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, 2016. Readers should also refer to the audited consolidated financial statements and MD&A for the year ended December 31, 2015, which along with all previous public filings, including the Company's Annual Information Form for the year ended December 31, 2015, may be found on SEDAR at www.sedar.com.

This MD&A has been prepared taking into consideration information available to August 11, 2016.

FINANCIAL HIGHLIGHTS

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

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Revenue				
Hydrovac service revenue	83,739	81,424	163,196	171,514
Other service revenue	8,019	9,021	16,719	20,364
Truck placement revenue	223	(10)	223	246
Total revenue	**91,981**	**90,435**	**180,138**	**192,124**
Adjusted EBITDA	23,222	20,063	42,814	47,820
Profit before tax	9,778	(14,872)	14,905	1,657
Net profit	5,951	(10,533)	9,619	911
Profit per share – diluted ($)	0.16	(0.28)	0.26	0.02
Cash flow from operating activities before working capital adjustments	18,622	24,853	33,889	46,810
Cash flow from operating activities before working capital adjustments per share – diluted ($)	0.50	0.67	0.91	1.26
Dividends declared	3,562	3,336	6,901	6,669
Total shares outstanding (end of period)	37,100,681	37,097,537	37,100,681	37,097,537

OVERVIEW

Highlights for the three months ended June 30, 2016:

- Revenue increased by 1.7 percent to $92.0 million in the second quarter of 2016 from $90.4 million for the same quarter in 2015 as growth in non-oil and gas producing regions along with favorable exchange rates on translation of US operations exceeded the weakness and reduced economic activity in oil and gas producing regions.
- Adjusted EBITDA margins increased to 25.2 percent in the second quarter of 2016 from 22.2 percent in the comparable period of the prior year. Adjusted EBITDA increased to $23.2 million, a 15.7 percent increase over the $20.1 million in Adjusted EBITDA in the second quarter of 2015.
- Cash flow from operations decreased by 23.2 percent from $24.5 million in the second quarter of 2015 to $18.8 million in the second quarter of 2016. The second quarter of 2015 included a current tax recovery of $7.5 million as compared to a current tax expense of $1.8 million for a difference in cash used due to current taxes of $9.3 million.
- Badger had 1,019 daylighting units as of June 30, 2016, reflecting an addition of 25 units in the first six months of 2016 and the retirement of 24 units in that same period. Of the 1,019 units, 661 were operating in the US and 358 were operating in Canada. The new units were financed from cash generated from operations.

MANAGEMENT COMMENTS

In the 2016 first quarter Outlook section it was stated that "Badger does not expect much improvement in financial results until the second half of the year". Late in the second quarter we saw our efforts start to pay off and results began to improve. Note it is still only a quarter but the signals are encouraging. Again, we focus on activities critical for long term success. While current financial results do not meet Badger's long-term goals they did meet Management's overall expectations for the quarter.

1. Revenue in Western Canada continued to erode in the quarter compared to the second quarter last year. This was due to reduced oil and natural gas industry activity in general and reduced activity in Fort McMurray due to forest fires. However we continue to believe the region is well managed as cost control is evident plus the fight to generate business remains strong. Overall margins increased during the quarter compared to the same quarter last year. Management expects revenue to improve slightly in Western Canada for the rest of 2016 based on improved working conditions due to seasonality. No improvements are expected in the oil and natural gas market.
2. Eastern Canada revenue improved slightly in the quarter. Although revenue and margins are not where Badger wants them to be – recent results and management activities illustrate that the business is on the right track for future improvements.
3. The eastern half of the US continues to perform well as expected. Good revenue and margin growth in this area has more than counteracted the reduction in the US oil and natural gas sector allowing Badger to grow in total.
4. The US West again had mixed results. Strong results in the non-oil and natural gas areas were not able to overcome continued deterioration in the oil and natural gas areas when compared to the second quarter of 2015. Although we don't believe the oil and natural gas areas will see much improvement for the rest of the year we do believe results in the US West will start to slowly improve over the remainder of 2016.
5. Revenue per truck lagged our targets and historic levels. The metric did improve as the quarter progressed. This key metric remains a focus for the rest of the year.
6. Badger continued to strengthen its balance sheet in the second quarter of 2016, with total debt less cash and cash equivalents of $57.4 million, nothing drawn on its $125 million syndicated revolving credit facility

and total debt less cash and cash equivalents to Adjusted EBITDA of 0.56. Badger has lots of financial capacity to build more trucks when needed.

7. Although the 13.5 percent increase in Adjusted EBITDA margin to 25.2 percent is encouraging we are behind our target of 28 to 29 percent. Badger believes we will make up some of this margin during the next six months.
8. There will be an increase of new trucks put into service during the third quarter, with a forecast of 20 to 25 for the quarter. The increase does not reflect an increase in the build rate of 3 to 6 trucks per month but rather the decision to put new chassis under 16 hydrovac units which were taken out of service in the first quarter due to unreliable engines. Badger expects to retire 40 to 50 trucks in 2016 with the majority in the first half of the year. Badger has removed 24 trucks from the fleet in 2016.

OUTLOOK

Badger expects continued improvement in financial results and growth for the remainder of the year. The challenging oil and natural gas market will drag less on overall business growth as this market segment will become less of a factor due to the non-oil and gas sectors continued growth. The CEO transition between Tor Wilson and Paul Vanderberg is progressing well with very minimal distraction in the business. As always Badger manages for long term success and the market for Badger services remains very attractive.

Results of Operations

Revenues

Second quarter revenues of $92.0 million for the three months ended June 30, 2016 were 1.7 percent higher than the $90.4 million generated during the comparable period in 2015 ($180.1 million for the six months ended June 30, 2016 as compared to $192.1 million in the same period of 2015). The increase in the second quarter of 2016 over the same quarter of the prior year is attributable to the following:

- Canadian revenue decreased by 8.0 percent as Western Canadian demand continued to weaken as a result of reduced capital spending in the oil and natural gas producing regions, which was partially offset by increased revenue in Eastern Canada. While the leading cause of reduced revenue in Western Canada was the overall reduction in capital investment in the oil and gas industry, revenue was reduced at our Fort McMurray operations in May due to the wildfires in that area, however revenue in June recovered to levels achieved before the fires.
- United States revenue in US dollars increased by 2.3 percent from $45.9 million in the second quarter of 2015 to $47.0 million in the second quarter of 2016. There was a significant decrease in revenue in Western oil and natural gas producing regions in the US however this decrease in revenue was more than offset by growth in regions and customers outside of the oil and gas sector. On conversion to Canadian dollars, Badger benefitted from a stronger USD. The above noted 2.3 percent increase in USD denominated revenue translated to a 7.6 percent increase in United States revenue as reported in Canadian dollars, from $56.5 million in the second quarter of 2015 to $60.8 million in the second quarter of 2016.

Badger’s average revenue per truck per month during the second quarter of 2016 was $23,038 versus $23,317 for the second quarter of 2015. The continued low revenue per truck has led management to maintain a reduced truck build program. Revenue per truck is a mixed currency measure, for more information see the definition of this measure under the Non-IFRS Financial Measures section.

Direct Costs
Direct costs for the quarter ended June 30, 2016 were $64.9 million as compared to direct costs of $66.2 million in the second quarter of 2015. Direct costs as a percent of revenue decreased from 73.2 percent in the second quarter of 2015 to 70.5 percent in the second quarter of 2016 (direct costs were 71.9 percent of revenue for the six months ended June 30, 2016 and 71.2 percent for the same period of 2015).

The decrease in direct costs as a percentage of revenue in the second quarter of 2016 as compared to the second quarter of 2015 is the result of reduced bad debt expense, reduced legal fees, reduced fuel costs in both Canada and the United States, as well as effective cost reduction measures deployed in Western Canada as the downturn in the oil and gas producing regions progressed through 2015 and into 2016. In addition, revenue growth in the US is occurring in regions where Badger's cost structure and management team has been established, allowing this revenue growth to translate to higher gross margins.

It was noted in the first quarter MDA that bad debt expense returned to normal levels of 0.4 percent of revenue ($0.4 million in the first quarter of 2016). Bad debt continues to be within the long-term average of less than half a percent of revenue, with the bad debt expense in the second quarter $0.2 million ($1.0 million in the second quarter of 2015)

Gross Profit
The gross profit margin was 29.5 percent for the second quarter of 2016, up from 26.8 percent for the second quarter of 2015 (28.1 percent for the six months ended June 30, 2016 and 28.8 percent in the same period of 2015). Canada had a gross profit margin of 25.8 percent in the second quarter compared to 23.1 percent in the second quarter of 2015. United States gross profit margin was 31.3 percent in the second quarter of 2016 compared to 28.9 percent in the second quarter of 2015.

Depreciation of Property, Plant and Equipment
Depreciation of property, plant and equipment was $10.5 million for the second quarter of 2016, as compared to $10.4 million in the second quarter of 2015 ($21.8 million for the six months ended June 30, 2016 and $20.6 million for the same period of 2015). The increase in depreciation is the result of fully depreciated hydrovacs being replaced by new units.

General and Administrative Expenses
General and administrative expenses decreased from $4.1 million in the second quarter of 2015 to $3.9 million in the second quarter of 2016 on a lower bonus accrual and lower professional fees associated with international tax compliance, which was partially offset by higher costs associated with recruitment activities. General and administrative expenses were $7.8 million for the six months ended June 30, 2016 and $7.5 million for the same period in 2015. As a percentage of revenues, general and administrative expenses were 4.2 percent in the second quarter of 2016 as compared to 3.6 percent in the second quarter of 2015. Badger's target for general and administrative expenses is 4 percent of revenue.

Loss (Gain) on Sale of Property, Plant and Equipment
A loss on disposal of property, plant and equipment for the six months ended June 30, 2016 of $2.4 million was largely the result of the loss from disposing sixteen vehicles with a particular engine that has proven to be unreliable. The loss on these sixteen vehicles was recognized in the first quarter of 2016. Badger has no more

units in the fleet with this particular engine. In the second quarter of 2016, the loss on disposal of property, plant and equipment was $0.2 million.

Finance Cost

Finance cost was $1.3 million for the second quarter of 2016 compared to $1.3 million for the same quarter in 2015. Finance costs were comparable between the second quarter of 2016 and the second quarter of 2015 as there was less debt outstanding in the current quarter, however the USD denominated debt and the related interest charges were translated to Canadian dollars at a higher exchange rate in 2016 than in 2015.

Income Taxes

The effective tax rate for the six months ended June 30, 2016 increased to 35.5 percent. The effective tax rate for the full fiscal year 2015 was 6.7 percent, however that included the recognition of a transfer pricing benefit relating to prior years. Excluding the transfer pricing benefit, the effective tax rate for the full fiscal year 2015 would have been 28.8. The increased effective tax rate results from the shift in taxable income to the US following continued growth there and relative weakness in Canada.

Net Profit

Net profit for the period increased from a loss of $10.5 million to a profit of $6.0 million on increased revenue, increased operating profit and the non-recurrence of the legal provision that was recorded in the second quarter of 2015.

Other Comprehensive Income

Total other comprehensive income, which includes the effect of translating US operations and the offsetting translation of US dollar denominated senior secured notes that are designated as a hedge of the US operations resulted in net other comprehensive income of $0.3 million compared to an other comprehensive loss of $2.9 million in the second quarter of 2015. The gain came as the USD weakened modestly between December 31, 2015 and June 30, 2016, as compared to a significant strengthening of the USD in the comparable period.

Liquidity and Dividends

Cash flow from operations decreased to $18.8 million for the quarter ended June 30, 2016 from $24.5 million for the comparable period in 2015. In the second quarter of 2015 the Company recorded a current tax recovery of $7.5 million as compared to a current tax expense of $1.8 million in the second quarter of 2016. The difference in current taxes in these periods caused cash flow from operations to be lower by $9.3 million when comparing these periods.

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.

The Company had working capital of $95.9 million at June 30, 2016 compared to $83.7 million at December 31, 2015.

The following table outlines the cash available to fund growth and pay dividends to shareholders for the three months ended June 30, 2016:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Cash flow from operating activities before non-cash working capital adjustments	18,622	24,853	33,889	46,810
Add: Proceeds from sale of property, plant and equipment	216	108	357	232
Deduct: Maintenance capital	(6,376)	(2,147)	(10,550)	(8,005)
Cash available for growth capital and dividends	12,462	22,814	23,696	39,037
Growth capital	1,164	3,434	1,414	19,565
Dividends declared	3,562	3,336	6,901	6,669

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 invested $7.5 million on property, plant and equipment for the three months ended June 30, 2016 compared to $5.6 million for the three months ended June 30, 2015. The majority of the capital spend was for the production of 12 hydrovacs in the second quarter of 2016 as well as work in process on five flusher trucks for the Benko Sewer Service business.

The costs to build a hydrovac unit was comparable to the cost to build hydrovacs in 2015. The majority of the hydrovac fleet is relatively new, with an average age of approximately four years.

Maintenance capital expenditures are incurred during an annual 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 quarter-to-quarter depending on the number of new build units relative to the number of units retired from the fleet. In the first six months of 2016, Badger produced 25 hydrovac units, retired 24 units and therefore the fleet grew by one unit from 1,018 units to 1,019 units at June 30, 2016. As the fleet in total has grown by one unit, 24 of the 25 units are reflected as maintenance capital and there is one unit recorded as growth capital. The 13 units produced in the first quarter were reflected as maintenance capital. Of the 12 units produced in the second quarter, 11 units are recorded as maintenance capital in order to return the fleet to the prior year end size of 1,018. One unit is recorded as growth capital. Total maintenance capital expenditures for the second quarter of 2016 was $6.4 million as compared to $2.1 million in the second quarter of 2015. Included in maintenance capital in the second quarter is $1.8 million invested in producing five flusher trucks for the Benko Sewer Service business.

Financing

Syndicated credit facility

In 2014, the Corporation established a $125 million syndicated 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 tiers range 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 Corporation'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 syndicated credit facility is collateralized by a general security interest over the Corporation's assets, property and undertaking, present and future.

As at June 30, 2016, the Corporation has issued letters of credit of approximately $3.6 million. The outstanding letters of credit support the U.S. insurance program and certain performance bonds and reduce the amount available under the syndicated credit facility.

At June 30, 2016, the Corporation had available $121.4 million (December 31, 2015 - $121.6 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.

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, 2016 and August 11, 2016 were 37,100,681.

SELECTED QUARTERLY FINANCIAL INFORMATION

All amounts are $000's except Per Share amounts are $'s	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	91,981	88,157	101,064	111,431	90,435	101,689	108,350	113,121
Net profit	5,951	3,668	20,486	17,090	(10,533)	11,443	17,045	16,078
Net profit per share – basic and diluted	0.16	0.10	0.55	0.46	(0.28)	0.31	0.47	0.43

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:

- 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 decline at least in the first half of 2016;
- 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 2016 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 2016 and the future;
- Badger's fleet is available to perform work in 2016 and truck replacements are not significantly more than planned;
- Badger's Adjusted EBITDA will return to target levels of approximately 28 to 29 percent of revenue.

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 2016;
- 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;
- Badger 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; 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:

"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 third quarter of 2015 as this is non-recurring and outside our normal course of business.
Adjusted EBITDA is calculated as follows:

Adjusted EBITDA	Three months ended June 30, 2016	2015	Six months ended June 30, 2016	2015
Net profit	5,951	(10,533)	9,619	911
Add:				
Depreciation of property, plant and equipment	10,533	10,395	21,809	20,571
Amortization of intangible assets	-	319	-	638
Share-based compensation expense	1,487	1,261	1,140	1,607
Loss (gain) on sale of property, plant and equipment	157	33	2,392	(58)
Finance cost	1,279	1,265	2,627	2,333
Legal provision	-	21,620	-	21,620
Foreign exchange gain	(12)	42	(59)	(548)
Tax expense	3,827	(4,339)	5,286	746
Adjusted EBITDA	**23,223**	**20,063**	**42,814**	**47,820**

Adjusted EBITDA is more directly calculated as follows:

Adjusted EBITDA	Three months ended June 30, 2016	2015	Six months ended June 30, 2016	2015
Revenue	91,981	90,435	180,138	192,124
Less:				
Direct costs	64,874	66,238	129,509	136,854
General and administrative expense	3,885	4,134	7,815	7,450
Adjusted EBITDA	**23,223**	**20,063**	**42,814**	**47,820**

"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 new build daylighting units that represent a net addition 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 productive capacity at the existing level. Productive capacity is the hydrovac fleet, support vehicles and other capital assets required to maintain the existing business. The amount will fluctuate from period-to-period depending on the number of new build hydrovac units relative to the number of units retired from the fleet or the replacement of other assets. Costs incurred to repair hydrovac units are expensed as incurred because the repairs do not extend the life of the hydrovac unit.

	Three months ended June 30,		Six months ended June 30,	
Growth capital expenditures	**2016**	**2015**	**2016**	**2015**
Hydrovac trucks	359	1,919	359	16,176
Other vehicles and trailers	751	121	901	1,135
Buildings	-	1,394	-	2,235
Other	54	-	153	19
Total growth capital expenditures	**1,164**	**3,434**	**1,414**	**19,565**

	Three months ended June 30,		Six months ended June 30,	
Maintenance capital expenditures	**2016**	**2015**	**2016**	**2015**
Hydrovac trucks	4,488	1,976	8,618	7,558
Other vehicles and trailers	1,888	171	1,929	447
Buildings	-	-	-	-
Other	-	-	3	-
Total maintenance capital expenditures	**6,375**	**2,147**	**10,550**	**8,005**
Purchase of property, plant and equipment	**7,539**	**5,581**	**11,964**	**27,570**

"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 number of hydrovacs in service throughout the period, and further dividing by the number of months in the period.

Revenue per truck (/mo)	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total	23,038	21,105	25,197	28,106	23,317	26,258	30,435	33,136

FLEET SUMMARY

Number of hydrovacs	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Canada	358	361	364	375	393	393	410	405
US	661	651	654	645	626	618	588	552
Total	1,019	1,012	1,018	1,020	1,019	1,011	998	957

Hydrovac fleet has grown by one unit between December 31, 2015 and June 30, 2016.

MARKETING AND FRANCHISE AGREEMENTS

Number of Marketing and Franchise Agreements	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Canada	11	13	13	14	14	15	15	15
US	5	5	5	5	7	8	8	8
Total	16	18	18	19	21	23	23	23

FOREIGN EXCHANGE RATES

Foreign exchange rates are an important factor that affects the results of Badger's operations.

1 USD:CAD	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3
Quarterly average	1.2885	1.3748	1.3354	1.3085	1.2300	1.2409	1.1364	1.0940
Period end	1.3009	1.2970	1.3847	1.3391	1.2475	1.2678	1.1591	1.1207

CHANGES IN ACCOUNTING POLICIES

There were no new accounting standards that were adopted in the second quarter of 2016.

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, 2016 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, 2016 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 second quarter of 2016.

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.

DESCRIPTION OF BUSINESS

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 methods: via Badger Corporate operations and via operating partners (franchisees in the United States and agents in Canada). For the first method, Badger has established corporate run operations in locations to market and deliver the service in the local area directly. For the second method, Badger Corporate works with its operating partners in certain locations to provide hydrovac services 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. Badger continues to own the trucks and all work is invoiced by Badger and then shared with the operating partner based upon a revenue sharing formula. In the earlier phase of its growth and development Badger frequently used operating partners to expand its business into new markets. Badger's operating partners remain an important part of Badger's operations, however, Badger now pursues expansion into new geographic areas through Badger Corporate operations.

BUSINESS RISKS

[Reference is also made to Badger's 2015 Annual Information Form]