Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements of Badger Daylighting Ltd. (the "Company" or "Badger") for the period ended June 30, 2015. Readers should also refer to the audited consolidated financial statements and MD&A for the year ended December 31, 2014, which along with all previous public filings, including the Company's Annual Information Form for the year ended December 31, 2014, may be found on SEDAR at www.sedar.com.

This MD&A has been prepared taking into consideration information available to August 11, 2015.

The Cautionary Statements Regarding Forward Looking Information and Statements is an integral part of this release and is included at the end.

FINANCIAL HIGHLIGHTS

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

	Six months ended June 30,		Three months ended June 30,	
	2015	**2014**	**2015**	**2014**
Revenue				
Hydrovac service revenue	171,514	170,500	81,424	83,624
Other service revenue	20,364	29,022	9,021	16,610
Truck placement revenue	246	1,226	(10)	492
Total Revenue	**192,124**	**200,748**	**90,435**	**100,726**
Adjusted EBITDA	47,820	49,460	20,063	25,093
Legal provision	(21,620)	-	(21,620)	-
Profit (loss) before tax	1,657	28,721	(14,872)	20,335
Net profit (loss)	911	19,979	(10,533)	14,249
Profit per share – basic and diluted ($)	0.02	0.54	(0.28)	0.38
Cash flow from operating activities before non-cash working capital adjustments	46,810	34,873	24,853	19,649
Cash flow from operating activities before non-cash working capital adjustments per share – basic and diluted ($)	1.26	0.94	0.67	0.53
Dividends declared	6,669	6,666	3,336	3,333
Total shares outstanding (end of period)	37,097,537	37,033,893	37,097,537	37,033,893

FINANCIAL OVERVIEW

Highlights for the three months ended June 30, 2015:

- Total revenue decreased by 10.2 percent to $90.4 million in the second quarter of 2015 from $100.7 million in the same quarter of 2014. As a result Adjusted EBITDA decreased from $25.1 million to $20.1 million when comparing the second quarters of 2014 and 2015, respectively.
- Second quarter Adjusted EBITDA margins were 22.2 percent in 2015 versus 24.9 percent in 2014.
- Gross profit margins were lower in the second quarter of 2015, at 26.8 percent, compared to 27.9 percent for the same period in 2014.
- Cash flow from operating activities before non-cash working capital increased by 26.5 percent over the same three-month period in 2014, from $19.6 million to $24.9 million.
- Badger has reduced the amount of debt on the extendable revolving credit facility by $29.5 million from $37.4 million at December 31, 2014 to $8.0 million at June 30, 2015.
- Badger had 1,019 daylighting units at the end of the second quarter of 2015, reflecting an addition of 12 units and the retirement of 4 units during the quarter. Of this total, 626 were operating in the US and 393 were operating in Canada. The new units were financed from cash generated from operations.
- A legal provision of $21.6 million (USD $17.5 million) was recorded relating to a verdict reached in Oklahoma in favour of a former franchisee.

MANAGEMENT COMMENTS AND OUTLOOK

Badger's overview for 2015 as provided in the 2014 annual report discussed the low oil price environment and its effect on the parts of Badgers business related to this market. With this challenge in mind, Badger's plan in these affected markets was to get what revenue was available, manage costs prudently and reallocate assets as required. In areas not affected by the oil and gas environment the stated plan was to grow aggressively to counterbalance negative impacts of slow areas. The objective overall was to grow revenue – even if muted compared to previous years - and keep good margins. The other main objective was to continue to build the organization to allow future growth, especially in the US. With these two main objectives in mind the following comments are provided:

Positives in the second quarter of 2015:

- Good growth and results overall in the US. Management capitalized on market opportunities in areas not affected by the low oil and natural gas price environment and grew overall Q2 2015 revenue by 5 percent over Q2 2014 on a common currency basis.
- Continued good cost control in Western Canada on much reduced revenue.
- Overall long term debt reduction of $29.5 million during the year, strengthening the balance sheet for future growth opportunities. This is the Badger approach - when growth slows pay off debt and position for future growth.
- Good overall organizational development as John Kelly fully assumed the COO role and we strengthened the executive management team with the appointment of three regional Vice Presidents, reporting to John, whom have mandates to grow the business.

Opportunities for improvement noted:

- A 10.2 percent reduction in Q2 revenue from 2014 to 2015. Other income (non-hydrovac) had the largest decline. While management expected this decline due to low oil prices, the fall-off we experienced in the non-oil and gas Eastern Canadian market was not expected.
- Badger planned for Eastern Canada to continue to grow in 2015 to help offset the decline in its Western Canada business. The two most notable items effecting eastern activities are fewer major projects in the East, which enhanced revenue in 2014, and less activity in the core market due to the Pan Am games. However, despite these external factors it is difficult to overlook the fact that Badger should have done better in Eastern Canada. With that in mind Eastern Canada management has been encouraged to aggressively pursue new business for the remainder of 2015.
- Business development efforts across Badger to drive increased revenue and therefore revenue per truck and profitability. Although we have made progress in this area there are opportunities to be more efficient in obtaining work through demonstrating the value of our services.
- Adjusted EBITDA margin eroding from 24.9 percent to 22.2 percent from Q2 2014 to Q2 2015. The biggest contributors again being Eastern Canada and other income category.

Regional comments:

- Western Canada continues to operate in a challenging environment driven by low activity in the oil and natural gas industry. Badger expected Q2 to be difficult in Western Canada, and it was. Activity is expected to improve only slightly for the rest of the year. Within this slow market Badger will continue to try to make the most out of what is available. The challenge is to balance customer pricing, cut costs which make sense and won't damage the Company in the long-run, and keep reasonable margins in the current period.
- Eastern Canada has had a disappointing growth year so far. With the construction season in full swing Badger will look to diversify its customer base to be able to achieve revenue growth.
- Our US management believes it will be able to continue to grow US revenue for the rest of the year primarily in the non-oil and gas sectors. Little improvement is expected in the oil and natural gas markets.
- Until revenue per truck increases to target levels the new truck build will remain at a level of 1 to 3 per week. With this reduction in build, Badger has been able to pay down debt and strengthen its balance sheet. Badger has retired 18 trucks so far this year and has increased its planned replacements to 25 to 30 for the full year. In times of lower revenue per truck Badger is reluctant to spend significant money on trucks older than 10 years old. Our belief is that it is better to retire these trucks.

Overall results in the second quarter were marginally below management's expectations. It is always the toughest quarter due to uncertainty around the timing of spring break-up in Western Canada and when the construction season really gets going in other markets. The main miss was Eastern Canada, partially due to a poor response to there being fewer big projects in 2015. On the positive side, margins remained reasonable given the circumstances, and Badger continued to strengthen its balance sheet.

It is apparent the oil and natural gas sector will not see material improvements for the rest of the year. As previously stated, Badger will earn as much revenue as it can from this sector while managing costs. On the positive side, Badger continues to grow in U.S. sectors not affected by oil and gas and is targeting improvement in Eastern Canada. Our target remains to show muted growth for the year, overall, and to keep margins at a healthy level. There is an increased focus on business development which, if successful, will allow Badger to grow. With the lower capital spend Badger expects to continue to strengthen its balance sheet for the remainder of the year and in the process provide the necessary capital to fund future growth.

Results of Operations

Revenues

Second quarter revenues of $90.4 million for the three months ended June 30, 2015 were 10.2 percent lower than the $100.7 million generated during the comparable period in 2014 ($192.1 million for the six months ended June 30, 2015, compared to $200.7 million in the same period of 2014). The decrease in the second quarter over the prior year period is attributable to the following:

- Hydrovac revenue was weak across Canada as it decreased by 30.4 percent from $36.9 million to $25.7 million. Western Canada was affected by the slow-down in the oil and natural gas industry and Eastern Canada by much less work at a couple major projects.
- United States revenue in U.S. dollars increased by 5.4 percent in the second quarter over the same period in 2014. Continued growth is being driven by regions of the country not related to the oil and natural gas industry. This growth is offsetting weakness in oil and natural gas producing regions. Badger benefitted from a strengthening USD as the above noted 5.4 percent increase translated to an 18.5 percent increase in revenue as reported in Canadian dollars, from $47.6 million in the second quarter of 2014 to $56.5 million in the second quarter of 2015.
- Other services revenue which primarily include the Fieldtek tank cleaning services in Western Canada, the Benko sewer services in Ontario, revenue incidental to hydrovac operations such as water truck services and revenue recognized upon leasing Badger hydrovac vehicles to operating partners has decreased from $16.4 million in the second quarter of 2014 to $9.0 million in the second quarter of 2015. The largest component of this decrease was the Fieldtek tank cleaning business as customers chose to defer maintenance at well sites.

Badger's average revenue per truck per month during the three months ended June 30, 2015 was $23,317 versus $29,947 for the three months ended June 30, 2014. Badger's average revenue per truck per month during the six months ended June 30, 2015 was $24,784 versus $31,983 for the six months ended June 30, 2014. The reduction in revenue per truck caused management to reduce our truck build program earlier in in the year in response to weaker demand for Badger's services.

Reclassification of selling, general and administrative expenses

Beginning in the first quarter of 2015, selling, general and administrative expenses include only those costs related to the Corporation's three main administrative centers – the Corporate office in Calgary, the Canadian administration center in Red Deer, and the United States administration center in Pittsboro. Costs that are incurred outside these centers have been classified as direct costs. Historical results were reclassified to match the current period presentation. This reclassification did not impact net earnings, Adjusted EBITDA, earnings per share, financial position or cash flows.

Management believes that the new definition for selling, general and administrative expenses more closely aligns to respective senior management areas of responsibility, as well as allows for greater comparability of Badger's Canadian and US businesses.

Direct Costs

Direct costs for the quarter ended June 30, 2015 was $66.2 million as compared to direct costs of $72.6 million in the second quarter of 2014, increasing marginally as a percent of revenue from 72.1 percent in the same quarter of 2014 to 73.2 percent in the second quarter of 2015. This modest increase speaks to our continued focus of controlling costs. Direct costs for the six months ended June 30, 2015 was $136.9 million or 71.2 percent of revenue, as compared to $145.7 million or 72.6 percent of revenue.

Cost reductions were realized in improving the recovery of third party charges (the recovery of which are netted off direct costs), reduced repair and maintenance costs and reductions in other discretionary items as well as lower diesel fuel prices in both Canada and the US.

Gross Profit

The gross profit margin was 26.8 percent for the quarter ended June 30, 2015 (28.8 percent for the six month period ending June 30, 2015), down from the 27.9 percent for the quarter ended June 30, 2014 (27.4 percent for the six month period ending June 30, 2014). Canada had a gross profit margin of 23.1 percent in the second quarter (26.9 percent in the six month period ending June 30, 2015) compared to 26.5 percent in the second quarter of 2014 (26.4 percent in the six month period ending June 30, 2014). The United States gross profit margin was 28.9 percent in the second quarter of 2015 (30.1 percent in the six months ending June 30, 2015) compared to 29.5 percent in the second quarter of 2014 (28.6 percent in the six months ending June 30, 2015).

Depreciation of Property, Plant and Equipment

Badgers increased hydrovac fleet resulted in depreciation of property, plant and equipment to rise from $8.1 million in the second quarter of 2014 ($15.7 million for the six months ending June 30, 2014) to $10.4 million for the second quarter of 2015 ($20.6 million for the six months ending June 30, 2015).

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased from $3.0 million in the second quarter of 2014 to $4.1 million in the second quarter of 2015 primarily due to a one-time expense in the second quarter of $0.5 million relating to a review of our benefits funding and legal expenses. As a percentage of revenues, selling, general and administrative expenses were 4.6 percent in the second quarter of 2015 as compared to 3.0 percent in the second quarter of 2014. For the six month period, selling general and administrative expenses increased from $5.6 million in 2014 to $7.5 million in 2015, or 2.8 percent and 3.9 percent of revenue respectively. Following the change in definition of selling, general and administrative expenses, we have revised our target for such expenses to 4 percent of revenue.

Finance Cost

Finance cost was $1.3 million for the second quarter of 2015 versus $1.4 million for the same quarter in 2014. The lower finance cost was due to reduced Canadian dollar debt on the Company's revolving credit facility, which was partially offset by a higher exchange rate of the USD-denominated senior secured notes.

Legal Provision

In June, 2015, a jury in the District Court of Creek County, Oklahoma, Bristow Division, entered a verdict of approximately USD $13.7 million in favor of a former franchisee and his franchise against a subsidiary of Badger for breach of contract and other causes of action. Badger filed an appeal subsequent to the end of the second quarter and the Supreme Court of the State of Oklahoma has agreed to hear the case, staying execution of the judgment during the appeal period. The full award plus an estimate of legal costs and interest for a total of USD $17.5 million has been accrued in the second quarter of 2015. Because it is early in the appeal process management cannot estimate a final outcome and therefore accrued the full award.

Income Taxes

Total income tax for the second quarter of 2015 was a recovery of $4.3 million on a loss before income tax of $14.9 million, for an effective tax rate of 29.2 percent, which was comparable to the effective tax rate of 29.9 percent in the same quarter of 2014.

Net Profit (Loss)

The second quarter of 2015 resulted in a $10.5 million net loss as compared to a net profit of $14.2 million in the same period last year. The net loss in the second quarter of 2015 resulted from lower revenue in Canada and the legal provision in the US. Net profit for the six months period declined from $20.0 million to $0.9 million on the reduction in revenue as well as the legal provision.

Other Comprehensive Income

The company incurred a $2.9 million other comprehensive loss on the foreign currency translation of its US operations because the US dollar weakened modestly in the second quarter. For the year to date, the foreign currency translation of the US operations results in a total other comprehensive income of $5.7 million. Note that the company chose to designate the US dollar denominated senior secured note as a hedge of the net investment in its US operations in the first quarter of 2015, and accordingly, offset the exchange differences on translation of the US operations with the opposite exchange differences on the translation of the US dollar-denominated debt.

Liquidity and Dividends

Cash flow from operations before working capital adjustments increased to $24.9 million for the quarter ended June 30, 2015 from $19.6 million for the comparable period in 2014. The increased cash flow results from a current tax recovery offsetting reduced earnings. For the six months ending June 30, 2015, cash flow from operations before working capital additions increased from $34.9 million to $46.8 million.

The Company uses its cash to pay dividends to shareholders, to build additional hydrovac units, to invest in maintenance capital expenditures and to repay long-term debt. During this period of weak commodity prices, and until such time as hydrovac utilization improves as reflected by our revenue per truck measure, Badger will continue to focus on maintaining gross margins and strengthening its balance sheet.

The Company had working capital of $57.3 million at June 30, 2015 compared to $92.9 million at December 31, 2014. The lower working capital is the result of lower trade and other receivables as well as the legal provision that was recorded in the second quarter of 2015.

The following table outlines the cash available to fund growth and pay dividends to shareholders for the three and six months ended June 30, 2015:

	Six months ended June 30,		Three months ended June 30,	
	2015	2014	2015	2014
Cash flow from operating activities before non-cash working capital adjustments	46,810	34,873	24,853	19,649
Add: Proceeds from sale of property, plant and equipment	232	341	108	260
Deduct: Maintenance capital	(8,005)	(1,658)	(2,147)	(445)
Cash available for growth capital and dividends	39,037	33,556	22,814	19,464
Growth capital	19,565	51,510	3,434	26,665
Dividends declared	6,669	6,666	3,336	3,333

Badger is restricted from declaring dividends if it is in breach of the covenants under its credit facilities. Under the terms of the credit facility and the senior secured notes, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. In the first six months of 2015, throughout 2014, and as at December 31, 2014 and June 30, 2015, the Corporation was in compliance with all of these covenants. A complete listing and definition of the debt covenants is found in the Corporation's annual consolidated financial statements for the year ended December 31, 2014.

Following the legal award against Badger in the State of Oklahoma, and due to the Company's decision to appeal the verdict and therefore not discharge that judgment within 30 days, Badger was in default of its Extendable Revolving Credit Facility and Senior Secured Notes. Badger has obtained waivers of this default from all lenders of both the Credit Facility and the Senior Secured Notes.

Capital Resources

Investing

The Company invested $5.6 million in property, plant and equipment for the three months ended June 30, 2015 compared to $27.1 million for the three months ended June 30, 2014. Of the $5.6 million that the company invested in capital assets, $3.9 million relates to the new hydrovacs added to the fleet and $1.2 million relates to the building of a new US headquarter office building. Cash flows used in investing activities for the six months ending June 30, 2015 declined from $52.8 million to $28.3 million as the overall investment in expanding the hydrovac fleet is significantly below that of the prior year.

The costs to build a hydrovac unit increased early in 2015 due to the strength in the United States dollar causing certain materials to be more expensive when translated to Canadian dollars due to the reduced efficiency experienced in operating the manufacturing facility at less than capacity.

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. Due to Badger's growth rate in recent years, the majority of the hydrovacs are relatively new, with an average age of approximately four and a half years.

During the six months ended June 30, 2015, Badger added 39 units to the fleet (120 in 2014), of which 18 have been reflected as maintenance capital expenditures (3 in the first six months of 2014). Total maintenance capital expenditures for the first six months of 2015 were $8.0 million as compared to $1.7 million in the first six months of 2014.

Financing

Syndicated revolving credit facility

In 2014, the Corporation established a $125 million syndicated revolving credit facility (the "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 plus a tiered set of basis points or bankers' acceptance rate also with a tiered structure. A stand-by fee is also required on the unused portion of the credit facility on a tiered basis. The prime rate tiers range between zero and 125 basis points. The bankers' acceptance tier ranges from 125 to 250 basis points. The stand-by fee tiers range between 25 and 50 basis points. All of the tiers are based on the Company's Funded Debt to "Bank EBITDA" ratio. Bank EBITDA is defined as earnings before interest, taxes, depreciation and amortization. The stand-by fee is expensed as incurred.

The credit facility expires on July 22, 2018.

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

As at June 30, 2015, the Corporation has issued letters of credit of approximately $2.7 million. The outstanding letters of credit support the U.S. insurance program and certain performance bonds and reduce the amount available under the credit facility.

At June 30, 2015, the Corporation had available $114.4 million (December 31, 2014 - $86.0 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Senior secured notes

On January 24, 2014 Badger closed a private placement of senior secured notes. The notes, which rank pari passu with the extendable revolving credit facility, have a principal amount of US $75.0 million and an interest rate of 4.83 percent per annum and mature on January 24, 2022. The Canadian dollar equivalent on January 24, 2014 was $82.9 million. Amortizing principal repayments of US $25.0 million are due under the notes on January 24, 2020, January 24, 2021 and January 24, 2022. Interest is paid semi-annually in arrears.

The senior secured notes are collateralized by a general security interest over the Corporation's assets, property and undertaking, present and future.

In the second quarter of 2015, Badger recorded an unrealized foreign exchange gain of $1.5 million as a component of other comprehensive income (a cumulative loss on foreign exchange of $6.6 million for the first six months of 2015) on the foreign currency revaluation of senior secured notes. In the second quarter of 2014 there was a foreign exchange gain of $2.4 million, and a total foreign exchange gain for the six month period ended June 30, 2014 of $2.6 million. The 2014 foreign exchange gains were recorded in net profit as the senior secured notes were not designed as a net investment hedge at that time.

Under the terms of the credit facility and the senior secured notes, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. A description of the compliance with covenants is included in the liquidity and dividends section.

SHARE CAPITAL

Shares outstanding at June 30, 2015 were 37,097,537.

As of August 11, 2015 the outstanding shares totaled 37,100,681.

SELECTED QUARTERLY FINANCIAL INFORMATION

All amounts are $000's except Per Share amounts are $'s	2015		2014				2013		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	90,435	101,689	108,350	113,121	100,726	100,022	94,239	87,543	73,658
Net Profit (Loss)	(10,533)	11,443	17,045	16,078	14,249	5,730	11,233	11,774	9,371
Net Profit per share – Basic and Diluted	(0.28)	0.31	0.47	0.43	0.38	0.15	0.30	0.32	0.22

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 2015 will be completed;
- Overall activity and the economy remains relatively constant in areas and market segments not affected by activities in the oil and natural gas sector;
- Areas associated with the oil and natural gas industry continue to remain uncertain;
- Badger can manage costs in areas and sectors affected by the low oil price environment and reallocate assets as required to areas which have strong economies and which have benefited from weak oil prices;
- Badger can grow in areas unaffected by the low oil price environment;
- Badger in 2015 can further develop the organization to position itself to be able to handle the planned future growth;

- The business development efforts will provide Badger with the additional new customers necessary to grow the business in 2015 and the future, and;
- Badger's fleet is available to perform work in 2015 and truck replacements are not significantly more than planned.

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:

- There will be a long-term demand for hydrovac services from oil refineries, petro-chemical plants, power plants and other large industrial facilities in 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;
- Badger will be able to compete effectively for the demand for its services;
- The overall market for its services will not be adversely affected by weather, natural disasters, global events, legislation changes, technological advances, economic disruption or other factors beyond Badgers control;
- Badger will execute its growth strategy;
- Badger will obtain all labour, parts and supplies necessary to complete the planned hydrovac build.

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; fluctuations in foreign exchange or interest rates, and; the ultimate resolution of a lawsuit in the State of Oklahoma.

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:

"Adjusted EBITDA" is earnings before interest, taxes, depreciation and amortization, share-based compensation, gains and losses on sale of property, plant and equipment, gains and losses on foreign exchange, and a non-recurring legal provision. Adjusted EBITDA is a measure of the Company's operating profitability and is therefore useful to management and investors as it provides improved continuity with respect to the comparison of our operating results over time. Adjusted EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, the results are taxed in various jurisdictions, and assets are amortized. In addition, Adjusted EBITDA excludes gains and losses on sale of property, plant and equipment as these gains and losses are considered incidental and secondary to the principal business activities, it excludes gains and losses on foreign exchange as such gains and losses can vary significantly based on factors beyond our control, it excludes share-based compensation as these expenses can vary significantly with changes in the price of our common shares and it excludes the legal provision that was recorded in the second quarter of 2015 as this is non-recurring and outside our normal course of business.

Adjusted EBITDA is calculated as follows:

	Six months ended June 30,		**Three months ended June 30,**	
Adjusted EBITDA	**2015**	**2014**	**2015**	**2014**
Net profit (loss)	911	19,979	(10,533)	14,249
Add:				
Depreciation of property, plant and equipment	20,571	15,676	10,395	8,108
Amortization of intangible assets	638	638	319	319
Share-based compensation expense	1,607	4,914	1,261	(2,522)
(Gain) loss on sale of property, plant and equipment	(58)	(216)	33	(159)
Finance cost	2,333	2,319	1,265	1,419
Legal provision	21,620	-	21,620	-
Foreign exchange (gain) loss	(548)	(2,592)	42	(2,407)
Tax expense	746	8,742	(4,339)	6,086
Adjusted EBITDA	**47,820**	**49,460**	**20,063**	**25,093**

Adjusted EBITDA is more directly calculated as follows:

	Six months ended June 30,		**Three months ended June 30,**	
Adjusted EBITDA	**2015**	**2014**	**2015**	**2014**
Revenue	192,124	200,748	90,435	100,726
Less:				
Direct costs	136,854	145,731	66,238	72,627
Selling, general and administrative expense	7,450	5,557	4,134	3,006
Adjusted EBITDA	**47,820**	**49,460**	**20,063**	**25,093**

"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 or other assets. 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 or other capacity-maintaining capital expenditures.

	Six months ended June 30,		Three months ended June 30,	
Growth capital expenditures	**2015**	**2014**	**2015**	**2014**
Hydrovac trucks	16,176	42,541	1,919	23,766
Other vehicles and trailers	1,135	4,612	121	2,876
Buildings	2,235	1,434	1,394	9
Other	19	2,923	-	14
Total growth capital expenditures	**19,565**	**51,510**	**3,434**	**26,665**

	Six months ended June 30,		Three months ended June 30,	
Maintenance capital expenditures	**2015**	**2014**	**2015**	**2014**
Hydrovac trucks	7,558	1,036	1,976	353
Other vehicles and trailers	447	92	171	92
Buildings	-	-	-	-
Other	-	530	-	-
Total maintenance capital expenditures	**8,005**	**1,658**	**2,147**	**445**
Purchase of property, plant and equipment	**27,570**	**53,168**	**5,581**	**27,110**

"Revenue per truck per month" (RPT) is a measure of hydrovac fleet utilization. It is a measure of hydrovac revenue only. The RPT is calculated by combining Canadian and US dollar hydrovac revenue without converting for exchange differences, dividing the hydrovac revenue for the period by the simple average of hydrovacs in service throughout the period, and further dividing by the number of months in the period.

	2015		**2014**				**2013**	
Revenue per truck (/mo)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Total	23,317	26,258	30,435	33,136	29,947	33,800	35,644	37,800

FLEET SUMMARY

	2015		**2014**				**2013**	
Number of hydrovacs	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Canada	393	393	410	405	391	376	356	340
US	626	618	588	552	517	470	435	408
Total	1,019	1,011	998	957	908	846	791	748

CHANGES IN ACCOUNTING POLICIES

There were no new accounting standards that were adopted in the first two quarters of 2015.

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 June 30, 2015 and have concluded the disclosure controls and procedures are 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, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's internal control over financial reporting at June 30, 2015 and have concluded the internal controls over financial reporting are effective.

Changes in Internal Control over Financial Reporting

There were no changes to Badger's internal control over financial reporting in the first two quarters of 2015.

Inherent Limitations

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

BUSINESS RISKS

Reference is also made to Badger's 2014 Annual Information Form