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 have been prepared in accordance with International Financial Reporting Standards (IFRS). Readers should also refer to the December 31, 2010 audited consolidated financial statements and MD&A, which along with all previous public filings, including the Company's Annual Information Form for the year ended December 31, 2010, may be found on SEDAR at *www.sedar.com*.

Revenue and expense variance analysis in the MD&A focuses primarily on the year-over-year changes during the third quarter. Year-over-year variances for the nine months ended September 30, 2011 and 2010 are explained by the same general factors which contributed to the third quarter variance, unless otherwise indicated.

This MD&A has been prepared taking into consideration information available to November 10, 2011.

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:

- That the market for hydrovac services will continue to improve in the remainder of 2011 in most markets;
- That the economy in Canada and the United States will not be materially different in the remainder of 2011;
- That the new locations opened in 2010 in the United States will provide an increased contribution to cash flows from operations and net profit during the remainder of 2011;
- That Eastern Canada will continue with stable growth through an increase in the overall market for hydrovac services and continued infrastructure spending; and

- That there will be an increase in Western Canada revenue during the remainder of 2011 due to various projects and spending in the oil and natural gas sector.

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 2011;
- There will be long-term demand for hydrovac services provided in support of 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: supply-demand 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/dividend" 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 September 30,		Nine months ended September 30,	
$	2011	2010	2011	2010
Gross profit	17,908,831	13,557,808	44,580,277	34,139,129
Selling, general and administrative	(2,642,882)	(3,435,855)	(8,061,508)	(8,299,716)
EBITDA	15,265,949	10,121,953	36,518,769	25,839,413

"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 September 30,		Nine months ended September 30,	
$	2011	2010	2011	2010
Cash provided by operating activities	7,074,765	6,120,031	18,031,655	20,242,110
Add (deduct):				
Net change in non-cash working capital relating to operating activities	7,924,644	4,269,338	12,028,049	3,614,854
Equity-settled share plan settled in cash	0	0	2,191,648	0
Funds generated from operations	14,999,409	10,389,369	32,251,352	23,856,964

"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 distribution/dividend, 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 September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenues	53,854	38,727	137,630	98,435
EBITDA	15,266	10,122	36,519	25,839
Profit before tax	11,203	6,510	23,888	15,367
Income tax expense				
Current	990	(183)	3,139	586
Deferred	2,060	322	3,651	816
Net profit	8,153	6,371	17,099	13,964
Profit per share – diluted ($)	0.75	0.59	1.58	1.29
Funds generated from operations	14,999	10,389	32,251	23,857
Funds generated from operations per share – diluted ($)	1.38	0.96	2.98	2.20
Maintenance capital expenditures	453	3,913	902	7,577
Required long-term debt repayments	-	81	3,259	243
Cash available for growth and dividends/distributions	14,641	6,933	28,257	16,864
Dividends/distributions declared	2,757	3,404	8,272	10,214
Growth capital expenditures	12,662	106	23,887	1,023
Total shares outstanding (end of period)	10,813,631	10,807,411	10,813,631	10,807,411

OVERVIEW

Highlights for the three months ended September, 30, 2011:

- Revenues increased by approximately 39 percent to $53.9 million from $38.7 million for the comparable quarter of 2010 due to a 26 percent increase in Canadian revenues and a 59 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 2010;

- EBITDA increased by approximately 51 percent to $15.3 million from $10.1 million in the same quarter of 2010;
- Funds generated from operations increased by approximately 44 percent period-over-period to $15.0 million from $10.4 million in the comparable quarter of 2010; and
- EBITDA margins in Canada increased to 30 percent from 28 percent for the comparable period of last year due to leveraging off the increase in revenues. EBITDA margins in the United States increased to 26 percent from 24 percent in the third quarter of 2010 due to the newer corporate locations generating more revenue allowing Badger to leverage off the prior costs of starting these locations.

Badger had 478 daylighting units at the end of the third quarter of 2011, reflecting the addition of 68 daylighting units to the fleet to date in 2011 and the retirement of two units. Of the total, 240 units were operating in Canada and 238 in the United States at quarter-end. Badger had 412 daylighting units at December 31, 2010. The new units were financed from cash generated from operations and existing credit facilities.

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 to 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, Inc. ("Clean Harbors"). Under the terms of 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 the votes cast by the shareholders and optionholders of Badger. Badger held a meeting to consider the Transaction on April 26, 2011. The shareholder and optionholder vote did not receive the requisite number of votes required to approve the Transaction and, accordingly, the Transaction was not completed. As a result, pursuant to the terms of a settlement agreement, Badger paid Clean Harbors $1.1 million.

OUTLOOK

Badger is very pleased with the progress and results generated by its four regions and manufacturing plant during the third quarter. Business development efforts were rewarded with more revenue and the operational locations worked hard to ensure the work was performed in a safe and efficient manner. The additional revenue and work load obviously stretched Badger's personnel and resources which are continuously developing.

Badger remains cautiously optimistic it will be able to continue this level of growth at least to the end of 2011, for the following reasons.

1. Business development personnel have focused their efforts on adding customers and finding opportunities to provide continuous work through traditional slow periods. For example, Badger normally experiences a slowdown in the Eastern United States Region starting after United States Thanksgiving. Badger is currently working hard to identify projects and facilities that may be able to use Badger during this otherwise slow period, thereby keeping revenue at higher levels.
2. The current level of oil and natural gas sector as well as general economic activity in Canada and the United States provides Badger with enough opportunities to keep its trucks busy and add revenue. Badger does not foresee much change in this level to the end of the year.
3. Areas added in the United States in 2010 are starting to perform at a reasonable level, which not only improves immediate financial results but provides a platform to grow. This investment in new areas has been worthwhile.
4. Eastern Canada results are good and the forecast is for this to continue.
5. Badger's manufacturing plant is currently adding two daylighting units per week to the Company's fleet. There is a high demand for units, which are being built almost exclusively for growth. Badger is also forecasting a minimal removal of units from the fleet in 2011.

Badger has spent a good deal of effort trying to determine what market conditions for its services will be like in 2012. It has been very difficult to predict the strength of the economy or activity levels in the oil and natural gas sector. The goal is to remain flexible enough to take advantage of opportunities for additional growth while remaining able to adjust the business to handle any slowdowns. Badger believes as long as market conditions remain relatively constant, the Company will be able to continue to grow the business in 2012.

Results of Operations

Revenues

Revenues of $53.9 million for the three months ended September 30, 2011 were 39 percent greater than the $38.7 million generated during the comparable period in 2010. The increase is attributable to the following:

- Canadian revenues increased by 26 percent from $22.9 million in the third quarter of 2010 to $28.8 million in the third quarter of 2011. Western Canada hydrovac revenue increased by 30 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 16 percent quarter-over-quarter due to a general increase in activity; and
- United States revenue went from $15.8 million for the three months ended September 30, 2010 to $25.1 million for the three months ended September 30, 2011. Removing the effect of the change in the foreign exchange rate, revenues increased by 71 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 September 30, 2011 was $35,500 versus $28,200 for the three months ended September 30, 2010. The increase is due to increased revenue noted above.

Direct Costs

Direct costs for the quarter ended September 30, 2011 were $35.9 million compared to $25.2 million for the quarter ended September 30, 2010. This increase of 43 percent is greater than the increase in revenues of 39 percent due to lower than anticipated revenues being generated from a number of the 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 33.3 percent for the quarter ended September 30, 2011, a decrease from the 35.0 percent generated for the quarter ended September 30, 2010. The Canadian gross profit percentage decreased slightly from 38.2 percent for the three months ended September 30, 2010 to 37.6 percent for the three months ended September 30, 2011. United States gross profit percentage decreased from 30.5 percent for the three months ended September 30, 2010 to 28.3 percent for the three months ended September 30, 2011 due to a significant increase in the number of corporate locations in 2011, many of which are not yet generating their targeted amount of revenue as they worked to increase their customer base.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $3.8 million for the three months ended September 30, 2011, $0.4 million higher than the $3.4 million incurred for the three months ended September 30, 2010, due to the increased number of hydrovac units in the fleet.

Finance Cost

Finance cost was $0.3 million for the quarter ended September 30, 2011 versus $0.2 million for the quarter ended September 30, 2010. 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 decreased by 23 percent to $2.7 million for the quarter ended September 30, 2011 from $3.4 million for the quarter ended September 30, 2010. The main reason for the decrease was a decrease in non-cash compensation being only partially offset by an increase in personnel costs as a result of the growth in Badger's business. As a percentage of revenues, selling, general and administrative expenses decreased to 4.9 percent for the third quarter of 2011 from 8.9 percent for the third quarter of 2010. The main reason for the decrease was the same as above.

Income Taxes
The effective tax rate for the nine months ended September 30, 2011 was 28 percent, a significant increase from the effective tax rate of 9 percent for the nine months ended September 30, 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 differences result from converting the balance sheet and earnings statement related to the United States operations into Canadian currency.

Liquidity and Distributions

Funds generated from operations increased to $15.0 million for the quarter ended September 30, 2011 from $10.4 million for the comparable period 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 $41.5 million at September 30, 2011 compared to $38.1 million at December 31, 2010.

The following table outlines the cash available to fund growth and pay dividends to shareholders for the three months and nine months ended September 30, 2011:

($)	Three months ended September 30, 2011	Nine months ended September 30, 2011
Funds generated from operations	14,999,409	32,251,352
Add: proceeds from sale of property, plant and equipment	93,787	166,486
Deduct: required repayments of long-term debt	-	(3,258,554)
Deduct: maintenance capital expenditures	(452,585)	(901,933)
Cash available for growth capital expenditures and dividends	14,640,611	28,257,351
Growth capital expenditures	12,661,678	23,887,312
Dividends declared	2,757,476	8,272,430

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 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 for the period over dividends declared during the nine months ended September 30, 2011 and 2010 and the year ended December 31, 2010:

($)	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Year Ended December 31, 2010
Cash provided by operating activities	18,031,655	20,242,110	26,104,861
Net profit	17,098,659	13,964,402	19,633,096
Dividends/distributions declared	8,272,430	10,213,577	13,618,879
Excess of cash provided by operating activities over dividends/distributions declared	9,759,225	10,028,533	12,485,982
Excess of net profit over dividends/distributions declared	8,826,229	3,750,825	6,014,217

The Company pays cash dividends monthly to its shareholders. 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 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 nine months ended September 30, 2011 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 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 anticipates removing a minimal number of hydrovac units from the fleet in 2011. 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 $13.1 million on property, plant and equipment for the three months ended September 30, 2011 compared to $4.0 million for the three months ended September 30, 2010. The Company built 28 hydrovac units during the three months ended September 30, 2011 compared to five hydrovac units plus incurring construction costs of $1.4 during the three months ended September 30, 2010. The costs to build a hydrovac unit decreased by approximately 10 percent from fiscal 2010 to the first nine months of 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 first nine months of 2011 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 $46.7 million was drawn at September 30, 2011. 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 the first nine months of 2011. As at September 30, 2011 Badger's cash and cash equivalents were $2.6 million resulting in net debt of $44.1 million versus cash and cash equivalents of $11.9 million and net debt of $28.8 million at December 31, 2010. The main reason for the increase was the capital expenditures incurred during the first nine months of 2011.

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	**September 30, 2011**	December 31, 2010	Threshold
Funded Debt[(1)] to EBITDA[(2)]	**1.00:1**	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.

The Company has committed to certain capital expenditures totalling approximately $14.1 million. These capital expenditures 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 the first nine months of 2011. Shares outstanding at September 30, 2011 were 10,813,631. There was no change to the balance as of November 10, 2011.

SELECTED QUARTERLY FINANCIAL INFORMATION

($)				IFRS				Previous Canadian GAAP
	2011			2010				2009
	Q3	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Revenues	53,853,710	42,804,832	40,970,978	41,175,494	38,727,159	29,374,171	30,333,959	33,123,204
Net profit	8,152,566	4,564,267	4,381,826	5,668,694	6,371,129	3,284,227	4,309,046	6,257,324
Net profit per share - basic	0.75	0.42	0.41	0.52	0.59	0.30	0.40	0.58
Net profit per share - diluted	0.75	0.42	0.40	0.52	0.59	0.30	0.40	0.58

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Badger has prepared its September 30, 2011 interim consolidated financial statements in accordance with IFRS and with International Accounting Standard (IAS) 34, Interim Financial Reporting. For all accounting periods prior to March 31, 2011, Badger prepared its financial statements in accordance with Canadian GAAP. The adoption of IFRS has had no material impact on Badger's operations, strategic decisions, or internal controls.

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 September 30, 2011. However, the pronouncements 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 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, 2013, 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 is currently assessing the impact of this standard.

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

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

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to critical accounting estimates since December 31, 2010.

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, 2010 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, 2010 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 September 30, 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

The MD&A for the year ended December 31, 2010, 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 2010 Annual Information Form.