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 December 31, 2011 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, 2011, 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, 2012 and 2011 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 9, 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:

- That internal preparations for anticipated growth in 2012 will be completed;
- That as long as overall activity in the economy and the oil and natural gas industry remains essentially 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 steady growth, driven by activity levels in the utility and construction segments that are forecast to be stable in 2012; and

- 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.

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 strategy.

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 September 30,		Nine months ended September 30,	
$	2012	2011	2012	2011
Gross profit	20,134,055	17,908,831	53,468,644	44,580,277
Selling, general and administrative costs	(3,643,606)	(2,642,882)	(10,007,111)	(8,061,508)
EBITDA	16,490,449	15,265,949	43,461,533	36,518,769

"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,	
$	2012	2011	2012	2011
Cash provided by operating activities	7,996,557	7,074,765	33,007,501	18,031,655
Add (deduct):				
Net change in non-cash working capital relating to operating activities	5,634,007	7,924,644	2,227,629	12,028,049
Equity-settled share plan settled in cash	0	0	655,316	2,191,648
Funds generated from operations	13,630,564	14,999,409	35,890,446	32,251,352

"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 net additions to the daylighting fleet. Growth capital expenditures exclude acquisitions.

"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 September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Revenues	61,962	53,854	169,980	137,630
EBITDA	16,490	15,266	43,462	36,519
Profit before tax	11,494	11,203	29,168	23,888
Income tax expense				
Current	1,809	990	5,400	3,139
Deferred	1,783	2,060	3,606	3,651
Net profit	7,902	8,153	20,162	17,099
Profit per share – diluted ($)	0.64	0.75	1.77	1.58
Funds generated from operations	13,631	14,999	35,890	32,251
Funds generated from operations per share – diluted ($)	1.10	1.38	3.15	2.98
Maintenance capital expenditures	1,527	453	2,581	902
Required long-term debt repayments	-	-	-	3,259
Cash available for growth and dividends	12,141	14,641	33,442	28,257
Dividends declared	3,143	2,757	8,791	8,272
Growth capital expenditures	12,484	12,662	36,655	23,887
Total shares outstanding (end of period)	12,326,631	10,813,631	12,326,631	10,813,631

OVERVIEW

It should be noted in comparing the results for the three months ended September 30, 2012 to the three months ended September 30, 2011 that the quarter ended September 30, 2011 was an exceptional quarter for Badger and although EBITDA margins and gross profit margins decreased in the third quarter of 2012 from the third quarter 2011, the third quarter of 2012 was a strong quarter.

Highlights for the three months ended September 30, 2012:

- Revenues increased by approximately 15 percent to $62.0 million from $53.9 million for the comparable quarter of 2011 due to 15 percent increases in each of Canadian and United States revenues;
- EBITDA increased by approximately 8 percent to $16.5 million from $15.3 million in the same quarter of 2011;
- Funds generated from operations decreased by approximately 9 percent period-over-period to $13.6 million from $15.0 million in the comparable quarter of 2011 due to the increase in cash taxes as a proportion total tax expense;
- EBITDA margins in Canada decreased to 28 percent from 30 percent for the comparable period of last year due to additional costs associated with incentive compensation due to the increase in the price of Badger's shares. EBITDA margins in the United States decreased to 25 percent from 26 percent in the third quarter of 2011 due to lower margins in certain oil and natural gas industry locations;
- Badger had 600 daylighting units at the end of the third quarter of 2012, reflecting the addition of 100 daylighting units to the fleet to date in 2012 and the retirement of four units. Of the total, 289 units were operating in Canada and 311 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, existing credit facilities and the June 2012 equity financing; and
- Effective November 2012 Badger's Board of Directors has approved a one-half-cent increase to the monthly dividend, increasing the total amount by 6 percent, from 8.5 cents to 9 cents per month. The Board determined that, based on Badger's continuing growth and positive financial results the increase was warranted. In the Board's dividend analysis, it considers many factors, including best use of current and future cash flow and sustainability of the dividend. Payment will be made on or about December 17, 2012 to shareholders of record on November 30, 2012.

OUTLOOK

The third quarter was a good quarter for Badger as revenue growth continued, investments were made to support future growth and the fleet continued to grow. Some weakness or slower growth was experienced in selected oil and gas natural producing areas due to localized industry slowdowns. Good progress was made, however, in new markets and in adding new customers. Badger is optimistic that growth will continue for the rest of the year provided the overall North American economy stays at the same level and there is no major reduction in oil and natural gas industry activity in the regions where Badger operates for the remainder of the year.

Major initiatives for the remainder of 2012 remain as follows:

1. Work to improve the profitability of new locations and of currently underperforming locations. This remains a continuing priority. Badger has made progress in the United States, which has enabled the Company to remain busy as whole despite overall experiencing slightly lower activity in certain oil and natural gas regions.
2. In the first three quarters of 2012 Badger made good progress in filling personnel gaps in the organization plus adding people to handle future growth. It is anticipated that these investments, although having an adverse affect on margins today, will add value in the future.

3. Badger's business development capability has been enhanced. The investment in people and systems has increased greatly in 2012. This initiative will help Badger continue its growth plans for the future.
4. 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.
5. The build of Badger units through year-end is forecast to continue at the same pace as in the first three quarters. This build rate is a just over two daylighting units per week. At the beginning of the year Badger expected to retire 10 to 15 trucks. Badger has retired four units during the first nine months of 2012 and anticipates retiring one to three units prior to the end of 2012.

Regional comments:

1. The United States East operations continue to grow by adding customers and locations. Badger has seen a reduction of work in the oil field sector, which moderated growth somewhat in the last quarter. Revenue growth in other markets has been able to replace the decline. It should be noted that although the customer base in the United States East has been diversified, revenue can fluctuate due to large project work starting and ending.
2. The United States West continues to lag the other United States region. The slower pace in the oil and natural gas industry in a few areas has hurt overall margins. Badger believes that its business development efforts will help increase revenue in the future.
3. Eastern Canada revenue and margins were on target for the quarter and are forecast to remain at the current level.
4. Western Canada business continues to provide good results for the Company. The third quarter was strong even with some localized market fluctuations. Badger expects Western Canada to have a good year.

The third quarter of 2012 generated reasonable results and was according to plan. This is despite the localized decline in the oil and natural gas sector plus Badger's as-yet unrealized investments in future growth. The Company's focus remains on growing its customer base, taking advantage of the opportunities that present themselves and improving margins in weak areas. Badger believes it will be able to continue growing through the fourth quarter and foreseeable future given a reasonable economy and essentially stable oil and natural gas industry.

Results of Operations

Revenues

Revenues of $62.0 million for the three months ended September 30, 2012 were 15 percent greater than the $53.9 million generated during the comparable period in 2011. The increase is attributable to the following:

- Canadian revenues increased by 15 percent from $28.8 million in the third quarter of 2011 to $33.1 million in the third quarter of 2012. Western Canada hydrovac revenue increased 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 a modest amount quarter-over-quarter due to a general increase in activity; and
- United States revenue went from $25.1 million for the three months ended September 30, 2011 to $28.9 million for the three months ended September 30, 2012. Removing the effect of the change in the foreign exchange rate, revenues increased by 13 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, 2012 was $33,000 versus $35,500 for the three months ended September 30, 2011. The $33,000 average revenue per truck is a good result for the quarter.

Badger's average revenue per truck per month for the nine months ended September 30, 2012 was $32,000 versus $31,600 for the nine months ended September 30, 2011.

Direct Costs

Direct costs for the quarter ended September 30, 2012 were $41.8 million compared to $35.9 million for the quarter ended September 30, 2011. The increase of 16 percent is marginally greater than the increase in revenues of 15 percent.

Gross Profit

The gross profit percentage was 32.5 percent for the quarter ended September 30, 2012, a decrease from 33.3 percent for the quarter ended September 30, 2011. The Canadian gross profit percentage decreased from 37.6 percent for the three months ended September 30, 2011 to 36.5 percent for the three months ended September 30, 2012. The United States gross profit percentage decreased from 28.3 percent for the three months ended September 30, 2011 to 27.9 percent for the three months ended September 30, 2012.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $4.7 million for the three months ended September 30, 2012, $0.9 million higher than the $3.8 million incurred for the three months ended September 30, 2011, 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, 2012 versus $0.3 million for the quarter ended September 30, 2011.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 38 percent to $3.6 million for the quarter ended September 30, 2012 from $2.7 million for the quarter ended September 30, 2011. The main reason for the increase was the additional costs associated with incentive compensation due to the increase in the price of Badger's shares. There was also an increase in personnel costs resulting from the growth in Badger's business. As a percentage of revenues, selling, general and administrative expenses increased to 5.9 percent for the third quarter of 2012 from 4.9 percent for the third quarter of 2011, for the same reasons.

Income Taxes

The effective tax rate for the nine months ended September 30, 2012 was 31 percent versus 28 percent for the nine months ended September 30, 2011. Profit before tax in the United States for the nine months ended September 30, 2012 increased relative to Canadian profit before tax in the same period, resulting in the increase in the effective tax rate given that corporate income tax rates are higher in the United States.

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 decreased to $13.6 million for the quarter ended September 30, 2012 from $15.0 million for the comparable period in 2011 due to cash taxes increasing as a proportion of total tax expense. 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 $42.8 million at September 30, 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 and nine months ended September 30, 2012:

($)	Three months ended September 30, 2012	Nine months ended September 30, 2012
Funds generated from operations	13,630,564	35,890,446
Add: proceeds from sale of property, plant and equipment	37,643	132,566
Deduct: required repayments of long-term debt	-	-
Deduct: maintenance capital expenditures	(1,526,932)	(2,580,906)
Cash available for growth capital expenditures and dividends	12,141,275	33,442,106
Growth capital expenditures	12,484,042	36,655,412
Dividends declared	3,143,292	8,791,101

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, 2012 and 2011 and the year ended December 31, 2011:

($)	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Year ended December 31, 2011
Cash provided by operating activities	33,007,501	18,031,655	33,469,398
Net profit	20,161,599	17,098,659	25,803,156
Dividends declared	8,791,101	8,272,430	11,029,907
Excess of cash provided by operating activities over dividends declared	24,216,400	9,759,225	22,439,491
Excess of net profit over dividends declared	11,370,498	8,826,229	14,773,249

The Company pays cash dividends monthly to its shareholders. They 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, proceeds received from equity financings or cash retained from operating activities. The majority of the cash provided by operating activities in the nine months ended September 30, 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 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 $14.0 million on property, plant and equipment for the three months ended September 30, 2012 compared to $13.1 million for the three months ended September 30, 2011. The Company built 31 hydrovac units during the three months ended September 30, 2012 compared to 28 during the three months ended September 30, 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 nine months of 2012 only four hydrovac units were removed from the fleet and, therefore, maintenance capital expenditures were minimal.

Financing

On June 19, 2012 the Company completed an equity financing pursuant to a prospectus dated June 13, 2012 for gross proceeds of $37.5 million through the issuance of 1,500,000 common shares at a price of $25.00 per share. Badger intends to use the net proceeds to fund growth initiatives (ie. to fund its capital expenditure program and other growth initiatives it may pursue from time to time), for working capital, and for other general corporate purposes. It is currently anticipated that the full amount of the net proceeds will be used, over time, to finance the manufacture by Badger of additional hydrovacs. However, the exact timing of the build of these additional hydrovacs, and the number of additional hydrovacs to be built, will depend on (i) Badger's assessments from time to time of the economy and the need for Badger's hydrovac services and (ii) any increase or decrease in the cost of parts and labour over time associated with the manufacture of hydrovacs. The net proceeds were initially used to pay down amounts drawn under the extendable revolving credit facility.

The Company has a $55 million extendable revolving credit facility which is used to assist in financing Badger's capital expenditure program and support corporate activities, of which $26.2 million was drawn at September 30, 2012. The facility has no required principal repayments. It expires on June 23, 2013 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 decreased by 49 percent during the first nine months of 2012. As at September 30, 2012 Badger's cash and cash equivalents were $3.7 million, resulting in net debt of $22.5 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 decrease was the funds received on closing the June 2012 equity financing.

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, 2012**	December 31, 2011	Threshold
Funded Debt[1] to EBITDA[2]	**0.38:1**	0.85:1	2.25:1 maximum
Fixed Charge Coverage[3]	**5.16:1**	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 $9.4 million. They 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

Shareholders' capital increased from $44.5 million at December 31, 2011 to $80.6 million at September 30, 2012 due to the June 2012 equity financing and certain employees exercising their options. Shares outstanding at September 30, 2012 were 12,326,631. There was no change to the balance as of November 9, 2012.

SELECTED QUARTERLY FINANCIAL INFORMATION

($)	**2012**			2011				2010
	Q3	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Revenues	61,961,587	53,984,135	54,034,368	56,548,569	53,853,710	42,804,832	40,970,978	41,175,494
Net profit	7,901,918	6,144,629	6,115,052	8,704,497	8,152,566	4,564,267	4,381,826	5,668,694
Net profit per share - basic	0.64	0.56	0.57	0.80	0.75	0.42	0.41	0.52
Net profit per share - diluted	0.64	0.56	0.56	0.80	0.75	0.42	0.40	0.52

ACCOUNTING STANDARDS PENDING ADOPTION

New IFRS pronouncements have been issued but are not in effect as at September 30, 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 January 1, 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 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 fully 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 fully 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, 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.