Management's Discussion and Analysis

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

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

This MD&A has been prepared taking into consideration information available to August 12, 2014.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

- Internal preparations for anticipated growth in 2014 will be completed;
- As long as overall activity in the economy and the oil and natural gas industry remains essentially constant, Badger will be able to continue to grow the business in 2014;
- Badger in 2014 can further develop the organization to position itself to be able to handle the planned future growth;
- The new locations opened in the United States will provide an increased contribution to cash flows from operations and net profit during 2014;
- The current business development initiative will provide Badger with the additional new customers necessary to grow the business in 2014 and the future;
- Eastern Canada will continue with steady growth in 2014, driven by activity in the utility and construction segments;

- There will be an increase in Western Canada revenue during 2014 due to anticipated project volume and spending in the oil and natural gas sector;
- The expectation that Western Canada EBITDA margins will improve during the remainder of 2014; and,
- An increase in Company capital will be required to finance the anticipated capital expenditure program.

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

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

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

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

NON-IFRS FINANCIAL MEASURES

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

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

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

	Three months ended June 30,		Six months ended June 30,	
$ thousands	2014	2013	2014	2013
Gross profit	30,332	25,580	60,770	48,301
Selling, general and administrative costs	(5,239)	(3,292)	(11,310)	(6,312)
Deferred unit plan	2,522	(1,945)	(4,914)	(3,708)
Unrealized foreign exchange gain	2,407	-	2, 592	-
EBITDA	30,022	20,342	47,138	38,281
Deferred unit plan	(2,522)	1,945	4,914	3,708
Unrealized foreign exchange gain	(2,407)	-	(2,592)	-
Adjusted EBITDA	25,093	22,288	49,460	41,989

"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 June 30,		Six months ended June 30,	
$ thousands	2014	2013	2014	2013
Cash provided by operating activities	27,869	23,025	38,140	27,574
Add (deduct):				
Net change in non-cash working capital relating to operating activities	(8,220)	(5,906)	(3,267)	3,641
Equity-settled share plan settled in cash	-	-		
Funds generated from operations	19,649	17,119	34,873	31,215

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

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

“Net debt” is funded debt less cash and cash equivalents.

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

FINANCIAL HIGHLIGHTS

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

	Three Months Ended June 30		Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Revenue	100,726	73,658	200,748	142,812
EBITDA	30,022	20,343	47,138	38,281
Adjusted EBITDA	25,093	22,288	49,460	41,989
Profit Before Tax	20,335	14,207	28,721	26,543
Income Tax				
Expense	5,562	3,597	7,869	6,099
Deferred	524	1,238	873	3,088
Net Profit	14,249	9,371	19,979	17,356
Profit per Share - Diluted ($)	0.38	0.25	0.54	0.47
Funds Generated from Operations	19,649	17,119	34,873	31,215
Funds from Operations per Share ($)	0.53	0.46	0.94	0.84
Maintenance Capital Expenditures	445	2,505	1,658	3,178
Long-term Debt Repayments	-	-	-	-
Cash Available for Growth & Dividends	19,464	14,744	33,556	29,737
Dividends Declared	3,333	3,330	6,666	6,660
Growth Capital Expenditures	26,665	16,848	51,510	29,098
Total Shares Outstanding (end period)	37,033,893	36,997,893	37,033,893	36,997,893

OVERVIEW

Highlights for the three months ended June 30, 2014:

- Revenues increased by approximately 37 percent to $100.7 million from $73.7 million for the comparable quarter of 2013 due to a 43 percent increase in Canadian revenues and a 30 percent increase in United States revenues. This is the second full quarter in which Fieldtek, acquired in November 2013, has been part of the financial results. Without Fieldtek, Canadian revenues would have increased by 25 percent. As a result of the increase in revenues, the Company's quarterly Adjusted EBITDA increased by 13 percent to $25.1 million for the second quarter of 2014 from $22.3 million in the second quarter of 2013;
- Adjusted EBITDA margins were 25 percent for the six months ended June 30, 2014 compared to 29 percent for the six months ended June 30, 2013;
- Funds generated from operations increased by 15 percent period-over-period to $19.7 million from $17.1 million in the comparable quarter of 2013;
- Adjusted EBITDA margins in Canada decreased to 23 percent from 29 percent for the comparable period of last year due to a combination of factors. These factors include reduced margins in the western Canadian corporate operations due to slower activity in Northern Alberta and wet weather in Saskatchewan. Adjusted EBITDA margins in the United States decreased to 27 percent from 31 percent for the comparable period of last year due to increased costs and investment required for growth, mainly associated with recruiting and training additional people.
- Badger had 908 daylighting units at the end of the second quarter of 2014, reflecting the addition of 120 daylighting units to the fleet to date in 2014 and the retirement of three units. Of the total, 391 units were operating in Canada and 517 in the United States at quarter-end. Badger had 330 units in Canada and 377 in the United States for a total of 707 units at June 30, 2013. The new units were financed from cash generated from operations and existing credit facilities.

OUTLOOK

Positives in the quarter;

- Growth continued with a 37 percent increase in revenue in the second quarter this year compared to the same quarter last year. This required a large increase in recruiting and training expenses to secure the employees required to grow the Company.
- The net addition of 117 units in the first six months of 2014 was a real achievement for both the Red Deer facility and the Company as a whole, who created the demand for these trucks. Of interest, 82 of these units went to the US.
- Better than expected results in Eastern Canada were due to past investments in the organization, business development efforts, restructuring of the Toronto operation and a good project.

Opportunities for improvement noted;

- Western Canada Corporate Operations continued to have reduced margins due to weaker than expected demand in Northern Alberta (mainly Oil Sands related) and wet spring weather in Saskatchewan. The above factors cannot be controlled by Badger operating personnel.

- United States margins and revenue per truck eroded in the second quarter as a result of the huge increase in the added number of trucks, number of new people and associated training costs. The Company views these people costs as investments for future growth.

Regional Comments;

- The U.S. as a whole had a successful quarter in terms of bouncing back after the tough winter and early spring weather plus recruiting numerous staff required to staff and support the new units. It is clear the organization is feeling some stress due to the rapid growth in the country. Organizational development in the U.S. remains a high priority for Badger.
- The U.S. economy has improved which will create more work opportunities for Badger. However, this improvement has made it harder to recruit the required people to handle growth.
- Eastern Canada has had a strong year in 2014 and this is forecast to continue for the rest of the year. Although the economy is a bit slow there seems to be plenty of work for Badger to obtain and complete. There is one project which has provided good revenue and margin for the Region.
- Although Western Canada has been slower than anticipated, Badger believes work will pick up for the rest of the year with the exception of the Oil Sands area of Northern Alberta. This area is expected to get busy later on in 2014. Management is committed to improving margins during the rest of the year.
- The plant in Red Deer continued to perform meeting all build expectations. The plan going forward is to slightly reduce the build from 5 units a week to 4 units a week. This reduction is deemed appropriate to allow the US to focus on improving revenue per truck and to continue to build the organization required to grow the business.

Overall the second quarter of 2014 was satisfactory for Badger given the additional growth achieved in both revenue and fleet size. The Company's long term focus to continue profitable growth has not changed. Badger intends to build the organization, grow the customer base, add more hydrovac units and improve business processes. The outlook for the remainder of the year is positive for Badger given the good market for our services and better weather conditions.

Results of Operations

Revenues

Revenues of $100.7 million for the three months ended June 30, 2014 were 37 percent greater than the $73.7 million generated during the comparable period in 2013. The increase is attributable to the following:

- Canadian revenues increased by 43 percent from $37.0 million in the second quarter of 2013 to $53.0 million in the second quarter of 2014. Western Canada revenue grew due to improved markets in certain areas and the addition of Fieldtek. Eastern Canada revenue increased due to business development successes and operational improvements; and
- United States revenue went from $36.7 million for the three months ended June 30, 2013 to $47.6 million for the three months ended June 30, 2014. Revenues increased by 30 percent quarter-over-quarter. The increase is due to the addition of new areas last year and early this year, enhanced business development efforts that have succeeded in enlarging the customer base, and organizational improvements.

Badger's average revenue per truck per month during the three months ended June 30, 2014 was $29,947 versus $31,800 for the three months ended June 30, 2013. Badger's average revenue per truck per month during the six months ended June 30, 2014 was $31,983 versus $32,500 for the six months ended June 30, 2013.

Direct Costs

Direct costs for the quarter ended June 30, 2014 were $70.4 million compared to $48.1 million for the quarter ended June 30, 2013. The increase of 46 percent is less than the 37 percent increase in revenues and is due to increased investments for growth in the United States, discussed below.

Gross Profit

The gross profit percentage was 30 percent for the quarter ended June 30, 2014, down from the 35 percent for the quarter ended June 30, 2013. The Canadian gross profit percentage decreased from 36 percent for the second quarter of 2013 to 30 percent for the most recent quarter due to increased costs which have not yet turned into revenue. In addition, the Oil Sands have experienced lower activity than normal and Saskatchewan activity suffered from their wet weather. United States gross profit percentage decreased from 34 percent for the second quarter of 2013 to 30 percent for the most recent quarter due to increased costs recruiting and training additional personnel required to grow the business.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $8.2 million for the three months ended June 30, 2014, $2.4 million higher than the $5.8 million incurred for the three months ended June 30, 2013, due to the increased number of hydrovac units in the fleet.

Finance Cost

Finance cost was $1.4 million for the quarter ended June 30, 2014 versus $0.4 million for the same quarter in 2013. The higher finance cost was due to having a higher average debt balance as well as moving most of the balance from short-term Bankers' Acceptance rates to the longer-term Prudential facility with slightly higher interest rates. Future borrowing will utilize the TD syndicated facility which will bear short-term, Banker Acceptance type rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 59 percent to $5.2 million for the quarter ended June 30, 2014 from $3.3 million for the quarter ended June 30, 2013. The main reason for the increase in expenditures was the increase in activity and investment in future growth in Badger's business. As a percentage of revenues, selling, general and administrative expenses increased to 5.2 percent for the second quarter of 2014 from 4.5 percent for the second quarter of 2013.

Income Taxes

The effective tax rate for the six months ended June 30, 2014 was 30 percent versus 35 percent for the six months ended June 30, 2013. Profit before tax in Canada increased relative to United States profit before tax, resulting in the decrease in the effective tax rate given that corporate income tax rates are higher in the United States.

Exchange Differences on Translation of Foreign Operations

The exchange differences result from converting the United States balance sheet and profit statement into Canadian currency, as the Canadian dollar strengthened relative to the prior period.

Liquidity and Dividends

Funds generated from operations increased to $19.7 million for the quarter ended June 30, 2014 from $17.1 million for the comparable period in 2013 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 $52.1 million at June 30, 2014 compared to $61.8 million at December 31, 2013 due to the increase in trade and other receivables.

The following table outlines the cash available to fund growth and pay dividends to shareholders for the three and six months ended June 30, 2014:

	Three Months Ended	Six Months Ended
($)	June 30 2014	June 30 2014
Funds Generated from Operations	19,649	34,873
Add: proceeds from sale of PP&E	260	341
Deduct: Long-term Debt Repayment		
Deduct: Maintenance Capital	(445)	(1,658)
Cash Available for Growth Capital and Dividends	19,464	33,556
Growth Capital Expenditures	26,665	51,510
Dividends Declared	3,333	6,666

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

The following table outlines the excess of cash provided by operating activities and net profit for the period over dividends declared during the six months ended June 30, 2014 and 2013 and the year ended December 31, 2013:

($)	Six months ended June 30, 2014	Six months ended June 30, 2013	Year ended December 31, 2013
Cash provided by operating activities	38,140	27,574	58,403
Net profit	19,979	17,356	40,363
Dividends declared	6,666	6,666	13,323
Excess of cash provided by operating activities over dividends declared	31,474	20,915	45,080
Excess of net profit over dividends declared	13,313	10,696	27,040

The Company pays cash dividends monthly to its shareholders. They may be reduced, increased or suspended by the Board of Directors depending on the operations of Badger and the performance of its assets. The actual cash flow available for dividends 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. Its debt management strategy includes retaining sufficient funds from available distributable cash to finance maintenance capital expenditures as well as working capital needs. Growth capital expenditures will generally be financed through existing debt facilities, proceeds received from equity financings or cash retained from operating activities. The majority of the cash provided by operating activities in the six months ended June 30, 2014 was used to finance growth capital expenditures and to pay dividends to shareholders.

If maintenance capital expenditures increase in future periods, the Company's cash available for growth capital expenditures and dividends will be negatively affected. Due to Badger's growth rate in recent years, the majority of the hydrovac units are relatively new, with an average age of approximately four years. As a result, Badger is incurring relatively low maintenance capital expenditures. Over time, Badger would expect to incur annual maintenance capital expenditures approximately equaling the year's depreciation expense. Badger estimates it will remove approximately 10 to 15 hydrovac units from the fleet in 2014. Badger expects that cash provided by operations and cash available for growth capital expenditures and dividends will be sufficient to fund its future maintenance capital expenditures.

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

Capital Resources

Investing

The Company spent $27.1million on property, plant and equipment for the three months ended June 30, 2014 compared to $19.4 million for the three months ended June 30, 2013. The costs to build a hydrovac unit remained consistent with the average for 2013.

Maintenance capital expenditures are incurred during a period to keep the hydrovac fleet at the same number of units plus any other capital expenditures required to maintain the business. This amount will fluctuate period-to-period depending on the number of units retired from the fleet. During the first six months of 2014 only three hydrovac units were removed from the fleet.

Financing

Extendable revolving credit facility

The Corporation has established a $75.0million extendable revolving 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 (June 30, 2014 – 3.250%) or bankers' acceptance rate plus 1.25% (June 30, 2014 – 2.748%). An additional stand-by fee calculated at an annual rate of 0.25% per annum is also required on the unused portion of the credit facility. This fee is expensed as incurred.

The credit facility has no required principal repayment. The credit facility expires on June 21, 2015 and is renewable by mutual agreement of the Corporation and the lender for an additional 364 day period, after which the entire amount must be repaid. If not renewed, interest is payable monthly on the facility for 364 days after which the entire amount is to be repaid.

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

Under the terms of the credit facilities, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2014, and as at June 30, 2014, the Corporation was in compliance with all of these covenants.

As at June 30, 2014, the Corporation has issued letters of credit in the amount of approximately $2.0 million. The outstanding letters of credit support the U.S. insurance program and reduce the amount available under the extendable revolving credit facility.

At June 30, 2014, the Corporation had available $59.2 million (December 31, 2013 - $16.3 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

After the quarter-closed the Corporation increased and extended this facility through a syndication effort led by TD Bank. Two additional institutions joined the facility, which was increased to $125.0 million with an optional $50.0 million accordion feature. The maturity date was extended to July 22, 2018.

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% 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.

For the six months ended June 30, 2014, Badger recorded an unrealized foreign exchange gain of $2.6 million. This was 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.

As of June 30, 2013 and the date of this MD&A Badger is in compliance with all financial covenants under both credit facility agreements.

SHARE CAPITAL

Shareholders' capital increased from $80.6 million at December 31, 2012 to $80.8 million at June 30, 2013 due to certain employees exercising their options. Shares outstanding at June 30, 2013 were 12,332,631. There was no change to the balance as of August 12, 2013.

SELECTED QUARTERLY FINANCIAL INFORMATION

All amounts are $000's except	2014		2013				2012	
Per Share amounts are $'s	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	100,726	100,022	92,240	87,542	73,658	69,154	62,249	61,961
Net Profit	14,249	5,730	11,233	11,774	9,371	7,985	7,888	7,902
Net Profit per share - Basic	0.38	0.15	0.30	0.32	0.25	0.22	0.21	0.21
Net Profit per shaare - Diluted	0.38	0.15	0.30	0.32	0.25	0.22	0.21	0.21

CHANGES IN ACCOUNTING POLICIES

The Corporation adopted amendments to IFRS 7, IAS 32, IAS 36, and IFRIC 21 on January 1, 2014. There was no material impact to the Corporation's interim condensed consolidated financial statements as a result of the adoption of those standards.

ACCOUNTING STANDARDS PENDING ADOPTION

The following are the IFRS pronouncements which have been issued but are not yet effective as at June 30, 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 assets that must be applied starting January 1, 2015, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is assessing the impact of this standard on the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to critical accounting estimates since December 31, 2012.

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, 2014 and have concluded the disclosure controls and procedures are not fully effective.

Internal Control over Financial Reporting

Badger's President and CEO and its VP Finance and CFO have also designed, or caused to be designed under their direct supervision, Badger's internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Further, using the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, 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, 2014 and have concluded the internal controls over financial reporting are effective.

Changes in Internal Control over Financial Reporting

In the second quarter of 2014 Management changed its internal control over financial reporting by adding a second review of the tax provision calculation. Previously the CFO calculated the tax provision, but no review was performed. Currently the CFO calculates the tax provision and the result is reviewed by a separate accounting and tax firm. Based on this additional review, the Company has eliminated the previously reported material weakness over internal control.

Inherent Limitations

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

BUSINESS RISKS

The MD&A for the year ended December 31, 2013, which was filed on SEDAR, includes an overview of business risks associated with the Company. Those business risks remain. The reader is also referred to Badger's 2013 Annual Information Form.