Management's Discussion and Analysis

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

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

This MD&A has been prepared taking into consideration information available to March 14, 2014.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

In particular, forward-looking information and statements include discussion reflecting the Company's belief that:

- Internal preparations for anticipated growth in 2014 will be completed;
- As long as overall activity in the economy and the oil and natural gas industry remains essentially constant, Badger will be able to continue to grow the business in 2014;
- Badger in 2014 can further develop the organization to position itself to be able to handle the planned future growth;
- The new locations opened in the United States will provide an increased contribution to cash flows from operations and net profit during 2014;
- The current business development initiative will provide Badger with the additional new customers necessary to grow the business in 2014 and the future;
- Eastern Canada will continue with steady growth in 2014, driven by activity in the utility and construction segments;
- There will be an increase in Western Canada revenue during 2014 due to anticipated project volume and spending in the oil and natural gas sector;
- An increase in Company capital will be required to finance the anticipated capital expenditure program; and,
- That the extendable revolving credit facility will be renewed and fully available during 2014 for an additional 364-day period.

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

- Badger has the ability to achieve its revenue, net profit and cash flow forecasts for 2014;
- There will be long-term demand for hydrovac services from oil refineries, petro-chemical plants, power plants and other large industrial facilities throughout North America;
- Badger will maintain relationships with current customers and develop successful relationships with new customers;
- The Company will collect customer obligations in a timely manner; and
- Badger will execute its growth strategy.

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

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

NON-IFRS FINANCIAL MEASURES

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

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

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

	Three months ended December 31,		Year ended December 31,	
$000's	2013	2012	2013	2012
Gross profit	30,650	22,087	109,883	75,555
Selling, general and administrative costs	(5,112)	(3,400)	(15,714)	(11,741)
Deferred unit plan	(3,386)	(653)	(10,010)	(2,320)
EBITDA	22,152	18,034	84,159	61,494
Deferred unit plan	3,386	653	10,010	2,320
Adjusted EBITDA	25,538	18,687	94,169	63,814

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

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

	Three months ended December 31,		Year ended December 31,	
$000's	2013	2012	2013	2012
Cash provided by operating activities	21,844	13,193	58,403	46,201
Add (deduct):				
Net change in non-cash working capital relating to operating activities	(2,870)	2,428	11,419	4,655
Equity-settled share plan settled in cash	-	-	1,513	655
Funds generated from operations	18,974	15,621	71,335	51,511

"Growth capital expenditures" are capital expenditures intended to improve Badger's efficiency, productivity or overall capacity and thereby allow Badger to expand overall activity and/or access new markets. They generally represent any net additions to the daylighting fleet. Growth capital expenditures exclude acquisitions.

"Maintenance capital expenditures" are any amounts incurred during a reporting period to keep the Company's daylighting fleet at the same number of units (including costs incurred to extend the operational life of a daylighting unit), plus any other capital expenditures required to maintain the capacities of the existing business. This amount will fluctuate from period-to-period depending on the number of units retired from the fleet.

"Net debt" is funded debt less cash and cash equivalents.

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

FINANCIAL HIGHLIGHTS

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

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended December 31, 2013	Year ended December 31, 2012
Revenues	94,240	69,249	324,594	239,228
EBITDA	22,152	18,034	84,159	61,494
Adjusted EBITDA	25,538	18,687	94,169	63,814
Profit before tax	14,143	12,841	57,827	42,008
Income tax expense				
Current	3,528	2,546	12,735	7,945
Deferred	(618)	2,407	4,729	6,013
Net profit	11,233	7,888	40,363	28,050
Profit per share – diluted ($)	0.30	0.21	1.09	0.80
Funds generated from operations	18,974	15,621	71,335	51,511
Funds generated from operations per share – diluted ($)	0.51	0.42	1.93	1.47
Maintenance capital expenditures	2,420	1,089	8,035	3,670
Required long-term debt repayments	-	-	-	-
Cash available for growth and dividends	16,711	14,611	63,725	48,053
Dividends declared	3,333	3,267	13,323	12,058
Growth capital expenditures	16,733	13,768	62,444	50,423
Total shares outstanding (end of the period)	37,033,893	36,979,893	37,033,893	36,979,893

OVERVIEW

Highlights for the year ended December 31, 2013:

- Revenues increased by 36 percent to $324.6 million in 2013 from $239.2 million in 2012, while Adjusted EBITDA increased by 48 percent to $94.2 million in 2013 from $63.8 million in 2012.
- Adjusted EBITDA margins were 29 percent in 2013 compared to 27 percent in 2012.
- Cash available for growth and dividends increased by 33 percent to $63.7 million in 2013 from $48.1 million in 2012, due to increased funds generated from operations and no required debt repayments.
- Profit per share was $1.09 for 2013 versus $0.80 per share for 2012.

- In 2013, Badger made capital expenditures of $70.5 million on property, plant and equipment, consisting of $62.4 million in growth capital expenditures and $8.0 million in maintenance capital expenditures.
- Net debt increased to $73.7 million at December 31, 2013 from $27.3 million at December 31, 2012.
- Subsequent to year-end on January 24, 2014 the Company closed a private placement of senior secured notes, which rank pari passu with the senior credit facilities, have a principal amount of US $75 million, an interest rate of 4.83 percent per annum and mature in 2022. Amortized repayment of the notes begins in 2020.
- The Company renewed its extendable revolving credit facility in May 2013. The principal amount was increased from $55 million to $70 million. During the year the principal amount was increased further to $100 million. In connection with obtaining the senior secured note financing in January 2014 the principal amount was reduced to $75 million.
- The Company added 175 new hydrovac units (41 units in the first quarter, 43 units in the second quarter, 45 units in the third quarter and 46 units in the fourth quarter) and removed 14 from service, exiting the year with 791 hydrovac units. Of the total, 356 units were operating in Canada and 435 in the United States at year-end. At December 31, 2012, Badger had 307 units in Canada and 323 in the United States for a total of 630 units. The new units were financed from cash generated from operations and existing credit facilities.
- Effective November 1, 2013, Badger acquired the business and operating assets of Fieldtek Holdings Ltd. ("Fieldtek") for cash consideration of $19.1 million. Fieldtek provides general vacuum truck and auxiliary services to the oil and natural gas industry, focusing primarily on production tank cleaning and removal of waste oil and sand. Based in Lloydminster, Alberta, Fieldtek has 55 employees and operates 50 pieces of equipment including semi vacuum trucks and trailers, pressure trucks and steamer combo units. Fieldtek also has 19 lease operator units that work exclusively for Fieldtek.

Selected Annual Financial Information

	Year ended December 31,		
($ thousands except per share amounts)	**2013**	**2012**	**2011**
Revenues	324,594	239,228	194,178
Net profit	40,363	28,050	25,803
Net profit per share – basic (2)	1.09	0.80	0.80
Net profit per share – diluted (2)	1.09	0.80	0.79
Total assets (end of year)	333,898	225,582	183,867
Total long-term debt (1) (end of year)	82,319	29,773	46,554
Dividends declared	13,323	12,058	11,030

(1) Includes the current portion of long-term debt.
(2) All per share amounts have been adjusted for the three for one share split that occurred on January 24, 2014.

OUTLOOK

Badger is satisfied with the business growth, financial results, improvements in operational efficiencies, development of the customer base and organizational development the Company achieved in 2013. The fourth quarter of 2013 provided some additional challenges due to adverse weather and timing of holiday's, which Badger was able to overcome. The weather-related challenges continued in the first quarter of 2014. As always, Badger's focus is on immediately working on items that it believes will contribute to long-term success. Given the current and forecast favorable economic conditions in North America and reasonable activity levels in the oil and natural gas industry, Badger expects to continue achieving profitable growth for the foreseeable future. It should be noted that Badger's internal target is to increase the revenue of the United States business to a level double that of the Canadian business. This is a big challenge given that Canada continues to have good growth prospects.

Major initiatives for 2014 are as follows:

1. Continued focus on building the organization by adding and developing personnel who have the attitude and skills necessary to meet the requirements created by Badger's planned growth. This is by far the biggest challenge for Badger. Currently Badger has a very strong, motivated group of people. The Company needs to continuously add to the group to meet its objectives.
2. Increase the efficiency and extent of the business development group in order to further expand Badger's customer base throughout the United States and Canada.
3. Focus on what has made Badger successful: having the best trucks with the best operators, providing good value for customers. Transferring this formula to new areas requires ensuring that these personnel are well trained and that Badger becomes quickly established in the new area.
4. Further develop Badger's administration system replacing paper with electronic forms, which can capture, transfer and process the necessary information more efficiently and effectively.
5. Grow the fleet as required to meet customer demand and keep utilization at a comfortable level. The current build is approximately one new truck every business day. Badger expects to retire 20 to 30 trucks in 2014.

Regional Comments

The United States business performed very well in 2013. All areas of the organization from the field to administration were able to handle the growth, improve operations and provide a good financial return. The challenge in 2014 remains the same. All areas require more people in order to continue supporting growth plans and take advantage of this large market's potential. The Company expects most revenue growth in 2014 will be from existing locations. Badger anticipates adding 12 locations during 2014.

Although the market in Canada is more mature and has more hydrovac competition than in the United States, Badger's Canadian operations have grown at an impressive rate. As in 2013, in 2014 the organization in Canada will add key employees and areas to continue this growth. Focusing on improving operations to enhance customer value is also an imperative for 2014. Structural changes made in Ontario in 2013 should have a positive impact in 2014. In Western Canada, the northern operations are a bigger part of the business and there are opportunities to do more.

Overall 2013 was a good year for Badger as its operating results met the Company's expectations, improved its capacity to grow further and generated good financial results. The Company's long-term focus has not changed. It is to build the organization for future growth, grow the customer base, add more hydrovac units, improve operational efficiencies and further streamline the administrative processes. Given a continued reasonable economy and equivalent overall activity in the oil and natural gas industry Badger has the opportunity and plans to continue its profitable growth.

OVERALL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2013 COMPARED TO THE YEAR ENDED DECEMBER 31, 2012

Results of Operations

Revenues

Revenues were $324.6 million for the year ended December 31, 2013 compared to $239.2 million for the year ended December 31, 2012. The increase is attributable to the following:

- Canadian revenues increased by 31 percent from $129.3 million in 2012 to $169.7 million in 2013. Western Canada revenue increased due to a favorable market for Badger, strong business development effort and good operational performance. Eastern Canada revenue increased due to a growing market, reasonable weather conditions and positive results due to additions to the organization and structural changes made in 2013; and

- United States revenue grew from $110.0 million in 2012 to $154.9 million in 2013. Removing the effect of foreign exchange rate changes, revenues increased by 37 percent year-over-year. The increase is due to the addition of new areas in 2012 and 2013, improvements in results from underperforming areas, enhanced business development efforts that succeeded in generating more work and organizational improvements.

Badger's average revenue per truck per month was $34,600 for 2013 versus $32,900 for 2012.

Direct Costs

Direct costs for 2013 were $214.7 million compared to $163.7 million for 2012. The increase of 31 percent is less than the 36 percent increase in revenues and is due to achieving increased gross profit margins in the United States, discussed below.

Gross Profit

The gross profit percentage was 33.9 percent for 2013 compared to 31.6 percent in 2012. The Canadian gross profit percentage decreased marginally from 36.4 percent for 2012 to 35.7 percent for 2013 due to weather-related challenges and changes in the type of work (projects versus regular work). United States gross profit percentage increased from 25.9 percent in 2012 to 31.8 percent in 2013 due to greater operational efficiencies, organizational improvements and maturing of the business.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $24.2 million in 2013 or $5.8 million higher than the $18.4 million incurred in 2012 due to having more hydrovac units in the fleet.

Finance Cost

Finance cost was $1.6 million in 2013 versus $1.2 million in 2012. The higher financing cost was due to having higher average debt year-over-year.

Selling, General and Administrative Expenses
Selling, general and administrative expenses increased by 33.8 percent to $15.7 million in 2013 from $11.7 million in 2012. The main reasons for the increase were an increase in personnel salary costs resulting from the growth in Badger's business and increases in employee bonuses due to the good financial results. As a percentage of revenues, selling, general and administrative expenses decreased slightly to 4.8 percent for 2013 from 4.9 percent for 2012.

Deferred Unit Costs
Deferred unit costs represent executive, director and employee incentive compensation. They increased from $2.3 million in 2012 to $10.0 million in 2013 due principally to the increase in Badger's share price.

Income Taxes
The effective tax rate was 30 percent for 2013 versus 33 percent for 2012.

Exchange Differences on Translation of Foreign Operations
The exchange rate differences result from converting the balance sheet and profit statement related to the United States operations into Canadian currency.

Liquidity and Dividends

Funds generated from operations increased to $71.3 million in 2013 from $51.5 million in 2012 due primarily to increased revenues and EBITDA. The Company uses its cash to pay dividends to shareholders, build additional hydrovac units, invest in maintenance capital expenditures and repay long-term debt.

The Company had working capital of $61.8 million at December 31, 2013, compared to $43.9 million at December 31, 2012 due to the increase in trade and other receivables.

The following table outlines the cash available to fund growth and pay dividends to shareholders in 2013 and 2012:

($ thousands)	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Funds generated from operations	71,335	51,511
Add: proceeds from sale of property, plant and equipment	425	212
Deduct: required repayments of long-term debt	-	-
Deduct: maintenance capital expenditures	(8,035)	(3,670)
Cash available for growth capital expenditures and dividends	63,725	48,053
Growth capital expenditures	62,444	50,423
Dividends declared	13,323	12,058

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

The following table outlines the excess of cash provided by operating activities and net profit over dividends declared during the years ended December 31, 2013 and 2012:

($ thousands)	**Year ended December 31, 2013**	**Year ended December 31, 2012**
Cash provided by operating activities	58,403	46,201
Net profit	40,363	28,050
Dividends declared	13,323	12,058
Excess of cash provided by operating activities over dividends declared	45,080	34,143
Excess of net profit over dividends declared	27,040	15,992

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

The Company maintains a strong balance sheet. The debt management strategy includes retaining sufficient funds from available distributable cash to finance maintenance capital expenditures as well as working capital needs. Growth capital expenditures will generally be financed through existing debt facilities, proceeds received from equity financings or cash retained from operating activities. The majority of the cash provided by operating activities during 2013 and 2012 was used to finance growth capital expenditures and to pay dividends to shareholders.

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

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

Capital Resources

Investing

In 2013 the Company spent $70.4 million on property, plant and equipment compared to $54.1 million in 2012. During 2012 the Company's capital program consisted of the addition of 131 new hydrovac units compared to a capital program consisting of 175 new hydrovac units built in 2013. The costs to build a hydrovac unit remained consistent with the average for 2012.

Maintenance capital expenditures are incurred during a period to keep the hydrovac fleet at the same number of units plus any other capital expenditures required to maintain the business. This amount will fluctuate from period-to-period depending on the number of units retired from the fleet. During the year ended December 31, 2013 Badger added 175 units to the fleet, of which 14 have been reflected as maintenance capital expenditures. Total maintenance capital expenditures for the year were $8.0 million, which includes $3.3 million spent on the construction of facilities and other equipment.

Financing

In May 2013 the Company's extendable revolving credit facility was renewed with the principal amount increased from $55 million to $70 million at Badger's request. During the year the principal amount was further increased to $100 million. Subsequent to year end, in connection with obtaining the senior secured note financing referred to below the principal was reduced to $75 million. The facility was used and will continue to be used to help finance Badger's capital expenditure program and support corporate activities. The facility has no required principal repayments. It expires on June 22, 2014 and is renewable by mutual agreement of the Company and the lender for an additional 364-day period. If not renewed, interest is payable on the facility for 364 days, after which the entire amount must be repaid. The facility bears interest at the bank's prime rate or bankers' acceptance rate plus 1.25 percent plus 0 to 1.25 percent depending on Badger's funded- debt-to-EBITDA ratio.

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

The Company's net debt increased by 170 percent during 2013. As at December 31, 2013 Badger's cash and cash equivalents were $8.6 million, resulting in net debt of $73.7 million versus net debt of $27.3 million at December 31, 2012. The main reasons for the increase were the capital expenditures incurred during 2013, the acquisition of Fieldtek and the increase in working capital due to the increase in trade and other receivables.

At December 31, 2013 the Company had a long-term debt-to-equity ratio of 0.48:1 and a long-term debt-to-trailing-funds-generated-from-operations ratio of 1.15:1. Management believes that the Company's healthy balance sheet, combined with funds generated from operations, will provide sufficient capital to fund ongoing operations, pay dividends to shareholders, finance future capital expenditures and execute its strategic plan for the foreseeable future. Based on the expected capital required to fund the anticipated

2014 capital expenditure program, additional financing may be required. This could be comprised of additional debt, equity or a combination thereof. The Company has a $75 million extendable, revolving facility to fund working capital requirements and finance capital expenditures. The Company had a cash and cash equivalents balance of $8.6 million at December 31, 2013. The Company's practice is to utilize an appropriate mix of debt and equity to finance its maintenance capital expenditures and growth initiatives.

As of December 31, 2013 and the date of the MD&A Badger is in compliance with all financial covenants under the credit facility agreement. Financial performance relative to the financial ratio covenants under the extendable revolving credit facility is reflected in the table below:

Ratio	**December 31, 2013**	December 31, 2012	Threshold
Funded Debt[1] to EBITDA[2]	**0.88:1**	0.44:1	2.25:1 maximum
Fixed Charge Coverage[3]	**3.44:1**	4.58:1	1.00:1 minimum

1 Funded debt is long-term debt less cash and cash equivalents.

2 Funded debt to EBITDA means the ratio of consolidated funded debt to the aggregated EBITDA for the trailing 12 months. EBITDA is defined as the Company's actual EBITDA for the trailing 12 months.

3 Fixed charge coverage ratio means the trailing 12-month EBITDA less unfinanced capital expenditures and cash taxes, plus the unused portion of the extendable revolving credit facility, to the sum of the aggregate of scheduled long-term debt principal payments, interest and dividends.

Contractual Obligations and Committed Capital Investment

The Company intends to meet its contractual obligations through funds generated by operating activities. The Company's contractual obligations for the next five years relating to repayment of long-term debt (assuming the extendable revolving credit facility is not renewed on June 22, 2014) and lease payments for shop and office premises are as follows:

($000s)	Total	2014	2015-2018	Thereafter
Long-term debt	82,319	-	82,319	-
Shop and office leases	6,734	2,575	4,159	-
Total contractual obligations	89,053	2,575	86,478	-

In addition to the contractual obligations above, at year-end 2013 the Company had committed to certain capital expenditures totalling approximately $34.7 million. They will be financed with existing credit facilities and funds generated from operations. There are no set terms for remitting payment for these financial commitments.

SHARE CAPITAL

Shareholders' capital increased from $80.6 million at December 31, 2012 to $80.9 million at December 31, 2013 due to certain employees exercising their options. Shares outstanding at December 31, 2013 were 12,344,631.

During January 2014 the Company completed a split of all of the issued and outstanding common shares on a basis of three common shares for every one existing common share held. As a result there were 37,033,893 shares outstanding at March 14, 2014.

OFF-BALANCE-SHEET ARRANGEMENTS

At December 31, 2013 and 2012, the Company had no material off-balance-sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Shea Nerland Calnan LLP provides legal services to Badger at market rates. David Calnan, a Director and the Corporate Secretary of the Company, is a partner in this law firm and is involved in providing and managing Badger's legal services. The total cost of these legal services in 2013 was $197,000 compared to $201,000 in 2012.

SELECTED QUARTERLY FINANCIAL INFORMATION

($ thousands except per share amounts)	Quarter Ended							
	2013				2012			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues ($)	94,240	87,542	73,658	69,154	69,249	61,961	53,984	54,034
Net profit ($)	11,233	11,774	9,371	7,985	7,888	7,902	6,145	6,115
Net profit per share – basic ($) (1)	0.30	0.32	0.25	0.22	0.21	0.21	0.19	0.19
Net profit per share – diluted ($) (1)	0.30	0.32	0.25	0.22	0.21	0.21	0.19	0.19

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

FOURTH QUARTER HIGHLIGHTS

- As a result of increased activity in Canada and the United States, revenue increased to $94.2 million in the three months ended December 31, 2013 from $69.2 million in the three months ended December 31, 2012. Canadian revenues increased by 35 percent from $37.5 million in the fourth quarter of 2012 to $50.7 million in the fourth quarter of 2013, due to a general increase in demand for hydrovac services in Western Canada and work generated by an increased focus on business development. Badger's United States revenue increased to $43.5 million from $31.7 million quarter-over-quarter. Removing the effect of the change in the foreign exchange rate, United States revenues increased by 30 percent in the fourth quarter of 2013 over the last quarter of 2012. This was due to additional operating locations and results from investments in business development.

- Adjusted EBITDA margins were 27 percent in the fourth quarter of 2013, unchanged from the fourth quarter of 2012.

- With the increase in revenues, profit before tax increased by 10 percent in the fourth quarter of 2013 over the same period in 2012.

- Profit per share for the fourth quarter of 2013 was $0.30 per share versus $0.21 per share for the fourth quarter of 2012.

- Average revenue per truck per month was $35,600 in the fourth quarter of 2013 compared to $35,100 per month for the same period in 2012.

- The Company added 46 hydrovac units to the fleet and removed three from service.

ACCOUNTING STANDARDS PENDING ADOPTION

The following are the IFRS pronouncements which have been issued but are not yet effective as at December 31, 2013. The pronouncements may, however, have a future impact on the measurement and/or presentation of the Company's consolidated financial statements. The pronouncements are as follows:

i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial instruments. While early adoption is permitted the new standard has been deferred by the IASB until the issue date of the completed version of IFRS 9 is known. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is assessing the impact of this standard on the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

Management is responsible for applying judgement in preparing accounting estimates. Certain estimates and related disclosure included in the financial statements are particularly sensitive because of their significance to the financial statements and the possibility that future events affecting them may differ significantly from management's current judgements. An accounting estimate is considered critical only if it requires the Company to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and if different estimates the Company could have used would have a material impact on Badger's financial condition, changes in financial condition or results of operations.

While there are several estimates and assumptions made by management in the preparation of financial statements in accordance with IFRS, the following critical accounting estimates have been identified by management:

Depreciation of the hydrovac units

This accounting estimate has the greatest effect on the Company's financial results. It is carried out on the basis of the units' estimated useful lives. The Company currently depreciates them over 10 years based on current knowledge and working experience. There is a certain amount of business risk that newer technology or some other unforeseen circumstance could lower this life expectancy. A change in the remaining life of the hydrovac units or the expected residual value would affect the depreciation rate used to depreciate the hydrovac units and thus affect depreciation expense as reported in the Company's consolidated statement of comprehensive income. These changes are reported prospectively when they occur.

Tax pools and their recoverability

Badger has estimated its tax pools for the income tax provision. The actual tax pools the Company may be able to use could be materially different in the future.

Intangible assets

Intangible assets consist of service rights acquired from Badger's operating partners, customer relationships, trade name and non-compete agreements. The initial valuation of intangibles at the closing date of any acquisition requires judgement and estimates by management with respect to identification, valuation and determining the expected periods of benefit. Valuations are based on discounted expected future cash flows and other financial tools and models and are amortized over their expected periods of benefit or not amortized if it is determined the intangible asset has an indefinite life. Intangible assets are reviewed annually with respect to their useful lives or more frequently if events or changes in circumstances indicate that the assets might be impaired. Impairment exists when the carrying amount of the intangible asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the projections for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance. When an impairment loss reverses, the carrying amount of the intangible asset is increased to the revised estimate of the recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized.

Goodwill

Goodwill is the amount that results when the cost of acquired assets exceeds their fair value at the date of acquisition. Goodwill is recorded at cost, is not amortized and is tested at least annually for impairment. The impairment test includes the application of a fair value test, with an impairment loss recognized when the carrying amount of goodwill exceeds its estimated fair value. Impairment provisions are not reversed if there is a subsequent increase in the fair value of goodwill.

Impairment of long-lived assets

The carrying value of long-lived assets, which include property, plant and equipment and intangible assets, is assessed for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Collectability of trade and other receivables

The Company estimates the collectability of its trade and other receivables. The Company continually reviews the balances and makes an allowance when a receivable is deemed uncollectable. The actual collectability of trade and other receivables could differ materially from the estimate.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments recognized on the consolidated statements of financial position consist of cash and cash equivalents, trade and other receivables, trade and other payables, deferred unit plan liability, dividends payable and long-term debt. The fair values of these recognized financial instruments, excluding long-term debt, approximate their carrying value due to their short-term maturity. The carrying value of the long-term debt approximates fair value because the long-term facilities have a floating interest rate.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash flows from financial assets on hand at the balance sheet date. A substantial portion of the Company's trade receivables is with customers in the petroleum and utility industries and is subject to normal industry credit risks. The Company manages its exposure to credit risk through standard credit-granting procedures and short payment terms. The Company attempts to monitor financial conditions of its customers and the industries in which they operate.

Liquidity risk

Liquidity risk is the risk that, as a result of operational liquidity requirements, the Company will not have sufficient funds to settle an obligation on the due date and will be forced to sell financial assets at a price less than what they are worth, or will be unable to settle or recover a financial asset.

The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the Company raising capital by issuing equity or obtaining additional debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

At December 31, 2013, the Company had available $16.3 million of authorized borrowing capacity on the extendable revolving facility and $8.6 million of cash and cash equivalents. The credit facility has no required principal repayment. The credit facility expires June 22, 2014 and is renewable by mutual agreement of the Company and the lender for an additional 364-day period. If not renewed, interest is payable monthly on the facility for 364 days after which the entire amount is to be repaid. The Company believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

Market risk

The significant market risks affecting the financial instruments held by the Company are those related to interest rates and foreign currency exchange rates, as follows:

Interest rate risk

The Company is exposed to interest rate risk in relation to interest expense on its long-term debt. Interest is calculated at prime. The prime interest rate is subject to change. A sensitivity analysis would indicate that net profit for the year ended December 31, 2013 would have been affected by approximately $0.4 million if the average interest rate changed by 1 percentage point. The Company does not use interest rate hedges or fixed interest rate contracts to manage its exposure to interest rate fluctuations.

Foreign exchange risk

The Company has United States operations and its Canadian operations purchase certain products in United States dollars. As a result, fluctuations in the value of the Canadian dollar relative to the United States dollar can result in foreign exchange gains and losses. A sensitivity analysis would indicate that a 10 percent strengthening in the Canadian dollar against the United States dollar would decrease profit before tax by approximately $3.1 million, while a 10 percent weakening of the Canadian dollar against the United States dollar would increase profit before tax by approximately $3.1 million. The Company does not have any agreements to fix the exchange rate of the Canadian dollar to the United States dollar.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures

Badger's President and CEO and the VP Finance and CFO have designed, or caused to be designed under their direct supervision, Badger's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to Badger, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. Further, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's disclosure controls and procedures at December 31, 2013 and as a result of identifying the material weakness outlined below have concluded the disclosure controls and procedures are not fully effective.

Internal control over financial reporting

Badger's President and CEO and the VP Finance and CFO have also designed, or caused to be designed under their direct supervision, Badger's internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Further, using the criteria established in "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework), they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's internal control over financial reporting at December 31, 2013 and as a result of identifying the material weakness outlined below have concluded the internal controls over financial reporting are not fully effective.

Material weakness

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

Changes in internal control over financial reporting

No changes were made to the design of Badger's internal control over financial reporting during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Inherent limitations

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

BUSINESS RISKS

(Reference is also made to Badger's Annual Information Form.)

Reliance on the oil and natural gas sector

The oil and natural gas sector accounts for approximately 55 percent of the Company's revenues. The petroleum service industry, in which Badger participates, relies heavily on the volume of capital expenditures made by oil and natural gas explorers and producers. These spending decisions are based on several factors including, but not limited to: hydrocarbon prices, production levels of current reserves, fiscal regimes in operating areas, technology-driven exploration and extraction methodologies, and access to capital, all of which can vary greatly. To minimize the impact of the oil and natural gas industry's cycles, the Company also focuses on generating revenue from the utility and general contracting market segments.

Competition

The Company operates in a highly competitive environment for hydrovac services in Canada and the United States. In order to remain the leading provider of hydrovac services in these regions, Badger continually enhances its safety and operational procedures to ensure that they meet or exceed customer expectations. Badger also has the in-house capabilities necessary to continuously improve its daylighting units so that they remain the most productive and efficient hydrovacs in the business. There can be no assurance that Badger's competitors will not achieve greater market acceptance due to pricing, efficiency, safety or other factors.

United States operations

Badger also faces risks associated with doing business in the United States. The Company has made a significant investment in the United States to develop the hydrovac market. The growth rate of the United States market is very hard to predict. The United States has been undergoing significant economic difficulties and the outlook is further complicated by substantial changes to various laws, policies and regulations that have a real or apprehended effect on business operating conditions, approval or delay of potential new projects that could require Badger's services, current rates of capital investment and the general level of confidence about future economic conditions among businesses and organizations that will be required to make decisions about future capital investment.

Safety

Badger is exposed to liabilities that are unique to the services that it provides. Such liabilities may relate to an accident or incident involving one of Badger's hydrovacs or damage to equipment or property caused by one of the hydrovacs, and could involve significant potential claims or injuries to employees or third parties. The amount of Badger's insurance coverage may not be adequate to cover potential claims or liabilities and Badger may be forced to bear substantial costs as a result of one or more accidents. Substantial claims resulting from an accident in excess of its related insurance coverage would harm Badger's financial condition and operating results. Moreover, any accident or incident involving Badger, even if Badger is fully insured or not held liable, could damage Badger's reputation among customers and the public, thereby making it more difficult for Badger to compete effectively, and could significantly affect the future cost and availability of insurance. Due to the magnitude of insurance premiums, Badger decided to self-insure against the physical damage it could incur on the hydrovac units. This decision will be re-evaluated periodically as circumstances change.

Safety is one of the Company's on-going concerns. Badger has implemented programs to ensure its operations meet or exceed current hydrovac safety standards. The Company also employs safety advisors in each region who are responsible for maintaining and developing the Company's safety policies. These regional safety advisors monitor the Company's operations to ensure they are operating in compliance with such policies.

Depreciation of daylighting units

The Company depreciates the hydrovac units over 10 years, a policy that is based on its current knowledge and operating experience. There is a certain amount of business risk that newer technology or some other unforeseen circumstance could lower this life expectancy.

Dependence on key personnel

Badger's success depends on the services of key senior management members. The experience and talents of these individuals will be a significant factor in Badger's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on Badger's operations and business prospects. Management and the Board of Directors are focused on succession planning and contingency planning with respect to key senior management personnel.

Availability of labour and equipment

While Badger has historically been able to source the labour and equipment required to run its business, there can be no assurances it will be able to do so in the future.

Reliance on key suppliers

Badger has established relationships with key suppliers. There can be no assurance that current sources of equipment, parts, components or relationships with key suppliers will be maintained. If these are not maintained, Badger's ability to manufacture its hydrovac units may be impaired.

Fluctuations in weather and seasonality

Badger's operating results have been, and are expected to remain, subject to quarterly and other fluctuations due to a variety of factors including changes in weather conditions and seasonality. For example, in Western Canada Badger's results may be negatively affected if there is an extended spring break-up period since oil and natural gas industry sites may be inaccessible during such periods. In Eastern Canada, Badger has in the past experienced increased use of its equipment during cold winters, thus improving the results of its operations during such times. The Company may then experience a slow period during spring thaw.

In the Western United States, Badger has from time-to-time been restricted by the imposition of government regulations from conducting its work in environmentally sensitive areas during the winter mating seasons of certain mammals and birds. This has had a negative effect on Badger's results. As such, changes in the weather and seasonality may, depending on the location and nature of the event, have either a positive or negative effect on Badger's operating and financial results.

Fluctuations in the economy and political landscape

Operations could be adversely affected by a general economic downturn, changes in the political landscape or limitations on spending.

Compliance with government regulations

While Badger believes it is in compliance with all applicable government standards and regulations, there can be no assurance that all of Badger's business will be able to continue to comply with all applicable standards and regulations.

Environmental risk

As the owner and lessor of real property, Badger is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Badger could be liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed at other locations. The failure to remove or remediate such substances, if any, could adversely affect Badger's ability to sell such real property or borrow using such real property as collateral and could also result in claims against Badger.

Litigation

Legal proceedings may arise from time to time in the course of Badger's business. All industries, including the hydrovac industry, are subject to legal claims, with and without merit. Such legal claims may be brought against Badger or one or more of its subsidiaries in the future from time to time. Defense and settlement costs of legal claims can be substantial, even with respect to claims without merit. Due to the inherent uncertainty of the litigation process, such process could divert management time and effort and the resolution of any particular legal proceeding to which Badger may become subject could have a material effect on Badger's financial position and results of operations.

Income tax matters

Badger and its subsidiaries are subject to federal, provincial and state income taxes in Canada and the United States, as applicable. Although Badger is of the view that it and its subsidiaries are in full compliance with all applicable legal requirements relating to federal, provincial and state legislation on income tax, sales tax, goods and services tax, excise tax and all other direct or indirect taxes including business tax, real estate tax, municipal and other taxes, there can be no assurance that Badger and its subsidiaries will not be subject to assessment, reassessment, audit, investigation, inquiry or judicial or administrative proceedings under any such laws. As taxing regimes change their tax basis and rates, or initiate reviews of prior tax returns, Badger's liability to income tax may increase and Badger could be exposed to increased costs of taxation, which could, among other things, reduce the amount of funds available to distribute to shareholders or otherwise have a material adverse effect on Badger's business, results of operations or financial condition.