



**PRESS RELEASE**  
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**TSX-BAD**  
**August 11, 2011**

**BADGER DAYLIGHTING LTD. ANNOUNCES RESULTS FOR THE SECOND  
QUARTER ENDED JUNE 30, 2011**

Calgary, Alberta - Badger Daylighting Ltd. (the “Company” or “Badger”) is pleased to announce its results for the six and three months ended June 30, 2011.

Highlights for the three months ended June 30, 2011:

- Revenues increased by approximately 46 percent to \$42.8 million from \$29.4 million for the comparable quarter of 2011 due to a 42 percent increase in Canadian revenues and a 52 percent increase in United States revenues. As a result of the increase in revenues, the Company’s quarterly EBITDA and funds generated from operations also increased from the same period in 2011;
- EBITDA increased by approximately 51 percent to \$11.1 million (excluding the impact of the \$1.1 million payment to Clean Harbors, Inc. discussed below) from \$7.4 million in the same quarter of 2011;
- Funds generated from operations increased by approximately 39 percent period-over-period to \$9.2 million from \$6.6 million in the comparable quarter of 2010. Removing the effect of the \$1.1 payment to Clean Harbors, Inc. funds generated from operations increased by approximately 55 percent; and
- EBITDA margins in Canada increased to 31 percent from 25 percent for the comparable period of last year due to leveraging off the increase in revenues. EBITDA margins in the United States decreased to 19 percent from 26 percent in the second quarter of 2010 due to less revenue than anticipated from the various corporate locations.

Badger had 451 daylighting units at the end of the second quarter of 2011, reflecting the addition of 40 daylighting units to the fleet to date in 2011 and the retirement of one unit. Of the total, 239 units were operating in Canada and 212 in the United States at quarter-end. Badger had 412 daylighting units at December 31, 2010. The new units were financed from cash generated from operations and existing credit facilities.

## **Management's Discussion and Analysis**

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The following Management's Discussion and Analysis (MD&A) should be read in conjunction with the attached unaudited interim consolidated financial statements of Badger Daylighting Ltd. (the "Company" or "Badger"). The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Readers should also refer to the December 31, 2010 audited consolidated financial statements and MD&A, which along with all previous public filings, including the Company's Annual Information Form for the year ended December 31, 2010, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS**

Certain statements and information contained in this MD&A and other continuous disclosure documents of the Company referenced herein, including statements related to the Company's capital expenditures, projected growth, view and outlook toward margins, cash dividends, customer pricing, future market opportunities and statements, and information that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions relating to matters that are not historical facts, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. These statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements and information. The Company believes the expectations reflected in such forward-looking statements and information are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements and information included in this MD&A should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this MD&A.

In particular, forward-looking information and statements include discussion concerning:

- That the market for hydrovac services will continue to improve in the remainder of 2011 in most markets;
- That the economy in Canada and the United States will not be materially different in the remainder of 2011;
- That the new locations opened in 2010 in the United States will provide an increased contribution to cash flows from operations and net earnings during the remainder of 2011;
- That Eastern Canada will continue with stable growth through an increase in the overall market for hydrovac services and continued infrastructure spending; and
- That there will be an increase in Western Canada revenue during the remainder of 2011 due to various projects and spending in the oil and natural gas sector.

The forward-looking statements rely on certain expected economic conditions and overall demand for Badger's services and are based on certain assumptions. The assumptions used to generate forward-looking statements are, among other things, that:

- Badger has the ability to achieve its internal revenue, net earnings and cash flow forecasts for 2011;
- There will be long-term demand for hydrovac services provided in support of oil refineries, petrochemical plants, power plants and other large industrial facilities throughout North America;
- Badger will maintain relationships with current customers and develop successful relationships with new customers;
- The Company will collect customer obligations in a timely manner; and
- Badger will execute its growth strategies.

Risk factors and other uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements include, but are not limited to: supply-demand fluctuations for oil and natural gas and related products and services; political and economic conditions; industry competition; Badger's ability to attract and retain key personnel; the availability of future debt and equity financing; changes in laws or regulations, including taxation and environmental regulations; and fluctuations in foreign exchange or interest rates.

Readers are cautioned that the foregoing factors are not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results is included in reports on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or at the Company's website. The forward-looking statements and information contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

#### **NON-IFRS FINANCIAL MEASURES**

This MD&A contains references to certain financial measures, including some that do not have any standardized meaning prescribed by IFRS and that may not be comparable to similar measures presented by other corporations or entities. These financial measures are identified and defined below:

**“Cash available for growth and distribution/dividend”** is used by management to supplement cash flow as a measure of operating performance and leverage. The objective of this measure is to calculate the amount available for dividends to shareholders. It is defined as funds generated from operations less required debt repayments and maintenance capital expenditures, plus any proceeds received on the disposal of assets.

**“EBITDA”** is earnings before interest, taxes, depreciation and amortization and is a measure of the Company's operating profitability and is therefore useful to management and investors. EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, assets are amortized or how the results are taxed in various jurisdictions.

EBITDA is calculated from the Consolidated Statement of Comprehensive Income as gross profit less selling, general and administrative costs. It is calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
\$				
Gross profit	13,848,462	9,893,645	26,671,446	20,581,321
Selling, general and administrative	(2,720,984)	(2,521,925)	(5,418,626)	(4,863,861)
EBITDA	11,127,478	7,371,720	21,252,820	15,717,460

“**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 June 30,		Six months ended June 30,	
	2011	2010	2011	2010
\$				
Cash provided by operating activities	3,048,754	4,467,980	10,956,890	14,122,079
Add (deduct):				
Net change in non-cash working capital relating to operating activities	3,935,697	2,149,127	4,103,405	(654,484)
Equity-settled share plan settled in cash	2,191,648	0	2,191,648	0
Funds generated from operations	9,176,099	6,617,107	17,251,943	13,467,595

“**Growth capital expenditures**” are capital expenditures that are intended to improve Badger’s efficiency, productivity or overall capacity and thereby allow Badger to access new markets. They generally represent any net additions to the daylighting fleet. Growth capital expenditures exclude acquisitions made during the period.

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

“**Net debt**” is funded debt less cash and cash equivalents.

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

## FINANCIAL HIGHLIGHTS

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

	<b>Three months ended June 30, 2011</b>	<b>Three months ended June 30, 2010</b>	<b>Six months ended June 30, 2011</b>	<b>Six months ended June 30, 2010</b>
Revenues	42,805	29,374	83,776	59,708
EBITDA	11,127	7,372	21,253	15,717
Profit before tax	6,204	3,852	12,686	8,857
Income tax expense				
Current	655	344	2,149	770
Deferred	985	224	1,591	494
Net profit	4,564	3,284	8,946	7,593
Profit per share – diluted (\$)	0.42	0.30	0.83	0.70
Funds generated from operations	9,176	6,617	17,252	13,468
Funds generated from operations per share – diluted (\$)	0.85	0.61	1.59	1.24
Maintenance capital expenditures	32	1,974	449	3,664
Required long-term debt repayments	3,178	81	3,259	162
Cash available for growth and dividends/distributions	6,006	4,657	13,617	9,931
Dividends/distributions declared	2,757	3,405	5,515	6,809
Growth capital expenditures	6,535	7	11,226	917
Total shares outstanding	10,813,631	10,807,411	10,813,631	10,807,411

## OVERVIEW

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

- Revenues increased by approximately 46 percent to \$42.8 million from \$29.4 million for the comparable quarter of 2011 due to a 42 percent increase in Canadian revenues and a 52 percent increase in United States revenues. As a result of the increase in revenues, the Company's quarterly EBITDA and funds generated from operations also increased from the same period in 2011;
- EBITDA increased by approximately 51 percent to \$11.1 million (excluding the impact of the \$1.1 million payment to Clean Harbors, Inc. discussed below) from \$7.4 million in the same quarter of 2011;

- Funds generated from operations increased by approximately 39 percent period-over-period to \$9.2 million from \$6.6 million in the comparable quarter of 2010. Removing the effect of the \$1.1 payment to Clean Harbors, Inc. funds generated from operations increased by approximately 55 percent; and
- EBITDA margins in Canada increased to 31 percent from 25 percent for the comparable period of last year due to leveraging off the increase in revenues. EBITDA margins in the United States decreased to 19 percent from 26 percent in the second quarter of 2010 due to less revenue than anticipated from the various corporate locations.

Badger had 451 daylighting units at the end of the second quarter of 2011, reflecting the addition of 40 daylighting units to the fleet to date in 2011 and the retirement of one unit. Of the total, 239 units were operating in Canada and 212 in the United States at quarter-end. Badger had 412 daylighting units at December 31, 2010. The new units were financed from cash generated from operations and existing credit facilities.

### **CORPORATE CONVERSION**

On June 29, 2010, unitholders of the Badger Income Fund (the “Fund”) voted in favor of converting the Fund into a corporation, pursuant to a statutory plan of arrangement (the “Conversion”) involving, among others, the Fund, Badger, and the securityholders of the Fund. The Conversion was completed on December 31, 2010.

The Conversion was accounted for as a continuity of interests of the Fund since there was no change of control and since Badger continues to operate the business of the Fund. Accordingly, this MD&A and accompanying consolidated financial statements reflect Badger as a corporation at December 31, 2010 and as Badger Income Fund prior thereto. All references to “shares” refer collectively to Badger’s common shares on and subsequent to December 31, 2010 and to Fund units prior to the Conversion. All references to “shareholders” refer collectively to holders of Badger’s shares on and subsequent to December 31, 2010 and to the Fund unitholders prior to the Conversion. References to “stock-based compensation” should be read as references to “unit-based compensation” for all periods prior to December 31, 2010.

As a result of the conversion, unitholders of the Fund received one common share of Badger for one unit of the Fund. The trust structure of Badger was reorganized into a publicly listed corporation, which became the owner of all issued and outstanding Fund units. Badger also now holds all the assets and liabilities previously held, directly or indirectly, by the Fund.

### **ACQUISITION OF BADGER BY CLEAN HARBORS, INC.**

On January 26, 2011 Badger signed an agreement to be acquired by Clean Harbors, Inc. (“Clean Harbors”). Under the terms of the agreement, Clean Harbors was to acquire 100 percent of Badger’s outstanding common shares for cash consideration of \$20.50 per share (the “Transaction”). The Transaction was conditional on the approval of not less than 66 2/3 percent of the votes cast by the shareholders and optionholders of Badger. Badger held a meeting to consider the Transaction on April 26, 2011. The shareholder and optionholder vote did not receive the requisite number of votes required to approve the Transaction and, accordingly, the Transaction was not completed. As a result, pursuant to the terms of a settlement agreement, Badger paid Clean Harbors \$1.1 million.

## **OUTLOOK**

Badger's second quarter continued to be strong with better than expected results in Eastern and Western Canada. Demand for Badger's services in the United States also improved in the second quarter with improved weather conditions and increased spending in the oil and natural gas sector.

In general, both Canada and the United States had solid demand for the Company's services during the second quarter.

Looking ahead, as previously reported, Badger still believes that results in 2011 will exceed management's expectations for the following reasons:

1. Projects and spending in the oil and natural gas sector currently remain at good levels for Badger which should allow a number of key areas in Canada and the United States to grow.
2. Eastern Canada results are forecast to remain strong.
3. New areas established in the United States are showing signs of traction with the number of customers and revenue increasing.
4. Badger continues to build two daylighting units per week. These units are primarily for growth and are being placed into service very quickly.
5. Badger estimated at the beginning of 2011 it would remove approximately 30 hydrovac units from the fleet during the year. Given the condition of these units their life has been extended such that Badger now anticipates removing a minimal number of hydrovac units from the fleet in 2011.
6. Badger's management and employees are fully focused on improving and growing their operations now that the acquisition by Clean Harbors is not proceeding.

Following a solid second quarter, Badger believes that the rest of 2011 will continue to be strong. The Company is focused to keep improving its operations and results as the Company executes its plan.

## **Results of Operations**

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### **Revenues**

Revenues of \$42.8 million for the three months ended June 30, 2011 were 46 percent greater than the \$29.4 million generated during the comparable period in 2010. The increase is attributable to the following:

- Canadian revenues increased by 42 percent from \$17.6 million in the second quarter of 2010 to \$24.9 million in the second quarter of 2011. Western Canada hydrovac revenue increased by 50 percent due to an increase in demand for hydrovac services in various areas generated by increased activity in the oil and natural gas industry. Eastern Canada revenue increased by 28 percent quarter-over-quarter due to a general increase in activity; and
- United States revenue went from \$11.8 million for the three months ended June 30, 2010 to \$17.9 million for the three months ended June 30, 2011. Removing the effect of the change in the foreign exchange rate, revenues increased by 59 percent quarter-over-quarter. The increase is due to more work in the United States West and East generated by increased activity in the oil and natural gas industry plus the increase in activity at one large project.

Badger's average revenue per truck per month during the three months ended June 30, 2011 was \$29,600 versus \$21,000 for the three months ended June 30, 2010. The increase is due to increased revenue noted above.

### **Direct Costs**

Direct costs for the quarter ended June 30, 2011 were \$29.0 million compared to \$19.5 million for the quarter ended June 30, 2010. This increase of 49 percent is greater than the increase in revenues of 46 percent due to lower than anticipated revenues being generated from a number of the United States corporate locations which continue to incur costs as they work to increase their customer base and build revenue.

### **Gross Profit**

The gross profit percentage was 32.4 percent for the quarter ended June 30, 2011, a decrease from the 33.7 percent generated for the quarter ended June 30, 2010. The Canadian gross profit percentage increased from 34.7 percent for the three months ended June 30, 2010 to 40.4 percent for the three months ended June 30, 2011 due to the increased leverage generated from the increase in revenues. United States gross profit percentage decreased from 32.2 percent for the three months ended June 30, 2010 to 21.2 percent for the three months ended June 30, 2011 due to a significant increase in the number of corporate locations in 2011, many of which did not generate the anticipated amount of revenue as they worked to increase their customer base.

### **Depreciation of Property, Plant and Equipment**

Depreciation of property, plant and equipment was \$3.5 million for the three months ended June 30, 2011 or \$0.2 million higher than the \$3.3 million incurred for the three months ended June 30, 2010 due to the increased number of hydrovac units in the fleet.

### **Finance Cost**

Finance cost was \$0.3 million for the quarter ended June 30, 2011 versus \$0.2 million for the quarter ended June 30, 2010. The higher finance cost was due to having a higher average debt balance quarter-over-quarter.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses increased by 8 percent to \$2.7 million for the quarter ended June 30, 2011 from \$2.5 million for the quarter ended June 30, 2010. The main reason for the increase was an increase in personnel costs as a result of a growth in the business. As a percentage of revenues, selling, general and administrative expenses decreased to 6.4 percent for the second quarter of 2011 from 8.6 percent for the second quarter of 2010. The main reason for the decrease was the increase in revenues.

### **Income Taxes**

The effective tax rate for the six months ended June 30, 2011 was 29 percent, a significant increase from the effective tax rate of 14 percent for the six months ended June 30, 2010. The main reason for the increase was the conversion to a corporate structure on December 31, 2010, as discussed above. As a trust the distributions made to unitholders were tax deductible.



## Exchange Differences on Translation of Foreign Operations

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

## Liquidity and Distributions

Funds generated from operations increased to \$9.2 million (excluding the \$1.1 million payment to Clean Harbors, Inc. funds generated from operations increased to \$10.3 million) for the quarter ended June 30, 2011 from \$6.6 million for the comparable period in 2010 due primarily to increased Canadian revenues and revenue leverage as costs increased by a lesser amount than revenues. The Company uses its cash to pay dividends to shareholders, build additional hydrovac units, invest in maintenance capital expenditures and repay long-term debt.

The Company had working capital of \$36.8 million at June 30, 2011 compared to \$38.1 million at December 31, 2010. The decrease was due to capital expenditures and dividends to shareholders exceeding cash flow from operations and the increase in long-term debt.

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

(\$)	Three months ended June 30, 2011	Six months ended June 30, 2011
Funds generated from operations	9,176,099	17,251,943
Add: proceeds from sale of property, plant and equipment	39,145	72,699
Deduct: required repayments of long-term debt	(3,177,614)	(3,258,554)
Deduct: maintenance capital expenditures	<u>(31,985)</u>	<u>(449,348)</u>
Cash available for growth capital expenditures and dividends	<u>6,005,645</u>	<u>13,616,740</u>
Growth capital expenditures	<u>6,534,898</u>	<u>11,225,634</u>
Dividends declared	<u>2,757,477</u>	<u>5,514,954</u>

In determining cash available for dividends the Company excludes non-cash working capital changes for the period as well as growth capital expenditures. Changes in non-cash working capital items have been excluded so as to remove the effects of timing differences in cash receipts and disbursements, which generally reverse themselves and can vary significantly between fiscal periods. Growth capital expenditures have been excluded so as to include only the maintenance capital expenditures required for the sustainability of the existing asset base.

The following table outlines the excess of cash provided by operating activities and net profit for the period over dividends declared during the six months ended June 30, 2011 and 2010 and the year ended December 31, 2010:

(\$)	Six months ended June 30, 2011	Six months ended June 30, 2010	Year ended December 31, 2010
Cash provided by operating activities	10,956,890	14,122,079	26,104,861
Net profit	8,946,093	7,593,273	19,633,096
Dividends/distributions declared	5,514,954	6,809,240	13,618,879
Excess of cash provided by operating activities over dividends/distributions declared	5,441,936	7,312,839	12,485,982
Excess of net profit over dividends/distributions declared	3,431,139	784,033	6,014,217

The Company pays cash dividends monthly to its shareholders. These cash dividends may be reduced, increased or suspended by the Board of Directors depending on the operations of Badger and the performance of its assets. The actual cash flow available for dividends to shareholders of Badger is a function of numerous factors, including: the Company's financial performance; debt covenants and obligations; working capital requirements; maintenance and growth capital expenditure requirements for the purchase of property, plant and equipment; and number of shares outstanding.

The Company maintains a strong balance sheet. The debt management strategy includes retaining sufficient funds from available distributable cash to finance maintenance capital expenditures as well as working capital needs. Growth capital expenditures will generally be financed through existing debt facilities or cash retained from operating activities. The majority of the cash provided by operating activities in the six months ended June 30, 2011 was used to finance growth capital expenditures and to pay dividends to shareholders.

If maintenance capital expenditures increase in future periods, the Company's cash available for growth capital expenditures and dividends will be negatively affected. Due to Badger's growth rate in recent years, the majority of the hydrovac units are relatively new, with an average age of approximately four-and-a-half years. As a result, Badger is currently experiencing relatively low levels of maintenance capital expenditures. Over time, Badger would expect to incur annual maintenance capital expenditures approximately equaling the year's depreciation expense. Badger anticipates removing a minimal number of hydrovac units from the fleet in 2011. Badger expects that cash provided by operations and cash available for growth capital expenditures and dividends will be sufficient to fund its maintenance capital expenditures in the future.

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

## **Capital Resources**

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### **Investing**

The Company spent \$6.6 million on property, plant and equipment for the three months ended June 30, 2011 compared to \$2.0 million for the three months ended June 30, 2010. The Company built 22 hydrovac units during the three months ended June 30, 2011 compared to four hydrovac units during the three months ended June 30, 2010. The costs to build a hydrovac unit decreased by approximately 10

percent from fiscal 2010 to the first six months of 2011, mainly due to the increased build rate resulting in fixed overhead costs being allocated to more units and a lower than expected average chassis cost due to the purchase of a group of chassis from a dealer who had them in stock from cancelled orders.

Maintenance capital expenditures are incurred during a period to keep the hydrovac fleet at the same number of units plus any other capital expenditures required to maintain the business. This amount will fluctuate from period-to-period depending on the number of units retired from the fleet. During the first quarter of 2011 only one hydrovac unit was removed from the fleet and, therefore, maintenance capital expenditures were minimal.

During the fourth quarter of 2010 Badger acquired a number of cab and chassis. As at December 31, 2010 these assets were included as "Equipment under construction" of approximately \$5.6 million. Based on the build rate of the hydrovac units, Badger had enough cab and chassis on hand for the first half of 2011. Badger has committed to additional cab and chassis expenditures in the amount of approximately \$6.6 million.

### **Financing**

In June 2011 the Company's extendable revolving credit facility was renewed. The principal amount was increased from \$40 million to \$60 million. The facility has been used and will continue to be used to assist in financing Badger's capital expenditure program and support corporate activities. The facility has no required principal repayments. It expires on June 24, 2012 and is renewable at Badger's option for an additional 364-day period. If not renewed, interest is payable on the facility for 364 days, after which the entire amount must be repaid. The facility bears interest at the bank's prime rate or bankers' acceptance rate plus 1.25 percent plus 0 to 0.75 percent depending on Badger's ratio of funded-debt-to-EBITDA.

In connection with renewing the revolving credit facility the two mortgages outstanding in the amount of \$3.1 million were repaid.

The Company's net debt outstanding increased by 23 percent during the first six months of 2011. As at June 30, 2011 Badger's cash and cash equivalents were \$6.3 million resulting in net debt of \$35.4 million versus cash and cash equivalents of \$11.9 million and net debt of \$28.8 million at December 31, 2010. The main reason for the increase was the capital expenditures incurred during the first six months of 2011.

Management believes that the Company's healthy balance sheet combined with funds generated from operations will provide sufficient capital to fund ongoing operations, pay dividends to shareholders, finance future capital expenditures and execute its strategic plan for the foreseeable future. The Company's practice is to utilize an appropriate mix of debt and equity to finance its maintenance capital expenditures and growth initiatives.

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

Ratio	June 30, 2011	December 31, 2010	Threshold
Funded Debt <sup>(1)</sup> to EBITDA <sup>(2)</sup>	<b>0.90:1</b>	0.83:1	2.25:1 maximum
Fixed Charge Coverage <sup>(3)</sup>	<b>2.58:1</b>	1.91:1	1.00:1 minimum

- 1 Funded debt is long-term debt less cash and cash equivalents.
- 2 Funded debt to EBITDA means the ratio of consolidated funded debt to the aggregated EBITDA for the trailing 12 months. EBITDA is defined as the Company's actual EBITDA for the trailing 12 months.
- 3 Fixed charge coverage ratio means the trailing 12-month EBITDA less unfinanced capital expenditures and cash taxes, plus the unused portion of the extendable revolving credit facility, to the sum of the aggregate of scheduled long-term debt principal payments, interest and distributions/dividends.

The Company has committed to certain capital expenditures totalling approximately \$12.1 million, which includes the \$6.6 million in cab and chassis capital expenditures referred to above. These capital expenditures will be financed with existing credit facilities and funds generated from operations. There are no set terms for remitting payment for these financial commitments.

#### SHARE CAPITAL AND OPTION PLAN

There was no change to shareholders' capital during the first six months of 2011. Shares outstanding at June 30, 2011 were 10,813,631. There was no change to the balance as of August 10, 2011.

Pursuant to the Company's share plan during the second quarter of 2011, Badger had 568,530 vested share options surrendered by employees in return for a cash settlement of \$2.2 million.

#### SELECTED QUARTERLY FINANCIAL INFORMATION

(\$)	2011		IFRS 2010				Previous Canadian GAAP 2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	42,804,832	40,970,978	41,175,494	38,727,159	29,374,171	30,333,959	33,123,204	35,004,725
Net profit	4,564,267	4,381,826	5,668,694	6,371,129	3,284,227	4,309,046	6,257,324	4,795,804
Net profit per share - basic	0.42	0.41	0.52	0.59	0.30	0.40	0.58	0.44
Net profit per share - diluted	0.42	0.40	0.52	0.59	0.30	0.40	0.58	0.44

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS

Badger has prepared its June 30, 2011 interim consolidated financial statements in accordance with IFRS and with International Accounting Standard (IAS) 34, Interim Financial Reporting. For all accounting periods prior to March 31, 2011, Badger prepared its financial statements in accordance with Canadian GAAP. The adoption of IFRS has not had a material impact on Badger's operations, strategic decisions, or internal controls.

## **ACCOUNTING STANDARDS PENDING ADOPTION**

All accounting standards effective for periods beginning on or after January 1, 2011 have been adopted as part of the transition to IFRS. New IFRS pronouncements have been issued but are not in effect as at June 30, 2011. However, the pronouncements may have a future impact on the measurement and/or presentation of the Company's financial statements. The pronouncements are as follows:

- i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is currently assessing the impact of this standard.
- ii) IFRS 10, 'Consolidated Financial Statements' was issued in May 2011 and will supersede the consolidation requirements in SIC-12 'Consolidation – Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is currently assessing the impact of this standard.
- iii) IFRS 11, 'Joint Arrangements' was issued in May 2011 and will supersede existing IAS 31, 'Joint Ventures' effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The Company is currently assessing the impact of this standard.
- iv) IFRS 12, 'Disclosure of Interests in Other Entities' was issued in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.
- v) IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this standard.

## **CRITICAL ACCOUNTING ESTIMATES**

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

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

### **Disclosure Controls and Procedures**

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Badger's President and CEO and the VP Finance and CFO have designed, or caused to be designed under their direct supervision, Badger's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to Badger, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. Further, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's disclosure controls and procedures at December 31, 2010 and as a result of identifying the material weakness outlined below have concluded the disclosure controls and procedures are not effective.

### **Internal Control over Financial Reporting**

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Badger's President and CEO and the VP Finance and CFO have also designed, or caused to be designed under their direct supervision, Badger's internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Further, using the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's internal control over financial reporting at December 31, 2010 and as a result of identifying the material weakness outlined below have concluded the internal controls over financial reporting are not effective.

### **Material Weakness**

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Badger has identified that it does not have sufficient accounting personnel with the appropriate tax expertise to allow for an effective review over the accuracy of its accounting for income taxes and the determination of the income tax provision. Management and the Board of Directors have determined that it is not economically feasible to maintain such personnel in-house or to engage an external tax consultant to perform an independent review. This material weakness could result in a misstatement in various tax-related accounts that could result in a material misstatement to Badger's annual consolidated financial statements and disclosures that would not be prevented or detected.

### **Changes in Internal Control over Financial Reporting**

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No changes were made to the design of Badger's internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

### **Inherent Limitations**

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Notwithstanding the foregoing, because of its inherent limitations a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management's estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. In addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

## **BUSINESS RISKS**

The MD&A for the year ended December 31, 2010, which was filed on SEDAR, includes an overview of business risks associated with the Company. Those business risks remain. The reader is also referred to Badger's 2010 Annual Information Form.

*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:**

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**Badger Daylighting Ltd.**

**Interim Condensed Consolidated Financial Statements  
(unaudited)**

For the period ended June 30, 2011



**REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Corporation have been prepared by Badger Daylighting Ltd. management.

The Corporation's independent auditor has not performed a review of the accompanying unaudited interim condensed consolidated financial statements in accordance with standards established by the CICA for a review of interim financial statements by an entity's auditor.

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

	Notes	June 30, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents		6,299,125	11,890,341	7,516,605
Trade and other receivables		43,185,670	37,869,248	30,205,878
Inventories		2,230,900	1,993,609	1,792,708
Income taxes receivable		-	424,978	-
Prepaid expenses		931,112	1,163,748	776,997
		<u>52,646,807</u>	<u>53,341,924</u>	<u>40,292,188</u>
<b>Non-current Assets</b>				
Property, plant and equipment		94,863,849	91,333,730	89,297,469
Intangible assets		6,697,513	6,520,513	6,416,512
		<u>101,561,362</u>	<u>97,854,243</u>	<u>95,713,981</u>
<b>Total Assets</b>		<u>154,208,169</u>	<u>151,196,167</u>	<u>136,006,169</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Trade and other payables		11,795,252	11,524,323	10,558,287
Income taxes payable		1,761,541	-	907,377
Distributions payable		-	1,135,431	1,134,893
Dividends payable		919,159	-	-
Current portion of long-term debt	5	-	323,768	323,768
Provisions	4	1,328,000	2,250,850	805,847
		<u>15,803,952</u>	<u>15,234,372</u>	<u>13,730,172</u>
<b>Non-current Liabilities</b>				
Long-term debt	5	41,731,798	40,347,627	31,960,496
Provisions	4	-	-	2,789,638
Deferred taxation		21,413,729	20,194,282	19,960,129
		<u>63,145,527</u>	<u>60,541,909</u>	<u>54,710,263</u>
<b>Shareholders' Equity</b>				
Shareholders' capital	6	44,473,107	44,473,107	44,387,955
Contributed surplus	6	2,611,923	4,578,771	711,100
Foreign currency translation reserve	6	(3,738,376)	(2,112,889)	-
Retained earnings		31,912,036	28,480,897	22,466,679
		<u>75,258,690</u>	<u>75,419,886</u>	<u>67,565,734</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>154,208,169</u>	<u>151,196,167</u>	<u>136,006,169</u>

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

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

	Notes	For the six months ended		For the three months ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
		\$	\$	\$	\$
Revenues	8	83,775,810	59,708,130	42,804,832	29,374,171
Direct costs		57,104,364	39,126,809	28,956,370	19,480,526
<b>Gross profit</b>		<b>26,671,446</b>	<b>20,581,321</b>	<b>13,848,462</b>	<b>9,893,645</b>
Depreciation of property, plant and equipment		6,815,629	6,427,266	3,491,300	3,266,036
		98,000	97,999	49,000	48,999
Selling, general and administrative		5,418,626	4,863,861	2,720,984	2,521,925
<b>Operating profit</b>		<b>14,339,191</b>	<b>9,192,195</b>	<b>7,587,178</b>	<b>4,056,685</b>
Gain on sale of property, plant and equipment		(52,026)	(106,536)	(25,218)	(22,299)
Reimbursement to Clean Harbors, Inc.	9	1,062,039	-	1,062,039	-
Finance cost		643,524	441,226	345,925	226,635
<b>Profit before tax</b>		<b>12,685,654</b>	<b>8,857,505</b>	<b>6,204,432</b>	<b>3,852,349</b>
Income tax expense		3,739,561	1,264,232	1,640,165	568,122
<b>Net profit for the period</b>		<b>8,946,093</b>	<b>7,593,273</b>	<b>4,564,267</b>	<b>3,284,227</b>
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		(1,625,487)	96,565	(206,995)	1,346,401
<b>Total comprehensive income for the period attributable to shareholders of the Corporation</b>		<b>7,320,606</b>	<b>7,689,838</b>	<b>4,357,272</b>	<b>4,630,628</b>
<b>Earnings per share</b>					
Basic	10	0.83	0.70	0.42	0.30
Diluted	10	0.83	0.70	0.42	0.30

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

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

	Notes	Shareholders' capital \$	Contributed surplus \$	Foreign currency translation reserve \$	Retained earnings \$	Total equity \$
As at January 1, 2010		44,387,955	711,100	-	22,466,679	67,565,734
Net profit for the period		-	-	-	7,593,273	7,593,273
Other comprehensive income for the period		-	-	96,565	-	96,565
<b>Total comprehensive income for the period</b>		44,387,955	711,100	96,565	30,059,952	75,255,572
Distributions		-	-	-	(6,809,240)	(6,809,240)
<b>As at June 30, 2010</b>		44,387,955	711,100	96,565	23,250,712	68,446,332
As at January 1, 2011		44,473,107	4,578,771	(2,112,889)	28,480,897	75,419,886
Net profit for the period		-	-	-	8,946,093	8,946,093
Other comprehensive income for the period		-	-	(1,625,487)	-	(1,625,487)
<b>Total comprehensive income for the period</b>		44,473,107	4,578,771	(3,738,376)	37,426,990	82,740,492
Share-based payment transactions		-	224,800	-	-	224,800
Options surrendered for cash	6	-	(2,191,648)	-	-	(2,191,648)
Dividends		-	-	-	(5,514,954)	(5,514,954)
<b>As at June 30, 2011</b>		44,473,107	2,611,923	(3,738,376)	31,912,036	75,258,690

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

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

	Notes	For the six months ended		For the three months ended	
		June 30, 2011 \$	June 30 2010 \$	June 30, 2011 \$	June 30 2010 \$
<b>Operating activities</b>					
Profit after tax		8,946,093	7,593,273	4,564,267	3,284,227
Non-cash adjustments to reconcile profit from operations to net cash flows:					
Depreciation of property, plant and equipment		6,815,629	6,427,266	3,491,300	3,266,036
Amortization of intangible assets		98,000	97,999	49,000	48,999
Deferred Income taxes		1,591,300	494,400	986,400	224,000
Share-based payment transaction expense	7	224,800	(1,048,407)	107,000	(803,398)
Equity-settled share plan settled in cash	7	(2,191,648)	-	(2,191,648)	-
Gain on sale of property plant and equipment		(52,026)	(106,536)	(25,218)	(22,299)
Unrealized foreign exchange (gain) loss on deferred tax		(371,853)	9,600	3,350	619,542
		15,060,295	13,467,595	6,984,451	6,617,107
Net change in non-cash working capital relating to operating activities		(4,103,405)	654,484	(3,935,697)	(2,149,127)
<b>Net cash flows from operating activities</b>		<b>10,956,890</b>	<b>14,122,079</b>	<b>3,048,754</b>	<b>4,467,980</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment		(11,674,982)	(4,580,910)	(6,566,883)	(1,981,222)
Purchase of service rights		(275,000)	-	-	-
Proceeds from sale of property, plant and equipment		72,699	289,104	39,145	94,947
<b>Net cash flows from investing activities</b>		<b>(11,877,283)</b>	<b>(4,291,806)</b>	<b>(6,527,738)</b>	<b>(1,886,275)</b>
<b>Financing activities</b>					
Proceeds from long-term debt		4,318,957	1,157,784	3,422,432	1,576,232
Repayment of long-term debt		(3,258,554)	(161,861)	(3,177,614)	(80,930)
Dividends/distributions paid to owners		(5,731,226)	(6,809,356)	(2,757,477)	(3,404,678)
<b>Net cash flows from financing activities</b>		<b>(4,670,823)</b>	<b>(5,813,433)</b>	<b>(2,512,659)</b>	<b>(1,909,376)</b>
Net increase in cash and cash equivalents		(5,591,216)	4,016,840	(5,991,643)	672,329
Cash and cash equivalents, beginning of period		11,890,341	7,516,605	12,290,768	10,861,116
<b>Cash and cash equivalents, end of period</b>		<b>6,299,125</b>	<b>11,533,445</b>	<b>6,299,125</b>	<b>11,533,445</b>
Supplemental cash flow information:					
Interest paid		643,524	441,226	345,925	226,635
Income tax paid (recovered)		(38,947)	1,916,562	(3,263)	357,060

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

# **BADGER DAYLIGHTING LTD.**

## **Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

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### **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 2820, 715 - 5th Avenue SW, Calgary, Alberta, T2P 2X6.

On December 31, 2010, Badger Income Fund (the “Fund”) completed its conversion (the “Conversion”) from an income trust to a corporation pursuant to a Plan of Arrangement (the “Arrangement”). Pursuant to the Arrangement, Fund unitholders exchanged their Fund units for common shares of Badger on a one-for-one basis. All references to shares and shareholders in these consolidated financial statements pertain to common shares and common shareholders subsequent to the Conversion and units and unitholders prior to the Conversion.

The consolidated financial statements of the Corporation for the period ended June 30, 2011 were authorised for issue in accordance with a resolution of the directors on August 10, 2011.

### **2. Basis of Preparation**

#### **Statement of compliance**

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Corporation expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011.

The Corporation adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards (“IFRS 1”) with a transition date to IFRS of January 1, 2010. Consequently the comparative figures for 2010 and the Corporation’s statement of financial position as at January 1, 2010 have been restated from pre-changeover accounting principles generally accepted in Canada (“pre-changeover Canadian GAAP”) to comply with IFRS.

The reconciliations to IFRS from the previously published pre-changeover Canadian GAAP consolidated financial statements are summarized in note 12. In addition, IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening statement of financial position. Where these have been used they are explained in note 12.

The interim condensed consolidated financial statements should be read in conjunction with the Corporation’s pre-changeover Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010, as well as the Corporation’s interim consolidated financial statements for the period ended March 31, 2011.

## **BADGER DAYLIGHTING LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

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### **3. 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:

- vi) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Corporation is currently assessing the impact of this standard.
- vii) 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 is currently assessing the impact of this standard.
- viii) 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 is currently assessing the impact of this standard.
- ix) 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 is currently assessing the impact of this standard.
- x) IFRS 13, 'Fair Value Measurement' was issued in May 2011 and sets out in a single IFRS a framework for measuring fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. In addition, IFRS 13 also requires specific disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Corporation is currently assessing the impact of this standard.

## 4. Provisions

	Bonus \$	Performance Trust Share Plan \$	Unit option plan \$	Legal \$	Total \$
As at January 1, 2010	469,847	336,000	2,789,638	-	3,595,485
Arising during the period	677,850	437,000	1,078,033	800,000	2,992,883
Utilised	(469,847)	-	-	-	(469,847)
Transfer to equity	-	-	(3,867,671)	-	(3,867,671)
As at December 31, 2010	677,850	773,000	-	800,000	2,250,850
Arising during the period	776,700	131,865	-	-	908,565
Utilised	(826,550)	(204,865)	-	(800,000)	(1,831,415)
<b>As at June 30, 2011</b>	<b>628,000</b>	<b>700,000</b>	-	-	<b>1,328,000</b>

Upon conversion to a Corporation, the unit option plan was modified to provide the holder with the right to acquire ordinary shares of the Corporation which resulted in the share option plan being accounted for as an equity-settled share-based payment plan (see note 7).

## 5. Long-term debt

	June 30, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Extendable revolving credit facility	41,731,798	37,412,841	28,701,939
Commercial mortgage on land and building, repayable in monthly principal payments of \$17,917 plus interest until June 2023, bearing interest at bank prime plus 0.75% [2011 – 3.75%; December 31, 2010 – 3.75%; January 1, 2010 – 3.00%]	-	2,687,500	2,902,492
Commercial mortgage on land and building, repayable in monthly principal payments of \$9,064 plus interest until February 2016, bearing interest at bank prime plus 0.75% [2011 – 3.75%; December 31, 2010 – 3.75%; January 1, 2010 – 3.00%]	-	571,054	679,833
	41,731,798	40,671,395	32,284,264
Less current portion	-	323,768	323,768
	41,731,798	40,347,627	31,960,496

The Corporation has established a \$60,000,000 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 [2010 – 3.00%] or bankers' acceptance rate plus 1.25% [2010 – 2.71%]. 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 24, 2012 and is renewable at the Corporation's option for an additional 364 day period, after which the entire amount must be repaid. If not renewed, interest is payable on the facility for 364 days after which the entire amount is to be repaid.



## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

#### 5. Long-term debt (continued)

In connection with renewing the credit facility the commercial mortgages were repaid.

Under the terms of the credit facilities, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2011, and as at June 30, 2011, the Corporation was in compliance with all of these covenants.

As at June 30, 2011, the Corporation has issued letters of credit in the amount of approximately \$240,000. The outstanding letters of credit reduce the amount available under the extendable revolving credit facility.

At June 30, 2011, the Corporation had available \$18,268,202 (December 31, 2010: \$2,587,159) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

#### 6. Shareholders' capital and reserves

##### A) Authorized shares

Pursuant to the Plan of Arrangement discussed in note 1, Fund unitholders received one common share of Badger in exchange for every unit held on the effective date of the Conversion.

##### B) Issued and outstanding

	Number of Shares/Units	\$
At January 1, 2010	10,808,503	44,387,955
Units cancelled	(1,092)	-
Units issued pursuant to the unit option plan	6,220	85,152
At December 31, 2010 and June 30, 2011	<b>10,813,631</b>	<b>44,473,107</b>

##### C) Foreign currency translation reserve

The foreign currency translation reserve 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 recognise 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 7 for further details of these plans.

	June 30, 2011	December 31, 2010
	\$	\$
Opening balance	4,578,771	711,100
Modification to equity-settled share plan (note 7)	-	3,867,671
Share-based compensation expense	224,800	-
Equity-settled share plan settled in cash	(2,191,648)	-
Closing balance	<b>2,611,923</b>	<b>4,578,771</b>

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

## 7. Share-based payment plans

### Unit option plan (cash-settled)

Prior to conversion to a corporation on December 31, 2010 (see note 1), the Fund granted options, under the unit option plan. The unit options were granted to directors, officers, employees and consultants of the Fund. The options provide the holder with the right to acquire units, with terms that do 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 Unit Plan, vesting periods are determined by the trustees at the time of the grant. All unit options granted through to June 30, 2011 vest equally over a period of three years from the date of grant. The maximum number of units to be issued under this plan may not exceed 850,000 units.

Upon conversion to a Corporation, the Unit Plan was modified to provide the holder with the right to acquire ordinary shares of the Corporation (i.e. the share option plan). As a result of the modification, the share option plan (the “Share Plan”) is accounted for as an equity-settled share-based payment transaction.

### 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 June 30, 2011 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 850,000 shares.

A summary of the share-based payment transactions for the period ended June 30, 2011 and the year ended December 31, 2010 are as follows:

	June 30, 2011		December 31, 2010	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at beginning of period	768,280	16.96	-	-
Pursuant to the Plan of Arrangement	-	-	768,280	16.96
Options surrendered for cash	(568,530)	16.27	-	-
Forfeited/expired	(12,000)	18.07	-	-
Outstanding at end of period	187,750	19.00	768,280	16.96

Pursuant to the share plan during the second quarter of 2011, the Corporation had 568,530 vested share options surrendered by employees in return for a cash settlement of \$2,191,648

For the six month period ended June 30, 2011 the Corporation recorded compensation expense, included as part of selling, general and administrative expense, of \$224,800 with an offsetting increase to contributed surplus in respect of the share options granted and outstanding as of June 30, 2011.

### Long-term incentive plan (the “Incentive Plan”)

The Corporation has reserved 200,000 shares for issuance under the Incentive Plan. The shares from the Incentive Plan are issued at the ten day weighted average price prior to the issuance date, with the related cost recorded as compensation expense, which is included in selling, general and administrative expense.

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

## 7. 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 increase to provisions. On May 13, 2008, May 15, 2009 and May 11, 2010, the Corporation granted awards pursuant to the plan and has recorded as compensation expense \$131,865 for the six months ended June 30, 2011, which is included in selling, general and administrative expense.

## 8. Revenues

	For the six months ended		For the three months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	\$	\$	\$	\$
Rendering of services	83,130,256	59,118,794	42,283,031	29,114,899
Truck placement fees	645,554	589,336	521,801	259,272
	<b>83,775,810</b>	<b>59,708,130</b>	<b>42,804,832</b>	<b>29,374,171</b>

## 9. 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.

## 10. 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 period. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

The calculation of basic earnings per share for the six months ended June 30, 2011, was based on the profit available to common shareholders of \$8,946,093 (2010 - \$7,593,273), and a weighted average number of common shares outstanding of 10,813,631 (2010 – 10,808,431).

The calculation of basic earnings per share for the three months ended June 30, 2011, was based on the profit available to common shareholders of \$4,564,267 (2010 - \$3,284,227), and a weighted average number of common shares outstanding of 10,813,631 (2010 – 10,808,359).

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

#### 10. Earnings per share (continued)

The weighted average number of common shares is calculated as follows:

	For the six months ended		For the three months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	\$	\$	\$	\$
Issued common shares outstanding, beginning of period	10,813,631	10,808,503	10,813,631	10,808,503
Shares cancelled	-	(72)	-	(144)
Effect of share options exercised	-	-	-	-
Weighted average number of common shares, end of period	10,813,631	10,808,431	10,813,631	10,808,359

#### 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 six months ended June 30, 2011, was based on a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 10,837,392 (2010 – 10,827,738).

The calculation of diluted earnings per share for the three months ended June 30, 2011, was based on a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 10,836,289 (2010 – 10,827,666).

The weighted average number of dilutive potential common shares is calculated as follows:

	For the six months ended		For the three months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	\$	\$	\$	\$
Weighted average number of common shares (basic)	10,813,631	10,808,431	10,813,631	10,808,359
Effect of share options	23,761	19,307	22,658	19,307
Weighted average number of common shares (diluted)	10,837,392	10,827,738	10,836,289	10,827,666

For the six and three months ended June 30, 2011, 110,375 options (2010 – 581,375) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive. 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 period during which the options were outstanding.

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

## 11. Segment reporting

The Corporation operates in two geographic/reportable segments providing non-destructive excavating services to each of these segments. The following is selected information for the six and three months ended June 30, 2011 and 2010 based on these geographic segments.

Each segment is responsible for its operating results.

For six months ended:	June 30, 2011			June 30, 2010		
	Canada (\$)	U.S. (\$)	Total (\$)	Canada (\$)	U.S. (\$)	Total (\$)
Revenues	51,078,364	32,697,446	83,775,810	35,276,109	24,432,021	59,708,130
Direct costs	31,629,485	25,474,879	57,104,364	22,595,711	16,531,098	39,126,809
Depreciation of property, plant and equipment	4,031,717	2,783,912	6,815,629	3,819,155	2,608,111	6,427,266
Amortization of intangible assets	98,000	-	98,000	97,999	-	97,999
Selling, general and administrative expenses	4,467,602	951,024	5,418,626	3,368,111	1,495,750	4,863,861
Profit before tax	10,348,449	2,337,205	12,685,654	5,094,570	3,762,935	8,857,505

For three months ended:	June 30, 2011			June 30, 2010		
	Canada (\$)	U.S. (\$)	Total (\$)	Canada (\$)	U.S. (\$)	Total (\$)
Revenues	24,874,248	17,930,584	42,804,832	17,560,515	11,813,656	29,374,171
Direct costs	14,834,671	14,121,699	28,956,370	11,465,846	8,014,680	19,480,526
Depreciation of property, plant and equipment	2,037,478	1,453,822	3,491,300	1,983,023	1,283,013	3,266,036
Amortization of intangible assets	49,000	-	49,000	48,999	-	48,999
Selling, general and administrative expenses	2,238,916	482,068	2,720,984	1,764,834	757,091	2,521,925
Profit before tax	5,478,877	725,555	6,204,432	2,105,080	1,747,269	3,852,349

Selected Consolidated Statement of Financial Position Information

	Canada (\$)	U.S. (\$)	Total (\$)
<b>As At June 30, 2011</b>			
Property, plant and equipment	54,177,757	40,686,092	94,863,849
Intangible assets	6,697,513	-	6,697,513
Total assets	91,391,546	62,816,623	154,208,169
<b>As at December 31, 2010</b>			
Property, plant and equipment	54,922,254	36,411,476	91,333,730
Intangible assets	6,520,513	-	6,520,513
Total assets	87,990,962	63,205,205	151,196,167
<b>As at January 1, 2010</b>			
Property, plant and equipment	49,774,184	39,523,285	89,297,469
Intangible assets	6,416,512	-	6,416,512
Total assets	75,345,036	60,661,133	136,006,169

## BADGER DAYLIGHTING LTD.

### Notes to the Interim Condensed Consolidated Financial Statements

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

## 11. Segment reporting (continued)

Selected Consolidated Statement of Cash Flow Information

For six months ended:	June 30, 2011			June 30, 2010		
	Canada (\$)	U.S. (\$)	Total (\$)	Canada (\$)	U.S. (\$)	Total (\$)
Additions to non-current assets:						
Property, plant and equipment	2,761,150	8,913,832	11,674,982	4,294,129	286,781	4,580,910
Intangible assets	275,000	-	275,000	-	-	-

For three months ended:	June 30, 2011			June 30, 2010		
	Canada (\$)	U.S. (\$)	Total (\$)	Canada (\$)	U.S. (\$)	Total (\$)
Additions to non-current assets:						
Property, plant and equipment	1,452,209	5,114,674	6,566,883	1,867,608	113,614	1,981,222
Intangible assets	-	-	-	-	-	-

## 12. Explanation of transition to IFRS

The consolidated financial statements for the period ended June 30, 2011 are prepared under IFRS. For all accounting periods prior to March 31, 2011, the Corporation prepared its consolidated financial statements under pre-changeover Canadian GAAP. In accordance with IFRS 1, certain disclosures relating to the transition to IFRS are given in this note. These disclosures are prepared under IFRS as set out in the basis of preparation in note 2.

IFRS 1 allows first time adopters to IFRS to take advantage of a number of voluntary exemptions from the general principal of retrospective restatement. The Corporation has taken the following exemptions:

### IFRS 2

This standard has not been applied to equity settled share-based payment transactions where equity instruments were granted after November 7, 2002 but vested before January 1, 2010, the Corporation's transition date.

### IFRS 3

This standard has not been applied retrospectively to business combinations that took place before the transition date.

### IFRIC 4

This IFRIC has not been applied retrospectively. The Corporation made an assessment as to whether an arrangement, existing at the transition date, contains a lease on the basis of the facts and circumstances existing at that date. The assessment was made in accordance with the requirements IFRIC 4. The Corporation did not identify any arrangements containing a lease on the transition date.

### IAS 21

This standard has not been applied retrospectively with regards to calculating the foreign currency translation reserve. The foreign currency translation reserve has been set to zero on the transition date and therefore a gain or loss on subsequent disposal of a foreign operation will only include foreign exchange differences that arose subsequent to the transition date.

### IAS 23

**BADGER DAYLIGHTING LTD.**

**Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

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This standard has not been applied retrospectively. As at the transition date, the Corporation did not have any qualifying assets.

**BADGER DAYLIGHTING LTD.****Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

**12.1 Reconciliation of equity as at January 1, 2010**

	Effect of transition to IFRS					IFRS \$
	Pre- changeover Canadian GAAP \$	Reclassifi- cations (Note 1) \$	Share- based payments (Note 2) \$	Foreign currency (Note 3) \$	Deferred tax (Note 4) \$	
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	7,516,605					7,516,605
Trade and other receivables	30,205,878					30,205,878
Inventories	1,792,708					1,792,708
Prepaid expenses	776,997					776,997
	40,292,188	-	-	-	-	40,292,188
<b>Non-current Assets</b>						
Property, plant and equipment	91,155,437			(1,857,968)		89,297,469
Intangible assets	6,416,512					6,416,512
	97,571,949	-	-	(1,857,968)	-	95,713,981
<b>Total Assets</b>	<b>137,864,137</b>	<b>-</b>	<b>-</b>	<b>(1,857,968)</b>	<b>-</b>	<b>136,006,169</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other payables	11,364,134	(805,847)				10,558,287
Provisions	-	805,847				805,847
Income taxes payable	907,377					907,377
Distributions payable	1,134,893					1,134,893
Current portion of long-term debt	323,768					323,768
	13,730,172	-	-	-	-	13,730,172
<b>Non-current Liabilities</b>						
Long-term debt	31,960,496					31,960,496
Provisions	-		2,789,638			2,789,638
Deferred taxation	19,280,129				680,000	19,960,129
	51,240,625	-	2,789,638	-	680,000	54,710,263
<b>Shareholders' Equity</b>						
Shareholders' capital	-					-
Unitholders' capital	44,387,955					44,387,955
Contributed surplus	3,813,850		(3,102,750)			711,100
Retained earnings	24,691,535		313,112	(1,857,968)	(680,000)	22,466,679
	72,893,340	-	(2,789,638)	(1,857,968)	(680,000)	67,565,734
<b>Total Liabilities and Shareholders' Equity</b>	<b>137,864,137</b>	<b>-</b>	<b>-</b>	<b>(1,857,968)</b>	<b>-</b>	<b>136,006,169</b>



**BADGER DAYLIGHTING LTD.****Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

**12.2 Reconciliations as at December 31, 2010**

Reconciliation of equity as at December 31, 2010

	Pre- changeover Canadian GAAP \$	Effect of transition to IFRS			IFRS \$
		Reclassifi- cations (Note 1) \$	Share- based payments (Note 2) \$	Foreign currency (Note 3) \$	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	11,890,341				11,890,341
Trade and other receivables	37,869,248				37,869,248
Inventories	1,993,609				1,993,609
Income taxes receivable	424,978				424,978
Prepaid expenses	1,163,748				1,163,748
	53,341,924	-	-	-	53,341,924
<b>Non-current Assets</b>					
Property, plant and equipment	94,566,785			(3,233,055)	91,333,730
Intangible assets	6,520,513				6,520,513
	101,087,298	-	-	(3,233,055)	97,854,243
<b>Total Assets</b>	<b>154,429,222</b>	<b>-</b>	<b>-</b>	<b>(3,233,055)</b>	<b>151,196,167</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>EQUITY</b>					
<b>Current Liabilities</b>					
Trade and other payables	13,775,173	(2,250,850)			11,524,323
Provisions	-	2,250,850			2,250,850
Distributions payable	1,135,431				1,135,431
Current portion of long-term debt	323,768				323,768
	15,234,372	-	-	-	15,234,372
<b>Non-current Liabilities</b>					
Long-term debt	40,347,627				40,347,627
Deferred taxation	20,194,282				20,194,282
	60,541,909	-	-	-	60,541,909
<b>Shareholders' Equity</b>					
Shareholders' capital	44,473,107				44,473,107
Contributed surplus	4,544,450		34,321		4,578,771
Foreign currency translation reserve	-			(2,112,889)	(2,112,889)
Retained earnings	29,635,384		(34,321)	(1,120,166)	28,480,897
	78,652,941	-	-	(3,233,055)	75,419,886
<b>Total Liabilities and Shareholders' Equity</b>	<b>154,429,222</b>	<b>-</b>	<b>-</b>	<b>(3,233,055)</b>	<b>151,196,167</b>

**BADGER DAYLIGHTING LTD.****Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

**12.2 Reconciliations as at December 31, 2010 (continued)**

Reconciliation of comprehensive income for the year ended December 31, 2010

	Pre- changeover Canadian GAAP \$	Effect of transition to IFRS			IFRS \$
		Share-based payments (Note 2) \$	Foreign currency (Note 3) \$	Deferred tax (Note 4) \$	
Revenues	139,610,783				139,610,783
Direct costs	92,403,644				92,403,644
<b>Gross profit</b>	47,207,139	-	-	-	47,207,139
Depreciation of property, plant and equipment	12,975,873		(343,847)		12,632,026
Amortization of intangible assets	195,999				195,999
Selling, general and administrative	12,224,084	347,433			12,571,517
<b>Operating profit</b>	21,811,183	(347,433)	343,847	-	21,807,597
Foreign exchange (gain)/loss	393,954		(393,954)		-
Gain on sale of property, plant and equipment	(102,154)				(102,154)
Finance cost	984,724				984,724
<b>Profit before tax</b>	20,534,659	(347,433)	737,801	-	20,925,027
Income tax expense	1,971,931			(680,000)	1,291,931
<b>Net profit for the year</b>	18,562,728	(347,433)	737,801	680,000	19,633,096
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations	-		(2,112,889)		(2,112,889)
<b>Other comprehensive income for the year, net of tax</b>	-	-	(2,112,889)	-	(2,112,889)
<b>Total comprehensive income for the year attributable to shareholders of the Corporation</b>	18,562,728	(347,433)	(1,375,088)	680,000	17,520,207

**BADGER DAYLIGHTING LTD.****Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

**12.3 Reconciliations as at June 30, 2010**

Reconciliation of equity as at June 30, 2010

	Pre- changeover Canadian GAAP \$	Effect of transition to IFRS				IFRS \$
		Reclassifi- cations (Note 1) \$	Share- based payments (Note 2) \$	Foreign currency (Note 3) \$	Deferred tax (Note 4) \$	
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	11,533,445					11,533,445
Trade and other receivables	27,361,731					27,361,731
Inventories	1,789,021					1,789,021
Income taxes receivable	241,481					241,481
Prepaid expenses	790,191					790,191
	41,715,869	-	-	-	-	41,715,869
<b>Non-current Assets</b>						
Property, plant and equipment	88,928,794			(1,685,305)		87,243,489
Intangible assets	6,318,513					6,318,513
	95,247,307	-	-	(1,685,305)	-	93,562,002
<b>Total Assets</b>	<b>136,963,176</b>	<b>-</b>	<b>-</b>	<b>(1,685,305)</b>	<b>-</b>	<b>135,277,871</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other payables	10,211,214	(1,646,000)				8,565,214
Provisions	-	1,646,000				1,646,000
Distributions payable	1,134,778					1,134,778
Current portion of long-term debt	323,768					323,768
	11,669,760	-	-	-	-	11,669,760
<b>Non-current Liabilities</b>						
Long-term debt	32,956,419					32,956,419
Provisions	-		1,741,231			1,741,231
Deferred taxation	19,784,129				680,000	20,464,129
	52,740,548	-	1,741,231	-	680,000	55,161,779
<b>Shareholders' Equity</b>						
Unitholders' capital	44,387,955					44,387,955
Contributed surplus	4,308,850		(3,597,750)			711,100
Foreign currency translation reserve	-			96,565		96,565
Retained earnings	23,856,063		1,856,519	(1,781,870)	(680,000)	23,250,712
	72,552,868	-	(1,741,231)	(1,685,305)	(680,000)	68,446,332

**BADGER DAYLIGHTING LTD.****Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

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<b>Total Liabilities and</b>					
<b>Shareholders' Equity</b>	<b>136,963,176</b>	<b>-</b>	<b>-</b>	<b>(1,685,305)</b>	<b>- 135,277,871</b>

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**BADGER DAYLIGHTING LTD.****Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

**12.3 Reconciliations as at June 30, 2010 (continued)**

Reconciliation of comprehensive income for the six months ended June 30, 2010

	Pre- changeover Canadian GAAP \$	Effect of transition to IFRS		IFRS \$
		Share-based payments (Note 2) \$	Foreign currency (Note 3) \$	
Revenues	59,708,130			59,708,130
Direct costs	39,126,809			39,126,809
<b>Gross profit</b>	20,581,321	-	-	20,581,321
Depreciation of property, plant and equipment	6,624,985		(197,719)	6,427,266
Amortization of intangible assets	97,999			97,999
Selling, general and administrative	6,407,268	(1,543,407)		4,863,861
<b>Operating profit</b>	7,451,069	1,543,407	197,719	9,192,195
Foreign exchange (gain)/loss	(121,622)		121,622	-
Gain on sale of property, plant and equipment	(106,536)			(106,536)
Finance cost	441,226			441,226
<b>Profit before tax</b>	7,238,001	1,543,407	76,097	8,857,505
Income tax expense	1,264,232			1,264,232
<b>Net profit for the period</b>	5,973,769	1,543,407	76,097	7,593,273
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations	-		96,565	96,565
<b>Total comprehensive income for the period attributable to shareholders of the Corporation</b>	5,973,769	1,543,407	172,662	7,689,838

**BADGER DAYLIGHTING LTD.****Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

**12.3 Reconciliations as at June 30, 2010 (continued)**

Reconciliation of comprehensive income for the three months ended June 30, 2010

	Pre- changeover Canadian GAAP \$	Effect of transition to IFRS		IFRS \$
		Share-based payments (Note 2) \$	Foreign currency (Note 3) \$	
Revenues	29,374,171			29,374,171
Direct costs	19,480,526			19,480,526
<b>Gross profit</b>	9,893,645	-	-	9,893,645
Depreciation of property, plant and equipment	3,369,886		(103,850)	3,266,036
Amortization of intangible assets	48,999			48,999
Selling, general and administrative	3,538,323	(1,016,398)		2,521,925
<b>Operating profit</b>	2,936,437	1,016,398	(103,850)	4,056,685
Foreign exchange (gain)/loss	(266,983)		266,983	-
Gain on sale of property, plant and equipment	(22,299)			(22,299)
Finance cost	226,635			226,635
<b>Profit before tax</b>	2,999,084	1,016,398	(163,133)	3,852,349
Income tax expense	568,122			568,122
<b>Net profit for the period</b>	2,430,962	1,016,398	(163,133)	3,284,227
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations	-		1,346,401	1,346,401
<b>Total comprehensive income for the period attributable to shareholders of the Corporation</b>	2,430,962	1,016,398	1,183,268	4,630,628

## **BADGER DAYLIGHTING LTD.**

### **Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

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#### **12.4 Notes to the reconciliations**

The following explains the material adjustments to equity and comprehensive income:

##### **Note 1 - Reclassifications**

Under pre-changeover Canadian GAAP, provisions are presented in trade and other payables. Under IFRS, separate disclosure on the face of the consolidated statement of financial position is required for the Corporation's provisions.

##### **Note 2 - Share-based payments**

Under pre-changeover Canadian GAAP, the Funds stock options awards granted to employees were classified as equity-settled share based awards and the fair value of the options was determined at the grant date and recognized on a straight-line basis over the employment period necessary to vest the award.

Under IFRS, the stock option awards are classified as cash-settled share-based awards. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value measurement at each reporting period. Each grant is accounted for on that basis. As a result, the Corporation adjusted its expense for share-based awards to reflect this difference in recognition.

##### **Note 3 – Foreign currency**

Under IFRS, the functional currency of an entity is determined by focusing on the primary economic environment in which it operates and less precedence is placed on factors regarding the financing from and operational involvement of the reporting entity which consolidates the entity in its financial statements. Under pre-changeover Canadian GAAP, equal precedence is placed on all factors. The effect of this change to IFRS resulted in the Corporation's United States subsidiaries having a different functional currency than the Corporation's functional currency. As such, the translation of the results and statement of financial position of the foreign operations into the Corporation's presentation currency requires a translation of all assets and liabilities at the closing rate at each reporting date with all resulting foreign exchange gains or losses recognized in OCI. Revenues and expenses of foreign operations are translated using average monthly foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions with foreign exchange differences recognized in OCI.

The Corporation reversed the balance of exchange differences on translation of foreign operations within other reserves and recorded a decrease to opening retained earnings.

##### **Note 4 – Deferred tax**

Under pre-changeover Canadian GAAP, the distributions to unitholders were a tax deductible item.

Under IFRS, the distributions to unitholders are not a tax deductible item. As a result, a higher tax rate must be applied to the December 31, 2009 temporary differences.

#### **12.5 Restatement of consolidated statement of cash flows from pre-changeover Canadian GAAP to IFRS**

The restatement from pre-changeover Canadian GAAP to IFRS had no significant effect on the reported cash flows generated by the Corporation. The reconciling items between pre-changeover Canadian GAAP presentation and IFRS have no effect on the cash flows generated.

**BADGER DAYLIGHTING LTD.**

**Notes to the Interim Condensed Consolidated Financial Statements**

Six months ended June 30, 2011

(Unaudited – Expressed in Canadian Dollars)

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