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.