent limitations a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management's estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. In addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

BUSINESS RISKS

(Reference is also made to Badger's Annual Information Form.)

Reliance on the oil and natural gas sector

The oil and natural gas sector accounts for approximately 45 percent of the Company's revenues. The petroleum service industry, in which Badger participates, relies heavily on the volume of capital expenditures made by oil and natural gas explorers and producers and is also affected by certain adverse weather conditions. These spending decisions are based on several factors including, but not limited to: hydrocarbon prices, production levels of current reserves, fiscal regimes in operating areas, technology-driven exploration and extraction methodologies, and access to capital, all of which can vary greatly. To minimize the impact of the oil and natural gas industry cycles, the Company also focuses on generating revenue from the utility and general contracting market segments.

Competition

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

United States operations

Badger also faces risks associated with doing business in the United States. The Company has made a significant investment in the United States to develop the hydrovac market. The growth rate of the United States market is very hard to predict. The United States has been undergoing significant economic difficulties and the outlook is further complicated by substantial changes to various laws, policies and regulations that have a real or apprehended effect on business operating conditions, approval or delay of potential new projects that could require Badger's services, current rates of capital investment and the general level of confidence about future economic conditions among businesses and organizations that will be required to make decisions about future capital investment.

Safety

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

Depreciation of daylighting units

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

Self-insurance

Due to the magnitude of insurance premiums, the Company decided to self-insure against any physical damage it could incur on the hydrovac units. This decision will be re-evaluated periodically as circumstances change.

Dependence on key personnel

Badger's success depends on the services of a number of members of its senior management. The experience and talents of these individuals will be a significant factor in Badger's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on Badger's operations and business prospects.

Availability of labour and equipment

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

Reliance on key suppliers

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

Fluctuations in weather and seasonality

Badger's operating results have been, and are expected to remain, subject to quarterly and other fluctuations due to a variety of factors including changes in weather conditions and seasonality. For example, in Western Canada Badger's results may be negatively affected if there is an extended spring break-up period since oil and natural gas industry sites may not be accessible during such periods. In Eastern Canada, Badger has in the past experienced increased use of its equipment during cold winters, thus improving the results of its operations during such times. The Company may then experience a slow period during spring thaw.

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

Fluctuations in the economy and political landscape

Operations could be adversely affected by a general economic downturn, changes in the political landscape or limitations on spending.

Compliance with government regulations

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

Environmental risk

As the owner and lessor of real property, Badger is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Badger could be liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed at other locations. The failure to remove or remediate such substances, if any, could adversely affect Badger's ability to sell such real property or borrow using such real property as collateral and could also result in claims against Badger.

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

Badger's business model involves the provision of excavating services through two distinct entities: the Operating Partners (franchisees in the United States and agents in Canada), and Badger Corporate. Badger Corporate works with its Operating Partners to provide Hydrovac service to the end user. In this partnership, Badger provides the expertise, the trucks, and North American marketing and administration support. The Operating Partners deliver the service by operating the equipment and developing their *local markets. All work is invoiced by Badger and then shared with the Operating Partner based upon a revenue sharing formula. In certain locations Badger has established corporate run operations to market and deliver the service in the local area.*

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

For more information regarding this press release, please contact:

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Badger Daylighting Ltd.

Consolidated Financial Statements

For the year ended December 31, 2011

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

As at	Notes	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
ASSETS				
Current Assets				
Cash and cash equivalents	6	2,622,191	11,890,341	7,516,605
Trade and other receivables	7	56,170,776	37,869,248	30,205,878
Prepaid expenses		1,183,571	1,163,748	776,997
Inventories	8	2,288,716	1,993,609	1,792,708
Income taxes receivable		-	424,978	-
		62,265,254	53,341,924	40,292,188
Non-current Assets				
Property, plant and equipment	9	115,002,042	91,333,730	89,297,469
Intangible assets	10	6,599,513	6,520,513	6,416,512
		121,601,555	97,854,243	95,713,981
Total Assets		183,866,809	151,196,167	136,006,169
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	11	13,290,835	11,524,323	10,558,287
Income taxes payable		5,186,568	-	907,377
Distributions payable	14	-	1,135,431	1,134,893
Dividends payable	14	919,159	-	-
Current portion of long-term debt	15	-	323,768	323,768
Provisions	12	3,126,560	2,250,850	805,847
		22,523,122	15,234,372	13,730,172
Non-current Liabilities				
Long-term debt	15	46,554,454	40,347,627	31,960,496
Provisions	12	-	-	2,789,638
Deferred taxation	13	25,408,079	20,194,282	19,960,129
		71,962,533	60,541,909	54,710,263
Shareholders' Equity				
Shareholders' capital	16	44,473,107	44,473,107	44,387,955
Contributed surplus	16	2,657,923	4,578,771	711,100
Accumulated other comprehensive loss	16	(1,004,022)	(2,112,889)	-
Retained earnings		43,254,146	28,480,897	22,466,679
		89,381,154	75,419,886	67,565,734
Total Liabilities and Shareholders' Equity		183,866,809	151,196,167	136,006,169
Commitments and contingencies	26			

The accompanying notes are an integral part of these consolidated financial statements. The financial statements were approved by the Board on March 15, 2012 and were signed on its behalf

Director Director

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

For the year ended	Notes	December 31, 2011 $	December 31, 2010 $
Revenues	18	194,178,089	139,610,783
Direct costs	19	129,398,617	92,403,644
Gross profit		64,779,472	47,207,139
Depreciation of property, plant and equipment	9	14,575,817	12,632,026
Amortization of intangible assets	10	196,000	195,999
Selling, general and administrative	19	11,974,119	12,571,517
Operating profit		38,033,536	21,807,597
Gain on sale of property, plant and equipment		(85,277)	(102,154)
Reimbursement to Clean Harbors, Inc.	20	1,062,039	-
Finance cost		1,243,454	984,724
Profit before tax		35,813,320	20,925,027
Income tax expense	13	10,010,164	1,291,931
Net profit for the year		25,803,156	19,633,096
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations		1,108,867	(2,112,889)
Total comprehensive income for the year attributable to shareholders of the Corporation		26,912,023	17,520,207
Earnings per share			
Basic	21	2.39	1.82
Diluted	21	2.38	1.81

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

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

For the year ended	Notes	Shareholders' capital $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings $	Total equity $
As at January 1, 2010	27	44,387,955	711,100	-	22,466,679	67,565,734
Net profit for the year		-	-	-	19,633,096	19,633,096
Other comprehensive income for the year		-	-	(2,112,889)	-	(2,112,889)
Unit options exercised		85,152	-	-	-	85,152
Modification to equity-settled share plan	16, 17	-	3,867,671	-	-	3,867,671
Distributions		-	-	-	(13,618,878)	(13,618,878)
As at December 31, 2010	27	44,473,107	4,578,771	(2,112,889)	28,480,897	75,419,886
Net profit for the year		-	-	-	25,803,156	25,803,156
Other comprehensive income for the year		-	-	1,108,867	-	1,108,867
Share-based payment transactions	16, 17	-	270,800	-	-	270,800
Options surrendered for cash	16	-	(2,191,648)	-	-	(2,191,648)
Dividends		-	-	-	(11,029,907)	(11,029,907)
As at December 31, 2011		44,473,107	2,657,923	(1,004,022)	43,254,146	89,381,154

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

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

For the year ended	Notes	December 31, 2011 $	December 31, 2010 $
Operating activities			
Net profit for the year		25,803,156	19,633,096
Non-cash adjustments to reconcile profit from operations to net cash flows:			
Depreciation of property, plant and equipment	9	14,575,817	12,632,026
Amortization of intangible assets	10	196,000	195,999
Deferred income taxes	13	4,852,111	830,793
Share-based payment transaction expense	16,17	270,800	1,078,033
Equity-settled share plan settled in cash	17	(2,191,648)	-
Gain on sale of property plant and equipment		(85,277)	(102,154)
Unrealized foreign exchange (gain) loss on deferred tax		361,686	(596,640)
		43,782,645	33,671,153
Net change in non-cash working capital relating to operating activities		(10,313,247)	(7,566,292)
Net cash flows from operating activities		33,469,398	26,104,861
Investing activities			
Purchase of property, plant and equipment	9	(37,231,295)	(17,086,354)
Purchase of intangible assets	10	(275,000)	(300,000)
Proceeds from sale of property, plant and equipment		131,867	801,287
Net cash flows used in investing activities		(37,374,428)	(16,585,067)
Financing activities			
Proceeds received on the exercise of unit options		-	85,152
Proceeds from long-term debt		9,141,613	8,710,902
Repayment of long-term debt		(3,258,554)	(323,771)
Dividends/distributions paid to owners		(11,246,179)	(13,618,341)
Net cash flows used in financing activities		(5,363,120)	(5,146,058)
Net increase (decrease) in cash and cash equivalents		(9,268,150)	4,373,736
Cash and cash equivalents, beginning of year	6	11,890,341	7,516,605
Cash and cash equivalents, end of year	6	2,622,191	11,890,341
Supplemental cash flow information:			
Interest paid		1,234,454	1,255,624
Income tax paid (recovered)		(454,574)	1,793,493

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

1 Incorporation and Operations

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

On December 31, 2010, Badger Income Fund (the "Fund") completed its conversion (the "Conversion") from an income trust to a corporation pursuant to a Plan of Arrangement (the "Arrangement"). Pursuant to the Arrangement, Fund unitholders exchanged their Fund units for common shares of Badger on a one-for-one basis. All references to shares and shareholders in these consolidated financial statements pertain to common shares and common shareholders subsequent to the Conversion and units and unitholders prior to the Conversion.

2 Basis of Preparation

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

The Corporation adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") with a transition date to IFRS of January 1, 2010. Consequently the comparative figures for 2010 and the Corporation's statement of financial position as at January 1, 2010 have been restated from pre-changeover accounting principles generally accepted in Canada ("Canadian GAAP") to comply with IFRS.

The reconciliations to IFRS from the previously published Canadian GAAP consolidated financial statements are summarized in Note 27. In addition, IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening consolidated statement of financial position. Where these have been used they are explained in Note 27.

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

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

3 Significant Accounting Judgements, Estimates and Assumptions

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

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

Impairment of non-financial assets

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

Share-based payment transactions

The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

Taxes

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

Useful lives of property, plant and equipment

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

3 Significant Accounting Judgements, Estimates and Assumptions (continued)

Allowance for doubtful debts

The Corporation makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

4 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A) Basis of consolidation

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

B) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and short-term investments with original maturities of three months or less and are recorded at cost, which approximates fair market value.

C) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being defined to include laid-down cost for materials on a weighted average basis.

D) Leases

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

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

4 Summary of Significant Accounting Policies (continued)

E) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. 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:

Land improvements	10%
Buildings	5%
Shoring equipment	10%
Shop and office equipment	10%
Truck and trailers	10%-15%
Leasehold improvements	20%
Computers	25%

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

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

Gains or losses arising from derecogniton 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 and a non-compete agreement. Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite

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

4 Summary of Significant Accounting Policies (continued)

F) Intangible assets (continued)

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

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

	Service rights	Customer relationships	Trade name	Non-compete agreement
Useful Lives	Indefinite	5 years	5 years	5 years
Amortization method	No amortization	Straight-line	Straight-line	Straight-line

G) Impairment of non-financial assets excluding goodwill

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

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

4 Summary of Significant Accounting Policies (continued)

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

J) Taxes

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

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

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

Deferred tax assets:

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

Deferred tax liabilities:

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

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

4 Summary of Significant Accounting Policies (continued)

K) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, sales taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

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

Truck placement fees
Truck placement fees are recognized when the truck is delivered.

L) Share-based payment

The Corporation operates a number of equity-settled and cash-settled share-based compensation plans under which it receives services from employees as consideration for equity instruments of the Corporation or cash payments.

Equity-settled awards
The Corporation uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

M) Finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

N) Segment reporting

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

4 Summary of Significant Accounting Policies (continued)

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

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

P) Financial assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Corporation's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the consolidated statement of financial position.

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

A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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

4 Summary of Significant Accounting Policies (continued)

Q) Financial liabilities

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

Other financial liabilities include trade and other payables, distributions payable, dividends payable and long-term debt. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

R) Equity instruments

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

5 Recent accounting pronouncements

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

i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2015, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Corporation is currently assessing the impact of this standard.

ii) IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Corporation is currently assessing the impact of this standard.

iii) IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Corporation is currently assessing the impact of this standard.

iv) IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Corporation is currently assessing the impact of this standard.

5 Recent accounting pronouncements (continued)

v) IFRS 13 'Fair Value Measurement' which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces fair value measurement guidance contained in individual IFRSs, providing a single source of fair value measurement guidance. The standard provides a framework for measuring fair value and establishes new disclosure requirements tenable readers to assess the methods and inputs used to develop fair value measurements and for recurring valuations that are subject to measurement uncertainty and the effect of those measurements on the financial statements. The Corporation is currently assessing the impact of this standard.

6 Cash and cash equivalents

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Cash at banks and on hand	1,509,364	1,827,431	2,742,690
Short-term investments	1,112,827	10,062,910	4,773,915
	2,622,191	11,890,341	7,516,605

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods of between one and three months, depending on the immediate cash requirements of the Corporation, and earn interest at the respective short-term investment rates.

7 Trade and other receivables

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Trade receivables	56,056,591	36,666,531	30,137,653
Other sundry receivables	114,185	1,202,717	68,225
	56,170,776	37,869,248	30,205,878

Trade receivables are non-interest bearing and are generally on 30-90 day terms.
The ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total $	Not past due $	31-60 days $	61-90 days $	Greater than 90 days $
December 31, 2011	56,056,591	30,954,093	12,434,335	5,653,622	7,014,541
December 31, 2010	36,666,531	21,973,031	7,579,145	3,646,612	3,467,743
January 1, 2010	30,137,653	16,458,994	6,513,229	3,300,569	3,864,861

8 Inventories

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Raw materials	2,288,716	1,993,609	1,792,708

9 Property, plant and equipment

	Land	Land improve-ments	Buildings	Equipment under construction	Shoring equipment	Shop and office equipment	Trucks and trailers	Leasehold improve-ments	Computers	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
At January 1, 2010	4,989,787	366,643	4,162,584	2,573,439	2,308,261	494,377	134,850,045	19,373	152,923	149,917,432
Additions/transfers	137,500	-	4,793,441	2,998,126	17,287	48,305	9,033,880	22,630	35,185	17,086,354
Disposals	-	-	-	-	(37,558)	(23,137)	(5,569,827)	-	-	(5,630,522)
Exchange differences	-	-	-	-	-	(5,166)	(2,712,604)	(923)	(8,520)	(2,727,213)
At December 31, 2010	5,127,287	366,643	8,956,025	5,571,565	2,287,990	514,379	135,601,494	41,080	179,588	158,646,051
Additions/transfers	130,000	147,374	1,198,813	(711,785)	103,831	64,360	36,218,868	17,250	62,584	37,231,295
Disposals	-	(366,643)	-	-	(136,694)	(215,833)	(2,558,851)	(9,600)	(98,536)	(3,386,157)
Exchange differences	2,600	-	6,592	-	-	1,654	1,690,989	522	1,870	1,704,227
At December 31, 2011	5,259,887	147,374	10,161,430	4,859,780	2,255,127	364,560	170,952,500	49,252	145,506	194,195,416
Depreciation and impairment										
At January 1, 2010	-	366,643	2,163,708	-	1,130,667	282,383	56,530,479	13,787	132,296	60,619,963
Depreciation charge for the year	-	-	297,574	-	187,130	52,084	12,063,678	6,347	25,213	12,632,026
Disposals	-	-	-	-	(17,432)	(23,137)	(5,185,048)	-	-	(5,225,617)
Exchange differences	-	-	-	-	-	21,523	(731,716)	(712)	(3,146)	(714,051)
At December 31, 2010	-	366,643	2,461,282	-	1,300,365	332,853	62,677,393	19,422	154,363	67,312,321
Depreciation charge for the year	-	29,334	481,068	-	182,733	50,816	13,802,097	6,711	23,058	14,575,817
Disposals	-	(366,643)		-	(95,400)	(219,531)	(2,529,059)	(9,600)	(119,334)	(3,339,567)
Exchange differences	-	-	110	-	-	1,115	642,674	172	732	644,803
At December 31, 2011	-	29,334	2,942,460	-	1,387,698	165,253	74,593,105	16,705	58,819	79,193,374
Net book value										
At January 1, 2010	4,989,787	-	1,998,876	2,573,439	1,177,594	211,994	78,319,566	5,586	20,627	89,297,469
At December 31 , 2010	5,127,287	-	6,494,743	5,571,565	987,625	181,526	72,924,101	21,658	25,225	91,333,730
At December 31, 2011	5,259,887	118,040	7,218,970	4,859,780	867,429	199,307	96,359,395	32,547	86,687	115,002,042

10 Intangible assets

	Service rights $	Customer relationships $	Trade names $	Non-compete agreements $	Goodwill $	Total $
Cost						
At January 1, 2010	4,354,511	810,000	80,000	90,000	1,621,000	6,955,511
Additions	300,000	-	-	-	-	300,000
At December 31, 2010	4,654,511	810,000	80,000	90,000	1,621,000	7,255,511
Additions	275,000	-	-	-	-	275,000
At December 31, 2011	4,929,511	810,000	80,000	90,000	1,621,000	7,530,511
Amortization and impairment						
At January 1, 2010	-	445,500	44,000	49,499	-	538,999
Amortization for the year	-	162,000	16,000	17,999	-	195,999
At December 31, 2010	-	607,500	60,000	67,498	-	734,998
Amortization for the year	-	162,000	16,000	18,000	-	196,000
At December 31, 2011	-	769,500	76,000	85,498	-	930,998
Net book value						
At January 1, 2010	4,354,511	364,500	36,000	40,501	1,621,000	6,416,512
At December 31, 2010	4,654,511	202,500	20,000	22,502	1,621,000	6,520,513
At December 31, 2011	4,929,511	40,500	4,000	4,502	1,621,000	6,599,513

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 Eastern Canada and Western Canada cash-generating units respectively.

The Corporation performed the annual impairment tests of goodwill and service rights at December 31. The recoverable amount of the Eastern Canada and Western Canada cash-generating units have been determined based on a value in use calculation using post-tax cash flow projections from financial budgets approved by senior management covering a five year period. The post-tax discount rate applied to cash flow projections is 10.66% (2010: 10.66%). As a result of this analysis, management did not identify any impairment.

11 Trade and other payables

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Current			
Trade payables	11,957,190	10,710,915	7,516,011
Accrued expenses	1,282,040	708,149	664,232
Other sundry payables	51,605	105,259	2,378,044
	13,290,835	11,524,323	10,558,287

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

12 Provisions

	Bonus	Performance Trust Share Plan	Unit Option plan	Deferred Unit Plan	Legal	Total
	$	$	$	$	$	$
As at January 1, 2010	469,847	336,000	2,789,638	-	-	3,595,485
Arising during the year	677,850	437,000	1,078,033	-	800,000	2,992,883
Utilised	(469,847)	-	-	-	-	(469,847)
Transfer to equity	-	-	(3,867,671)	-	-	(3,867,671)
As at December 31, 2010	677,850	773,000	-	-	800,000	2,250,850
Arising during the year	2,035,830	214,865	-	1,603,000	-	3,853,695
Utilised	(1,190,120)	(987,865)	-	-	(800,000)	(2,977,985)
As at December 31, 2011	1,523,560	-	-	1,603,000	-	3,126,560

Upon conversion to a Corporation, the unit option plan was modified to provide the holder with the right to acquire ordinary shares of the Corporation which resulted in the share option plan being accounted for as an equity-settled share-based payment transaction (see Note 17).

Upon the implementation of the Deferred Unit Plan, on November 10, 2011 the Performance Trust Share Plan was terminated (see Note 17).

13 Income taxes

The major components of income tax expense for the years are as follows:

	December 31, 2011	December 31, 2010
	$	$
Current income tax	5,158,053	461,138
Deferred income tax	4,852,111	830,793
Total income tax expense	10,010,164	1,291,931

The provision for income taxes, including deferred taxes, reflects an effective income tax rate that differs from the actual combined Canadian federal and provincial statutory rates of 27.35% (2010 – 28.85%). The Corporation's U.S. subsidiaries are subject to federal and state statutory tax rates of approximately 40% for both 2011 and 2010. The main differences are as follows:

	December 31, 2011	December 31, 2010
	$	$
Profit before tax	35,813,320	20,925,027
Income tax expense at the statutory rate	9,794,943	6,036,870
Increase (decrease) resulting from:		
Income attributable to unitholders	-	(3,424,774)
Losses not previously recognized	(765,842)	(1,104,526)
Tax rates in other jurisdictions	1,252,915	791,870
Reduction of deferred tax balances due to reduced tax rate	(258,256)	-
Other items	(13,596)	(1,007,509)
Income tax expense	10,010,164	1,291,931

13 Income taxes (continued)

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

	As at January 1, 2010 $	Recognized in profit or loss $	As at December 31, 2010 $	Recognized in profit or loss $	As at December 31, 2011 $
Deferred tax assets					
Tax loss carry-forwards	1,028,496	(718,496)	310,000	4,775,852	5,085,852
Deferred unit plan	-	-	-	408,765	408,765
	1,028,496	(718,496)	310,000	5,184,617	5,494,617
Deferred tax liabilities					
Property, plant and equipment	17,833,112	(385,209)	17,447,903	8,180,914	25,628,817
Intangible assets	178,440	43,025	221,465	26,545	248,010
Partnership income	2,977,073	(142,159)	2,834,914	1,748,800	4,583,714
Reserve	-	-	-	442,155	442,155
	20,988,625	(484,343)	20,504,282	10,398,414	30,902,696
Net deferred tax liability	19,960,129	234,153	20,194,282	5,213,797	25,408,079

Tax loss carry forward

As at December 31, 2011, one of the Corporation’s U.S. subsidiaries had net operating losses carried forward of approximately US$12,100,000 which expire in 2031.

14 Distributions/dividends payable

During the year ended December 31, 2011, the Corporation paid cash dividends of $10,110,748 (or $0.935 per common share) and declared a $919,159 cash dividend (or $0.085 per common share) to its shareholders of record at the close of business on December 31, 2011 to be paid January 16, 2012.

The Corporation declares dividends monthly to its shareholders. Prior to the conversion to a corporation (see Note 1), the Fund made cash distributions on a monthly basis. Determination of the amount of cash dividends for any period is at the sole discretion of the directors and is based on certain criteria including financial performance as well as the projected liquidity and capital resource position of the Corporation. Dividends are declared to shareholders of the Corporation on the last business day of each month and paid on the 15th day of the month following the declaration (or if such day is not a business day, the next following business day).

15 Long-term debt

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Extendable revolving credit facility	46,554,454	37,412,841	28,701,939
Commercial mortgage on land and building, repayable in monthly principal payments of $17,917 plus interest until June 2023, bearing interest at bank prime plus 0.75% [December 31, 2011 – 3.75%; December 31, 2010 – 3.75%; January 1, 2010 – 3.00%]	-	2,687,500	2,902,492
Commercial mortgage on land and building, repayable in monthly principal payments of $9,064 plus interest until February 2016, bearing interest at bank prime plus 0.75% [December 31, 2011 – 3.75%; December 31, 2010 – 3.75%; January 1, 2010 – 3.00%]	-	571,054	679,833
	46,554,454	40,671,395	32,284,264
Less current portion	-	323,768	323,768
	46,554,454	40,347,627	31,960,496

The Corporation has established a $60,000,000 extendable revolving credit facility. The purpose of the credit facility is to finance the Corporation's capital expenditure program and for general corporate purposes. The credit facility bears interest, at the Corporation's option, at either the bank's prime rate [December 31, 2011 – 3.00%] or bankers' acceptance rate plus 1.25% [December 31, 2011 – 2.41%]. An additional stand-by fee calculated at an annual rate of 0.275% per annum is also required on the unused portion of the credit facility. This fee is expensed as incurred.

The credit facility has no required principal repayment. The credit facility expires on June 24, 2012 and is renewable at the Corporation's option for an additional 364 day period, after which the entire amount must be repaid. If not renewed, interest is payable on the facility for 364 days after which the entire amount is to be repaid.

In connection with renewing the credit facility in June, 2011 the commercial mortgages were repaid early.

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

Under the terms of the credit facilities, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2011, and as at December 31, 2011, the Corporation was in compliance with all of these covenants (see Note 24).

As at December 31, 2011, the Corporation has issued letters of credit in the amount of approximately $240,000. The outstanding letters of credit reduce the amount available under the extendable revolving credit facility.

At December 31, 2011, the Corporation had available $13,445,546 (December 31, 2010: $2,587,159) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

16 Shareholders' capital and reserves

A) Authorized shares

Pursuant to the Plan of Arrangement discussed in Note 1, Fund unitholders received one common share of Badger in exchange for every unit held on the effective date of the Conversion. An unlimited number of voting common shares are authorized without nominal or par value.

B) Issued and outstanding

	Number of Shares/Units	Amount $
At January 1, 2010	**10,808,503**	**44,387,955**
Units cancelled	(1,092)	-
Units issued pursuant to the unit option plan	6,220	85,152
At December 31, 2010 and December 31, 2011	10,813,631	44,473,107

C) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

D) Contributed surplus

The contributed surplus reserve is used to recognise the fair value of share options granted to employees, including key management personnel, as part of their remuneration. When options are subsequently exercised, the fair value of such options in contributed surplus is credited to share capital. Refer to Note 17 for further details of these plans.

	December 31, 2011 $	December 31, 2010 $
Opening balance	4,578,771	711,100
Modification to equity-settled share plan (Note 17)	-	3,867,671
Share-based payment transactions	270,800	-
Equity-settled share plan settled in cash	(2,191,648)	-
Closing balance	2,657,923	4,578,771

17 Share-based payment plans

Unit option plan (cash-settled)

Prior to conversion to a corporation on December 31, 2010 (see Note 1), the Fund granted options, under the unit option plan. The unit options were granted to directors, officers, employees and consultants of the Fund. The options provide the holder with the right to acquire units, with terms that do exceed 10 years from the date of the grant. The exercise price shall not be less than the closing price of the units traded on the Toronto Stock Exchange on the first date preceding the date of the grant. Under the Unit Plan, vesting periods are determined by the trustees at the time of the grant. All unit options granted through to December 31, 2011 vest equally over a period of three years from the date of grant. The maximum number of units to be issued under this plan may not exceed 250,000 units (previously 850,000 units).

Upon conversion to a Corporation, the Unit Plan was modified to provide the holder with the right to acquire ordinary shares of the Corporation (i.e. the share option plan). As a result of the modification, the share option plan (the "Share Plan") is accounted for as an equity-settled share-based payment transaction as discussed below.

Share plan (equity-settled)

Under the Share Plan, directors, officers, employees and consultants of the Corporation are eligible to receive share options to acquire ordinary shares of the Corporation, with terms not to exceed 10 years from the date of the grant. The exercise price shall not be less than the closing price of the shares traded on the Toronto Stock Exchange on the first date preceding the date of the grant. Under the Share Plan, vesting periods are determined by the directors of the Corporation at the time of the grant. All share options granted through to December 31, 2011 vest equally over a period of three years from the date of grant. The maximum number of shares to be issued under this plan may not exceed 250,000 shares (previously 850,000 shares).

A summary of the share-based payment transactions for the year ended December 31, 2011 and December 31, 2010 are as follows:

	2011		2010	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at beginning of year	768,280	16.96	-	-
Pursuant to the Plan of Arrangement	-	-	768,280	16.96
Options surrendered for cash	(568,530)	16.27	-	-
Forfeited	(12,000)	18.07	-	-
Outstanding at end of year	187,750	19.00	768,280	16.96

Pursuant to the share plan during the second quarter of 2011, the Corporation had 568,530 vested share options surrendered by employees in return for a cash settlement of $2,191,648.

For the year ended December 31, 2011 the Corporation recorded compensation expense, included as part of selling, general and administrative expense, of $270,800 with an offsetting increase to contributed surplus in respect of the share options granted and outstanding as of December 31, 2011.

17 Share-based payment plans (continued)

The fair value of each shared-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following assumptions:

	December 31, 2010 and 2011	January 1, 2010
Dividend yield	1.26%	1.26%
Forfeiture %	0%	0%
Risk-free interest rate	2.41%	2.74%
Expected life of options	5 years	5 years
Expected volatility factor of the future expected market price of Corporation shares	30%	40%

The following provides a summary of the Share Plan as at December 31, 2011:

Options outstanding			Options exercisable	
Outstanding at December 31, 2011	**Weighted average remaining contractual life**	**Weighted average exercise price $**	**Number exercisable at December 31, 2011**	**Weighted average exercise price $**
10,000	0.4	$16.41	10,000	$16.41
110,375	1.4	$22.45	110,375	$22.45
58,375	2.4	$13.69	-	-
9,000	3.7	$14.20	3,000	-

Performance Trust Share Plan (the “PTU Plan”)

The Corporation established the PTU Plan to reward officers and employees. The number of shares earned is dependent upon the achievement of certain financial targets over a three-year period. The PTUs are earned over the same three-year period and vest on the third anniversary of the grant, at which time the holder is entitled to cash equal to the aggregate current market value of the number of shares subject to the PTUs. Dividends per PTU are added to the entitlement after the PTUs are earned. Compensation expense is based on the estimated fair value of the award determined at the end of each quarter and recognized on a straight-line basis throughout the term of the vesting period, with a corresponding increase to provisions. On May 13, 2008, May 15, 2009 and May 11, 2010, the Corporation granted awards pursuant to the plan. Upon implementation of the Deferred Unit Plan the PTU Plan was terminated. PTU’s which had been earned were transferred to deferred units.

Deferred Unit Plan (cash-settled)

In May 2011, the Corporation established the Deferred Unit Plan (“DUP”), which was approved by the shareholders at the September 22, 2011 Annual General Meeting. The DUP was established to reward officers and employees. Directors may also participate in the plan whereby they will be paid 60% to 100% of the annual retainer in the form of deferred units. Pursuant to the terms of the DUP, participants are granted deferred units with a value equivalent to the value of a Badger share. The deferred units granted earn additional deferred units for the dividends that would otherwise have been paid on the deferred units as if they instead had been issued as Badger shares on the date of the grant. The deferred units granted vest equally over a period of three years from the date of the grant. Upon vesting, the participant may elect to redeem the deferred units for an equal number of Badger shares or the cash equivalent. The DUP has been accounted for as a cash-settled plan. The compensation expense is based on the estimated fair value of the deferred units outstanding at the end of each quarter and recognised using graded vesting throughout the term of the vesting period, with a corresponding increase to provisions. The Corporation has recorded a compensation expense of $1,034,865 for the year ended December 31, 2011, which is included in selling, general and administrative expenses.

17 Share-based payment plans (continued)

Changes in the number of deferred units under the Badger DUP were as follows:

	Units
At January 1, 2011	-
Granted	49,313
Transferred from PTU Plan	79,688
Dividends earned	2,177
At December 31, 2011	**131,178**
Exercisable at December 31, 2011	**7,234**

18 Revenue

	December 31, 2011 $	December 31, 2010 $
Rendering of services	193,040,976	138,388,548
Truck placement fees	1,137,113	1,222,235
	194,178,089	139,610,783

19 Expenses by nature

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

	December 31, 2011 $	December 31, 2010 $
Wages, salaries and benefits	65,664,672	41,189,376
Share-based payment	270,800	1,078,033
Fees paid to operating partners	43,729,653	38,728,766
Fuel	8,408,118	3,838,359
Repairs and maintenance	11,358,307	7,804,299
	129,431,550	92,638,833

20 Reimbursement to Clean Harbors, Inc.

On January 26, 2011, the Corporation signed an agreement to be acquired by Clean Harbors, Inc. (“Clean Harbors”). Under the terms of the agreement, Clean Harbors was to acquire 100% of the Corporation’s outstanding common shares for cash consideration of $20.50 per common share (the “Transaction”). The Transaction was conditional on the approval of not less than 66 2/3 percent of the votes cast by the shareholders and optionholders. The Corporation held a meeting to consider the Transaction on April 26, 2011. The shareholder and optionholder vote did not receive the requisite number of votes required to approve the Transaction and as a result the Transaction was not completed. As a result, pursuant to the terms of a settlement agreement, the Corporation reimbursed Clean Harbors $1,062,039.

21 Earnings per share

Basic earnings per share ("EPS")

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

The calculation of basic earnings per share for the year ended December 31, 2011, was based on the profit available to common shareholders of $25,803,156 (2010 - $19,633,096), and a weighted average number of common shares outstanding of 10,813,631 (2010 – 10,808,435).

Weighted average number of common shares

	December 31, 2011 $	December 31, 2010 $
Issued common shares outstanding, beginning of year	10,813,631	10,808,503
Effect of unit options exercised	-	518
Effect of units cancelled	-	(586)
Weighted average number of common shares, end of year	10,813,631	10,808,435

Diluted EPS

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential shares. The effects of anti-dilutive potential shares are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Corporation is in a loss position.

The calculation of diluted earnings per share for the year ended December 31, 2011, was based on a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 10,836,589 (2010 – 10,831,445), calculated as follows:

	December 31, 2011 $	December 31, 2010 $
Weighted average number of common shares (basic)	10,813,631	10,808,435
Effect of share options	22,958	23,010
Weighted average number of common shares (diluted)	10,836,589	10,831,445

For the year ended December 31, 2011, 110,375 options (2010 – 581,375) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. The average market value of the Corporation's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

22 Segment reporting

The Corporation operates in two geographic/reportable segments providing non-destructive excavating services to each of these segments. The following is selected information for the years ended December 31, 2011 and 2010 based on these geographic segments.

Each segment is responsible for its operating results.

For the year ended:	**December 31, 2011**			**December 31, 2010**		
	Canada ($)	**U.S. ($)**	**Total ($)**	**Canada ($)**	**U.S. ($)**	**Total ($)**
Revenues	110,952,822	83,225,267	194,178,089	82,923,252	56,687,531	139,610,783
Direct costs	67,986,521	61,412,096	129,398,617	53,059,064	39,344,580	92,403,644
Depreciation of property, plant and equipment	8,131,895	6,443,922	14,575,817	7,749,476	4,882,550	12,632,026
Amortization of intangible assets	196,000	-	196,000	195,999	-	195,999
Selling, general and administrative	9,511,602	2,462,517	11,974,119	9,164,494	3,407,023	12,571,517
Profit before tax	24,077,585	11,735,735	35,813,320	11,948,651	8,976,376	20,925,027

Selected Consolidated Statement of Financial Position Information

	Canada ($)	**U.S. ($)**	**Total ($)**
As at December 31, 2011			
Property, plant and equipment	57,651,769	57,350,273	115,002,042
Intangible assets	6,599,513	-	6,599,513
Total assets	100,078,941	83,787,868	183,866,809
As at December 31, 2010			
Property, plant and equipment	54,922,254	36,411,476	91,333,730
Intangible assets	6,520,513	-	6,520,513
Total assets	87,990,962	63,205,205	151,196,167
As at January 1, 2010			
Property, plant and equipment	49,774,184	39,523,285	89,297,469
Intangible assets	6,416,512	-	6,416,512
Total assets	75,345,036	60,661,133	136,006,169

Selected Consolidated Statement of Cash Flows Information

For the year ended:	**December 31, 2011**			**December 31, 2010**		
	Canada ($)	**U.S. ($)**	**Total ($)**	**Canada ($)**	**U.S. ($)**	**Total ($)**
Additions to non-current assets:						
Property, plant and equipment	13,268,269	23,963,026	37,231,295	14,188,444	2,897,910	17,086,354
Intangible assets	275,000	-	275,000	300,000	-	300,000

23 Related party disclosure

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

		% equity interest	
Name	**Country of Incorporation**	**December 31, 2011**	**December 31, 2010**
Badger Daylighting Inc.	Canada	100%	100%
Badger Daylighting (Fort McMurray) Inc.	Canada	100%	100%
Badger Edmonton Ltd.	Canada	100%	100%
1095909 Alberta Ltd.	Canada	100%	100%
Badger ULC	Canada	100%	100%
Badger Daylighting USA, Inc.	United States of America	100%	100%
Badger Daylighting Corp.	United States of America	100%	100%
Badger, LLC	United States of America	100%	100%

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

Transactions with related parties

During the year ended December 31, 2011, the Corporation was charged $356,128 [2010 - $239,566] for professional fees by a partnership in which a director of the Corporation is a partner. These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party balances

As at December 31, 2011 and December 31, 2010 there were no significant outstanding balances with related parties.

Compensation of key management personnel

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

	December 31, 2011 $	December 31, 2010 $
Compensation, including bonuses	1,577,416	1,156,087
Share-based payments	135,400	539,000
Performance Trust Share Plan	-	190,650
Deferred Unit Plan	502,389	-
	2,215,205	1,885,737

Key management personnel and director transactions

Key management and directors of the Corporation control 3.3 percent of the voting shares of the Corporation.

24 Capital management

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

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Long-term debt	46,554,454	40,671,395	32,284,264
Cash and cash equivalents	(2,622,191)	(11,890,341)	(7,516,605)
Net debt	43,932,263	28,781,054	24,767,659
Shareholders' equity	89,381,154	75,419,886	67,565,734
Total capitalization	133,313,417	104,200,940	92,333,393
Net debt to total capitalization (%)	33%	28%	27%

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

The Corporation is bound by certain financial and non-financial covenants as defined by its bank. If the Corporation is in violation of any of these covenants its ability to pay dividends may be inhibited. The Corporation monitors these covenants to ensure it remains in compliance. The financial covenants are as follows:

Ratio	December 31, 2011	December 31, 2010	Threshold
Funded Debt[1] to EBITDA[2]	0.85:1	0.83:1	2.25:1 maximum
Fixed Charge Coverage[3]	2.11:1	1.91:1	1.00:1 minimum

[1] Funded debt is long-term debt, less cash and cash equivalents.

[2] Funded Debt to EBITDA (earnings before interest, taxes, depreciation and amortization) means the ratio of consolidated Funded Debt to the aggregated EBITDA for the trailing twelve-months. Funded Debt is defined as long-term debt including any current portion thereof. EBITDA is defined as the trailing twelve-months of EBITDA for the Corporation.

[3] Fixed Charge Coverage Ratio means, based on the trailing twelve-month EBITDA less unfinanced capital expenditures and cash taxes, plus the unused portion of the extendable revolving credit facility to the sum of the aggregate of scheduled long-term debt principal payments, interest and dividends.

Throughout 2011 and as at December 31, 2011 the Corporation was in compliance with all of these covenants.

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

25 Financial instruments and risk management

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

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

Fair values

The Corporation's financial instruments recognized on the consolidated statement of financial position consist of cash and cash equivalents, trade and other receivables, trade and other payables, distributions payable, dividends payable and long-term debt. The fair values of these recognized financial instruments, excluding long-term debt, approximate their carrying values due to their short-term maturity. The carrying value of the long-term debt approximates fair value because each of the long-term facilities has a floating interest rate.

Credit risk

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

The maximum exposure to credit risk as at:

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Trade and other receivables	56,170,776	37,869,248	30,205,878
Cash and cash equivalents	2,622,191	11,890,341	7,516,605
	58,792,967	49,759,589	37,722,483

Liquidity risk

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

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

At December 31, 2011, the Corporation had available $13,445,546 of authorized borrowing capacity on the extendable revolving credit facility. The credit facility expires on June 24, 2012 renewable at the Corporation’s option for an additional 364-day period. If not renewed, interest is payable on the facility for 364 days after which the entire amount is to be repaid. The Corporation believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

25 Financial instruments and risk management (continued)

The table below summarizes the maturity profile of the Corporation's financial liabilities at December 31, 2011 based on contractual undiscounted payments.

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2011					
Trade and other payables	13,290,835	-	-	-	13,290,835
Long-term debt	-	46,554,454	-	-	46,554,454
	13,290,835	46,554,454	-	-	59,845,289

Market risk

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

Interest rate risk

The Corporation is exposed to interest rate risk in relation to interest expense on its long-term debt. Interest is calculated at prime on its borrowing facilities. The prime interest rate is subject to change. A sensitivity analysis would indicate that net profit for the year ended December 31, 2011 would have been affected by approximately $300,000 if the average interest rate changed by one percent. The Corporation does not currently use interest rate hedges or fixed interest rate contracts to manage the Corporation's exposure to interest rate fluctuations.

Foreign exchange risk

The Corporation has United States operations and Canadian operations which purchase certain products in United States dollars. 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. The Corporation does not currently have any agreements to fix or hedge the exchange rate of the Canadian dollar to the United States dollar.

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

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Cash and cash equivalents	2,622,191	11,890,341	7,516,605
Trade and other receivables	23,047,656	14,379,943	13,143,011
Trade and other payables	(5,796,719)	(4,762,286)	(5,770,681)
Income taxes payable	-	(437,000)	(315,000)
Long-term debt	(26,010,000)	(25,500,000)	(26,775,000)
	(6,136,872)	(4,429,002)	(12,201,065)

25 Financial instruments and risk management (continued)

The following table demonstrates the Corporation's sensitivity to a 10% increase or decrease in the Canadian dollar against the foreign exchange rates. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in the foreign currency rate (amounts shown in Canadian dollar equivalent).

Increase/decrease in foreign exchange rate	Effect on profit/(loss) before tax 2011 $	Effect on profit/(loss) before tax 2010 $
10% strengthening in the Canadian dollar against the US dollar	(1,000,000)	(736,000)
10% weakening in the Canadian dollar against the US dollar	1,150,000	898,000

26 Commitments and contingencies

Legal disputes

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

Operating leases

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

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

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Within one year	923,000	793,000	779,000
After one year but not more than five years	1,124,000	736,000	940,000
More than five years	-	-	-
Total	2,047,000	1,529,000	1,719,000

Purchase commitments

At December 31, 2011 the Corporation has commitments to purchase approximately $9,105,000 worth of capital assets and various parts and materials. There are no set terms for remitting payment for these financial obligations.

27 Explanation of transition to IFRS

The consolidated financial statements for the year ended December 31, 2011 are the Corporation's first annual consolidated financial statements prepared under IFRS. For all annual periods prior to this, the Corporation prepared its consolidated financial statements under pre-changeover Canadian GAAP. In accordance with IFRS 1, certain disclosures relating to the transition to IFRS are given in this Note. These disclosures are prepared under IFRS as set out in the basis of preparation in Note 2.

IFRS 1 allows first time adopters to IFRS to take advantage of a number of voluntary exemptions from the general principal of retrospective restatement. The Corporation has taken the following exemptions:

IFRS 2
This standard has not been applied to equity settled share-based payment transactions where equity instruments were granted after November 7, 2002 but vested before January 1, 2010, the Corporation's transition date. In addition, this standard has not been applied to cash-settled share-based payment transactions that were settled before January 1, 2010.

IFRS 3
This standard has not been applied retrospectively to business combinations that took place before the transition date.

IFRIC 4
This IFRIC has not been applied retrospectively. The Corporation made an assessment as to whether an arrangement, existing at the transition date, contains a lease on the basis of the facts and circumstances existing at that date. The assessment was made in accordance with the requirements IFRIC 4. The Corporation did not identify any arrangements containing a lease on the transition date.

IAS 21
This standard has not been applied retrospectively with regards to calculating the foreign currency translation reserve. The foreign currency translation reserve has been set to zero on the transition date and therefore a gain or loss on subsequent disposal of a foreign operation will only include foreign exchange differences that arose subsequent to the transition date.

IAS 23
This standard has not been applied retrospectively. As at the transition date, the Corporation did not have any qualifying assets.

27.1 Reconciliation of equity as at January 1, 2010

		Effect of transition to IFRS				
	Pre-changeover Canadian GAAP $	Reclassifi-cations (Note 1) $	Share-based payments (Note 2) $	Foreign currency (Note 3) $	Deferred tax (Note 4) $	IFRS $
ASSETS						
Current Assets						
Cash and cash equivalents	7,516,605	-	-	-	-	7,516,605
Trade and other receivables	30,205,878	-	-	-	-	30,205,878
Inventories	1,792,708	-	-	-	-	1,792,708
Prepaid expenses	776,997	-	-	-	-	776,997
	40,292,188	-	-	-	-	40,292,188
Non-current Assets						
Property, plant and equipment	91,155,437	-	-	(1,857,968)	-	89,297,469
Intangible assets	6,416,512	-	-	-	-	6,416,512
	97,571,949	-	-	(1,857,968)	-	95,713,981
Total Assets	137,864,137	-	-	(1,857,968)	-	136,006,169
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current Liabilities						
Trade and other payables	11,364,134	(805,847)	-	-	-	10,558,287
Provisions	-	805,847	-	-	-	805,847
Income taxes payable	907,377	-	-	-	-	907,377
Distributions payable	1,134,893	-	-	-	-	1,134,893
Current portion of long-term debt	323,768	-	-	-	-	323,768
	13,730,172	-	-	-	-	13,730,172
Non-current Liabilities						
Long-term debt	31,960,496	-	-	-	-	31,960,496
Provisions	-	-	2,789,638	-	-	2,789,638
Deferred taxation	19,280,129	-	-	-	680,000	19,960,129
	51,240,625	-	2,789,638	-	680,000	54,710,263
Shareholders' Equity						
Shareholders' capital	44,387,955	-	-	-	-	44,387,955
Contributed surplus	3,813,850	-	(3,102,750)	-	-	711,100
Retained earnings	24,691,535	-	313,112	(1,857,968)	(680,000)	22,466,679
	72,893,340	-	(2,789,638)	(1,857,968)	(680,000)	67,565,734
Total Liabilities and Shareholders' Equity	137,864,137	-	-	(1,857,968)	-	136,006,169

27.1 Reconciliation of equity as at January 1, 2010 (continued)

The following explains the material adjustments to the consolidated statement of financial position as at January 1, 2010:

Note 1 - Reclassifications
Under pre-changeover Canadian GAAP, provisions are presented in trade and other payables. Under IFRS, separate disclosure on the face of the consolidated statement of financial position is required for the Corporation's provisions.

Note 2 - Share-based payments
Under pre-changeover Canadian GAAP, the Fund's stock options awards granted to employees were classified as equity-settled share based awards and the fair value of the options was determined at the grant date and recognized on a straight-line basis over the employment period necessary to vest the award.

Under IFRS, the stock option awards are classified as cash-settled share-based awards. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value measurement at each reporting period. Each grant is accounted for on that basis. As a result, the Corporation adjusted its expense for share-based awards to reflect this difference in recognition and reflects the related liability provisions.

Note 3 –Foreign currency
Under IFRS, the functional currency of an entity is determined by focusing on the primary economic environment in which it operates and less precedence is placed on factors regarding the financing from and operational involvement of the reporting entity which consolidates the entity in its financial statements. Under pre-changeover Canadian GAAP, equal precedence is placed on all factors. The effect of this change to IFRS resulted in the Corporation's United States subsidiaries having a different functional currency than the Corporation's functional currency. As such, the translation of the results and statement of financial position of the foreign operations into the Corporation's presentation currency requires a translation of all assets and liabilities at the closing rate at each reporting date with all resulting foreign exchange gains or losses recognized in other comprehensive income ("OCI"). Revenues and expenses of foreign operations are translated using average monthly foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions with foreign exchange differences recognized in OCI.

The Corporation reversed the balance of exchange differences on translation of foreign operations within other reserves and recorded a decrease to opening retained earnings.

Note 4 – Deferred tax
Under pre-changeover Canadian GAAP, the distributions to unitholders were a tax deductible item.

Under IFRS, the distributions to unitholders are not a tax deductible item. As a result, a higher tax rate must be applied to the December 31, 2009 temporary differences.

27.2 Reconciliations of equity as at December 31, 2010

		Effect of transition to IFRS			
	Pre-changeover Canadian GAAP	Reclassifi-cations (Note 1)	Share-based payments (Note 2)	Foreign currency (Note 3)	IFRS
	$	$	$	$	$
ASSETS					
Current Assets					
Cash and cash equivalents	11,890,341	-	-	-	11,890,341
Trade and other receivables	37,869,248	-	-	-	37,869,248
Prepaid expenses	1,163,748	-	-	-	1,163,748
Inventories	1,993,609	-	-	-	1,993,609
Income taxes receivable	424,978	-	-	-	424,978
	53,341,924	-	-	-	53,341,924
Non-current Assets					
Property, plant and equipment	94,566,785	-	-	(3,233,055)	91,333,730
Intangible assets	6,520,513	-	-	-	6,520,513
	101,087,298	-	-	(3,233,055)	97,854,243
Total Assets	154,429,222	-	-	(3,233,055)	151,196,167
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade and other payables	13,775,173	(2,250,850)	-	-	11,524,323
Distributions payable	1,135,431	-	-	-	1,135,431
Current portion of long-term debt	323,768	-	-	-	323,768
Provisions	-	2,250,850	-	-	2,250,850
	15,234,372	-	-	-	15,234,372
Non-current Liabilities					
Long-term debt	40,347,627	-	-	-	40,347,627
Deferred taxation	20,194,282	-	-	-	20,194,282
	60,541,909	-	-	-	60,541,909
Shareholders' Equity					
Shareholders' capital	44,473,107	-	-	-	44,473,107
Contributed surplus	4,544,450	-	34,321	-	4,578,771
Accumulated other comprehensive loss	-	-	-	(2,112,889)	(2,112,889)
Retained earnings	29,635,384	-	(34,321)	(1,120,166)	28,480,897
	78,652,941	-	-	(3,233,055)	75,419,886
Total Liabilities and Shareholders' Equity	154,429,222	-	-	(3,233,055)	151,196,167

27.2 Reconciliations of comprehensive income for the year ended December 31, 2010

		Effect of transition to IFRS			
	Pre-changeover Canadian GAAP $	**Share-based payments (Note 2) $**	**Foreign currency (Note 3) $**	**Deferred tax (Note 4) $**	**IFRS $**
Revenues	139,610,783	-	-	-	139,610,783
Direct costs	92,403,644	-	-	-	92,403,644
Gross profit	**47,207,139**	**-**	**-**	**-**	**47,207,139**
Depreciation of property, plant and equipment	12,975,873	-	(343,847)	-	12,632,026
Amortization of intangible assets	195,999	-	-	-	195,999
Selling, general and administrative	12,224,084	347,433	-	-	12,571,517
Operating profit	**21,811,183**	347,433	343,847	-	21,807,597
Foreign exchange (gain)/loss	393,954	-	(393,954)	-	-
Gain on sale of property, plant and equipment	(102,154)	-	-	-	(102,154)
Finance cost	984,724	-	-	-	984,724
Profit before tax	20,534,659	(347,433)	737,801	-	20,925,027
Income tax expense	1,971,931	-	-	(680,000)	1,291,931
Net profit for the year	18,562,728	(347,433)	737,801	680,000	19,633,096
Other comprehensive income					
Exchange differences on translation of foreign operations net of tax	-	-	(2,112,889)	-	(2,112,889)
Other comprehensive income for the year, net of tax	-	-	(2,112,889)	-	(2,112,889)
Total comprehensive income for the year attributable to shareholders of the Corporation	18,562,728	(347,433)	(1,375,088)	680,000	17,520,207

27.2 Reconciliations as at and for the year ended December 31, 2010

The following explains the material adjustments to the consolidated statement of financial position and the consolidated statement of comprehensive income as at December 31, 2010:

Note 1 - Reclassifications
Under pre-changeover Canadian GAAP, provisions are presented in trade and other payables. Under IFRS, separate disclosure on the face of the consolidated statement of financial position is required for the Corporation's provisions.

Note 2 - Share-based payments
Under pre-changeover Canadian GAAP, the Funds stock options awards granted to employees were classified as equity-settled share based awards and the fair value of the options was determined at the grant date and recognized on a straight-line basis over the employment period necessary to vest the award.

Under IFRS, the stock option awards are classified as cash-settled share-based awards. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value measurement at each reporting period. Each grant is accounted for on that basis. As a result, the Corporation adjusted its expense for share-based awards to reflect this difference in recognition.

Note 3 –Foreign currency
Under IFRS, the functional currency of an entity is determined by focusing on the primary economic environment in which it operates and less precedence is placed on factors regarding the financing from and operational involvement of the reporting entity which consolidates the entity in its financial statements. Under pre-changeover Canadian GAAP, equal precedence is placed on all factors. The effect of this change to IFRS resulted in the Corporation's United States subsidiaries having a different functional currency than the Corporation's functional currency. As such, the translation of the results and statement of financial position of the foreign operations into the Corporation's presentation currency requires a translation of all assets and liabilities at the closing rate at each reporting date with all resulting foreign exchange gains or losses recognized in OCI. Revenues and expenses of foreign operations are translated using average monthly foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions with foreign exchange differences recognized in OCI.

The Corporation reversed the balance of exchange differences on translation of foreign operations within other reserves and recorded a decrease to opening retained earnings.

Note 4 – Deferred tax
Under pre-changeover Canadian GAAP, the distributions to unitholders were a tax deductible item.

Under IFRS, the distributions to unitholders are not a tax deductible item. As a result, a higher tax rate must be applied to the December 31, 2009 temporary differences.

27.3 Restatement of consolidated statement of cash flows from pre-changeover Canadian GAAP to IFRS

The restatement from pre-changeover Canadian GAAP to IFRS had no significant effect on the reported cash flows generated by the Corporation. The reconciling items between pre-changeover Canadian GAAP presentation and IFRS have no effect on the cash flows generated.