Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) should be read in conjunction with the attached unaudited interim consolidated financial statements of Badger Daylighting Ltd. (the "Company" or "Badger"). The interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). Readers should also refer to the audited consolidated financial statements and MD&A for the year ended December 31, 2013, which along with all previous public filings, including the Company's Annual Information Form for the year ended December 31, 2013, may be found on SEDAR at *www.sedar.com*.

All comparative share capital and profit per share amounts have been adjusted for the three for one share split that occurred on January 24, 2014.

This MD&A has been prepared taking into consideration information available to May 13, 2014.

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 reflecting the Company's belief that:

- Internal preparations for anticipated growth in 2014 will be completed;
- 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 2014;
- Badger in 2014 can further develop the organization to position itself to be able to handle the planned future growth;
- The new locations opened in the United States will provide an increased contribution to cash flows from operations and net profit during 2014;
- The current business development initiative will provide Badger with the additional new customers necessary to grow the business in 2014 and the future;
- Eastern Canada will continue with steady growth in 2014, driven by activity in the utility and construction segments;
- There will be an increase in Western Canada revenue during 2014 due to anticipated project volume and spending in the oil and natural gas sector;
- The expectation that Western Canada EBITDA margins will improve during the remainder of 2014; and,

- An increase in Company capital will be required to finance the anticipated capital expenditure program.

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

- Badger has the ability to achieve its revenue, net profit and cash flow forecasts for 2014;
- 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 payments 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; extreme or unsettled weather patterns; and fluctuations in foreign exchange or interest rates.

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

NON-IFRS FINANCIAL MEASURES

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

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

"EBITDA" is earnings before interest, taxes, depreciation and amortization and is a measure of the Company's operating profitability and is therefore useful to management and investors. EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, assets are amortized or the results are taxed in various jurisdictions. EBITDA is calculated from the consolidated statement of comprehensive income as gross profit less selling, general and administrative costs, deferred unit plan costs and unrealized foreign exchange gain/loss.

"Adjusted EBITDA" is EBITDA prior to recognizing deferred unit costs and unrealized foreign exchange gain (loss). They are calculated as follows:

	Three months ended March 31,	
$ thousands	2014	2013
Gross profit	30,438	22,721
Selling, general and administrative costs	(6,071)	(3,019)
Deferred unit plan	(7,436)	(1,763)
Unrealized foreign exchange gain	185	-
EBITDA	17,116	17,939
Deferred unit plan	7,436	1,763
Unrealized foreign exchange gain	(185)	-
Adjusted EBITDA	24,367	19,702

"Funded debt" is a measure of Badger's long-term debt position. Funded debt is long-term debt.

"Funds generated from operations" is used to assist management and investors in analyzing operating performance and leverage. It is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net profit or other measures of financial performance calculated in accordance with IFRS. Funds generated from operations are derived from the consolidated statement of cash flows and is calculated as follows:

	Three months ended March 31,	
$ thousands	2014	2013
Cash provided by operating activities	10,271	4,549
Add (deduct):		
Net change in non-cash working capital relating to operating activities	4,953	9,547
Equity-settled share plan settled in cash	-	1,513
Funds generated from operations	15,224	15,609

"Growth capital expenditures" are capital expenditures that are intended to improve Badger's efficiency, productivity or overall capacity and thereby allow Badger to expand overall activity and/or 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 (including costs incurred to extend the operational life of a daylighting unit), plus any other capital expenditures required to maintain the capacities of the existing business. The amount will fluctuate 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, Adjusted EBITDA, funded debt, funds generated from operations, growth capital expenditures, maintenance capital expenditures and net debt throughout this document have the meanings set out above.

FINANCIAL HIGHLIGHTS

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

	Three months ended March 31, 2014	**Three months ended March 31, 2013**
Revenues	100,022	69,154
EBITDA	17,116	17,939
Adjusted EBITDA	24,367	19,702
Profit before tax	8,386	12,336
Income tax expense		
Current	2,307	2,502
Deferred	349	1,849
Net profit	5,730	7,985
Profit per share – diluted ($)	0.15	0.22
Funds generated from operations	15,224	15,609
Funds generated from operations per share – diluted ($)	0.41	0.42
Maintenance capital expenditures	1,213	673
Required long-term debt repayments	-	-
Cash available for growth and dividends	14,092	14,993
Dividends declared	3,333	3,330
Growth capital expenditures	24,845	12,250
Total shares outstanding (end of period)	37,033,893	36,997,893

OVERVIEW

Highlights for the three months ended March 31, 2014:

- Revenues increased by approximately 45 percent to $100.0 million from $69.2 million for the comparable quarter of 2013 due to a 42 percent increase in Canadian revenues and a 48 percent increase in United States revenues. This is the first full quarter in which Fieldtek, acquired in November 2013, has been part of the financial results. Without Fieldtek, Canadian revenues would have increased by 25 percent. As a result of the increase in revenues, the Company's quarterly Adjusted EBITDA increased by 24 percent to $24.4 million for the first quarter of 2014 from $19.7 million in the first quarter of 2013;
- Adjusted EBITDA margins were 24 percent for the three months ended March 31, 2014 compared to 28 percent for the three months ended March 31, 2013;
- Funds generated from operations decreased by 2 percent period-over-period to $15.2 million from $15.6 million in the comparable quarter of 2013 mainly as a result of the increase in the market price for Badger's shares and therefore the increase in the deferred unit plan expense, which increased from $1.8 million for the three months ended March 31, 2013 to $7.4 million for the three months ended March 31, 2014;
- Adjusted EBITDA margins in Canada decreased to 24 percent from 30 percent for the comparable period of last year due to a combination of factors. These factors comprised the addition of Fieldtek in November 2013 which lowered the Adjusted EBITDA margin by 1.5 percent, additional costs to establish the corporate Toronto area, plus reduced margins in the western Canadian corporate operations due to increased fuel prices, greater employee costs and a slow reaction to adjust prices accordingly. Adjusted EBITDA margins in the United States decreased to 25 percent from 27 percent for the comparable period of last year due to adverse weather conditions in the eastern half of the United States, which led to increased costs for moving equipment to other locations to keep the fleet busy;
- Profit per share was $0.15 per share for the first quarter of 2014 versus $0.22 per share for the first quarter of 2013. The main reason for the decrease was the increase in deferred unit plan expense;
- On January 24, 2014 the Company closed a private placement of senior secured notes, which rank pari passu with the senior credit facilities, have a principal amount of US $75 million, an interest rate of 4.83 percent per annum and mature in 2022. Amortized repayment of the notes begins in 2020.
- Badger had 846 daylighting units at the end of the first quarter of 2014, reflecting the addition of 57 daylighting units to the fleet to date in 2014 and the retirement of two units. Of the total, 376 units were operating in Canada and 470 in the United States at quarter-end. Badger had 324 units in Canada and 346 in the United States for a total of 670 units at March 31, 2013. The new units were financed from cash generated from operations and existing credit facilities; and
- On January 24, 2014 the Company completed a split of all the issued and outstanding common shares on the basis of three common shares for each existing common share held, leaving 37,033,893 common shares issued and outstanding on that date.

OUTLOOK

Badger is pleased with;

- Revenue growth and the increase in revenue per truck across the Company. To be able to add that much revenue and to increase revenue per truck in the first quarter was a great achievement given the adverse weather conditions experienced in much of the United States and Canada.
- Decent results earned by the United States operations given the very difficult weather conditions experienced in the first quarter.
- Results in Eastern Canada and progress made in Eastern Canada improving the organization. The restructuring of the operations of Toronto and surrounding areas is mostly complete and ready for growth.

Opportunities for improvement noted;

- Some areas in Western Canada experienced margin erosion due to increased fuel and labor costs plus some additional costs due to abnormal travel in the region. These costs should have been passed on to end users. Badger expects margins will improve in future quarters. It should be noted that the Fieldtek business is a lower margin business than the Badger hydrovac business which reduces overall margins in Canada. The Company doesn't expect Badger will be able to significantly increase margins in the Fieldtek business.

Regional Comments

- The United States business was able to take advantage of good opportunities in western parts of the country by moving trucks and crews from areas where work was very slow due to bad weather conditions. These opportunities understandably added costs to move trucks and crews to the areas of opportunity. Incurring these costs made sense as they built the customer base, increased utilization and kept people employed.

- Forecasts for business spending in the United States appear to be increasing starting late in the second quarter, which will be positive for the business development efforts. As always, attracting and retaining good employees is the biggest challenge of the United States operation. Success in this area is critical to maintaining Badger's pace of growth in this market.

- Eastern Canada operations have added costs as they build the infrastructure necessary to grow the Ontario business this year and next. Badger believes these costs are a good investment. Eastern Canada also benefited from a good project which provided good revenue and margin gains in the region. This project had not started in the first quarter of 2013. The duration of this project is unknown at this time.

- There appears to be a lot of work available in Western Canada for the rest of the year. Once spring break up is over utilization will return to normal and should be strong the rest of the year. Management is committed to returning margins to the previous level in the hydrovac business.

- The plant in Red Deer performed very well in the first quarter meeting all build expectations. The plan is to complete one new unit every business day on average for the foreseeable future.

Overall the first quarter of 2014 provided some weather and cost challenges. The Company reacted very well to most challenges but fell a bit short on others. The Company's long term focus to continue profitable growth has not changed. Badger intends to build the organization, grow the customer base, add more hydrovac units and improve business processes. The outlook for the rest of the year remains quite positive for Badger due to the passing of the adverse weather conditions, positive signals in the economy and a reasonable outlook for the oil and natural gas industry.

Results of Operations

Revenues

Revenues of $100.0 million for the three months ended March 31, 2014 were 45 percent greater than the $69.2 million generated during the comparable period in 2013. The increase is attributable to the following:

- Canadian revenues increased by 42 percent from $39.4 million in the first quarter of 2013 to $56.0 million in the first quarter of 2014. As noted above, excluding Fieldtek, Canadian revenues would have increased by 25 percent. Western Canada revenue increased due to the addition of Fieldtek and general increases in hydrovac revenue. Eastern Canada revenue increased due to the addition of some good projects and increased focus in the Toronto and area markets; and
- United States revenue grew from $29.8 million for the three months ended March 31, 2013 to $44.0 million for the three months ended March 31, 2014. Removing the effect of foreign exchange rate changes, revenues increased by 36 percent quarter-over-quarter. The increase is due to additional revenue in new locations and the positive effects of business development.

Badger’s average revenue per truck per month during the three months ended March 31, 2014 was $33,800 versus $33,200 for the three months ended March 31, 2013.

Direct Costs

Direct costs for the quarter ended March 31, 2014 were $69.6 million compared to $46.4 million for the quarter ended March 31, 2013. The increase of 50 percent is greater than the 45 percent increase in revenues due to additional expenses in Western Canada caused by higher fuel costs and wages, and additional costs in the United States for moving trucks and crews to areas of opportunity due to adverse weather in the eastern half of the United States.

Gross Profit

The gross profit percentage was 30.4 percent for the quarter ended March 31, 2014 compared to 32.9 percent for the quarter ended March 31, 2013. The Canadian gross profit percentage decreased from 35.9 percent for the first quarter of 2013 to 32.6 percent. United States gross profit percentage decreased from 28.9 percent for the first quarter of 2013 to 27.7 percent. See commentary under Direct Costs above.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $7.6 million for the three months ended March 31, 2014, $2.3 million higher than the $5.3 million incurred for the three months ended March 31, 2013, due to the increased number of hydrovac units in the fleet.

Amortization of Intangible Assets

This amount of $0.3 million represents the amortization of intangible assets acquired on November 1, 2013.

Finance Cost

Finance cost was $0.9 million for the quarter ended March 31, 2014 versus $0.3 million for the quarter ended March 31, 2013. The higher financing cost was due to having a higher average debt balance and a higher borrowing rate quarter-over-quarter.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 101 percent to $6.1 million for the quarter ended March 31, 2014 from $3.0 million for the quarter ended March 31, 2013. The main reasons for the increase were an increase in personnel salary costs resulting from the growth in Badger's business, the addition of $0.9 million in ongoing Fieldtek costs, an increase in professional fees related to the January 2014 debt refinancing and an overall increase in costs to support the larger operations. As a percentage of revenues, selling, general and administrative expenses increased to 6.1 percent for the first quarter of 2014 from 4.4 percent for the first quarter of 2013.

Deferred Unit Costs

Deferred unit costs represent executive, director and employee incentive compensation. They increased from $1.8 million in the first quarter of 2013 to $7.4 million in the first quarter of 2014 due to the increase in Badger's share price.

Unrealized Foreign Exchange Gain

Badger recognized an unrealized foreign exchange gain of $0.2 million in the first quarter of 2014. This was due to the impact of the change over the period in the value of the Canadian dollar relative to the United States dollar on the Company's $75 million of United States dollar denominated debt.

Income Taxes

The effective tax rate for the quarter ended March 31, 2014 was 32 percent versus 35 percent for the quarter ended March 31, 2013.

Exchange Differences on Translation of Foreign Operations

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

Liquidity and Dividends

Funds generated from operations decreased to $15.2 million for the quarter ended March 31, 2014 from $15.6 million for the comparable period in 2013 due to the increased deferred unit plan expense. The Company uses its cash to pay dividends to shareholders, build additional hydrovac units, invest in maintenance capital expenditures and repay long-term debt.

The Company had working capital of $60.5 million at March 31, 2014 compared to $61.8 million at December 31, 2013. The increase in trade and other receivables was offset by the increase in the deferred unit plan liability.

The following table outlines the cash available to fund growth and pay dividends to shareholders for the three months ended March 31, 2014:

($ thousands)	
Funds generated from operations	15,224
Add: proceeds from sale of property, plant and equipment	81
Deduct: required mandatory repayments of long-term debt	-
Deduct: maintenance capital expenditures	(1,213)
Cash available for growth capital expenditures and dividends	14,092
Growth capital expenditures	24,845
Dividends declared	3,333

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

The following table outlines the excess of cash provided by operating activities and net profit for the period over dividends declared during the quarter ended March 31, 2014 and the year ended December 31, 2013:

($ thousands)	Three months ended March 31, 2014	Year ended December 31, 2013
Cash provided by operating activities	10,271	58,403
Net profit	5,730	40,363
Dividends declared	3,333	13,323
Excess of cash provided by operating activities over dividends declared	6,938	45,080
Excess of net profit over dividends declared	2,397	27,040

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 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. Its debt management strategy includes retaining sufficient funds from available distributable cash to finance maintenance capital expenditures as well as working capital needs. Growth capital expenditures will generally be financed through existing debt facilities, proceeds received from equity financings or cash retained from operating activities. The majority of the cash provided by operating activities in the three months ended March 31, 2014 was used to finance growth capital expenditures and to pay dividends to shareholders.

If maintenance capital expenditures increase in future periods, the Company's cash available for growth capital expenditures and dividends will be negatively affected. Due to Badger's growth rate in recent years, the majority of the hydrovac units are relatively new, with an average age of approximately four years. As a result, Badger is incurring relatively low maintenance capital expenditures. Over time, Badger would expect to incur annual maintenance capital expenditures approximately equaling the year's depreciation expense. Badger estimates it will remove approximately 20 to 30 hydrovac units from the fleet in 2014. Badger expects that cash provided by operations and cash available for growth capital expenditures and dividends will be sufficient to fund its future maintenance capital expenditures.

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

The Company spent $26.1 million on property, plant and equipment for the three months ended March 31, 2014 compared to $12.9 million for the three months ended March 31, 2013. During the first quarter of 2014 the Company's capital expenditure program consisted of various capital equipment, including 57 new hydrovac units. The costs to build a hydrovac unit remained consistent with the average for 2013.

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 period-to-period depending on the number of units retired from the fleet. During the first quarter of 2014 only two units were removed from the fleet and, therefore, maintenance capital expenditures were minimal.

Financing

On January 24, 2014 the Company closed a private placement of senior secured notes. The notes, which rank pari passu with the senior credit facilities, have a principal amount of US $75 million, an interest rate of 4.83 percent per annum and mature January 24, 2022. Amortizing principal payments of US $25 million are due under the notes on January 24, 2020, January 24, 2021 and January 24, 2022. Interest will be paid semi-annually in arrears. Proceeds were used to repay a portion of the outstanding debt under the Company's extendable revolving credit facility and for ongoing capital expenditures and general corporate purposes.

The Company has a $75 million extendable revolving credit facility which is used to help finance Badger's capital expenditure program and support corporate activities, of which $12.1 million was drawn at March 31, 2014. The facility has no required principal repayments. It expires on June 21, 2015 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 1.25 percent depending on Badger's ratio of funded-debt-to-EBITDA.

The Company's net debt increased by 26 percent during the first three months of 2014. As at March 31, 2014 Badger's cash and cash equivalents were $2.4 million, resulting in net debt of $92.6 million versus cash and cash equivalents of $8.6 million and net debt of $73.7 million at December 31, 2013. The main reasons for the increase were the capital expenditures incurred during the first quarter of 2014 and the increase in trade and other receivables.

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 ratio covenants under the credit facility agreements. Financial performance relative to the financial ratio covenants is reflected in the table below:

Ratio	**March 31, 2014**	December 31, 2013	Threshold
Funded Debt[(1)] to EBITDA[(2)]	**1.11:1**	0.88:1	2.75:1 maximum
Interest Coverage Ratio[(3)]	**36.97:1**	51.16:1	3.00:1 minimum

1 Funded debt is long-term debt less cash and cash equivalents (cash and cash equivalents not to exceed $10 million).

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 Interest coverage ratio means the ratio of aggregated EBITDA for the trailing 12 months to the aggregated finance costs for the trailing 12 months.

The Company has committed to certain capital expenditures totalling approximately $27.2 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 remained unchanged from the balance at December 31, 2013. Shares outstanding at March 31, 2014 were 37,033,893. There was no change to the balance as of May 13, 2014.

SELECTED QUARTERLY FINANCIAL INFORMATION

($ thousands except per share amounts)	**2014**	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	100,022	94,240	87,542	73,658	69,154	69,249	61,961	53,984
Net profit	5,730	11,233	11,774	9,371	7,985	7,888	7,902	6,145
Net profit per share – basic (1)	0.15	0.30	0.32	0.25	0.22	0.21	0.21	0.19
Net profit per share – diluted (1)	0.15	0.30	0.32	0.25	0.22	0.21	0.21	0.19

(1) All per share amounts have been adjusted for the three for one share split that occurred on January 24, 2014.

ACCOUNTING STANDARDS PENDING ADOPTION

The following are the IFRS pronouncements which have been issued but are not yet effective as at March 31, 2014. 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 instruments that must be applied starting January 1, 2018, 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 consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to critical accounting estimates since December 31, 2013.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Badger's President and CEO and its VP Finance and CFO have designed, or caused to be designed under their direct supervision, Badger's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to Badger, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. Further, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's disclosure controls and procedures at December 31, 2013 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 its VP Finance and CFO have also designed, or caused to be designed under their direct supervision, Badger's internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Further, using the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework), 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, 2013 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 disclosures that would not be prevented or detected.

Changes in Internal Control over Financial Reporting

No changes were made to the design of Badger's internal control over financial reporting during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Inherent Limitations

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

BUSINESS RISKS

The MD&A for the year ended December 31, 2013, 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 2013 Annual Information Form.