Management's Discussion and Analysis

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

This MD&A has been prepared taking into consideration information available to May 11, 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 will be completed;
- That as long as the economy and the oil and natural gas industry remain relatively constant, Badger will be able to continue to grow the business in 2012;
- That Badger in 2012 can further develop the organization to position itself to be able to handle the planned future growth;
- That the new locations opened in the United States will provide an increased contribution to cash flows from operations and net profit during 2012;
- That the current business development initiative will provide Badger with the additional new customers necessary to grow the business in 2012 and the future;
- That Eastern Canada will continue with stable growth, driven by 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 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 growth and/or 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 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 March 31,		
$	2012	2011	
Gross profit	16,463,063	12,822,984	
Selling, general and administrative	(3,206,655)	(2,697,642)	
EBITDA	13,256,408	10,125,342	

"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 is calculated as follows:

	Three months ended March 31,		
$	2012	2011	
Cash provided by operating activities	9,460,128	7,908,136	
Add (deduct):			
Net change in non-cash working capital relating to operating activities	1,295,814	167,708	
Funds generated from operations	10,755,942	8,075,844	

"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. The 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 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 March 31, 2012	**Three months ended March 31, 2011**
Revenues	54,034	40,971
EBITDA	13,256	10,125
Profit before tax	8,723	6,481
Income tax expense		
Current	1,883	1,494
Deferred	725	605
Net profit	6,115	4,382
Profit per share – diluted ($)	0.56	0.40
Funds generated from operations	10,756	8,076
Funds generated from operations per share – diluted ($)	0.99	0.74
Maintenance capital expenditures	698	417
Required long-term debt repayments	-	81
Cash available for growth and dividends	10,078	7,611
Dividends declared	2,760	2,757
Growth capital expenditures	11,815	4,691
Total shares outstanding (end of period)	10,823,631	10,813,631

OVERVIEW

Highlights for the three months ended March 31, 2012:

- Revenues increased by approximately 32 percent to $54.0 million from $41.0 million for the comparable quarter of 2011 due to an 18 percent increase in Canadian revenues and a 56 percent increase in United States revenues. As a result of the increase in revenues, the Company’s quarterly EBITDA and funds generated from operations also increased from the same period in 2011;

- EBITDA increased by approximately 31 percent to $13.3 million from $10.1 million in the same quarter of 2011;
- Funds generated from operations increased by approximately 33 percent period-over-period to $10.8 million from $8.1 million in the comparable quarter of 2011;
- EBITDA margins in Canada increased to 28 percent from 27 percent for the comparable period of last year due to leveraging off the increase in revenues. EBITDA margins in the United States were consistent at 20 percent. Additional revenue did not increase profitability as there were additional costs associated with opening new corporate locations and hiring additional personnel to support the growth; and
- Badger had 535 daylighting units at the end of the first quarter of 2012, reflecting the addition of 33 daylighting units to the fleet to date in 2012 and the retirement of two units. Of the total, 262 units were operating in Canada and 273 in the United States at quarter-end. Badger had 504 daylighting units at December 31, 2011. The new units were financed from cash generated from operations and existing credit facilities.

OUTLOOK

A good level of growth continued for Badger in the first quarter of 2012, a trend that is expected to continue for the rest of the year. This forecast is predicated on the North American economy not deteriorating and on activity in the oil and natural gas industry remaining at current levels.

Major initiatives for the remainder of 2012 are as follows:

1. Some of Badger's new locations are not at desired profitability and making the necessary changes to fix this issue is a priority.

2. To further develop the organization, including business development initiatives, to handle the recent and anticipated future growth Badger added several key management personnel in the first quarter of 2012. The current focus is to get their training completed so that these people can begin adding the necessary value to Badger.

3. To streamline Badger's administration system through the use of electronic forms and other measures to transfer data electronically from the field to offices and from offices to Badger's customers. Badger is currently working through the implementation phase of this initiative.

4. Badger is planning to continue its build rate at approximately two trucks per week as long as the organization can develop the work required to utilize these trucks. In 2012 Badger expects to retire 10 to 15 trucks. The additional growth trucks will be financed through a combination of cash flow and Badger's revolving line of credit.

Regional comments:

1. The United States East operations continue to grow by adding customers and locations. Business in the United States East, however, is still too dependent on large projects which can cause significant swings in revenue.

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

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

4. Badger's Canada West business continues to grow with the good regional economy 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. The length of spring breakup will affect second-quarter financial results in this region.

The first quarter was a good start for 2012. A lot of people were hired who need to be trained in the coming months. Badger's constant focus is to continuously spend time on activities that will allow it to strengthen the Company for long term-growth and continued prosperity. Badger intends to remain flexible enough to take advantage of opportunities for additional growth while remaining able to adjust the business to handle any slowdowns that may occur. Badger believes that as long as the markets for its services remain relatively constant it will be able to continue to grow the business in 2012.

Results of Operations

Revenues

Revenues of $54.0 million for the three months ended March 31, 2012 were 32 percent greater than the $41.0 million generated during the comparable period in 2011. The increase is attributable to the following:

- Canadian revenues increased by 18 percent from $26.2 million in the first quarter of 2011 to $30.9 million in the first quarter of 2012. Western Canada hydrovac revenue increased by 28 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 decreased by 5 percent quarter-over-quarter due to a reduction in stimulus spending; and
- United States revenue went from $14.8 million for the three months ended March 31, 2011 to $23.1 million for the three months ended March 31, 2012. Removing the effect of the change in the foreign exchange rate, revenues increased by 55 percent quarter-over-quarter. 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 at one large project.

Badger's average revenue per truck per month during the three months ended March 31, 2012 was $32,900 versus $30,000 for the three months ended March 31, 2011. The increase is due to increased revenue as noted above.

Direct Costs

Direct costs for the quarter ended March 31, 2012 were $37.6 million compared to $28.1 million for the quarter ended March 31, 2011. This increase of 33 percent is greater than the increase in revenues of 32 percent due to the costs required in establishing corporate locations.

Gross Profit

The gross profit percentage was 30.5 percent for the quarter ended March 31, 2012, a decrease from the 31.3 percent generated for the quarter ended March 31, 2011. The Canadian gross profit percentage increased slightly from 35.9 percent for the three months ended March 31, 2011 to 36.6 percent for the three months ended March 31, 2012. United States gross profit percentage decreased from 23.1 percent for the three months ended March 31, 2011 to 22.2 percent for the three months ended March 31, 2012 due to the costs required in establishing corporate locations.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $4.2 million for the three months ended March 31, 2012, $0.9 million higher than the $3.3 million incurred for the three months ended March 31, 2011, due to the increased number of hydrovac units in the fleet.

Finance Cost

Finance cost was $0.33 million for the quarter ended March 31, 2012 versus $0.30 million for the quarter ended March 31, 2011. The higher finance cost was due to having a higher average debt balance quarter-over-quarter.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 19 percent to $3.2 million for the quarter ended March 31, 2012 from $2.7 million for the quarter ended March 31, 2011. There were two main reasons for the increase. First was the increase in the provision to account for the estimated value of the deferred units, which increased due to the increase in Badger's share price at the end of the quarter. The second was the addition of personnel to support the growth in the business. As a percentage of revenues, selling, general and administrative expenses decreased to 5.9 percent for the first quarter of 2012 from 6.6 percent for the first quarter of 2011. The main reason for the decrease was the growth in Badger's revenue quarter-over-quarter, spreading these costs over a larger revenue base, partially offset by the increase in costs noted above.

Income Taxes

The effective tax rate for the quarter ended March 31, 2012 was 30 percent versus 32 percent for the quarter ended March 31, 2011.

Exchange Differences on Translation of Foreign Operations

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

Liquidity and Dividends

Funds generated from operations increased to $10.8 million for the quarter ended March 31, 2012 from $8.1 million for the comparable period in 2011 due primarily to increased 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 $42.7 million at March 31, 2012 compared to $39.7 million at December 31, 2011.

The following table outlines the cash available to fund growth and pay dividends to shareholders for the three months ended March 31, 2012:

($)	
Funds generated from operations	10,755,942
Add: proceeds from sale of property, plant and equipment	20,604
Deduct: required repayments of long-term debt	-
Deduct: maintenance capital expenditures	(698,445)
Cash available for growth capital expenditures and dividends	10,078,101
Growth capital expenditures	11,814,794
Dividends declared	2,760,026

In determining cash available for dividends the Company excludes non-cash working capital changes for the period as well as growth capital expenditures. Changes in non-cash working capital items are 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 for the period over dividends declared during the quarter ended March 31, 2012 and the year ended December 31, 2011:

($)	Three months ended March 31, 2012	Year ended December 31, 2011
Cash provided by operating activities	9,460,128	33,469,398
Net profit	6,115,052	25,803,156
Dividends declared	2,760,026	11,029,907
Excess of cash provided by operating activities over dividends declared	6,700,102	22,439,491
Excess of net profit over dividends declared	3,355,026	14,773,249

The Company pays cash dividends monthly to its shareholders. These cash 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 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 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 in the three months ended March 31, 2012 was used to finance growth capital expenditures and to pay dividends to 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 four-and-a-half 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 approximately equaling 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 its 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

The Company spent $12.5 million on property, plant and equipment for the three months ended March 31, 2012 compared to $5.1 million for the three months ended March 31, 2011. The Company built 33 hydrovac units during the three months ended March 31, 2012 compared to 18 hydrovac units during the three months ended March 31, 2011. The costs to build a hydrovac unit remained consistent with the average for 2011.

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 first quarter of 2012 only two hydrovac units were removed from the fleet and, therefore, maintenance capital expenditures were minimal.

Financing

The Company has a $60 million extendable revolving credit facility which is used to assist in financing Badger's capital expenditure program and support corporate activities, of which $53.6 million was drawn at March 31, 2012. 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 13 percent during the first three months of 2012. As at March 31, 2012 Badger's cash and cash equivalents were $4.0 million resulting in net debt of $49.6 million versus cash and cash equivalents of $2.6 million and net debt of $43.9 million at December 31, 2011. The main

reason for the increase was the capital expenditures incurred during the first quarter of 2012 and the payment of $6.3 million in taxes.

Management believes that the Company's healthy balance sheet combined with funds generated from operations will provide sufficient capital to fund ongoing operations, pay dividends to shareholders, finance future capital expenditures and execute its strategic plan for the foreseeable future. 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	**March 31, 2012**	December 31, 2011	Threshold
Funded Debt[1] to EBITDA[2]	**0.90:1**	0.85:1	2.25:1 maximum
Fixed Charge Coverage[3]	**1.48:1**	2.11:1	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 dividends.

The Company has committed to certain capital expenditures totalling approximately $12.3 million. They will be financed with funds generated from operations and through existing credit facilities. There are no set terms for remitting payment for these financial commitments.

SHARE CAPITAL

Shareholders' capital increased from $44.5 million at December 31, 2011 to $44.6 million at March 31, 2012 due to certain employees exercising their options. Shares outstanding at March 31, 2012 were 10,823,631. There was no change to the balance as of May 11, 2012.

SELECTED QUARTERLY FINANCIAL INFORMATION

($)	**2012**	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	54,034,368	56,548,569	53,853,710	42,804,832	40,970,978	41,175,494	38,727,159	29,374,171
Net profit	6,115,052	8,704,497	8,152,566	4,564,267	4,381,826	5,668,694	6,371,129	3,284,227
Net profit per share - basic	0.57	0.80	0.75	0.42	0.41	0.52	0.59	0.30
Net profit per share - diluted	0.56	0.80	0.75	0.42	0.40	0.52	0.59	0.30

ACCOUNTING STANDARDS PENDING ADOPTION

New IFRS pronouncements have been issued but are not in effect as at March 31, 2012. The pronouncements may, however, 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 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 Company 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 Company has assessed this standard and determined that the standard will not have a material impact on the Company's financial statements.

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 Company has assessed this standard and determined that the standard is not applicable to the Company.

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 Company has assessed this standard and determined that the standard will result in additional disclosure relating to the Company's subsidiaries.

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 Company has assessed this standard and determined that the standard may result in additional disclosure.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to critical accounting estimates since December 31, 2011.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Badger's President and CEO and its 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 its 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 over 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 disclosures 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 quarter ended March 31, 2012 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

The MD&A for the year ended December 31, 2011, which was filed on SEDAR, includes an overview of business risks associated with the Company. Those business risks remain. The reader is also referred to Badger's 2011 Annual Information Form.