PRESS RELEASE **TSX-BAD**

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BADGER DAYLIGHTING LTD. ANNOUNCES RESULTS FOR THE YEAR ENDED DECEMBER 31, 2012

Calgary, Alberta – Badger Daylighting Ltd. is pleased to announce its results for the year and three months ended December 31, 2012.

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements and related notes of Badger Daylighting Ltd. (the "Company" or "Badger") for the year ended December 31, 2012. The audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). Readers should also refer to the Annual Information Form for the year ended December 31, 2012, which along with further information relating to Badger may be found on SEDAR at *www.sedar.com*.

This MD&A has been prepared taking into consideration information available to March 15, 2013.

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 2013 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 2013;
- That Badger in 2013 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 2013;
- That the current business development initiative will provide Badger with the additional new customers necessary to grow the business in 2013 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 2013;
- That there will be an increase in Western Canada revenue during 2013 due to anticipated project volume 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; and,
- That the extendable revolving credit facility will be renewed and fully available during 2013 for an additional 364-day period.

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 2013;
- 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 of cash 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 December 31,		Year ended December 31,	
$	2012	2011	2012	2011
Gross profit	22,086,654	20,199,195	75,555,298	64,779,472
Selling, general and administrative costs	(4,053,391)	(3,912,611)	(14,060,502)	(11,974,119)
EBITDA	18,033,263	16,286,584	61,494,796	52,805,353

"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 December 31,		Year ended December 31,	
$	2012	2011	2012	2011
Cash provided by operating activities	13,193,282	15,437,743	46,200,783	33,469,398
Add (deduct):				
Net change in non-cash working capital relating to operating activities	2,427,846	(1,714,802)	4,655,475	10,313,247
Equity-settled share plan settled in cash	-	-	655,316	2,191,648
Funds generated from operations	15,621,128	13,722,941	51,511,574	45,974,293

"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.

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

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

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

FINANCIAL HIGHLIGHTS

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

	Three months ended December 31, 2012	Three months ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
Revenues	69,249	56,549	239,229	194,178
EBITDA	18,033	16,287	61,495	52,805
Profit before tax	12,841	11,925	42,008	35,813
Income tax expense				
Current	2,546	2,019	7,945	5,158
Deferred	2,407	1,201	6,013	4,852
Net profit	7,888	8,705	28,050	25,803
Profit per share – diluted ($)	0.69	0.80	2.41	2.38
Funds generated from operations	15,621	13,723	51,512	45,974
Funds generated from operations per share – diluted ($)	1.26	1.27	4.42	4.24
Maintenance capital expenditures	1,089	1,135	3,670	2,037
Required long-term debt repayments	-	-	-	3,259
Cash available for growth and dividends	14,611	12,553	48,053	40,810
Dividends declared	3,267	2,757	12,058	11,030
Growth capital expenditures	13,768	11,307	50,423	35,194
Total shares outstanding (end of the period)	12,326,631	10,813,631	12,326,631	10,813,631

OVERVIEW

Highlights for the year ended December 31, 2012 are as follows:

- Revenues increased by 23 percent to $239.2 million in 2012 from $194.2 million in 2011, while EBITDA increased by 16 percent to $61.5 million in 2012 from $52.8 million in 2011.
- Cash available for growth and dividends increased by 18 percent to $48.1 million in 2012 from $40.8 million in 2011, due to increased funds generated from operations and no required debt repayments.
- In June 2012, Badger completed an equity financing for gross proceeds of $37.5 million through the issuance of 1,500,000 common shares at a price of $25.00 per share.
- Net debt decreased to $27.3 million at December 31, 2012 from $43.9 million at December 31, 2011 due to the funds received on closing the equity financing in June 2012.

- The Company renewed its extendable revolving credit facility in June 2012. At the request of Badger the maximum principal was reduced from $60 million to $55 million.
- The Company added 131 new hydrovac units and removed five from service, exiting the year with 630 hydrovac units. Of the total, 307 units were operating in Canada and 323 in the United States at year-end. They were financed from cash generated from operations, existing credit facilities and the equity financing.
- Effective November 2012 Badger's Board of Directors 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.

Selected Annual Financial Information

	Year ended December 31,		
($)	**2012**	**2011**	**2010**
Revenues	239,228,701	194,178,089	139,610,783
Net profit	28,049,759	25,803,156	19,633,096
Net profit per share – basic	2.41	2.39	1.82
Net profit per share – diluted	2.41	2.38	1.81
Total assets (end of year)	225,582,408	183,866,809	151,196,167
Total long-term debt [(1)] (end of year)	29,773,229	46,554,454	40,671,395
Distributions/dividends declared	12,057,659	11,029,907	13,618,878

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

OUTLOOK

2012 was a good year for Badger in terms of results for the fiscal year and for investments made to generate future growth. The United States generated strong revenue growth during the year through the addition of 11 new locations, adding 64 new hydrovac units and as a result of increased business development. Gross margins were slightly reduced in the United States due to inefficiencies caused by rapid growth and also investments in personnel for the future. In Canada the Company also generated strong revenue growth in a market that is more mature than the United States. Again margins were slightly reduced due to Western Canada generating reduced margins and investments made in Eastern Canada to ready the organization for future growth. Western Canada in 2011 had delivered a great year with above average margins and very good operational efficiencies. In 2012 the market was a bit tougher in the fall and Badger invested in various operational expenses in preparation for even higher revenue. The region did generate higher revenue but not to the level expected when the investments were made. It should be noted that while 2012 had lower margins than 2011, it was still a good year for Badger in Western Canada. The manufacturing group built an additional 131 hydrovac units in 2012, which was a very satisfying milestone and Badger's largest one-year build ever, which is very positive for the future. If the overall economy in North America and the oil and natural gas industry remain relatively stable, Badger will continue its growth and deliver good results in 2013.

Major initiatives in 2013 will consist of:

1. Further develop the organization to continue to grow the existing business. In the United States Badger intends to add personnel which will add current costs, but position the organization for future returns. This will continue to dampen margins in the United States in the short term, but as the organization develops, margins should improve.

2. Continue with the business development initiative launched in 2012 to ensure new customers are constantly being added. Badger has an internal goal to double its United States customer base over the next couple of years.

3. In 2012 Badger commenced an initiative to streamline its administration system through the use of electronic forms and systems to transfer data from the field to Badger and the Company's customers. Badger is behind schedule on this initiative but early indications show that it will be worth the commitment of time and resources.

4. Add new locations in market areas where there is good future potential. These investments are necessary to help grow the business.

5. Badger is currently building about three trucks per week in its Red Deer, Alberta manufacturing facility. This will continue as long as there is a market demand for new hydrovac units from Badger's various operational areas. Badger expects to retire approximately 15 to 25 hydrovac units from the fleet in 2013.

Regional outlook:

1. Badger's Western Canada business is showing a good deal of strength in early 2013. There is, however, some uncertainty in the overall market due to concerns over the mild winter perhaps causing an early spring break-up, plus some pressure on the oil industry due to pricing differentials. Notwithstanding the above, Badger is expecting another good year in Western Canada.

2. Eastern Canada has been and should continue to be a steady, moderate growth area for Badger. The expectations for 2013 will be the same.

3. The United States offers Badger large market potential. Currently Badger has only slightly more hydrovac units in the United States than Canada. The United States economy being many times the size of Canada's creates lots of growth potential. Badger will continue to develop this market, add more locations and further develop the organization to take advantage of this opportunity.

Badger is pleased with the 2012 results. There, as always, were certain items the Company would like to have done better but overall a strong year. Badger intends to further build on this success in 2013 while remaining flexible to take advantage of opportunities as they present themselves.

OVERALL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2012 COMPARED TO THE YEAR ENDED DECEMBER 31, 2011

Results of Operations

Revenues

Revenues were $239.2 million for the year ended December 31, 2012 compared to $194.2 million for the year ended December 31, 2011. The increase is attributable to the following:

- Canadian revenues increased by 17 percent from $111.0 million in 2011 to $129.3 million in 2012. Western Canada hydrovac revenue increased due to increased demand for hydrovac services in various areas generated by higher activity in the oil and natural gas industry, plus the addition of two new areas. Eastern Canada revenue remained almost unchanged; and

- United States revenue grew from $83.2 million in 2011 to $110.0 million in 2012. Removing the effect of foreign exchange rate changes, revenues increased by 31 percent year-over-year. The increase is due to more work in the United States generated by new locations added over the last couple of years and positive results from business development.

Badger's average revenue per truck per month was $32,900 for 2012 versus $32,500 for 2011. The increase is due to a focused business development effort, more mature United States locations and additional customers.

Direct Costs

Direct costs for 2012 were $163.7 million compared to $129.4 million for 2011. The increase of 26 percent is greater than the revenue growth of 23 percent due to increased costs in Western Canada not being matched by revenue growth over 2011. It was, however, still a good year. Costs in the United States increased due to growth investments and some operational inefficiency.

Gross Profit

The gross profit percentage was 31.6 percent for 2012, a decrease from the 33.4 percent generated in 2011. The Canadian gross profit percentage decreased from 38.7 percent for 2011 to 36.4 percent for 2012 as a result of higher costs in Western Canada. United States gross profit percentage decreased very slightly from 26.2 percent in 2011 to 25.9 percent in 2012 due to growth investments and some operational inefficiency.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $18.4 million in 2012 or $3.8 million higher than the $14.6 million incurred in 2011 due to the increased number of hydrovac units in the fleet.

Finance Cost

Finance cost was $1.2 million in 2012, unchanged from 2011. The average debt outstanding during 2012 was nearly unchanged from 2011.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 17 percent to $14.1 million in 2012 from $12.0 million in 2011. The main reason for the increase was the additional cost associated with the incentive compensation due to the increase in the price of Badger's shares. Other reasons were an increase in personnel salary costs resulting from the growth in Badger's business, increases in employee bonuses due to the good financial results and costs associated with implementing the use of electronic forms and other measures to transfer data electronically from the field to offices and from offices to Badger's customers in order to streamline certain of Badger's administrative processes. As a percentage of revenues, selling, general and administrative expenses decreased to 5.9 percent for 2012 from 6.2 percent for 2011.

Income Taxes

The effective tax rate was 33 percent for 2012 versus 28 percent for 2011. Profit before tax in the United States for 2012 increased relative to Canadian profit before tax during 2011, 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 rate 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 $51.5 million in 2012 from $46.0 million in 2011 (excluding the $1.1 million payment to Clean Harbors, Inc., funds generated from operations were $47.1 million in 2011) due primarily to increased revenues and EBITDA. 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 $43.9 million at December 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 in 2012 compared to 2011:

($)	Year ended December 31, 2012	Year ended December 31, 2011
Funds generated from operations	51,511,574	45,974,293
Add: proceeds from sale of property, plant and equipment	211,471	131,867
Deduct: required repayments of long-term debt	-	(3,258,554)
Deduct: maintenance capital expenditures	(3,669,569)	(2,037,325)
Cash available for growth capital expenditures and dividends	48,053,476	40,810,281
Growth capital expenditures	50,423,156	35,193,970
Dividends declared	12,057,659	11,029,907

In determining cash available for dividends, the Company excludes non-cash working capital changes for the year as well as growth capital expenditures. Changes in non-cash working capital items 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 are excluded so as to include only the maintenance capital expenditures required for the sustainability of the existing asset base.

The following table outlines the excess of cash provided by operating activities and net profit over dividends declared during the years ended December 31, 2012 and 2011:

($)	**Year ended December 31, 2012**	**Year ended December 31, 2011**
Cash provided by operating activities	46,200,783	33,469,398
Net profit	28,049,759	25,803,156
Dividends declared	12,057,659	11,029,907
Excess of cash provided by operating activities over dividends declared	34,143,124	22,439,491
Excess of net profit over dividends declared	15,992,100	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 the number of shares outstanding.

The Company maintains a strong balance sheet. The debt management strategy includes retaining sufficient funds from available distributable cash to finance maintenance capital expenditures as well as working capital needs. Growth capital expenditures will generally be financed through existing debt facilities, proceeds received from equity financings or cash retained from operating activities. The majority of the cash provided by operating activities during 2012 and 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-and-a-half years. As a result, Badger is experiencing relatively low levels of maintenance capital expenditures. Over time, Badger would expect to incur annual maintenance capital expenditures approximately equalling the year's depreciation expense. Badger estimates it will remove approximately 15 to 25 hydrovac units from the fleet in 2013. Badger expects that cash provided by operations and cash available for growth capital expenditures and dividends will be sufficient to fund the maintenance capital expenditures in the future.

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

Capital Resources

Investing

In 2012 the Company spent $54.1 million on property, plant and equipment compared to $37.2 million in 2011. During 2011 the Company's capital program consisted of the addition of 97 new hydrovac units and $1.2 million spent on the construction of new operational facilities, compared to a capital program of 131 new hydrovac units built in 2012 and $1.9 million spent on the construction of new operational facilities. 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 year ended December 31, 2012 Badger added 131 units to the fleet, of which five have been reflected as maintenance capital expenditures. Total maintenance capital expenditures for the year were $3.7 million, which includes the $1.9 million spent on the construction of facilities.

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 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.

In June 2012 the Company's extendable revolving credit facility was renewed. The principal amount was decreased from $60 million to $55 million at Badger's request. The facility was used and will continue to be used to help finance Badger's capital expenditure program and support corporate activities. The facility has no required principal repayments. It expires on June 23, 2013 and is renewable by mutual agreement of the Company and the lender 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 38 percent during 2012. As at December 31, 2012 Badger's cash and cash equivalents were $2.5 million, resulting in net debt of $27.3 million versus 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.

At December 31, 2012 the Company had a long-term debt-to-equity ratio of 0.21:1 and a long-term debt-to-trailing-funds-generated-from-operations ratio of 0.58:1. 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. Based on the expected capital required to fund the anticipated 2013 capital expenditure program, additional financing may be required. This could be comprised of additional debt, equity or a combination thereof. Currently the Company has a $55 million extendable, revolving facility to fund working capital requirements and finance capital expenditures, of which $29.8 million was used at December 31, 2012. The Company also had a cash and cash equivalents balance of $2.5 million at December 31, 2012. The Company's practice is to utilize an appropriate mix of debt and equity to finance its maintenance capital expenditures and growth initiatives.

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

Ratio	**December 31, 2012**	December 31, 2011	Threshold
Funded Debt[1] to EBITDA[2]	**0.44:1**	0.85:1	2.25:1 maximum
Fixed Charge Coverage[3]	**4.58:1**	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.

Contractual Obligations and Committed Capital Investment

The Company intends to meet its contractual obligations through funds generated by operating activities. The Company's contractual obligations for the next five years relating to repayment of long-term debt (assuming the extendable revolving credit facility is not renewed on June 23, 2013) and lease payments for shop and office premises are as follows:

($000s)	Total	2013	2014-2017	Thereafter
Long-term debt	29,773	-	29,773	-
Shop and office leases	4,250	1,849	2,401	-
Total contractual obligations	34,023	1,849	32,174	-

In addition to the contractual obligations above, at year-end 2012 the Company had committed to certain capital expenditures totalling approximately $14.2 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 December 31, 2012 due to the June 2012 equity financing and certain employees exercising their options. Shares outstanding at December 31, 2012 were 12,326,631. Due to certain employees exercising options there were 12,332,631 shares outstanding as of March 15, 2013.

OFF-BALANCE-SHEET ARRANGEMENTS

At December 31, 2012 and 2011, the Company had no material off-balance-sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Shea Nerland Calnan LLP provides legal services to Badger at market rates. David Calnan, a Director and the Corporate Secretary of the Company, is a partner in this law firm and is involved in providing and managing Badger's legal services. The total cost of these legal services in 2012 was $201,000 compared to $356,000 in 2011.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Quarter Ended							
	2012				2011			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues ($)	69,248,611	61,961,587	53,984,135	54,034,368	56,548,569	53,853,710	42,804,832	40,970,978
Net profit ($)	7,888,160	7,901,918	6,144,629	6,115,052	8,704,497	8,152,566	4,564,267	4,381,826
Net profit per share – basic ($)	0.64	0.64	0.56	0.57	0.80	0.75	0.42	0.41
Net profit per share – diluted ($)	0.64	0.64	0.56	0.56	0.80	0.75	0.42	0.40

FOURTH QUARTER HIGHLIGHTS

- As a result of increased activity in Canada and the United States, revenue increased to $69.2 million in the three months ended December 31, 2012 from $56.5 million in the three months ended December 31, 2011. Canadian revenues increased by 21 percent, due to a general increase in demand for hydrovac services in Western Canada. Badger's United States revenue increased to $31.7 million from $25.4 million quarter-over-quarter. Removing the effect of the change in the foreign exchange rate, United States revenues increased by 27 percent in the fourth quarter of 2012 over the last quarter of 2011. This was due to additional operating locations and results from investments in business development.

- With the increase in revenues, profit before tax increased by 8 percent in the fourth quarter of 2012 over the same period in 2011.

- Average revenue per truck per month was $35,100 in the fourth quarter of 2012 compared to $35,600 per month for the same period in 2011.

- The Company added 31 hydrovac units to the fleet and removed one from service.

ACCOUNTING STANDARDS PENDING ADOPTION

The following are the IFRS pronouncements which have been issued but are not yet effective as at December 31, 2012. The pronouncements may, however, have a future impact on the measurement and/or presentation of the Company's consolidated 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 on the Company's consolidated financial statements.

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 consolidated 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 disclosures relating to the Company's subsidiaries in the consolidated financial statements.

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 to enable 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 is currently assessing the impact of this standard on the Company's consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

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

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

Depreciation of the hydrovac units

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

Tax pools and their recoverability

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

Intangible assets

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

Goodwill

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

Impairment of long-lived assets

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

Collectability of trade and other receivables

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

Share-based compensation

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

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

Credit risk

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

Liquidity risk

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

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

At December 31, 2012, the Company had available $24.6 million of authorized borrowing capacity on the extendable revolving facility and $2.5 million of cash and cash equivalents. The credit facility has no required principal repayment. The credit facility expires June 23, 2013 and is renewable by mutual agreement of the Company and the lender for an additional 364-day period. If not renewed, interest is payable monthly on the facility for 364 days after which the entire amount is to be repaid. The Company believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

Market risk

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

Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense on its long-term debt. Interest is calculated at prime. The prime interest rate is subject to change. A sensitivity analysis would indicate that net profit for the year ended December 31, 2012 would have been affected by approximately $0.3 million if the average interest rate changed by 1 percentage point. The Company does not use interest rate hedges or fixed interest rate contracts to manage its exposure to interest rate fluctuations.

Foreign exchange risk

The Company has United States operations and its Canadian operations purchase certain products in United States dollars. As a result, fluctuations in the value of the Canadian dollar relative to the United States dollar can result in foreign exchange gains and losses. A sensitivity analysis would indicate that a 10 percent strengthening in the Canadian dollar against the United States dollar would decrease total comprehensive income by approximately $1.4 million, while a 10 percent weakening of the Canadian dollar against the United States dollar would increase total comprehensive income by approximately $1.5 million. The Company does not have any agreements to fix the exchange rate of the Canadian dollar to the United States dollar.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

Badger's President and CEO and the VP Finance and CFO have designed, or caused to be designed under their direct supervision, Badger's disclosure controls and procedures (as defined by National Instrument

52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to Badger, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. Further, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's disclosure controls and procedures at December 31, 2012 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, 2012 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 of the accuracy of its accounting for income taxes and the determination of the income tax provision. Management and the Board of Directors have determined that it is not economically feasible to maintain such personnel in-house or to engage an external tax consultant to perform an independent review. This material weakness could result in a misstatement in various tax-related accounts that could result in a material misstatement to Badger's annual consolidated financial statements and disclosure that would not be prevented or detected.

Changes in internal control over financial reporting

No changes were made to the design of Badger's internal control over financial reporting during the year ended December 31, 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

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

Reliance on the oil and natural gas sector

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

Competition

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

United States operations

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

Safety

Badger is exposed to liabilities that are unique to the services that it provides. Such liabilities may relate to an accident or incident involving one of Badger's hydrovacs or damage to equipment or property caused by one of the hydrovacs, and could involve significant potential claims or injuries to employees or third parties. The amount of Badger's insurance coverage may not be adequate to cover potential claims or liabilities and Badger may be forced to bear substantial costs as a result of one or more accidents. Substantial claims resulting from an accident in excess of its related insurance coverage would harm Badger's financial condition and operating results. Moreover, any accident or incident involving Badger, even if Badger is fully insured or not held liable, could negatively affect Badger's reputation among customers and the public, thereby making it more difficult for Badger to compete effectively, and could significantly affect the cost and availability of insurance in the future. Due to the magnitude of insurance premiums, Badger decided to self-insure against the physical damage it could incur on the hydrovac units. This decision will be re-evaluated periodically as circumstances change.

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

Depreciation of daylighting units

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

Dependence on key personnel

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

Availability of labour and equipment

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

Reliance on key suppliers

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

Fluctuations in weather and seasonality

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

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

Fluctuations in the economy and political landscape

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

Compliance with government regulations

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

Environmental risk

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

Litigation

Legal proceedings may arise from time to time in the course of Badger's business. All industries, including the hydrovac industry, are subject to legal claims, with and without merit. Such legal claims may be brought against Badger or one or more of its subsidiaries in the future from time to time. Defense and settlement costs of legal claims can be substantial, even with respect to claims without merit. Due to the inherent uncertainty of the litigation process, such process could take away from management time and effort and the resolution of any particular legal proceeding to which Badger may become subject could have a material effect on Badger's financial position and results of operations.

Income tax matters

Badger and its subsidiaries are subject to federal, provincial and state income taxes in Canada and the United States, as applicable. Badger's United States subsidiary is currently under a routine tax audit by the Internal Revenue Service in the United States. Although Badger is of the view that it and its subsidiaries are in full compliance with all applicable legal requirements relating to federal, provincial and state legislation on income tax, sales tax, goods and services tax, excise tax and all other direct or indirect taxes including business tax, real estate tax, municipal, and other taxes, there can be no assurance that Badger and its subsidiaries will not be subject to assessment, reassessment, audit, investigation, inquiry or judicial or administrative proceedings under any such laws. As taxing regimes change their tax basis and rates, or initiate reviews of prior tax returns, Badger's liability to income tax may increase and Badger could be exposed to increased costs of taxation, which could, among other things, reduce the amount of funds available to distribute to shareholders or otherwise have a material adverse effect on Badger's business, results of operations or financial condition.

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

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

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

For more information regarding this press release, please contact:

Tor Wilson
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Badger Daylighting Ltd.

Consolidated Financial Statements

For the year ended December 31, 2012

Independent Auditor's Report

To the Shareholders of Badger Daylighting Ltd.

We have audited the accompanying consolidated financial statements of Badger Daylighting Ltd., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Badger Daylighting Ltd. as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Calgary, Canada
March 15, 2013

Chartered Accountants

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

As at December 31	Notes	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	2,460,078	2,622,191
Trade and other receivables	7	63,570,409	56,170,776
Prepaid expenses		1,346,016	1,183,571
Inventories	8	2,087,289	2,288,716
		69,463,792	62,265,254
Non-current Assets			
Property, plant and equipment	9	149,568,105	115,002,042
Intangible assets	10	6,550,511	6,599,513
		156,118,616	121,601,555
Total Assets		225,582,408	183,866,809
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	11	20,998,787	16,417,395
Income taxes payable		3,421,007	5,186,568
Dividends payable	13	1,109,397	919,159
		25,529,191	22,523,122
Non-current Liabilities			
Long-term debt	14	29,773,229	46,554,454
Deferred income tax	12	30,572,216	25,408,079
		60,345,445	71,962,533
Shareholders' Equity			
Shareholders' capital	15	80,640,111	44,473,107
Contributed surplus	15	2,060,607	2,657,923
Accumulated other comprehensive loss	15	(2,239,192)	(1,004,022)
Retained earnings		59,246,246	43,254,146
		139,707,772	89,381,154
Total Liabilities and Shareholders' Equity		225,582,408	183,866,809
Commitments and contingencies	25		

The accompanying notes are an integral part of these consolidated financial statements. These consolidated financial statements were approved by the Board on March 15, 2013 and were signed on its behalf.

Signed: Glen D. Roane
Director

Signed: David M. Calnan
Director

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

For the year ended December 31	Notes	2012 $	2011 $
Revenues	17	239,228,701	194,178,089
Direct costs	18	163,673,403	129,398,617
Gross profit		75,555,298	64,779,472
Depreciation of property, plant and equipment	9	18,365,480	14,575,817
Amortization of intangible assets	10	49,002	196,000
Selling, general and administrative	16, 18	14,060,502	11,974,119
Operating profit		43,080,314	38,033,536
Gain on sale of property, plant and equipment		(174,804)	(85,277)
Reimbursement to Clean Harbors, Inc.	19	-	1,062,039
Finance cost		1,246,636	1,243,454
Profit before tax		42,008,482	35,813,320
Income tax expense	12	13,958,723	10,010,164
Net profit for the year		28,049,759	25,803,156
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations		(1,235,170)	1,108,867
Total comprehensive income for the year attributable to shareholders of the Corporation		26,814,589	26,912,023
Earnings per share			
Basic	20	2.41	2.39
Diluted	20	2.41	2.38

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

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

For the year ended	Notes	Shareholders' capital $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings $	Total equity $
As at December 31, 2010		44,473,107	4,578,771	(2,112,889)	28,480,897	75,419,886
Net profit for the year		-	-	-	25,803,156	25,803,156
Other comprehensive income for the year		-	-	1,108,867	-	1,108,867
Share-based payment transactions	15, 16	-	270,800	-	-	270,800
Options surrendered for cash	15, 16	-	(2,191,648)	-	-	(2,191,648)
Dividends	13	-	-	-	(11,029,907)	(11,029,907)
As at December 31, 2011		44,473,107	2,657,923	(1,004,022)	43,254,146	89,381,154
Net profit for the year		-	-	-	28,049,759	28,049,759
Other comprehensive income (loss) for the year		-	-	(1,235,170)	-	(1,235,170)
Share-based payment transactions	15, 16	-	58,000	-	-	58,000
Share options exercised	15, 16	205,170	-	-	-	205,170
Options surrendered for cash	15, 16	-	(655,316)	-	-	(655,316)
Shares issued pursuant to equity financing	15	35,961,834	-	-	-	35,961,834
Dividends	13	-	-	-	(12,057,659)	(12,057,659)
As at December 31, 2012		80,640,111	2,060,607	(2,239,192)	59,246,246	139,707,772

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

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

For the year ended December 31	Notes	2012 $	2011 $
Operating activities			
Net profit for the year		28,049,759	25,803,156
Non-cash adjustments to reconcile profit from operations to net cash flows:			
Depreciation of property, plant and equipment	9	18,365,480	14,575,817
Amortization of intangible assets	10	49,002	196,000
Deferred income tax	12	6,012,873	4,852,111
Share-based payment transaction expense	15, 16	58,000	270,800
Equity-settled share plan settled in cash	15, 16	(655,316)	(2,191,648)
Gain on sale of property plant and equipment		(174,804)	(85,277)
Unrealized foreign exchange (gain) loss on deferred tax		(848,736)	361,686
		50,856,258	43,782,645
Net change in non-cash working capital relating to operating activities		(4,655,475)	(10,313,247)
Net cash flows from operating activities		46,200,783	33,469,398
Investing activities			
Purchase of property, plant and equipment	9	(54,092,725)	(37,231,295)
Purchase of intangible assets	10	-	(275,000)
Proceeds from sale of property, plant and equipment		211,471	131,867
Net cash flows used in investing activities		(53,881,254)	(37,374,428)
Financing activities			
Proceeds from issuance of shares, net of issuance costs	15	35,961,834	-
Proceeds received on the exercise of share options	16	205,170	-
Proceeds from long-term debt		-	9,141,613
Repayment of long-term debt		(16,781,225)	(3,258,554)
Dividends paid to owners	13	(11,867,421)	(11,246,179)
Net cash flows from (used in) financing activities		7,518,358	(5,363,120)
Net decrease in cash and cash equivalents		(162,113)	(9,268,150)
Cash and cash equivalents, beginning of year	6	2,622,191	11,890,341
Cash and cash equivalents, end of year	6	2,460,078	2,622,191
Supplemental cash flow information:			
Interest paid		1,246,636	1,234,454
Income tax paid (recovered)		9,711,411	(454,574)

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

1 Incorporation and Operations

Badger Daylighting Ltd. and its subsidiaries (together "Badger" or the "Corporation") provide non-destructive excavating services to the utility, transportation, industrial, engineering, construction and petroleum industries in Canada and the United States. Badger is a publicly traded corporation. The address of the registered office is 1000, 635 – 8th Avenue SW, Calgary, Alberta T2P 3M3. The consolidated financial statement of the Corporation were authorised for issue by the Board of Directors on March 15, 2013.

2 Basis of Preparation

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

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

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

3 Significant Accounting Judgements, Estimates and Assumptions

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

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

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

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

3 Significant Accounting Judgements, Estimates and Assumptions (continued)

Useful lives of property, plant and equipment

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

Allowance for doubtful debts

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

4 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

A) Basis of consolidation

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

B) Cash and cash equivalents

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

C) Inventories

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

D) Leases

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the

4 Summary of Significant Accounting Policies (continued)

D) Leases (continued)

balance of the liability. Finance charges are recognized in the consolidated statement of comprehensive income. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

E) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis to recognize the cost less estimated residual value over the estimated useful life of the assets as follows:

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

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

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

Gains or losses arising from derecogniton of an item of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

F) Intangible assets

Intangible assets represent service rights acquired, customer relationships, trade name and a non-compete agreement. Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

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

4 Summary of Significant Accounting Policies (continued)

F) Intangible assets (continued)

embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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

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

	Service rights	Other intangibles
Useful lives	Indefinite	5 years
Amortization method	No amortization	Straight-line

G) Impairment of non-financial assets excluding goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income.

H) Provisions

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

4 Summary of Significant Accounting Policies (continued)

I) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGU's expected to benefit from the synergies of the combination. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

J) Taxes

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

Current income tax

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

Deferred tax

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

Deferred tax assets:

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

Deferred tax liabilities:

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

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

4 Summary of Significant Accounting Policies (continued)

K) Revenue recognition

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

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

Truck placement fees
Truck placement fees are recognized when the truck is delivered to the operating partner.

L) Share-based payment

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

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

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

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

M) Finance costs

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

N) Segment reporting

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

4 Summary of Significant Accounting Policies (continued)

O) Foreign currency translation

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the accumulated other comprehensive loss when settlement of which is neither planned nor likely to occur in the foreseeable future.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gain or losses related to such items are recognized in other comprehensive income, and presented in accumulated other comprehensive loss in equity.

P) Financial assets

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

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

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

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

P) Financial assets (continued)

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

4 Summary of Significant Accounting Policies (continued)

Q) Financial liabilities

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

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

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

R) Equity instruments

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

5 Recent accounting pronouncements

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

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

ii) IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Corporation has assessed this standard and determined that the standard will not have a material impact on the Corporation's consolidated 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 Corporation has assessed this standard and determined that the standard is not applicable to the Corporation's consolidated financial statements.

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 Corporation has assessed this standard and determined that the standard will result in additional disclosures relating to the Corporation's subsidiaries in the consolidated financial statements.

5 Recent accounting pronouncements (continued)

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

6 Cash and cash equivalents

	2012	**2011**
	$	**$**
Cash at banks and on hand	2,366,950	1,509,364
Short-term investments	93,128	1,112,827
	2,460,078	2,622,191

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

7 Trade and other receivables

	2012	**2011**
	$	**$**
Trade receivables	63,163,216	56,056,591
Other sundry receivables	407,193	114,185
	63,570,409	56,170,776

Trade receivables are non-interest bearing and are generally on 30-90 day terms. The allowance for doubtful debts as at December 31, 2012 is $123,462 (2011 - $127,080).

The ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total	**Not past due**	**31-60 days**	**61-90 days**	**Greater than 90 days**
	$	**$**	**$**	**$**	**$**
December 31, 2012	63,163,216	35,032,656	16,512,276	5,896,730	5,721,554
December 31, 2011	56,056,591	30,954,093	12,434,335	5,653,622	7,014,541

8 Inventories

	2012	**2011**
	$	**$**
Raw materials	2,087,289	2,288,716

9 Property, plant and equipment

	Land $	Land improvements $	Buildings $	Equipment under construction $	Shoring equipment $	Shop and office equipment $	Trucks and trailers $	Total $
Cost								
At December 31, 2010	5,127,287	366,643	8,956,025	5,571,565	2,287,990	735,047	135,601,494	158,646,051
Additions/transfers	130,000	147,374	1,198,813	(711,785)	103,831	144,194	36,218,868	37,231,295
Disposals	-	(366,643)	-	-	(136,694)	(323,969)	(2,558,851)	(3,386,157)
Exchange differences	2,600	-	6,592	-	-	4,046	1,690,989	1,704,227
At December 31, 2011	5,259,887	147,374	10,161,430	4,859,780	2,255,127	559,318	170,952,500	194,195,416
Additions/transfers	35,000	79,500	1,918,015	1,482,088	120,109	280,859	50,177,154	54,092,725
Disposals	-	-	-	-	(58,521)	-	(1,878,223)	(1,936,744)
Exchange differences	(2,600)	-	(6,592)	-	-	(4,046)	(1,690,989)	(1,704,227)
At December 31, 2012	5,292,287	226,874	12,072,853	6,341,868	2,316,715	836,131	217,560,442	244,647,170
Depreciation								
At December 31, 2010	-	366,643	2,461,282	-	1,300,365	506,638	62,677,393	67,312,321
Depreciation charge for the year	-	29,334	481,068	-	182,733	80,585	13,802,097	14,575,817
Disposals	-	(366,643)	-	-	(95,400)	(348,465)	(2,529,059)	(3,339,567)
Exchange differences	-	-	110	-	-	2,019	642,674	644,803
At December 31, 2011	-	29,334	2,942,460	-	1,387,698	240,777	74,593,105	79,193,374
Depreciation charge for the year	-	90,551	528,613	-	160,990	104,962	17,480,364	18,365,480
Disposals	-	-	-	-	(34,228)	-	(1,865,849)	(1,900,077)
Exchange differences	-	-	(73)	-	-	(1,755)	(577,884)	(579,712)
At December 31, 2012	-	119,885	3,471,000	-	1,514,460	343,984	89,629,736	95,079,065
Net book value								
At December 31, 2011	5,259,887	118,040	7,218,970	4,859,780	867,429	318,541	96,359,395	115,002,042
At December 31, 2012	5,292,287	106,989	8,601,853	6,341,868	802,255	492,147	127,930,706	149,568,105

10 Intangible assets

	Service rights $	Other intangibles $	Goodwill $	Total $
Cost				
At December 31, 2011	4,929,511	980,000	1,621,000	7,530,511
Additions	-	-	-	-
At December 31, 2012	4,929,511	980,000	1,621,000	7,530,511
Amortization and impairment				
At December 31, 2011	-	930,998	-	930,998
Amortization for the year	-	49,002	-	49,002
At December 31, 2012	-	980,000	-	980,000
Net book value				
At December 31, 2011	4,929,511	49,002	1,621,000	6,599,513
At December 31, 2012	4,929,511	-	1,621,000	6,550,511

Impairment testing of goodwill and intangibles with indefinite lives
For impairment testing purposes, goodwill acquired through business combinations and service rights with indefinite lives have been allocated to the Eastern Canada and Western Canada cash-generating units respectively.

The Corporation performed the annual impairment tests of goodwill and service rights at December 31. The recoverable amount of the Eastern Canada and Western Canada cash-generating units have been determined based on a value in use calculation using post-tax cash flow projections from financial budgets approved by senior management, and projected over a five year period based on a growth rate of 6%. The post-tax discount rate applied to cash flow projections is 11.05% (2011 - 10.66%). As a result of this analysis, management did not identify any impairment.

11 Trade and other payables

	2012 $	2011 $
Current		
Trade payables	12,355,617	11,957,190
Deferred unit plan (Note 16)	3,923,000	1,603,000
Bonuses payable	2,087,835	1,523,560
Accrued expenses	1,873,442	1,282,040
Other sundry payables	758,893	51,605
	20,998,787	16,417,395

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

12 Income taxes

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

	2012	2011
	$	$
Current income tax	7,945,850	5,158,053
Deferred income tax	6,012,873	4,852,111
Total income tax expense	13,958,723	10,010,164

The provision for income taxes, including deferred taxes, reflects an effective income tax rate that differs from the actual combined Canadian federal and provincial statutory rates of 25.85% (2011 – 27.35%). The Corporation's U.S. subsidiaries are subject to federal and state statutory tax rates of approximately 40% for both 2012 and 2011. The main differences are as follows:

	2012	2011
	$	$
Profit before tax	42,008,482	35,813,320
Income tax expense at the statutory rate	10,859,193	9,794,943
Increase (decrease) resulting from:		
Losses not previously recognized/not recognized	650,000	(765,842)
Tax rates in other jurisdictions	2,135,674	1,252,915
Reduction of deferred tax balances due to reduced tax rate	-	(258,256)
Other items	313,856	(13,596)
Income tax expense	13,958,723	10,010,164

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

	As at December 31, 2011	Recognized in profit or loss	As at December 31, 2012
	$	$	$
Deferred tax assets			
Tax loss carry-forwards	5,085,852	(2,661,852)	2,424,000
Deferred unit plan	408,765	591,600	1,000,365
Share issue costs	-	421,192	421,192
	5,494,617	(1,649,060)	3,845,557
Deferred tax liabilities			
Property, plant and equipment	25,628,817	4,198,534	29,827,351
Intangible assets	248,010	61,686	309,696
Partnership income	4,583,714	(736,473)	3,847,241
Reserve	442,155	(8,670)	433,485
	30,902,696	3,515,077	34,417,773
Net deferred tax liability	25,408,079	5,164,137	30,572,216

12 Income taxes (continued)

Tax loss carry forward

As at December 31, 2012, one of the Corporation’s U.S. subsidiaries had net operating losses carried forward of approximately US$5,431,000 which expire in 2032.

13 Dividends payable

During the year ended December 31, 2012, the Corporation paid cash dividends of $11,867,421 (or $1.025 per common share) and declared a $1,109,397 cash dividend (or $0.09 per common share) to its shareholders of record at the close of business on December 31, 2012 to be paid January 15, 2013.

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

14 Long-term debt

	2012 $	2011 $
Extendable revolving credit facility	29,773,229	46,554,454

The Corporation has established a $55,000,000 extendable revolving credit facility. The purpose of the credit facility is to finance the Corporation's capital expenditure program and for general corporate purposes. The credit facility bears interest, at the Corporation's option, at either the bank's prime rate [December 31, 2012 – 3.00%] or bankers' acceptance rate plus 1.25% [December 31, 2012 – 2.44%]. An additional stand-by fee calculated at an annual rate of 0.275% per annum is also required on the unused portion of the credit facility. This fee is expensed as incurred.

The credit facility has no required principal repayment. The credit facility expires on June 23, 2013 and is renewable by mutual agreement of the Corporation and the lender for an additional 364 day period, after which the entire amount must be repaid. If not renewed, interest is payable monthly on the facility for 364 days after which the entire amount is to be repaid.

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

Under the terms of the credit facilities, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2012, and as at December 31, 2012, the Corporation was in compliance with all of these covenants (see Note 23).

As at December 31, 2012, the Corporation has issued letters of credit in the amount of approximately $635,000. The outstanding letters of credit reduce the amount available under the extendable revolving credit facility.

At December 31, 2012, the Corporation had available $24,591,771 (December 31, 2011 - $13,445,546) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

15 Shareholders' capital and reserves

A) Authorized shares

An unlimited number of voting common shares are authorized without nominal or par value.

B) Issued and outstanding

	Number of Shares	Amount $
At December 31, 2010 and December 31, 2011	10,813,631	44,473,107
Shares issued pursuant to equity financing, net of issuance costs	1,500,000	35,961,834
Shares issued pursuant to the share option plan	13,000	205,170
At December 31, 2012	12,326,631	80,640,111

On June 19, 2012, the Corporation completed an equity financing through the issuance of 1,500,000 common shares at a price of $25.00 per common share for gross proceeds of $37,500,000. The Corporation incurred share issue costs of $1,538,166 (net of income taxes of $526,500), in connection with the equity financing, including a commission fee paid to the underwriters of $1,687,500 and professional and miscellaneous fees of $377,166.

C) Accumulated other comprehensive loss

The accumulated other comprehensive loss is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

D) Contributed surplus

The contributed surplus reserve is used to recognize the fair value of share options granted to employees, including key management personnel, as part of their remuneration. When options are subsequently exercised, the fair value of such options in contributed surplus is credited to share capital. Refer to Note 16 for further details of these plans.

	2012 $	2011 $
Opening balance	2,657,923	4,578,771
Share-based payment transactions	58,000	270,800
Equity-settled share plan settled in cash	(655,316)	(2,191,648)
Closing balance	2,060,607	2,657,923

16 Share-based payment plans

Share plan (equity-settled)

Under the Share Plan, directors, officers, employees and consultants of the Corporation are eligible to receive share options to acquire ordinary shares of the Corporation, with terms not to exceed 10 years from the date of the grant. The exercise price shall not be less than the closing price of the shares traded on the Toronto Stock Exchange on the first date preceding the date of the grant. Under the Share Plan, vesting periods are determined by the directors of the Corporation at the time of the grant. All share options granted through to December 31, 2012 vest equally over a period of three years from the date of grant. The maximum number of shares to be issued under this plan may not exceed 250,000 shares.

A summary of the share-based payment transactions for the years ended December 31, 2012 and 2011 are as follows:

	2012		2011	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at beginning of year	187,750	19.00	768,280	16.96
Share options exercised	(13,000)	15.78	-	-
Options surrendered for cash	(52,375)	13.69	(568,530)	16.27
Forfeited	(12,000)	22.45	(12,000)	18.07
Outstanding at end of year	110,375	21.54	187,750	19.00

Pursuant to the share plan the Corporation had 52,375 (2011 – 568,530) vested share options surrendered by employees in return for a cash settlement of $655,316 (2011 - $2,191,648).

For the year ended December 31, 2012 the Corporation recorded compensation expense, included as part of selling, general and administrative expense, of $58,000 (2011 - $270,800) with an offsetting increase to contributed surplus in respect of the share options granted and outstanding as of December 31, 2012.

The following provides a summary of the Share Plan as at December 31, 2012:

Options outstanding			Options exercisable	
Outstanding at December 31, 2012	Weighted average remaining contractual life	Weighted average exercise price $	Number exercisable at December 31, 2012	Weighted average exercise price $
98,375	0.4	22.45	98,375	22.45
3,000	1.4	13.69	3,000	13.69
9,000	2.7	14.20	6,000	14.20

16 Share-based payment plans (continued)

Performance Trust Share Plan (the "PTU Plan")

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

Deferred Unit Plan (cash-settled)

In May 2011, the Corporation established the Deferred Unit Plan ("DUP"), which was approved by the shareholders at the September 22, 2011 Annual General Meeting. The DUP was established to reward officers and employees. Directors may also participate in the plan whereby they will be paid 60% to 100% of the annual retainer in the form of deferred units. Pursuant to the terms of the DUP, participants are granted deferred units with a value equivalent to the value of a Badger share. The deferred units granted earn additional deferred units for the dividends that would otherwise have been paid on the deferred units as if they instead had been issued as Badger shares on the date of the grant. The deferred units granted other than to the directors, which vest immediately, vest equally over a period of three years from the date of the grant. Upon vesting, the participant may elect to redeem the deferred units for an equal number of Badger shares or the cash equivalent. The DUP has been accounted for as a cash-settled plan. The compensation expense is based on the estimated fair value of the deferred units outstanding at the end of each quarter and recognized using graded vesting throughout the term of the vesting period, with a corresponding credit to liabilities. The Corporation has recorded a compensation expense of $2,320,000 (2011 - $1,034,865), which is included in selling, general and administrative expenses.

The liability of deferred units outstanding as at December 31, 2012 is $3,923,000. The intrinsic value of deferred units exercisable as at December 31, 2012 is $1,437,644. Changes in the number of deferred units under the Badger DUP were as follows:

	Units
At January 1, 2011	-
Granted	49,313
Transferred from PTU Plan	79,688
Dividends earned	2,177
At December 31, 2011	131,178
Granted	48,170
Dividends earned	4,067
Redeemed	(5,003)
Forfeited	(12,287)
At December 31, 2012	166,125
Exercisable at December 31, 2012	46,586

17 Revenues

	2012 $	2011 $
Rendering of services	237,838,700	193,040,976
Truck placement fees	1,390,001	1,137,113
	239,228,701	194,178,089

18 Expenses by nature

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

	2012 $	2011 $
Wages, salaries and benefits	92,953,844	65,664,672
Fees paid to operating partners	42,441,046	43,729,653
Fuel	11,955,708	8,408,118
Repairs and maintenance	14,616,783	11,358,307

19 Reimbursement to Clean Harbors, Inc.

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

20 Earnings per share

Basic earnings per share ("EPS")

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

The calculation of basic earnings per share for the year ended December 31, 2012, was based on the profit available to common shareholders of $28,049,759 (2011 - $25,803,156), and a weighted average number of common shares outstanding of 11,623,680 (2011 – 10,813,631).

Weighted average number of common shares

	2012 $	2011 $
Issued common shares outstanding, beginning of year	10,813,631	10,813,631
Effect of share options exercised	10,869	-
Effect of equity financing	799,180	-
Weighted average number of common shares, end of year	11,623,680	10,813,631

20 Earnings per share (continued)

Diluted EPS

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

The calculation of diluted earnings per share for the year ended December 31, 2012, was based on a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 11,641,980 (2011 – 10,836,589), calculated as follows:

	2012 $	2011 $
Weighted average number of common shares (basic)	11,623,680	10,813,631
Effect of share options	18,300	22,958
Weighted average number of common shares (diluted)	11,641,980	10,836,589

For the year ended December 31, 2012, there were no options (2011 – 110,375) excluded from the diluted weighted average number of common shares calculation. The average market value of the Corporation's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

21 Segment reporting

The Corporation operates in two geographic/reportable segments providing non-destructive excavating services in each of these segments. The following is selected information for the years ended December 31, 2012 and 2011 based on these geographic segments.

For the year ended:	**December 31, 2012**			**December 31, 2011**		
	Canada ($)	**U.S. ($)**	**Total ($)**	**Canada ($)**	**U.S. ($)**	**Total ($)**
Revenues	129,270,392	109,958,309	239,228,701	110,952,822	83,225,267	194,178,089
Direct costs	82,193,266	81,480,137	163,673,403	67,986,521	61,412,096	129,398,617
Depreciation of property, plant and equipment	9,081,043	9,284,437	18,365,480	8,131,895	6,443,922	14,575,817
Amortization of intangible assets	49,002	-	49,002	196,000	-	196,000
Selling, general and administrative	10,908,573	3,151,929	14,060,502	9,511,602	2,462,517	11,974,119
Profit before tax	26,002,118	16,006,364	42,008,482	24,077,585	11,735,735	35,813,320

For the year ended:	**December 31, 2012**			**December 31, 2011**		
	Canada ($)	**U.S. ($)**	**Total ($)**	**Canada ($)**	**U.S. ($)**	**Total ($)**
Additions to non-current assets:						
Property, plant and equipment	30,095,361	23,997,364	54,092,725	13,268,269	23,963,026	37,231,295
Intangible assets	-	-	-	275,000	-	275,000

21 Segment reporting (continued)

	Canada ($)	U.S. ($)	Total ($)
As at December 31, 2012			
Property, plant and equipment	77,969,436	71,598,669	149,568,105
Intangible assets	6,550,511	-	6,550,511
Total assets	126,315,547	99,266,861	225,582,408
As at December 31, 2011			
Property, plant and equipment	57,651,769	57,350,273	115,002,042
Intangible assets	6,599,513	-	6,599,513
Total assets	100,078,941	83,787,868	183,866,809

22 Related party disclosure

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

		% equity interest	
Name	**Country of Incorporation**	**2012**	**2011**
Badger Daylighting (Fort McMurray) Inc.	Canada	100%	100%
Badger Edmonton Ltd.	Canada	100%	100%
1095909 Alberta Ltd.	Canada	100%	100%
Badger ULC	Canada	100%	100%
Badger Daylighting USA, Inc.	United States of America	100%	100%
Badger Daylighting Corp.	United States of America	100%	100%
Badger, LLC	United States of America	100%	100%

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

Transactions with related parties

During the year ended December 31, 2012, the Corporation was charged $201,106 (2011 - $356,128) for professional fees by a partnership in which a director of the Corporation is a partner. These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party balances

As at December 31, 2012 and December 31, 2011 there were no significant outstanding balances with related parties.

Compensation of key management personnel

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

	2012	2011
	$	$
Compensation, including bonuses	1,935,348	1,577,416
Share-based payments	678,940	637,789
	2,614,288	2,215,205

Key management personnel and director transactions

Key management and directors of the Corporation control 2.9 percent of the voting shares of the Corporation.

23 Capital management

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

	2012 $	2011 $
Long-term debt	29,773,229	46,554,454
Cash and cash equivalents	(2,460,078)	(2,622,191)
Net debt	27,313,151	43,932,263
Shareholders' equity	139,707,772	89,381,154
Total capitalization	167,020,923	133,313,417
Net debt to total capitalization (%)	16%	33%

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

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

Ratio	December 31, 2012	December 31, 2011	Threshold
Funded Debt[1] to EBITDA[2]	0.44:1	0.85:1	2.25:1 maximum
Fixed Charge Coverage[3]	4.58:1	2.11:1	1.00:1 minimum

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

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

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

Throughout 2012 and as at December 31, 2012 the Corporation was in compliance with all of these covenants.

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

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

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

24 Financial instruments and risk management

Fair values

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

Credit risk

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

Liquidity risk

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

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

At December 31, 2012, the Corporation had available $24,591,771 of authorized borrowing capacity on the extendable revolving credit facility. The credit facility expires on June 23, 2013 and is renewable by mutual agreement of the Corporation and the lender for an additional 364-day period. If not renewed, interest is payable monthly on the facility for 364 days after which the entire amount is to be repaid. The Corporation believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

The table below summarizes the maturity profile of the Corporation’s financial liabilities at December 31, 2012 based on contractual undiscounted payments.

	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
As at December 31, 2012					
Trade and other payables	20,998,787	-	-	-	20,998,787
Long-term debt	-	29,773,229	-	-	29,773,229
	20,998,787	29,773,229	-	-	50,772,016

24 Financial instruments and risk management (continued)

Market risk

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

Interest rate risk

The Corporation is exposed to interest rate risk in relation to interest expense on its long-term debt. Interest is calculated at prime on its borrowing facilities. The prime interest rate is subject to change. A sensitivity analysis would indicate that net profit for the year ended December 31, 2012 would have been affected by approximately $296,000 if the average interest rate changed by one percent. The Corporation does not currently use interest rate hedges or fixed interest rate contracts to manage the Corporation's exposure to interest rate fluctuations.

Foreign exchange risk

The Corporation has United States operations and Canadian operations which purchase certain products in United States dollars. As a result, fluctuations in the value of the Canadian dollar relative to the United States dollar can result in foreign exchange gains and losses. The Corporation does not currently have any agreements to fix or hedge the exchange rate of the Canadian dollar to the United States dollar.

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

	2012 $	2011 $
Cash and cash equivalents	2,460,078	2,622,191
Trade and other receivables	24,186,701	23,047,656
Trade and other payables	(6,092,815)	(5,796,719)
Income taxes payable	(335,000)	-
Long-term debt	(25,500,000)	(26,010,000)
	(5,281,036)	(6,136,872)

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

Increase/decrease in foreign exchange rate	Effect on profit/(loss) before tax 2012 $	Effect on profit/(loss) before tax 2011 $
10% strengthening in the Canadian dollar against the US dollar	(1,365,000)	(1,000,000)
10% weakening in the Canadian dollar against the US dollar	1,517,000	1,150,000

25 Commitments and contingencies

Legal disputes

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

Operating leases

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

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

	2012	**2011**
	$	**$**
Within one year	1,849,000	923,000
After one year but not more than five years	2,401,000	1,124,000
Total	4,250,000	2,047,000

Purchase commitments

At December 31, 2012 the Corporation has commitments to purchase approximately $14,204,000 worth of capital assets and various parts and materials. There are no set terms for remitting payment for these financial obligations.

26 Subsequent event

During April, 2012 the Corporation executed a non-binding letter of intent whereby it will acquire service rights and operating assets from certain of its operating partners for cash consideration of $2,635,000. The date the transaction will be completed is not known at this time.