

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 of Badger Daylighting Ltd. (the "Company" or "Badger") for the year ended December 31, 2010 and the related notes. Readers should also refer to the Annual Information Form for the year ended December 31, 2010, which along with further information relating to Badger may be found on SEDAR at www.sedar.com.

This MD&A has been prepared taking into consideration information available to March 23, 2011.

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 concerning:

- Internal preparations for anticipated growth in 2011 with the hydrovac build increasing to two units per week;
- That the market for hydrovac services will continue to improve in 2011 in most markets;
- That government spending on infrastructure in Eastern Canada and the Eastern United States will moderate;
- That the new locations opened in 2010 in the United States will provide an increased contribution to cash flows from operations and net earnings during 2011;
- That Eastern Canada will continue with stable growth through an increase in the overall market for hydrovac services and continued infrastructure spending;
- That there will be an increase in Western Canada revenue during 2011 due to various projects and spending in the oil and natural gas sector;
- That an increase in Company capital will be required to finance the anticipated capital expenditure program and pay for the increase in cash taxes as a result of the removal of the trust structure;
- That the extendable revolving credit facility will be renewed during 2011 for an additional 364-day period; and

- That the Company will be able to obtain additional financing for the anticipated 2011 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 internal revenue, net earnings and cash flow forecasts for 2011;
- There will be long-term demand for hydrovac services provided in support of oil refineries, petrochemical plants, power plants and other large industrial facilities throughout North America;
- Over the short term, there will be increased variability in recurring industrial maintenance and production support services throughout 2011;
- 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 strategies.

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: supply-demand 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; 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 the Canadian securities regulatory authorities 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-GAAP FINANCIAL MEASURES

This MD&A contains references to certain financial measures, including some that do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) 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 distribution/dividend” 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 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 how the results are taxed in various jurisdictions. EBITDA is calculated from the Consolidated Statements of Earnings and Comprehensive Income and Retained Earnings as gross margin less selling, general and administrative costs and foreign exchange loss or gain. It is calculated as follows:

\$	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
Net earnings and comprehensive income	5,969,522	6,257,324	18,562,728	19,653,128
Add (deduct):				
Income taxes	569,170	(1,525,907)	1,971,931	1,973,116
Interest – long-term	298,000	587,715	984,724	1,481,160
Loss (gain) on sale of property, plant and equipment	52,549	(1,362,063)	(102,154)	(1,474,757)
Amortization	2,983,953	3,845,773	13,171,872	13,836,620
EBITDA	9,873,194	7,802,842	34,589,101	35,469,267

“**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 earnings or other measures of financial performance calculated in accordance with GAAP. Funds generated from operations are derived from the Consolidated Statements of Cash Flows and is calculated as follows:

\$	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
Cash provided by operating activities	5,862,751	8,411,724	26,104,861	33,775,825
Add (deduct):				
Net change in non-cash working capital relating to operating activities	3,951,438	(1,513,970)	7,566,292	(2,764,367)
Funds generated from operations	9,814,189	6,897,754	33,671,153	31,011,458

“**Growth capital expenditures**” are capital expenditures that are intended to improve Badger’s efficiency, productivity or overall capacity and thereby allow Badger to access new markets. It generally represents any net additions to the daylighting fleet. Growth capital expenditures exclude acquisitions made during the period.

“**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. They also include any costs incurred to extend the operational life of a daylighting unit. 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 short-term deposits.

Cash available for growth and distribution/dividend, 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 unit and total units outstanding information)

	Three months ended December 31, <u>2010</u>	Three months ended December 31, <u>2009</u>	Year ended December 31, <u>2010</u>	Year ended December 31, <u>2009</u>
Revenues	41,175	33,123	139,611	134,970
EBITDA	9,873	7,803	34,589	35,469
Earnings before income taxes	6,539	4,731	20,535	21,626
Taxes				
Current	(125)	362	461	1,921
Future	694	(1,888)	1,511	52
Net earnings	5,970	6,257	18,563	19,653
Net earnings per unit – diluted (\$)	0.55	0.58	1.71	1.82
Funds generated from operations	9,814	6,898	33,671	31,011
Funds generated from operations per unit – diluted (\$)	0.91	0.64	3.11	2.87
Maintenance capital expenditures	6,556	2,031	14,133	8,193
Required long-term debt repayments	81	1,538	324	1,864
Cash available for growth and distribution/dividend	3,152	6,657	20,015	25,513
Distributions declared	3,405	3,405	13,619	13,614
Growth capital expenditures	1,930	-	2,953	-
Total units outstanding	10,813,631	10,808,503	10,813,631	10,808,503

OVERVIEW

Highlights for the year ended December 31, 2010 are as follows:

- Revenues increased by 3 percent to \$139.6 million in 2010 from \$135.0 million in 2009, while EBITDA decreased by 2 percent to \$34.6 million in 2010 from \$35.5 million in 2009. An increase in EBITDA margins generated in Canada was not enough to compensate for reduced EBITDA margins in the United States. Reduced EBITDA margins in the United States were a result of less big project revenue in 2010 than in 2009.
- Cash available for growth and distribution/dividend decreased by 22 percent to \$20.0 million in 2010 from \$25.5 million in 2009, predominantly due to increased maintenance capital expenditures.
- Net debt increased to \$28.8 million at December 31, 2010 from \$24.8 million at December 31, 2009.
- The Company renewed its \$40 million extendable revolving credit facility on June 25, 2010.
- The Company added 22 new hydrovac units and removed 17 from service, exiting the year with 412 hydrovac units. Of the total, 229 units were operating in Canada and 183 in the United States at year-end. They were financed from cash generated from operations and existing credit facilities.
- The Company acquired/built three new facilities as well as upgraded a part of its Red Deer, Alberta manufacturing facility, at a combined cost of \$4.9 million. These capital expenditures were financed from cash generated from operations and existing credit facilities.
- Effective December 31, 2010 Badger Income Fund (the “Fund”) completed the conversion to a corporate structure, whereby existing unitholders of the Fund exchanged their units for common shares of Badger on the basis of one common share of Badger for each Fund unit.
- On January 26, 2011 Badger signed a definitive agreement to be acquired by Clean Harbors, Inc. (“Clean Harbors”). If approved, Clean Harbors will acquire 100 percent of Badger’s outstanding common shares. The acquisition is expected to be completed in late April, 2011.

Selected Annual Financial Information

(\$)	Year ended December 31,		
	2010	2009	2008
Revenues	139,610,783	134,970,474	148,345,556
Net earnings	18,562,728	19,653,128	18,981,890
Net earnings per unit – basic	1.72	1.82	1.76
Net earnings per unit – diluted	1.71	1.82	1.75
Total assets (end of period)	154,429,222	137,864,137	145,529,041
Total long-term debt ⁽¹⁾ (end of period)	40,671,395	32,284,264	39,581,362
Distributions declared	13,618,879	13,614,197	13,586,593

(1) Includes the current portion of long-term debt.

CORPORATE CONVERSION

On June 29, 2010, unitholders of the Fund voted in favour of converting the Fund into a corporation, pursuant to a statutory plan of arrangement (the “Conversion”) involving, among others, the Fund, Badger, and the securityholders of the Fund. The Conversion was completed on December 31, 2010.

The Conversion was accounted for as a continuity of interests of the Fund since there was no change of control and since Badger continues to operate the business of the Fund. Accordingly this MD&A and accompanying consolidated financial statements reflect Badger as a corporation at December 31, 2010 and as Badger Income Fund prior thereto. All references to “shares” refer collectively to Badger’s common shares on and subsequent to December 31, 2010 and to Fund units prior to the Conversion. All references to “shareholders” refer collectively to holders of Badger’s shares on and subsequent to December 31, 2010 and the Fund unitholders prior to the Conversion. References to “stock-based compensation” should be read as references to “unit-based compensation” for all periods prior to December 31, 2010.

As a result of the conversion, unitholders of the Fund received one common share of Badger for one unit of the Fund. The trust structure of Badger was reorganized into a publicly listed corporation, which became the owner of all issued and outstanding Fund units. Immediately following the effective date, Badger Income Trust, a subsidiary of the Fund, was wound up and dissolved such that all of the assets were transferred to, and all of the liabilities were assumed by, the Fund. Immediately following the dissolution of Badger Income Trust, the Fund was wound up and dissolved such that all of its assets were transferred to, and all of its liabilities were assumed by, Badger.

ACQUISITION OF BADGER BY CLEAN HARBORS, INC.

On January 26, 2011 Badger signed a definitive agreement (“Acquisition Agreement”) to be acquired by Clean Harbors, Inc. (“Clean Harbors”), North America’s leading provider of environmental, energy and industrial services and waste management services. Under the terms of the agreement, Clean Harbors will acquire 100 percent of Badger’s outstanding common shares for cash consideration of \$20.50 per share.

The acquisition is subject to regulatory, shareholder, and lender approvals, as well as other customary closing conditions, and is expected to be completed in late April, 2011. An information circular outlining the transaction is expected to be mailed to Badger’s shareholders later this month with a meeting of shareholders expected to be held in late April, 2011 to consider the transaction. The transaction will require the approval of not less than 66 2/3 percent of the number of votes cast by the shareholders of Badger.

If the Acquisition Agreement is terminated under certain circumstances, because of a breach by Badger of the terms and conditions of the Acquisition Agreement, Badger could be required to pay a \$4.5 million termination fee plus reimbursement of certain of Clean Harbors’s expenses, not to exceed \$1.5 million.

OUTLOOK

Entering 2010 Badger predicted that the daylighting market would slowly improve during the year as the economy recovered. Badger experienced improved results during the year due to the increased activity in the oil and natural gas industry and to infrastructure spending supported by various governments. Badger believes the market for its services will continue to improve in 2011 in most of the Company’s markets. Projects and spending in the oil and natural gas sector are currently at good levels for Badger, which should strengthen results in Western Canada and the Western United States. The markets in Eastern Canada and Eastern United States are harder to predict, but Badger anticipates that hydrovac work will increase even though government infrastructure spending is expected to moderate now that the Canadian economy is improving and United States federal and state budgets are under pressure.

Initiatives in 2011 are as follows:

1. In 2010 Badger added several locations in the Eastern United States region, which so far have not contributed to the bottom line. However now that these areas are established with trained personnel, the expectation is these areas will contribute to profits in 2011.
2. The Company added several locations in the Western United States region over the last couple of years which have been marginal performers. These locations are in areas where growth is anticipated and Badger believes they will make a more meaningful contribution in 2011.
3. In Eastern Canada Badger expects continued stable growth with the increase in the overall market for hydrovac services and continued moderate infrastructure spending.
4. Western Canada should see more growth in 2011. The Company has increased its business development resources and coverage in Western Canada, enabling it to get involved with more customers and projects.
5. Overall Badger continues to focus on adding new customers in 2011, especially in major growth areas in the United States. This will help diversify the Company's customer base.
6. Badger will be increasing the build to provide growth and replacement hydrovac units. By the end of the first quarter it expects to be building at a rate of two hydrovac units per week.
7. As a result of the increased capital required to fund the anticipated capital expenditure program for 2011, along with the incremental cash taxes which will be owing due to the end of the trust structure and no longer having any United States tax losses to reduce United States taxable income, Badger will have an increased requirement for financing in 2011.

Badger made good progress in 2010 developing new customers and setting up in new areas, which should allow Badger to grow in 2011.

OVERALL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2010 COMPARED TO THE YEAR ENDED DECEMBER 31, 2009

Results of Operations

Revenues

Revenues were \$139.6 million for the year ended December 31, 2010 compared to \$135.0 million for the year ended December 31, 2009. The increase is attributable to the following:

- Canadian revenues increased by 8 percent from \$77.0 million in 2009 to \$82.9 million in 2010. Western Canada hydrovac revenue increased by 9 percent due to a general increase in demand for hydrovac services in various areas due to moderately increased activity in the oil and natural gas industry. Eastern Canada revenue increased by 10 percent year-over-year due a general increase in activity; and
- United States revenues decreased by 2 percent to \$56.7 million in 2010 from \$57.9 million in 2009. Removing the effect of the change in the foreign exchange rate, revenues increased by 8 percent year-over-year. The increase is due to more work in the United States West and East due to moderately increased activity in the oil and natural gas industry.

Badger's average revenue per truck per month for 2010 was \$25,500 versus \$24,700 for 2009. The increase is due to increased revenue.

Included in revenues is \$1.2 million of truck placement and franchise fees for 2010, versus \$1.6 million for 2009.

Direct Costs

Direct costs were \$92.4 million in 2010, an increase of \$4.1 million from \$88.3 million in 2009. This increase was due to the increase in revenues.

Gross Margin

The gross margin percentage was 33.8 percent for 2010, a decrease from the 34.6 percent generated in 2009. The Canadian gross margin percentage increased from 34.7 percent in 2009 to 36.0 percent in 2010 due to better cost control in certain Western Canada corporate locations and the resulting ability to leverage increased revenues. United States gross margin decreased from 34.5 percent in 2009 to 30.6 percent in 2010 due to reduced project work in the United States East and costs associated with the start-up of additional locations.

Amortization

Amortization was \$13.2 million in 2010 or \$0.6 million lower than the \$13.8 million incurred in 2009. Included in this figure is approximately \$196,000 related to amortization of intangible assets with a limited life.

Gain on Sale of Property, Plant and Equipment

There was no material gain or loss on sale of property, plant and equipment in 2010. During November 2009 the Company sold certain land and building for gross proceeds of \$3.2 million, resulting in a gain on sale of \$1.1 million.

Interest Expense

Interest expense was \$1.0 million in 2010 versus \$1.5 million in 2009. Although the average interest rate was higher in 2010 than in 2009 Badger maintained a lower average debt balance for 2010 versus 2009.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 6 percent to \$12.2 million in 2010 from \$11.5 million in 2009. The main reason for the increase was the May, 2010 judgment of approximately \$0.8 million rendered against Badger for damages as well as prejudgment interest and costs. As a percentage of revenues, selling, general and administrative expenses were 8.8 percent in 2010 versus 8.5 percent in 2009.

Foreign Exchange Loss (Gain)

The foreign exchange loss or gain results from converting the balance sheet and earnings statement related to the United States operations into Canadian currency.

Income Taxes

The effective tax rate for 2010 was 10 percent, which is a slight increase from the effective tax rate of 9 percent for 2009.

In general, the low effective tax rate is due to the previous trust structure, which resulted in tax-deductible distributions being made to unitholders.

Liquidity and Distributions

Funds generated from operations increased to \$33.7 million in 2010 from \$31.0 million in 2009 due primarily to increased Canadian EBITDA. The Company uses its cash to make distributions/dividends to unitholders/shareholders, build additional hydrovac units, invest in maintenance capital expenditures and repay long-term debt.

The Company had working capital of \$38.1 million at December 31, 2010 compared to \$26.6 million at December 31, 2009. The increase was due to the cash flow from operations and long-term debt proceeds exceeding capital expenditures and distributions to unitholders and an increase in accounts receivable due to the increase in revenues in each of Canada and the United States in the final quarter of 2010.

The following table outlines the cash available to fund growth and pay distributions/dividends to unitholders/shareholders in 2010 compared to 2009:

(\$)	Year ended December 31, 2010	Year ended December 31, 2009
Cash provided by operating activities	26,104,861	33,775,825
Add (deduct): net change in non-cash working capital	<u>7,566,292</u>	<u>(2,764,367)</u>
Funds generated from operations	33,671,153	31,011,458
Add: proceeds on disposal of property, plant and equipment	801,287	4,557,740
Deduct: required repayments of long-term debt	(323,771)	(1,863,775)
Deduct: maintenance capital expenditures	<u>(14,133,530)</u>	<u>(8,192,674)</u>
Cash available for growth capital expenditures and distributions/dividends	<u>20,015,139</u>	<u>25,512,749</u>
Growth capital expenditures	<u>2,952,824</u>	=
Distributions declared	<u>13,618,879</u>	<u>13,614,197</u>

In determining cash available for distributions/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 have been 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 have been excluded so as to include only the maintenance capital expenditures required for the sustainability of the existing asset base.

The following table outlines the excess of cash provided by operating activities and net earnings over distributions declared during the years ended December 31, 2010 and 2009:

(\$)	Year ended December 31, 2010	Year ended December 31, 2009
Cash provided by operating activities	26,104,861	33,775,825
Net earnings	18,562,728	19,653,128
Distributions declared	13,618,879	13,614,197
Excess of cash provided by operating activities over distributions declared	12,485,982	20,161,628
Excess of net earnings over distributions declared	4,943,849	6,038,931

The Fund had made regular monthly cash distributions to unitholders. After the conversion to a corporate structure the Company commenced remitting monthly dividends. These cash dividends may be reduced, increased or suspended entirely 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 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 or cash retained from operating activities. The majority of the cash provided by operating activities during 2010 and 2009 was used to finance maintenance and growth capital expenditures and to pay distributions to unitholders.

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 five years. As a result, Badger is currently experiencing relatively low levels of maintenance capital expenditures. Over time, Badger would expect to incur annual maintenance capital expenditures in an amount that approximates the amortization expense reported in the year. Badger estimates it will remove approximately 30 hydrovac units from the fleet in 2011. Badger expects that cash provided by operations and cash available for growth capital expenditures and dividends will be sufficient to fund the maintenance capital expenditures in the future.

Badger is restricted from declaring dividends and distributing cash 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 all existing credit facilities. Badger does not have a stability rating.

Capital Resources

Investing

In 2010 the Company spent \$17.1 million on property, plant and equipment compared to \$8.2 million in 2009. During 2010 the Company's capital program consisted of the addition of 22 new hydrovac units,

\$4.2 million spent on the construction of new operational facilities and the acquisition of a facility for \$0.7 million, compared to a capital program of 33 new hydrovac units built in 2009. The costs to build a hydrovac unit increased by approximately 4 percent from 2009 to 2010, mainly due to the reduced build rate resulting in fixed overhead costs being allocated to fewer units.

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 existing 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, 2010 Badger added 22 units to the fleet, of which 17 have been reflected as maintenance capital expenditures. Total maintenance capital expenditures for the year were \$14.1 million.

During the fourth quarter of 2010 Badger acquired a number of cab and chassis. As at December 31, 2010 these assets were included as "Equipment under construction" of approximately \$5.6 million. Based on the current build rate of the hydrovac units, Badger has enough cab and chassis on hand for the first half of 2011.

Financing

In June 2010 the Company's extendable revolving credit facility was renewed. The principal amount remained unchanged at \$40 million. The facility has been used and will continue to be used to assist in financing Badger's capital expenditure program and support corporate activities. The facility has no required principal repayments. It expires on June 25, 2011 and is renewable at Badger's option 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 1.5 percent plus 0 to 1 percent depending on Badger's ratio of funded-debt-to-EBITDA.

The Company's net debt outstanding increased during 2010. As at December 31, 2010 Badger's cash and short-term deposits were \$11.9 million resulting in net debt of \$28.8 million versus net debt of \$24.8 million at December 31, 2009. During the fourth quarter of 2010 the Company made a substantial investment in cab and chassis, which are being used in its 2011 capital expenditure program.

At December 31, 2010 the Company had a long-term debt-to-equity ratio of 0.52:1 and a long-term debt-to-trailing-funds-generated-from-operations ratio of 1.21:1. Management believes that the Company's healthy balance sheet combined with funds generated from operations will provide some of the 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 2011 capital expenditure program, additional financing may be required. This financing may take the form of additional debt, equity or a combination thereof. Currently the Company has a \$40 million extendable, revolving facility to fund working capital requirements and finance capital expenditures, of which \$37.4 million was used at December 31, 2010. The Company also had a cash and short-term deposit balance of \$11.9 million at December 31, 2010. The Company's practice is to utilize an appropriate mix of debt and equity to finance its maintenance capital expenditures and growth initiatives.

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, 2010	December 31, 2009	Threshold
Current ⁽¹⁾	3.58:1	3.01:1	1.20:1 minimum
Funded Debt ⁽²⁾ to EBITDA ⁽³⁾	0.83:1	0.87:1	2.00:1 maximum
Fixed Charge Coverage ⁽⁴⁾	1.91:1	2.49:1	1.00:1 minimum
Distribution/Dividend ⁽⁵⁾	0.71:1	0.65:1	1.00:1 maximum

- 1 Current ratio means the ratio of the consolidated current assets to consolidated net current liabilities (excluding the current portion of long-term debt).
- 2 Funded debt is long-term debt less cash and short-term deposits.
- 3 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.
- 4 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 distributions/dividends.
- 5 Distribution/dividend ratio means distributions/dividends for the trailing 12-month period to the sum of funds generated from operations less scheduled long-term debt principal payments and maintenance capital expenditures.

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 25, 2011) and lease payments for shop and office premises are as follows:

(\$000s)	Total	2011	2012-2013	2014-2015	Thereafter
Long-term debt	40,671	324	38,060	647	1,640
Shop and office leases	<u>1,529</u>	<u>793</u>	<u>614</u>	<u>122</u>	<u>-</u>
Total contractual obligations	<u>42,200</u>	<u>1,117</u>	<u>38,674</u>	<u>769</u>	<u>1,640</u>

In addition to the contractual obligations above, at year-end 2010 the Company had committed to certain capital expenditures totalling approximately \$2.7 million. These capital expenditures 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 \$44.4 million at December 31, 2009 to \$44.5 million at December 31, 2010 due to certain employees exercising their options.

Shares outstanding at December 31, 2010 were 10,813,631. There was no change to the balance as of March 23, 2011.

OFF-BALANCE-SHEET ARRANGEMENTS

At December 31, 2010 and 2009, the Company had no 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 the law firm of Shea Nerland Calnan LLP and is involved in providing and managing Badger's legal services. The total cost of these legal services in 2010 was \$240,000 compared to \$273,000 in 2009.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Quarter Ended							
	2010				2009			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues (\$)	41,175,494	38,727,159	29,374,171	30,333,959	33,123,204	35,004,725	29,459,240	37,383,305
Net earnings (\$)	5,969,522	6,619,437	2,430,962	3,542,807	6,257,324	4,795,804	2,926,670	5,673,330
Net earnings per unit – basic (\$)	0.55	0.61	0.22	0.34	0.58	0.44	0.27	0.53
Net earnings per unit – diluted (\$)	0.55	0.61	0.22	0.33	0.58	0.44	0.27	0.53

FOURTH QUARTER HIGHLIGHTS

- As a result of increased activity in Canada and the United States, revenue increased to \$41.2 million in the three months ended December 31, 2010 from \$33.1 million in the three months ended December 31, 2009. Canadian revenues increased by 31 percent, due to a general increase in demand for hydrovac services in various areas as a result of higher oil prices, resulting in increased plant work, as well a general increase in activity in Eastern Canada. Badger's United States revenue increased to \$16.4 million from \$14.3 million quarter-over-quarter. If the effect of the foreign exchange rate decrease were removed, United States revenue would increase by 21 percent in the fourth quarter of 2010 over the last quarter of 2009. This was due to more work in the United States West due to moderately increased activity in the oil and natural gas industry.
- With the increase in revenues, earnings before income taxes increased by 38 percent in the fourth quarter of 2010 over the same period in 2009.
- Average revenue per truck per month was \$30,800 in the fourth quarter of 2010 compared to \$24,100 per month for the same period in 2009. The increase is due to the increase in revenues.
- The Company added 9 hydrovac units to the fleet and removed 3 from service.
- Effective December 31, 2010 the Fund completed the conversion to a corporate structure, whereby existing unitholders of the Fund exchanged their units for common shares of Badger on the basis of one common share of Badger for each Fund unit, as described under "Corporate Conversion" above.

CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2006, Canada's Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. On February 13, 2008, the AcSB confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards (IFRS) will replace Canada's current GAAP for all publicly accountable profit-oriented enterprises.

The Company has developed a conversion plan to complete the transition to IFRS by January 1, 2011 (the "transition date"), including the preparation of required comparative information relating to 2010. As part of the IFRS conversion project, the Company has engaged external consultants to assist and advise in the Company's transition to IFRS.

The conversion project consists of three phases:

Phase	Description	Status
Phase 1 Preliminary Impact Assessment	Phase 1 involves the high-level identification and assessment of the differences between IFRS and Canadian GAAP that will impact the Company.	Phase 1 was completed during the third quarter of 2008.
Phase 2 Detailed Evaluation	Phase 2 involves performing a detailed impact assessment of the differences between IFRS and Canadian GAAP, reviewing and approving accounting policy choices, identifying impacts on systems and business processes, preparing position papers for areas of significant judgement, quantifying IFRS conversion adjustments and drafting pro-forma IFRS-compliant consolidated financial statements.	<p>IFRS 1 elections have been made as detailed below.</p> <p>The position papers were completed and reviewed by the Company's external auditors during the fourth quarter of 2010.</p> <p>The IFRS accounting policies and draft IFRS compliant financial statements were prepared in the fourth quarter of 2010.</p> <p>Effect on processes and systems has been evaluated and it has been determined that the Company's current IT infrastructure is capable of handling the changeover.</p> <p>Phase 2 was completed during the fourth quarter of 2010.</p>
Phase 3 Implementation	Phase 3 involves embedding changes to systems, processes and internal controls, drafting the transitional opening balance sheet and preparing IFRS-compliant consolidated interim and annual consolidated financial statements for the 2011 fiscal year including comparatives.	Opening IFRS statement of financial position has been drafted and was reviewed by the Company's external auditors in the first quarter of 2011.

Impact of conversion

The table below summarizes the Company's current estimated impact of conversion to IFRS on shareholders' equity as at January 1, 2010 (one year before the IFRS conversion date of January 1, 2011).

(Unaudited)	Total Assets \$	Total Liabilities \$	Shareholders' Equity \$
Canadian GAAP	137,864,137	64,970,797	72,893,340
IFRS Adjustments:			
Share-based payments		2,789,638	(2,789,638)
Deferred tax		680,000	(680,000)
	-	3,469,638	(3,469,638)
IFRS	137,864,137	68,440,435	69,423,702

Changes in Accounting Policies

The International Accounting Standard Board (“IASB”), at its discretion, may issue new accounting standards. Badger’s analysis and estimates of changes and policy decisions described below have been made based on current accounting standards that are effective at the time of transition.

Set out below are the key areas where changes in accounting policies are expected to impact the Company’s consolidated financial statements.

First-time adoption of IFRS (“IFRS 1”)

IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be recognized directly in retained earnings. However, IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards.

The Company has chosen to apply the following optional exemptions:

<i>Area impacted</i>	<i>Impact of applying exemption</i>
Business combinations	The Company is not required to apply IFRS 3 – Business Combinations to past business combinations that occurred before the transition date.
Share-based payments	The Company is not required to apply IFRS 2 – Share-Based Payment to share-based payment transactions that had vested at the transition date.
Foreign exchange	The Company will reclassify transition date cumulative translation gains or losses from accumulated other comprehensive income to retained earnings and apply the requirements of IAS 21 – The Effects of Changes in Exchange Rates prospectively from that date.
Borrowing costs	The Company is only required to apply the requirements of IAS 23 – Borrowing Costs prospectively from the transition date.
Arrangements containing a lease	The Company will apply the requirements of IFRIC 4 - Determining whether an Arrangement contains a Lease prospectively from the transition date.

Share-based payments

Under Canadian GAAP, the Company's stock option awards granted to employees were classified as equity-settled share based awards and the fair value of the options was determined at the grant date and recognized on a straight-line basis over the employment period necessary to vest the award.

Under IFRS, the stock option awards are classified as cash-settled share-based awards. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value measurement at each reporting period. Each grant is accounted for on that basis.

Impact: The Company has adjusted its expense for share-based payment awards to reflect the difference in recognition and reclassified the related liability from contributed surplus to non-current liabilities - provisions.

Deferred tax

Under Canadian GAAP, the distributions to unitholders of the Fund were a tax deductible item. However, under IFRS, the distributions to unitholders are not a tax deductible item.

Impact: As the distributions are not tax deductible under IFRS, a higher tax rate must be applied to the December 31, 2009 temporary differences. This has resulted in an increase in the Company's deferred tax liability at January 1, 2010.

Property, plant and equipment

Canadian GAAP requires the Company to break down its assets into significant components only when practicable. Under IAS 16 – Property, Plant and Equipment, the Company is explicitly required to allocate the amount initially recognized in respect of an item of PP&E to its significant components and depreciate separately each of these components. Where a significant component has a useful life and depreciation method that is the same as the useful life and depreciation method of another significant component of the same item of PP&E, such components may be grouped together in determining the depreciation charge.

Impact: The Company has performed a detailed analysis which identified the significant components and useful lives of the material items of PP&E. This analysis determined that the useful lives of each significant component of an item of PP&E did not differ materially from the useful lives of other significant components of the same item. The Company has determined that the components requirement of IAS 16 will not have a material impact on the financial statements.

Impairment of non-financial assets

Canadian GAAP impairment testing involves two steps, the first of which compares the asset's carrying value with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the amount of the impairment and the carrying value is written down to estimated fair value.

PP&E and intangibles, including goodwill, are tested for impairment in accordance with IAS 36 - Impairment of Assets ("IAS 36"). IAS 36 requires that assets, other than goodwill and indefinite-life

intangibles, be subjected to an impairment test if there are indicators of impairment. For goodwill and indefinite-life intangibles, IAS 36 requires that the Company perform impairment tests on an annual basis.

Under IFRS an asset is impaired when the recoverable amount of that asset is less than the carrying amount. If there is any indication that an asset may be impaired, the recoverable amount should be estimated for individual assets. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable and willing parties. The value in use is the present value of the future cash flows (i.e. discounted cash flows) expected to be derived from an asset.

If it is not possible to estimate the recoverable amount for the individual asset other than goodwill, the Company must determine the recoverable amount for the cash-generating unit (CGU) to which that asset can be allocated. A CGU is the smallest group of assets that generates cash inflows largely independent of other assets or groups of assets. Management is therefore required to determine all of the CGUs of the Company.

Impairment will be recognized more frequently under IFRS as Canadian GAAP does not require the discounting of cash flows when assessing the recoverability of an asset's carrying value. However, IAS 36 requires the reversal of an impairment loss for an asset, other than goodwill, where there is an indication that circumstances have changed and that the impairment loss no longer exists or may have decreased. This is not allowed under Canadian GAAP.

Impact: The Company, through an analysis of its operations, has identified the appropriate CGUs. The CGUs identified are not expected to have an impact on the Company's processes and controls. The Company has conducted an IFRS transition date goodwill test and has not recognized any impairment upon transition to IFRS.

CRITICAL ACCOUNTING ESTIMATES

Management is responsible for applying judgement in preparing accounting estimates. Certain estimates and related disclosures included in the financial statements are particularly sensitive because of their significance to the financial statements and because of 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 GAAP, the following critical accounting estimates have been identified by management:

Amortization of the hydrovac units

The accounting estimate that has the greatest effect on the Company's financial results is the amortization of the hydrovac units. Amortization of the hydrovac units is carried out on the basis of their estimated useful lives. The Company currently amortizes the hydrovac units 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 will affect the amortization rate used to amortize the hydrovac units and thus affect amortization expense as reported in the Company's Consolidated Statements of Earnings and Comprehensive Income and Retained Earnings. 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. The impairment test includes the application of a fair value test, with an impairment loss recognized when the carrying amount of the intangible asset exceeds its estimated fair value. Impairment provisions are not reversed if there is a subsequent increase in the fair value of the intangible asset.

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, not amortized and 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.

Collectibility of accounts receivable

The Company estimates the collectibility of its accounts receivable. The Company continually reviews the balances and makes an allowance when a receivable is deemed uncollectible. The actual collectability of accounts receivable could differ materially from the estimate.

Stock-based compensation

Compensation expense associated with stock/unit options at grant date is an estimate based on various assumptions such as volatility, annual distribution yield, risk-free interest rate and expected life. Badger uses the Black-Scholes methodology to produce an estimate of the fair value of such compensation.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The Company's financial instruments recognized on the Consolidated Balance Sheets consist of cash and short-term deposits, accounts receivable, income taxes receivable, accounts payable, income taxes payable, distributions 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 each of the long-term facilities has 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 accounts receivable 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, 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, 2010, the Company had available \$2.6 million of authorized borrowing capacity on the extendable revolving facility and \$11.9 million of cash and short-term deposits. The credit facility has no required principal repayment. The credit facility expires June 25, 2011 and is renewable at the Company's option for an additional 364-day period. If not renewed, interest is payable 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 risk exposures affecting the financial instruments held by the Company are those related to interest rates and foreign currency exchange rates, which are explained 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 to prime plus 0.75 percent for certain of the Company's borrowing facilities. The prime interest rate is subject to change. A sensitivity analysis would indicate that net earnings for the year ended December 31, 2010 would have been affected by approximately \$252,000 if the average interest rate changed by 1 percent. The Company does not currently use interest rate hedges or fixed interest rate contracts to manage the Company's 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. The Company does not currently 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, 2010 and as a result of identifying the material weakness outlined below have concluded the disclosure controls and procedures are not 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 Canadian GAAP. 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 December 31, 2010 and as a result of identifying the material weakness outlined below have concluded the internal controls over financial reporting are not 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 over 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 disclosures 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, 2010 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 45 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 and is also affected by certain adverse weather conditions. 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. The Badger operating region with the greatest exposure to oil and natural gas service activity is the Western United States. To minimize the impact of the oil and natural gas industry 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

Safety is one of the Company's primary 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. In addition, these regional safety advisors monitor the Company's operations to ensure they are operating in compliance with such policies.

Amortization of daylighting units

The Company currently amortizes 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.

Self-Insurance

Due to the magnitude of insurance premiums, the Company decided to self-insure against any physical damage it could incur on the hydrovac units. This decision will be re-evaluated periodically as circumstances change.

Dependence on key personnel

The success of Badger is dependent on the services of a number of members of its senior management. 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.

Availability of labour and equipment

While Badger has historically been able to source labour and equipment required to run its business, there can be no assurance Badger 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 not be accessible 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 of operations. 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 results of operations.

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 currently 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.