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 March 31, 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 May 9, 2016.

FINANCIAL HIGHLIGHTS

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

	Three months ended March 31,	
	2016	**2015**
Revenue		
Hydrovac service revenue	79,457	90,020
Other service revenue	8,700	11,413
Truck placement revenue	-	256
Total revenue	**88,157**	**101,689**
Adjusted EBITDA	19,592	27,756
Profit before tax	5,127	16,529
Net profit	3,668	11,443
Profit per share – diluted ($)	0.10	0.31
Cash flow from operating activities before working capital adjustments	15,266	21,955
Cash flow from operating activities before working capital adjustments per share – diluted ($)	0.41	0.59
Dividends declared	3,339	3,334
Total shares outstanding (end of period)	37,100,681	37,045,791

OVERVIEW

Highlights for the three months ended March 31, 2016:

- Badger employees and their families from our Fort McMurray, Alberta location are safe following the wildfires. At this time all Badger assets and facilities have been unaffected and Badger is working with customers in the area to determine what assistance and service they may require.
- Badger's Board of Directors approved a ten percent increase in the monthly dividend, from $0.03 per share to $0.033 per share, beginning with the May, 2016 dividend payable in June, 2016. Given the strength of its balance sheet, reduced capital required to support the current Badger build rate and our expectation for continued growth of Badger's business, that a dividend increase is justified and timely. The last increase in the dividend was in September, 2012.
- Revenues decreased by 13.3 percent to $88.2 million from $101.7 million for the same quarter in 2015 on lower revenue from oil and natural gas producing regions in both Canada and the United States, and a warmer winter experienced in Western Canada.
- Adjusted EBITDA margins decreased to 22.2 percent from 27.3 percent in the prior year. Adjusted EBITDA decreased to $19.6 million, a 29.4 percent decrease over the $27.8 million in Adjusted EBITDA in the first quarter of 2015.
- Cash flow from operations decreased by 36.0 percent from $23.4 million in the first quarter of 2015 to $15.0 million in the first quarter of 2016 following reduced revenue and lower gross profit.
- Badger had 1,012 daylighting units at the end of the first quarter of 2016, reflecting an addition of 13 units and the retirement of 19 units in that period. Of this total, 651 were operating in the US and 361 were operating in Canada. The new units were financed from cash generated from operations and existing credit facilities.

MANAGEMENT COMMENTS

In the 2016 Outlook section of the 2015 year-end MDA it was stated that "2016 will be another year of running hard to stay in place". It also stated that "Badger expects demand from the oil and natural gas sector to continue to shrink requiring growth in utility and other industries to offset it." This provides a good context for discussion on the first quarter of 2016. Overall the financial results for the quarter did not meet Badger's management's expectations as noted below.

1. Western Canada revenues and margins were further eroded in the first quarter as expected due to the continuing reduction in spending in the oil and natural gas industry. However the biggest impact on the business was a warm winter. A normal cold winter with good frost levels greatly increases Badger utilization as it takes considerably longer to dig in frozen ground. Western Canada had very little frost so digging was quicker and Badger billed less hours. Given the state of the industry and the warm winter Badger believes the results in Western Canada were reasonable.
2. Eastern Canada revenues were down slightly and margins were further eroded in the first quarter. Industry activity in general was fairly slow in Ontario during the quarter so the reduced revenue was not a surprise. Investments to restructure our service areas in the greater Toronto area hurt margins. Badger believes these investments will lead to improved results in the second half of 2016.
3. The Eastern half of the US provided positive growth in the quarter. Once the construction season starts we expect continued good results.
4. The Western half of the US had lower revenues and margins as expected in the first quarter. Further deterioration in the oil and natural gas industry outweighed growth in the non-oil and natural gas sectors. Again as the construction season really begins it is expected that results in the second half of 2016 will improve.

5. Revenue per truck continued to lag expectations, targets and normal levels. More trucks were moved from the US West to the US East in the first quarter. The majority of the current anticipated truck moves should be finalized by the end of the second quarter.
6. Badger continued to strengthen its balance sheet in the first quarter of 2016, with total debt less cash and cash equivalents of $65.8 million, nothing drawn on its $125 million syndicated revolving credit facility and total debt less cash and cash equivalents to Adjusted EBITDA of 0.66. Badger has lots of capacity to build more trucks when needed.
7. The build remains at a reduced level of 3 to 6 trucks per month until revenue per truck returns to more reasonable levels. Badger expects to retire 40 to 50 trucks in 2016 with the majority in the first half of the year. To date Badger has removed 19 trucks from the fleet.

Badger manages its business for long term growth and success. In the first quarter of 2016 Badger continued to strengthen its organization, increased the focus of business development efforts and strengthened its balance sheet.

Badger expected that results over the first half of the year would be a bit “disappointing” compared to historical results. In the first two quarters of 2015 activity in the oil and natural gas sector was still fairly strong for Badger in contrast to the much reduced level of activity in the first quarter of 2016.

OUTLOOK

Badger does not expect much improvement in financial results until the second half of the year. The reality is that the oil and natural gas sector has not yet stabilized and the general construction season does not start until sometime in the second quarter. As previously noted Badger manages for long term success. The opportunity to grow this business remains the same. When the oil and natural gas sectors begin to stabilize expected activity in the non-oil and natural gas sector will allow Badger to return to growth.

Results of Operations

Revenues

First quarter revenues of $88.2 million for the three months ended March 31, 2016 were 13.3 percent lower than the $101.7 million generated during the comparable period in 2015. The decrease is attributable to the following:

- Canadian revenue decreased by 32.6 percent as Western Canadian demand continued to weaken following reduced capital spending in the oil and natural-gas industries, compounded by a generally warmer winter with reduced frost coverage.
- United States revenue in US dollars decreased by 7.3 percent from $44.7 million in the first quarter of 2015 to $41.4 million in the current quarter of 2016. Similar to Canada, weakness in oil and gas producing regions offset growth in non-oil and gas producing regions. On conversion to Canadian dollars, Badger benefitted from a stronger USD. The above noted 7.3 percent decrease in USD denominated revenue translated to a 2.7 percent increase in United States revenue as reported in Canadian dollars, from $55.5 million in the first quarter of 2015, to $57.0 million in the first quarter of 2016.

Badger's average revenue per truck per month during the three months ended March 31, 2016 was $21,105 versus $26,258 for the three months ended March 31, 2015. The reduction in revenue per truck has caused 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 March 31, 2016 were $64.6 million as compared to total direct costs of $70.6 million in the first quarter of 2015. Direct costs as a percent of revenue were 73.3 percent in the first quarter of 2016 as compared to 69.4 percent in the same period of the prior year.

Across Western Canada, the downturn is being managed well with good cost control over variable costs such as hourly labour, and discretionary spending such as repair and maintenance. However, the sharp decline in capital spending in the oil and gas sector and the consequent reduced demand for our hydrovac and oil tank cleaning services revenue results in reduced revenue relative to fixed costs.

Badger's direct costs include bad debt expense. Bad debt expense grew from 0.3 percent of revenue in 2014 ($1.5 million) to 0.9 percent in 2015 ($3.6 million). The increase in 2015 was largely attributed to billing disputes involving a significant utility project. In the first quarter of 2016, bad debt expense returned to normal levels of 0.4 percent of revenue ($0.4 million). Through the first quarter of 2016 Management has not identified any specific trend in relation to receivable valuation and collectability in any of the industry sectors that Badger provides services to.

Gross Profit

The gross profit margin was 26.7 percent for the quarter ended March 31, 2016, down from 30.6 percent for the quarter ended March 31, 2015. Canada had a gross profit margin of 20.7 percent in the first quarter compared to 29.7 percent in the first quarter of 2015. The decline in Canadian gross profit follows from the above noted decline in revenue without a corresponding decline in fixed costs. United States gross profit margin was 30.0 percent in the first quarter of 2016 compared to 31.3 percent in the first quarter of 2015.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $11.3 million for the three months ended March 31, 2016, $1.1 million higher than the $10.2 million incurred for the three months ended March 31, 2015, due to an increased capital asset cost base and the translation of US depreciation at a higher exchange rate.

General and Administrative Expenses

General and administrative expenses increased from $3.3 million in the first quarter of 2015 to $3.9 million in the first quarter of 2016, as Badger added corporate and senior management roles and incurred higher professional fees associated with tax administration activity in the US. As a percentage of revenues, general and administrative expenses were 4.5 percent in the first quarter of 2016 as compared to 3.3 percent in the first quarter of 2015. Badger's target for general and administrative expenses is 4 percent.

Loss (gain) on Sale of Property, Plant and Equipment

A loss on disposal of property, plant and equipment of $2.2 million was recognized in the first quarter of 2016 as compared to a gain of $0.1 million in the same period of 2015. Of the loss, $2.1 million was the result of disposing of sixteen vehicles with a particular engine that have proven to be unreliable. Badger has no more vehicles in the fleet with this particular engine.

Finance Cost

Finance cost was $1.3 million for the first quarter of 2016 versus $1.1 million for the same quarter in 2015. The higher finance cost was due to having USD denominated debt and the related interest charges being translated to Canadian dollars at a higher exchange rate in 2016 than in 2015.

Income Taxes

The effective tax rate for the first quarter of 2016 was 28.5 percent, which is comparable to the effective tax rate of 30.8 percent in the same period of 2015.

Net Profit

Net profit for the period decreased to $3.7 million in the first quarter of 2016 from $11.4 million in the same period of 2015. The decrease is largely due to reduced revenue as described above.

Other Comprehensive Income

The company incurred an exchange loss on translation of the US operations of $14.5 million as compared to an exchange gain of $16.8 million in the same period in 2015. This loss results from the conversion of the United States subsidiaries financial statements into Canadian dollars, as the US dollar weakened relative to the Canadian dollar from December 31, 2015 to March 31, 2016. The US dollar denominated senior secured note is a hedge of the net investment in the US operations, and accordingly, offset the loss on translation with the gain on the translation of the US dollar senior secured notes. The gain on translation of the US senior secured note was $6.6 million (a loss of $8.2 million in 2015), for a net other comprehensive loss of $7.9 million (net other comprehensive income of $8.6 million in 2015).

Liquidity and Dividends

Cash flow from operations decreased to $15.0 million for the quarter ended March 31, 2016 from $23.4 million for the comparable period in 2015. Before non-cash working capital adjustments, cash flow from operations decreased from $22.0 million to $15.3 million in 2015 due to reduced revenue and resulting earnings. 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 $88.1 million at March 31, 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 March 31, 2016:

	Three months ended March 31,	
	2016	**2015**
Cash flow from operating activities before non-cash working capital adjustments	15,266	21,955
Add: Proceeds from sale of property, plant and equipment	141	124
Deduct: Maintenance capital	(4,175)	(5,858)
Cash available for growth capital and dividends	11,232	16,221
Growth capital expenditures	250	16,131
Dividends declared	3,339	3,334

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 $4.4 million on property, plant and equipment for the three months ended March 31, 2016 compared to $22.0 million for the three months ended March 31, 2015. The majority of the capital spend was for the production of 13 hydrovacs in the first quarter of 2016.

The costs to build a hydrovac unit was comparable to the cost to build hydrovacs in 2015.

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 quarter ended March 31, 2016, Badger added 13 units to the fleet (27 in the first quarter of 2015), all of which have been reflected as maintenance capital expenditures (14 in 2015). Total maintenance capital expenditures for the first quarter of 2016 were $4.0 million as compared to $6.0 million in the first quarter of 2015.

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 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 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 March 31, 2016, the Corporation has issued letters of credit of approximately $3.1 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 March 31, 2016, the Corporation had available $121.9 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.

In the first quarter of 2016, Badger recorded an unrealized foreign exchange gain of $6.6 million as compared to a loss of $8.2 million as a component of other comprehensive income as the senior secured notes were designated as a hedge of the net investment in its US operations. These foreign exchange gains and losses were due to the impact of the change over the period in the value of the Canadian dollar relative to the US dollar on the Corporation's $75.0 million of US dollar denominated debt.

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 March 31, 2016 and May 9, 2016 were 37,100,681.

SELECTED QUARTERLY FINANCIAL INFORMATION

All amounts are $000's except Per Share amounts are $'s	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	88,157	101,064	111,431	90,435	101,689	108,350	113,121	100,726
Net profit	3,668	20,486	17,090	(10,533)	11,443	17,045	16,078	14,249
Net profit per share – basic and diluted	0.10	0.55	0.46	(0.28)	0.31	0.47	0.43	0.38

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 achieves Adjusted EBITDA 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:

	Three months ended March 31	
Adjusted EBITDA	**2016**	**2015**
Net profit	3,668	11,443
Add:		
Depreciation of property, plant and equipment	11,276	10,176
Amortization of intangible assets	-	319
Share-based compensation expense	(348)	345
Loss (gain) on sale of property, plant and equipment	2,236	(91)
Finance cost	1,348	1,068
Foreign exchange gain	(47)	(590)
Tax expense	1,459	5,086
Adjusted EBITDA	**19,592**	**27,756**

Adjusted EBITDA is more directly calculated as follows:

	Three months ended March 31,	
Adjusted EBITDA	**2016**	**2015**
Revenue	88,157	101,689
Less:		
Direct costs	64,635	70,616
General and administrative expense	3,930	3,317
Adjusted EBITDA	**19,592**	**27,756**

"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, 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.

	Three months ended March 31,	
Growth capital expenditures	**2016**	**2015**
Hydrovac trucks	-	14,257
Other vehicles and trailers	151	1,014
Buildings	-	841
Other	99	19
Total growth capital expenditures	**250**	**16,131**
Maintenance capital expenditures		
Hydrovac trucks	4,129	5,582
Other vehicles and trailers	42	276
Buildings	-	-
Other	4	-
Total maintenance capital expenditures	**4,175**	**5,858**
Purchase of property, plant and equipment	**4,425**	**21,989**

"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**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total	21,105	25,197	28,106	23,317	26,258	30,435	33,136	29,947

FLEET SUMMARY

Number of hydrovacs	**2016**	**2015**				**2014**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Canada	361	364	375	393	393	410	405	391
US	651	654	645	626	618	588	552	517
Total	1,012	1,018	1,020	1,019	1,011	998	957	908

FOREIGN EXCHANGE RATES

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

	2016	**2015**				**2014**		
1 USD:CAD	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Quarterly average	1.3748	1.3354	1.3085	1.2300	1.2409	1.1364	1.0940	1.0940
Period end	1.2970	1.3847	1.3391	1.2475	1.2678	1.1591	1.1207	1.0672

CHANGES IN ACCOUNTING POLICIES

There were no new accounting standards that were adopted in the first 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 March 31, 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 March 31, 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 first 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]