



BADGER DAYLIGHTING LTD.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2011

Dated: March 15, 2012

TABLE OF CONTENTS

GLOSSARY	2
CURRENCY	3
DATE OF INFORMATION.....	3
FORWARD LOOKING STATEMENTS	3
CORPORATE STRUCTURE	4
LEGAL OVERVIEW	4
ORGANIZATIONAL STRUCTURE	4
AUTHORIZED SHARE CAPITAL	5
THE BUSINESS OF BADGER	5
SIGNIFICANT EVENTS IN LAST THREE YEARS.....	5
DESCRIPTION OF THE BUSINESS	5
BADGER DAYLIGHTING SYSTEM	6
REVENUE.....	6
MARKETING AGREEMENTS AND FRANCHISE AGREEMENTS	6
BADGER CORPORATE	7
MARKET SEGMENTS	7
MARKETING STRATEGY.....	8
OTHER BUSINESS.....	8
EMPLOYEES AND CONTRACT PERSONNEL	8
TRADEMARKS.....	8
THE HYDROVAC INDUSTRY AND COMPETITION.....	8
REGULATORY ENVIRONMENT.....	9
RISK FACTORS	9
RISKS RELATING TO THE BADGER SHARES.....	9
RISKS RELATING TO THE BUSINESS OF BADGER	11
MANAGEMENT	13
DIRECTORS AND EXECUTIVE OFFICERS	13
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS	16
CONFLICT OF INTEREST RESTRICTIONS AND PROVISIONS	18
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	18
MARKET FOR SECURITIES, TRADING PRICE AND VOLUME	18
DISTRIBUTION/DIVIDEND HISTORY	19
DIVIDEND POLICY	19
PARTICULARS OF DISTRIBUTIONS AND DIVIDENDS.....	19
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	20
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	20
MATERIAL CONTRACTS	21
INTERESTS OF EXPERTS	21
AUDIT COMMITTEE INFORMATION	21
ADDITIONAL INFORMATION	23
SCHEDULE A – MANDATE OF THE AUDIT COMMITTEE.....	A-1

GLOSSARY

In this annual information form, the following terms have the meanings set out below:

“**ABCA**” means the *Business Corporations Act* (Alberta), S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“**Badger**” or the “**Corporation**” means Badger Daylighting Ltd. and, where the context requires, Badger Daylighting Ltd. and its direct and indirect subsidiaries considered on a consolidated basis and its predecessors and their subsidiaries considered on a consolidated basis;

“**Badger Shares**” means the common shares in the capital of the Corporation;

“**Badger Shareholders**” means the holders from time to time of the Badger Shares;

“**business day**” means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business;

“**Conversion**” means the conversion of Badger Income Fund from an income fund structure to that of a corporation, being the Corporation, as further described under “The Business of Badger – Significant Events in Last Three Years – Conversion From Income Trust Structure to Corporate Structure”;

“**Corporation**” or “**Badger**” means Badger Daylighting Ltd. and, where the context requires, Badger Daylighting Ltd. and its direct and indirect subsidiaries considered on a consolidated basis and its predecessors and their subsidiaries considered on a consolidated basis;

“**person**” means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity; and

“**TSX**” means the Toronto Stock Exchange.

In this annual information form, a person or company is considered to be an “**affiliate**” of another person or company if one is a subsidiary of the other, or if both are subsidiaries of the same person or company, or if each of them is controlled by the same person or company.

In this annual information form, the term “**associate**”, when used to indicate a relationship with a person or company, means:

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling the person or company to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the person or company;
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity;
- (d) in the case of a person, a relative of that person, including:
 - (i) the spouse or adult interdependent partner of that person; or
 - (ii) a relative of the person's spouse or adult interdependent partner if the relative has the same home as that person.

In this annual information form, a person or company is considered to be “**controlled**” by a person or company if:

- (a) in the case of a person or company:

- (i) voting securities of the first-mentioned person or company carrying more than 50 percent of the votes for the election of directors or trustees are held, otherwise than by way of security only, by or for the benefit of the other person or company, and
- (ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors or trustees of the first-mentioned person or company;
- (b) in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned person or company holds more than 50 percent of the interests in the partnership; or
- (c) in the case of a limited partnership, the general partner is the second-mentioned person or company.

In this annual information form, a person or company is considered to be a “**subsidiary**” of another person or company if:

- (a) it is controlled by:
 - (i) that other, or
 - (ii) that other and one or more persons or companies each of which is controlled by that other, or
 - (iii) two or more persons or companies, each of which is controlled by that other; or
- (b) it is a subsidiary of a person or company that is the other's subsidiary.

Unless the context otherwise requires, any reference in this annual information form to any agreement, instrument, indenture, declaration or other document shall mean such agreement, instrument, indenture or other document, as amended, supplemented and restated at any time and from time to time prior to the date hereof or in the future.

Words importing the singular number only include the plural and vice versa and words importing any gender include both genders.

CURRENCY

All dollar amounts set forth in this annual information form are in Canadian dollars, except where otherwise indicated.

DATE OF INFORMATION

Unless otherwise specified, information in this annual information form is given as of December 31, 2011, being the last day of the most recently completed financial year of Badger.

FORWARD LOOKING STATEMENTS

Certain statements contained in this annual information form constitute “**forward-looking statements**”. These statements relate to future events or Badger’s future performance. All statements other than statements of historical fact may be forward-looking statements. One such forward-looking statement in this annual information form is Badger’s intention to pay monthly dividends to the Badger Shareholders. By its nature, forward-looking statements are typically based on certain assumptions. The forward-looking statements contained in this annual information form reflect Badger’s beliefs and assumptions. These statements also 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. Other factors may include, but are not limited to: tax matters as a corporation; supply and demand fluctuations for oil and natural gas and related products and services; political and economic conditions; the demand for services provided by Badger; industry competition; and Badger’s ability to attract and retain key personnel. For more information and for a discussion regarding the assumptions and risks related to the

forward-looking statement concerning Badger's intention to pay monthly dividends, see "Risk Factors – Risks Relating to the Badger Shares - Cash Dividends are Not Guaranteed and will Fluctuate with the Performance of Badger" and "Distribution/Dividend History – Dividend Policy". Badger believes that the expectations reflected in these forward-looking statements are reasonable; however, no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual information form should not be unduly relied upon. In addition, these forward-looking statements relate to the date on which they are made. Badger disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

CORPORATE STRUCTURE

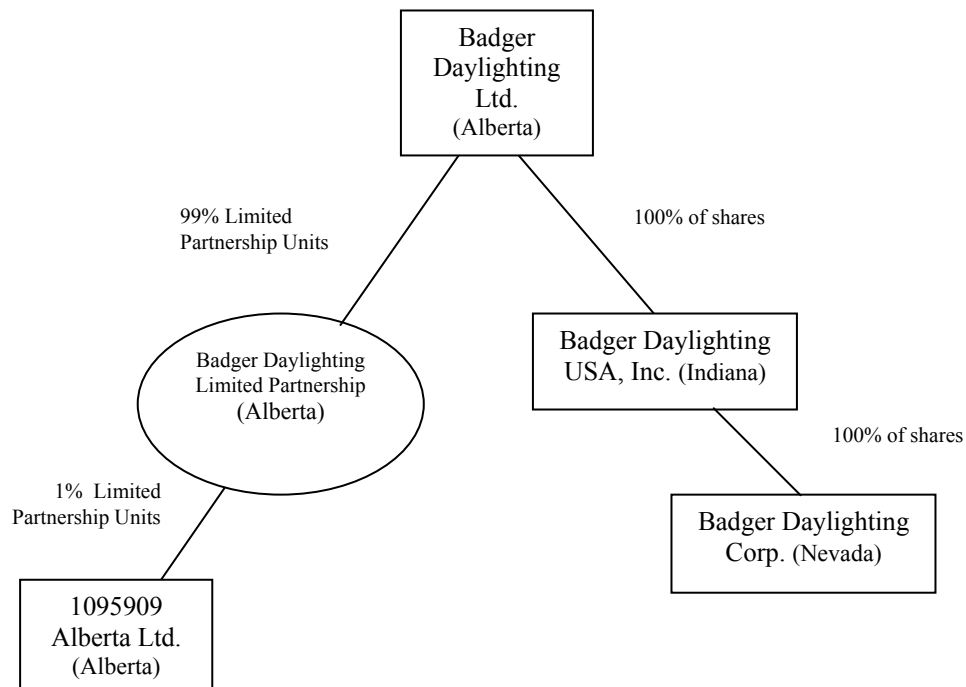
Legal Overview

The Corporation was incorporated on April 27, 2010 pursuant to the provisions of the ABCA. On May 6, 2010 the Corporation filed articles of amendment to change its share structure so that the only authorized class of shares in the capital of the Corporation is Badger Shares. The Corporation was incorporated for the purpose of participating in the Conversion and articles of arrangement for the Corporation giving effect to the Conversion were filed on December 31, 2010 (see "The Business of Badger – Significant Events in Last Three Years – Conversion From Income Trust Structure to Corporate Structure"). On January 1, 2012 the Corporation filed articles of amalgamation to complete a vertical short-form amalgamation with its wholly-owned subsidiary Badger Daylighting Inc.

The head office of Badger is located at 1000, 635 – 8th Avenue SW, Calgary, Alberta T2P 3M3. The registered office of Badger is located at 2800, 715 – 5th Avenue SW, Calgary, Alberta T2P 2X6.

Organizational Structure

The following diagram sets out the organizational structure of the Corporation, including each of the material subsidiaries of the Corporation at the date of this annual information form. The respective jurisdiction of incorporation or formation of each entity is set out in brackets after the name of each entity:



Authorized Share Capital

An unlimited number of Badger Shares may be created and issued pursuant to the articles of the Corporation. As at each of December 31, 2011 and March 15, 2012, there were 10,813,631 Badger Shares issued and outstanding. Badger Shareholders are entitled to one vote per Badger Share held at any meeting of Badger Shareholders, to participate in dividends declared by the Corporation, and to receive the remaining property of the Corporation upon dissolution.

THE BUSINESS OF BADGER

Significant Events in Last Three Years

The following is a summary of the significant events that have influenced the general development of the business of Badger over the last 3 completed financial years.

Conversion From Income Trust Structure to Corporate Structure

The Corporation was incorporated for the purpose of participating in the Conversion. Pursuant to the Conversion, the then existing holders of units of Badger Income Fund transferred all of their Badger Income Fund units to the Corporation in exchange for Badger Shares on the basis of one such Badger Share for each one Badger Income Fund unit held and the Corporation became the owner of all issued and outstanding units of Badger Income Fund. Articles of arrangement for the Corporation giving effect to the Conversion were filed on December 31, 2010. Following the completion of the Conversion, Badger Income Trust, a subsidiary of Badger Income Fund, was wound up and dissolved such that all of its assets were transferred to, and all of its liabilities were assumed by, Badger Income Fund. Immediately following the dissolution of Badger Income Trust, Badger Income Fund was wound up and dissolved such that all of its assets were transferred to, and all of its liabilities were assumed by, the Corporation. The Conversion has been accounted for as a continuity of interests of Badger Income Fund since there was no change in control and since Badger continued to operate the business of Badger Income Fund.

Badger Shareholders Vote Against Proposed Sale to Clean Harbors

On January 26, 2011, Badger announced that it had signed a definitive agreement to be acquired by Clean Harbors, Inc., a provider of environmental and energy and industrial services throughout North America. Under the terms of the agreement, Clean Harbors, Inc. was, subject to the satisfaction of certain conditions precedent including the receipt of the approval of 66^{2/3}% of the Badger Shareholders, to acquire 100% of the issued and outstanding Badger Shares for cash consideration of \$20.50 per share. At a meeting of Badger Shareholders held on April 26, 2011, the proposed acquisition did not receive the requisite percentage of votes in favour of the proposed transaction and the transaction was not completed.

Description of the Business

Badger is North America's largest provider of non-destructive excavating services. Badger traditionally works for contractors and facility owners in the utility and petroleum industries. Badger's key technology is the "**Badger Hydrovac**", which is used primarily for safe digging in congested grounds and challenging conditions. The Badger Hydrovac uses a pressurized water stream to liquefy the soil cover, which is then removed with a powerful vacuum system and deposited into a storage tank. Badger manufactures its truck-mounted hydrovac units.

Badger's business model involves the provision of excavating services through two distinct methods: via the operating partners (franchisees in the United States and agents in Canada), and via "**Badger Corporate**". For the first method, Badger Corporate works with its operating partners to provide hydrovac service to the end user. In this partnership, Badger provides the expertise, the trucks, and North American marketing and administration support. The operating partners deliver the service by operating the equipment and developing their local markets. All work is invoiced by Badger and then shared with the operating partner based upon a revenue sharing formula. For the second method, in certain locations Badger has established corporate run operations to market and deliver the service in the local area.

Badger owns a 52,000 square foot office and manufacturing facility on 8 acres of land in Red Deer, Alberta. Approximately 8,800 square feet of the manufacturing facility has been leased out to a third party and the rest is used by Badger to manufacture the Badger Hydrovacs. However, Badger derives its revenues from the services and operations side of its business rather than from the sale of Badger Hydrovacs to third parties. Badger has not sold, and the predecessor company to Badger did not sell, any Badger Hydrovacs to third parties.

Badger Daylighting System

The Badger Hydrovac is designed for excavation, trenching, daylighting and other services in a variety of ground conditions. Excavating a hole 8 to 20 inches in diameter to a practical depth of 30 feet exposes utility lines and pipelines. The process involves injecting hot or cold pressurized water into the ground while a vacuum system collects the waste water and soil debris. Once a sufficient amount of debris is collected, the debris is transported and discharged in appropriate environmentally safe locations.

The Badger Hydrovac is a self-contained operating unit. The Badger Hydrovac is equipped with a boiler to provide hot water to enable the Badger Hydrovac to work efficiently in harsh climatic and frozen ground conditions. The Badger Hydrovac will operate at temperatures of as low as -40°C. The Badger Hydrovac is also manoeuvrable enough to operate on city streets.

Badger manufactures a portion of the Badger Hydrovac system's operating parts, sub-frames and tanks. The cab and chassis, the engine and other truck parts are obtained from various third party suppliers. The equipment parts from third party suppliers and those manufactured by Badger are assembled at Badger's manufacturing facility in Red Deer, Alberta. Assembly of the Badger Hydrovac includes welding, plumbing and wiring of all equipment parts and customization of the engine, and cab and chassis into a complete and operating Badger Hydrovac.

As at December 31, 2011, Badger maintained an operational fleet of 504 Badger Hydrovacs (as at December 31, 2010: 412 Badger Hydrovacs) of which 245 were operated in the Canada and 259 were operated in the United States.

Revenue

Over the past 19 years, Badger, including its predecessors, has provided Badger's hydrovac services to numerous clients in Canada and the United States. The table below sets out the revenues of Badger for the last 2 completed fiscal years for its two geographic/reportable segments.

Revenue ⁽¹⁾

<u>Fiscal Period Ended</u>	<u>Canada</u>	<u>United States</u>
December 31, 2011	\$110,952,822	\$83,225,267
December 31, 2010	\$82,923,252	\$56,687,531

Notes: (1) Includes revenue generated through Marketing Agreements and Franchise Agreements (each as hereinafter described and defined; see "The Business of Badger - Marketing Agreements and Franchise Agreements") and fees payable to Badger thereunder as well through Badger Corporate (as hereinafter described; see "The Business of Badger - Badger Corporate"). Also includes revenues from business lines of Badger other than the provision of daylighting services; see "The Business of Badger – Other Business". These other business lines are not a material component of Badger's consolidated assets or revenues.

Marketing Agreements and Franchise Agreements

Badger utilizes marketing agreements (the "**Marketing Agreements**") in Canada and franchise agreements (the "**Franchise Agreements**") in the United States to provide Badger hydrovac services in the various regions throughout Canada and the United States. As at December 31, 2011, Badger had in place 18 Marketing Agreements with area operators in 4 provinces in Canada operating 131 Badger Hydrovacs (as at December 31, 2010: 132 Badger Hydrovacs) and had 12 Franchise Agreements in 9 states operating 78 Badger Hydrovacs (as at December 31, 2010: 84 Badger Hydrovacs). The Marketing Agreements and Franchise Agreements permitted the predecessor companies to the Corporation, and now the Corporation, to expand to regions where there is a high or potentially

high demand for Badger's hydrovac services at a rate which would otherwise have been unattainable. The Marketing Agreements and Franchise Agreements also allow Badger to effectively allocate the overhead costs of providing Badger hydrovac services in each of the geographic regions and provides for more timely and efficient service as the transportation time for the Badger Hydrovac is reduced. These efficiencies in turn allow the Badger Hydrovac to remain competitive in price and service within each geographic region.

Pursuant to the Marketing Agreements and the Franchise Agreements, the contracting party pays an initial start-up fee and is granted operation rights, marketing or franchise rights and service rights for the operation of one or more Badger Hydrovacs. The revenue generated by the Badger Hydrovacs is split between the contracting party and Badger pursuant to a pre-determined formula. The agreements provide that Badger is to receive from the contracting party a monthly administration fee or a specified percentage of third party service revenue to cover administration costs. While the Badger Hydrovacs remain the property of Badger, the contracting party is responsible for the operating costs of such units. Certain maintenance costs related to the Badger Hydrovacs, initial training of the contracting party operating the Badger Hydrovacs and the administrative duties such as billing, invoicing, and collecting of services are performed by Badger. The initial term of each Marketing Agreement is 5 or 10 years, subject to renewal by the operator for an additional 5 year term. The initial term for each Franchise Agreement is 10 years, subject to renewal by the franchisee for an additional 10 year term. During the term, the Marketing Agreement or Franchise Agreement can also be extended if an area operator obtains an additional Badger Hydrovac. Badger has the right to terminate a Marketing Agreement or Franchise Agreement if the operator thereunder does not meet specified sales, safety and maintenance requirements.

Badger Corporate

Badger also operates Badger Hydrovacs providing services directly to the customer in certain locations where it makes sense to do so from a business perspective through its corporate operations division known as "Badger Corporate". As at December 31, 2011, Badger Corporate operated a total of 295 Badger Hydrovacs (as at December 31, 2010: 196 Badger Hydrovacs) out of 24 U.S. states (181 Badger Hydrovacs in total in the US) and 4 Canadian provinces (114 Badger Hydrovacs in total in Canada).

Market Segments

Based on Badger's historical sales patterns and its experience in the industry, management of Badger believes that its current hydrovac services market is comprised of the following market segments:

<u>Market Segment</u>	<u>Approximate Percentage of Total Revenues</u>
Petroleum Industry	45%
Utility Clients and General Contractors	55%

Petroleum Industry

Petroleum plants and facilities have been Badger's largest and most lucrative market to date due to the Badger Hydrovac's safety and manoeuvrability advantages for excavation near and in oil and gas facilities. Badger also performs services for a wide variety of pipeline operators and contractors in Canada with the majority of its services being provided in Western Canada. With its extensive oil and natural gas facilities, the province of Alberta continues to be the largest market for Badger. The extensive oil and gas industry in the United States also provides a large potential market base for Badger to provide Badger's daylighting services to American based oil and gas operators and contractors. Approximately 45% of Badger's revenues for the year ended December 31, 2011 were derived from the petroleum industry market segment.

Utility Clients and General Contractors

Badger has continued to expand its base of municipalities, utility clients and general contractors which operate near high concentrations of underground power, communication, water, gas and sewer lines, particularly in large urban centres where economic and safety risks are high. Approximately 55% of Badger's revenues for the year ended December 31, 2011 were derived from this market segment.

Marketing Strategy

Badger plans to continue to service Canada and the United States through (i) the utilization of Marketing Agreements and Franchise Agreements, respectively, and (ii) through Badger Corporate (i.e. its corporate operations division) in locations where it is deemed to be in the best interest of Badger. In the event that Marketing Agreements and/or Franchise Agreements are entered into for additional marketing areas, Badger does not currently plan that Badger Hydrovacs will be sold directly to end-users or distributors within such areas. Badger will continue to solicit high calibre area operator candidates through word of mouth, local newspaper advertisements, industry associations and various trade publications as required to provide local service in attractive market areas.

Other Business

Badger maintains two other revenue-generating divisions in addition to the Badger daylighting division.

Badger rents and sells various lines of trench shielding used to shore and strengthen trenches dug for a variety of purposes. This division is not a material component of Badger's consolidated assets or revenues.

Badger also provides sewer inspection services and limited sewer flush services. This division is not a major component of Badger's consolidated assets or revenues.

Employees and Contract Personnel

As at December 31, 2011, Badger employed and retained 851 employees and 30 contractors (as at December 31, 2010: 570 employees and 35 contractors). Of these, Badger employed and retained 423 employees and 12 contractors in the United States and 428 employees and 18 contractors in Canada. Note that the number of contractors includes the area operators retained under the Marketing Agreements and Franchise Agreements utilized by Badger.

Trademarks

Canada

Badger has registered the trademark "Badger Daylighting" in Canada under Registration No. TMA427,552 and the registered logo shown on the face page of this document in Canada under Registration No. TMA531,100.

United States

Badger has registered the trademark "Badger Daylighting" at the United States Patent and Trademark Office under Registration No. 3,947,060. Badger has registered the logo at the United States Patent and Trademark Office under Registration No. 2,419,263. Badger has registered the trademark "Badger" with the United States Patent and Trademark Office under Registration No. 2,749,562. No registration applications have been filed with any U.S. state with respect to Badger's name and logo.

The Hydrovac Industry and Competition

Prior to the development of hydrovac technology, the only means of exposing underground pipelines, utility cables or lines was by hand digging or machine excavation. For small jobs, companies traditionally exposed underground lines by hand with picks and shovels. Excavation by hand is expensive, time consuming and labour intensive. For larger jobs, machines were used to excavate. Both methods pose a significant safety hazard in the event of an underground line rupture or if the integrity of the underground line is damaged.

In the late 1980s, a system using pressurized water or air and a vacuum system, commonly referred to as "hydrovacating", was developed in North America. Today, several types of hydrovac systems have been developed each with its own method of utilizing pressurized water or air and vacuum systems.

The hydrovac industry in North America continues to expand as companies acknowledge its safety and environmental benefits concerning excavation near underground pipelines and utility lines.

In addition to other companies providing hydrovac services, Badger also faces direct and indirect competition from traditional means of excavation including mechanical and manual methods. Mechanical equipment has become less attractive to companies as a result of increasing concerns and costs associated with line ruptures. Manual digging by hand is labour intensive, inefficient and ineffective in frozen ground conditions.

There are several barriers to entry to become a significant player in the hydrovac market:

- high capital cost of hydrovac units
- high-level of engineering expertise and development cost required to construct similar units
- reputation and customer loyalty
- operational and safety procedures and experience

Regulatory Environment

Various regulatory bodies in Canada and the United States acknowledge that excavation around underground lines pose an inherent danger to the operator, the public and the environment. Various departments of the federal, state and provincial governments regulate the excavation procedure to be used when digging near underground lines. These regulations enhance the ability of Badger to compete with traditional methods of excavation services.

RISK FACTORS

An investment in Badger Shares involves a number of risks and uncertainties. This section describes the general material risks that management of Badger believes may impact Badger Shareholders and/or Badger. If any of the following risks actually occur, Badger's business, results of operations and financial condition, and the amount of cash available for distribution to Badger Shareholders, could suffer. Further, the risks described below are not the only risks that Badger faces. Additional risks not currently known to management of Badger or that are currently deemed immaterial also may have a negative impact on Badger Shareholders and/or Badger.

Risks Relating to the Badger Shares

Risk factors specific to the Badger Shares include, but are not limited to, the following:

Cash Dividends are Not Guaranteed and will Fluctuate with the Performance of Badger

A return on an investment in Badger Shares is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Badger Shares is at risk and any anticipated return on an investment in Badger Shares is based on many performance assumptions.

Although the Corporation intends to pay monthly cash dividends to the Badger Shareholders, these dividends are not assured and may be reduced or suspended. The ability of the Corporation to pay dividends and the actual amount of such dividends will be dependent upon numerous factors including, but not limited to, Badger's financial performance, Badger's debt covenants and obligations, Badger's working capital requirements and Badger's future capital requirements. In addition, the market value of the Badger Shares may decline if the Corporation is unable to meet its cash dividend targets in the future and that decline may be significant. Dividend payments may be reviewed and adjusted from time to time by the board of directors of the Corporation to reflect current business conditions. The Badger Shares are not a source of guaranteed income and Badger Shareholders should be aware that they bear the risk that the frequency and amounts of dividends may fluctuate or be interrupted.

It is important for a person making an investment in Badger Shares to consider the particular risk factors that may affect both Badger and the industry in which Badger operates and which may therefore affect the stability of the dividend payments on the Badger Shares. Badger has not obtained a stability rating for the Badger Shares and does not anticipate doing so in the foreseeable future. See the other risk factors set out in this section which describes management of Badger's assessment of those risk factors, as well as the potential consequences to a Badger Shareholder if a risk should occur.

The Corporation May Issue Additional Badger Shares Diluting Existing Shareholders' Interests

The articles of the Corporation authorize the Corporation to issue an unlimited amount of Badger Shares. The Corporation may issue additional Badger Shares to raise funds. The by-laws of the Corporation provide that dividends may be paid by the Corporation by issuing fully paid Badger Shares. The Corporation cannot predict the number of Badger Shares it may issue, or the effect, if any, that an issue will have on the market price of the Badger Shares. However, additional Badger Shares issued by the Corporation may be dilutive to Badger Shareholders and such dilution could be significant.

Debt Financing

As at December 31, 2011, Badger had indirect outstanding indebtedness of \$46,554,454, of which \$46,554,454 is principal payments and debt maturing within five years or less. In addition, 100% of Badger's indebtedness is variable rate debt as at December 31, 2011.

The ability of Badger to pay dividends or make other payments or advances, will be subject to applicable laws and contractual restrictions contained in the instruments governing Badger's indebtedness. The degree to which Badger is leveraged could have important consequences to the holders of the Badger Shares, including: that Badger's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; that a significant portion of Badger's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations and distributions; that certain of Badger's borrowings may be at variable rates of interest, which exposes it to the risk of increased interest rates; and that Badger may be vulnerable to economic downturns including Badger's ability to retain and attract clients. Also, there can be no assurance that Badger will continue to generate sufficient cash flow from operations to meet required interest and principal payments. Further, Badger is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such financing may not be as favourable as the terms of its existing indebtedness. These factors may adversely affect the frequency or amounts of dividends paid by Badger.

Badger's various credit facilities provide first charge security interests on all of its assets to its various lenders. These credit facilities contain numerous terms and covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Badger to create liens or other encumbrances, to pay dividends on its securities or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facilities contain a number of financial covenants that require Badger to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could result in a reduction or termination of Badger's dividends, and may permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of Badger would be sufficient to repay in full that indebtedness.

Although Badger intends to pay monthly dividends to the Badger Shareholders, these dividends are not assured and may be reduced or suspended in order to comply with the credit facilities of Badger. The market value of the Badger Shares may decline if Badger is unable to meet its dividend targets in the future, and that decline may be significant.

Price Volatility of the Badger Shares

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance continual fluctuations in price will not occur. Badger believes any quoted market for the Badger Shares will, to a certain degree, be subject to market trends generally, notwithstanding success of the Corporation in creating revenues, cash flows or earnings. The value of the Badger Shares will be affected by such volatility.

Structural Subordination of the Badger Shares

In the event of a bankruptcy, liquidation or reorganization of the Corporation or its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the Corporation or its subsidiaries before any assets are made available for distribution to the Corporation and/or its shareholders. The Badger Shares will be effectively subordinated to most of the indebtedness and other liabilities of the Corporation and its subsidiaries. Neither the Corporation nor its subsidiaries will be limited in their ability to incur secured or unsecured indebtedness.

Interest Rates

Badger has certain floating rate loans and may be negatively impacted by increases in interest rates, the effect of which increase would be to reduce the amount of cash available for dividends. If interest rates decline, however, cash available for dividends may increase.

In addition, it is anticipated that the market price of the Badger Shares at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may negatively impact the market price of the Badger Shares, and vice-versa.

Capital Investment

The timing and amount of capital expenditures by Badger will directly affect the amount of cash available for dividend payments to Badger Shareholders. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

Restrictions on Potential Growth

The payout by Badger of a significant percentage of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Badger and its cash flow.

Speculative Nature of Investment

Investment in the Corporation should be considered speculative due to the risks applicable to the nature of Badger's business. These risks include the fact that there are competitors to Badger and that Badger's ability to access additional financing may be limited. There is no assurance Badger will be able to improve its position in the markets in which it currently participates or expand into new geographical markets. An indirect investment in the business of Badger via an investment in Badger Shares is suitable only to those investors who are willing and able to risk a loss of their entire investment.

Risks Relating to the Business of Badger

Risk factors specific to the business of Badger, include, but are not limited to, the following:

Reliance on Oil and Gas Sector

The oil and gas sector accounts for approximately 45% of Badger's revenues. The petroleum service industry relies heavily on the volume of capital expenditures made by oil and natural gas explorers and producers. These spending decisions are based on several factors including, but not limited to, hydrocarbon prices, production levels of current reserves and access to capital – all of which can vary greatly. The regions with the greatest exposure to oil and gas service activity are the province of Alberta and the Western United States. To minimize the impact of the oil and natural gas industry cycles, Badger also focuses on generating revenue from the utility and general contracting market segments.

Competition

Badger 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, Badger continually enhances its safety and operational procedures to ensure they meet or exceed Badger's customers' expectations. Badger also has the in-house capabilities to continuously improve its daylighting units so that they remain productive and efficient. There can be no assurance that Badger's competitors will not achieve greater market acceptance due to pricing, efficiency, safety and other factors.

United States Operations

Badger faces risks associated with doing business in the United States. Badger 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.

Safety

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

Amortization of Daylighting Units

Badger currently amortizes the hydrovac units over 10 years, a policy that is based on management's current knowledge and past experience. There is a certain amount of business risk that newer technology or some other unforeseen circumstance could lower this life expectation.

Self Insurance

Due to the magnitude of insurance premiums, Badger 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.

Fluctuations in Weather and Seasonality

Badger's operating results have been, and are expected to continue to be, 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 operating results may be negatively affected if there is an extended spring break-up period since oil and gas industry sites may not be accessible during such periods. In eastern Canada, Badger has in the past experienced enhanced use of its equipment during cold winters, thus improving the results of its operations during such times, and then may go through a slow period during spring thaw. In the western United States, Badger has in the past 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 animals and birds and 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.

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 the Economy and Political Landscape

Operations could also be adversely affected by general economic downturns, changes in the political landscape or limitations on spending. Badger will continue to look for opportunities to replace revenue in the event of a downturn.

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 assurances Badger will be able to do so in the future.

Compliance with Government Regulations

While Badger believes that 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 to borrow using such real property as collateral and could potentially also result in claims against Badger.

Credit Risk

A substantial portion of the accounts receivable of Badger are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. However, if a significant loss occurs due to this credit risk, it may have a material adverse effect on the operations of Badger.

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information in respect of each director and executive officer of the Corporation as of March 15, 2012.

<u>Name and Jurisdiction of Residence</u>	<u>Current Office in the Corporation⁽¹⁾</u>	<u>Principal Occupation</u>	<u>Badger Shares Beneficially Owned or Controlled</u>
Tor Wilson Alberta, Canada	President, Chief Executive Officer and Director	Mr. Wilson has been a director (or trustee) and President of Badger, including its predecessors, since 2000, and Chief Executive Officer of Badger, including its predecessors, since 2001. Prior thereto, Mr. Wilson was	77,885 ⁽⁶⁾ (less than 1%)

<u>Name and Jurisdiction of Residence</u>	<u>Current Office in the Corporation⁽¹⁾</u>	<u>Principal Occupation</u>	<u>Badger Shares Beneficially Owned or Controlled</u>
		the Chief Operating Officer of Timberjack Inc., a worldwide forestry equipment manufacturer, from 1996 to May 2000.	
David M. Calnan ⁽³⁾⁽⁴⁾ Alberta, Canada	Director and Secretary	Mr. Calnan has been a partner with the law firm of Shea Nerland Calnan LLP since 1990. Mr. Calnan has been a director (or trustee) and the Secretary of Badger, including its predecessors, since May 28, 1993.	138,244 ⁽⁵⁾ (1.28%)
George Watson ⁽⁴⁾ Alberta, Canada	Director	Mr. Watson is the Executive Chairman of CriticalControl Solutions Corp., a document management company listed on the Toronto Stock Exchange. Prior thereto he was the Chief Executive Officer of CriticalControl Solutions Corp. from July 2002 to September 2007. Mr. Watson also served as the President of CriticalControl Solutions Corp. from July 2002 until February 2004. Prior thereto, Mr. Watson was Executive Chairman of VerticalBuilder.com Inc., a private software development company, from February 2000 until July 2002. Prior thereto, Mr. Watson held the position of President and Chief Executive Officer of TransCanada Pipelines Limited, a pipeline company listed on the Toronto Stock Exchange, from April 1993 to July 1999. Mr. Watson has been a director (or trustee) of Badger, including its predecessors, since February 16, 2000.	42,779 (less than 1%)
Glen Roane ⁽²⁾⁽⁴⁾ Alberta, Canada	Director	Mr. Roane is a businessman and corporate director whose principal business activities since 1997 have been corporate directorships and real estate development in Colorado. He is also currently a director of Enerplus Corporation, SilverBirch Energy Corporation, Logan International Inc., Compton Petroleum Corporation and GBC North American Growth Fund Inc. Mr. Roane is also a Member of the Alberta Securities Commission. Mr. Roane has been a director (or trustee) of Badger, including its predecessors, since May 22, 2003.	6,245 (less than 1%)
J. Richard Couillard ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director	Mr. Couillard is currently the President and Chief Executive Officer of RockWell Petroleum Inc., a private energy company specializing in the recovery of oil from mature oil fields. Prior to joining RockWell Petroleum Inc. he was Chief Executive Officer of Escavar Energy Inc., a private exploration company focused on organic growth through the drilling of internally generated prospects. Prior to founding Escavar in 2003, he was the President of Pan Asian Energy a private company engaged in exploration in Southeast Asia. From 2000 to 2002 he was President of Oilsphere.com Inc. and Chief Operating Officer of VerticalBuilder.com Inc. (CriticalControl Solutions Corp.), companies that developed technology solutions for the energy sector. In 1998 through 2000 he was President of	4,070 (less than 1%)

<u>Name and Jurisdiction of Residence</u>	<u>Current Office in the Corporation⁽¹⁾</u>	<u>Principal Occupation</u>	<u>Badger Shares Beneficially Owned or Controlled</u>
		CouilOil Energy Inc. a private energy company. From 1994 to 1998 he served as Senior Vice President of Exploration and Production for Numac Energy Inc. Mr. Couillard is currently a Director of Canadian Spirit Resources Inc. and has been a director (or trustee) of Badger, including its predecessors, since September 1, 2005.	
Garry P. Mihaichuk ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada	Director	Mr. Mihaichuk is a businessman and a director whose principal business activities since May 2009 has been corporate and community directorships and President of GWM Resources Ltd. Prior thereto he was the President and CEO of Toromont Energy Systems Inc. from November 2007 to May 2009. Mr. Mihaichuk also served as the Vice President of Heavy Oil and Oil Sands for Husky Energy Inc. from 2005 to 2007 and Senior Vice President of Mancal Corporation from 2001 to 2005. From 1996 to 2001, Mr. Mihaichuk was employed by TransCanada Pipelines Limited to act in the capacity as Executive Vice President. Prior to 1996, Mr. Mihaichuk was Senior Vice President, Amoco Corporation and Chairman of Amoco Orient Company. Mr. Mihaichuk is currently the Managing Director of Translang Technologies Ltd., Director of Greenfields Petroleum Corporation, Director of Mako Energy Limited, Director of Connacher Oil and Gas Limited, Director of Alberta Economic Development Authority, Director of Social Sciences Advisory Board for the University of Calgary and Director of the Friends of the Calgary Philharmonic Orchestra. Mr. Mihaichuk has been a director (or trustee) of Badger, including its predecessors, since April 23, 2009 and, prior thereto, for an additional brief period from May 5, 2004 to November 2005.	1,403 (less than 1%)
Greg Kelly, CA Alberta, Canada	Vice-President Finance and Chief Financial Officer	Mr. Kelly has been the Vice President, Finance and Chief Financial Officer of Badger, including its predecessors, since September 1999. Prior thereto, Mr. Kelly held various positions with Ernst & Young LLP from June 1986 to August 1999 the last such position being Principal.	67,453 (less than 1%)
Derek Dillon, Alberta, Canada	Vice-President of Operations - Canada	Mr. Dillon has been the Vice-President of Operations - Canada of Badger, including its predecessors, since July 31, 2006. Prior thereto, Mr. Dillon, an Australian, was Materials Manager of Moduline Industries (Canada) Inc., a modular home manufacturing company, from November 2005 to July 2006. Mr. Dillon was also Plant Manager of 3R Sand Ltd., a frac sand recycling business, from February 2005 to November 2005. Prior to those appointments, Mr. Dillon was General Manager of Emoleum Road Services Ltd., an asphalt contracting company, from March 2002 to February 2004. Mr. Dillon	15,923 (less an 1%)

<u>Name and Jurisdiction of Residence</u>	<u>Current Office in the Corporation⁽¹⁾</u>	<u>Principal Occupation</u>	<u>Badger Shares Beneficially Owned or Controlled</u>
		was also Chief Executive Officer of Purot Pty. Ltd., a BP fuel and oil distribution company, from 1998 to November 2001.	
John G. Kelly, Wisconsin, United States	Vice-President of Operations – USA	Mr. Kelly has been the Vice President of Operations - USA since September 2011. Prior thereto, Mr. Kelly was employed by Waste Management Inc. for the last 18 years holding various positions in hauling, transfer and recycling operations. Mr. Kelly held positions including District Manager, Director of Operations and most recently Midwest Vice President for WM Recycle America. Mr. Kelly holds a BA from Marist College in Poughkeepsie, New York.	Nil

- Notes:
- (1) Directors hold office upon appointment until the next annual general meeting of Badger Shareholders of the Corporation unless re-elected at that meeting.
 - (2) Member of the Audit Committee of the Corporation.
 - (3) Member of the Compensation Committee of the Corporation.
 - (4) Member of the Nominating Committee of the Corporation.
 - (5) Includes Badger Shares owned by family trusts established for the benefit of the indicated Director.

As of March 15, 2012, 354,002 Badger Shares were beneficially owned or controlled directly or indirectly by the directors and executive officers of Badger, as a group, which represented approximately 3.27% of the issued and outstanding Badger Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set forth below, to the best of the knowledge of management of Badger:

- (a) no person who is a director or executive officer of Badger is, as at the date of this annual information form, or has been, within 10 years before the date of this annual information form, a director, chief executive officer or chief financial officer of any company (including Badger) that,
 - (i) was subject to an order (as defined below) that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to an order that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) no person who is a director or executive officer of Badger, or who is a person holding a sufficient number of Badger Shares to affect materially the control of Badger, is, as at the date of this annual information form, or has been within 10 years before the date of this annual information form, a director or executive officer of any company (including Badger) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) no person who is a director or executive officer of Badger, or who is a person holding a sufficient number of Badger Shares to affect materially the control of Badger, has, within the 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or

insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

For the purposes of (a) above, “**order**” means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days.

George Watson is a director of Fortress Energy Inc. On March 2, 2011, the Court of Queen’s Bench of Alberta granted an order under the *Companies’ Creditors Arrangement Act* (Canada) staying all claims and actions against Fortress Energy Inc. and its assets and allowing Fortress Energy Inc. to prepare a plan of arrangement for its creditors if necessary. Fortress Energy Inc. has indicated that it took such step in order to enable it to challenge a reassessment issued by the Canada Revenue Agency. Fortress Energy Inc. has indicated that, as a result of the reassessment, if it took no action, it would have been compelled to immediately remit one-half of the reassessment to the Canada Revenue Agency and it did not have the necessary funds to remit, although it had assets in excess of its liabilities with sufficient liquid assets to pay all other liabilities and trade payables. Fortress Energy Inc. further indicated that it believed that the Canada Revenue Agency’s position was not sustainable and that it intended to vigorously dispute the Canada Revenue Agency’s claim. Fortress Energy Inc. indicated that it filed a Notice of Objection to the reassessment and that its Notice of Objection was successful, the Canada Revenue Agency having confirmed there were no taxes payable. Fortress Energy Inc. has further indicated that it, as the claims by the Canada Revenue Agency have been vacated and no federal taxes or penalties are owing to the Canada Revenue Agency, it no longer required the protection of the order under the *Companies’ Creditors Arrangement Act* (Canada) and on October 28, 2011 the order was removed. On March 3, 2011 the Toronto Stock Exchange suspended trading in the securities of Fortress Energy Inc. due to Fortress Energy Inc. having been granted a stay under the *Companies’ Creditors Arrangement Act* (Canada). In addition the securities regulatory authorities in Alberta, Ontario and Quebec issued a cease trade order with respect to Fortress Energy Inc. for failure to file its annual financial statements for the year ended December 31, 2010 by March 31, 2011. Fortress Energy Inc. has indicated that the delay in filing was due to Fortress Energy Inc. being granted the *Companies’ Creditors Arrangement Act* (Canada) order on March 2, 2011 and the resulting additional time required by its auditors to deliver their audit opinion. The required financial statements and other continuous disclosure documents were filed on April 29, 2011 and the cease trade order was subsequently removed. On September 1, 2010 Fortress Energy Inc. closed the sale of substantially all of its oil and gas assets. As a result of the sale Fortress Energy Inc. was delisted from the Toronto Stock Exchange on March 30, 2011 as it no longer met the exchange’s minimum listing requirements.

In the summer of 2008, the Alberta Securities Commission and the British Columbia Securities Commission issued cease trade orders for all of the securities of Aztek Energy Ltd. for failure to file audited annual financial statements for the year ended December 31, 2007 due, according to Aztek Energy Ltd., to a decision of its board of directors to allocate the limited cash resources of Aztek Energy Ltd. exclusively to satisfying well abandonment obligations. Subsequently, Aztek Energy Ltd. satisfied its well abandonment obligations and filed its audited annual financial statements and the securities commissions revoked the aforementioned cease trade orders. David Calnan, the Secretary and a director of Badger, was corporate secretary and a director of Aztek Energy Ltd. during this time. Aztek Energy Ltd. merged with Spartan Exploration Ltd. pursuant to a plan of arrangement on January 18, 2010.

In December 2008, RockWell Petroleum Inc. filed for protection under the *Companies Creditors Arrangement Act* (Canada) and similar legislation in the United States. In March 2009, new directors and officers were appointed to manage this company including J. Richard Couillard who, in addition to being appointed to the board of directors, was also appointed to the position of President and Chief Executive Officer. Under the guidance of this new management team, RockWell Petroleum Inc. successfully reached a compromise with its creditors and exited these proceedings in September 2009.

Conflict of Interest Restrictions and Provisions

The ABCA contains “conflict of interest” provisions that serve to protect Badger Shareholders by requiring each director and officer of the Corporation to disclose to the Corporation any interest in a material contract or transaction or proposed material contract or transaction with Badger or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with Badger. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the board of directors of the Corporation, the director or officer is required to disclose in writing to the Corporation or request to have entered into the minutes of the meeting of the board of directors the nature and extent of his or her interest forthwith after the director or officer becomes aware of the contract or transaction or proposed contract or transaction. In any case, a director or officer who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration as a director, officer, employee or agent of the Corporation or one for indemnity under the provisions of the ABCA or liability insurance.

In the case of subsidiaries of the Corporation, the governing statutes contain similar “conflict of interest” provisions to those described in the preceding paragraph and the directors and executive officers of the subsidiaries of the Corporation are legally obligated to comply with such provisions.

Neither the Corporation nor any of its subsidiary entities have been advised of any current or potential material conflicts of interest of their respective directors or executive officers.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No person or company who is a director or executive officer of Badger, a person or company that is the direct or indirect owner of, or who exercises control or direction over, more than 10% of the outstanding Badger Shares, or an associate or affiliate of any of the aforementioned persons or companies, has had any material interest in any transaction with Badger within the three most recently completed financial years of Badger, or during the current financial year of Badger, that has or will materially affect Badger.

MARKET FOR SECURITIES, TRADING PRICE AND VOLUME

The Badger Shares are listed and posted for trading on the TSX under the trading symbol “BAD”. Prior to the Conversion, the units of Badger Income Fund were listed for trading on the TSX under the symbol “BAD.UN”.

The following table sets forth the reported high and low sales prices and the trading volumes of the units of Badger Income Fund and the Badger Shares, as reported by the TSX, for the periods indicated:

	<u>Price Range</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
2010			
January	\$15.58	\$14.08	331,359
February	\$15.82	\$14.93	613,615
March	\$16.65	\$15.32	418,065
April	\$16.40	\$15.01	977,861
May	\$16.34	\$14.00	402,783
June	\$14.51	\$12.48	248,001
July	\$14.00	\$12.50	171,575
August	\$14.53	\$14.02	279,388
September	\$15.89	\$14.06	299,638
October	\$17.50	\$15.31	271,654
November	\$18.10	\$16.20	369,170
December	\$19.31	\$17.50	<u>430,729</u>
Total for Period			<u>4,813,838</u>

	<u>Price Range</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
2011			
January	\$21.50	\$18.55	1,607,665
February	\$20.95	\$20.38	1,129,484
March	\$20.60	\$20.40	1,309,582
April	\$20.75	\$19.65	1,301,344
May	\$20.65	\$18.52	1,151,366
June	\$20.58	\$19.27	606,099
July	\$20.30	\$19.40	222,979
August	\$19.99	\$18.00	409,720
September	\$20.00	\$17.10	688,157
October	\$20.05	\$17.85	331,307
November	\$21.56	\$19.49	268,547
December	\$22.00	\$21.86	<u>220,267</u>
Total for Period			<u>9,246,517</u>
2012			
January	\$22.74	\$21.62	351,264
February	\$24.51	\$21.95	1,048,467
March 1 - 14	\$26.60	\$24.50	<u>135,749</u>
Total for Period			<u>1,535,480</u>

Note:

- (1) Pursuant to the Conversion, the Badger Shares commenced trading on the TSX on January 10, 2011. Prior thereto, the units of Badger Income Fund traded on the TSX.

DISTRIBUTION/DIVIDEND HISTORY

Dividend Policy

The Corporation currently has a policy of distributing cash to the holders of Badger Shares on a monthly basis. The Corporation is currently paying a monthly dividend of \$0.085 per Badger Share, or \$1.02 per Badger Share on an annualized basis. Cash dividends are generally paid monthly to the Badger Shareholders of record on the last day of each month (unless such day is not a business day, in which case the date of record has generally been the immediately preceding business day) and have been paid on or about the 15th day of the following month (unless such day is not a business day, in which case the payment date has generally been on the business day either immediately preceding or immediately following such day). Badger's current dividend policy is based on the assumption that the underlying business of Badger will continue to generate sufficient cash flow. Dividends and the dividend policy of the Corporation will be reviewed by the Board of Directors of the Corporation and adjusted from time to time to reflect the then current business conditions. See "Risk Factors" for a discussion of various risks that may impact the ability of the Corporation to pay dividends.

Particulars of Distributions and Dividends

The particulars of distributions declared by Badger Income Fund for the two most recently completed financial years of Badger prior to the completion of the Conversion on December 31, 2010, and the particulars of dividends declared by the Corporation since the completion of the Conversion to the date of this annual information form, are as follows:

<u>Distribution/Dividend Period</u>	<u>Payment Date</u>	<u>Amount of Distribution/Dividend</u>
2009		
January	February 16, 2009	\$0.105 per Unit
February	March 16, 2009	\$0.105 per Unit
March	April 15, 2009	\$0.105 per Unit
April	May 15, 2009	\$0.105 per Unit
May	June 15, 2009	\$0.105 per Unit

Distribution/Dividend Period	Payment Date	Amount of Distribution/Dividend
June	July 15, 2009	\$0.105 per Unit
July	August 17, 2009	\$0.105 per Unit
August	September 15, 2009	\$0.105 per Unit
September	October 15, 2009	\$0.105 per Unit
October	November 16, 2009	\$0.105 per Unit
November	December 15, 2009	\$0.105 per Unit
December	January 15, 2010	<u>\$0.105 per Unit</u>
Totals for Period		<u>\$1.26 per Unit</u>
2010		
January	February 15, 2010	\$0.105 per Unit
February	March 15, 2010	\$0.105 per Unit
March	April 15, 2010	\$0.105 per Unit
April	May 17, 2010	\$0.105 per Unit
May	June 15, 2010	\$0.105 per Unit
June	July 15, 2010	\$0.105 per Unit
July	August 16, 2010	\$0.105 per Unit
August	September 15, 2010	\$0.105 per Unit
September	October 15, 2010	\$0.105 per Unit
October	November 15, 2010	\$0.105 per Unit
November	December 15, 2010	\$0.105 per Unit
December	January 17, 2011	<u>\$0.105 per Unit</u>
Totals for Period		<u>\$1.26 per Unit</u>
2011		
January	February 15, 2011	\$0.085 per Share
February	March 15, 2011	\$0.085 per Share
March	April 15, 2011	\$0.085 per Share
April	May 15, 2011	\$0.085 per Share
May	June 15, 2011	\$0.085 per Share
June	July 15, 2011	\$0.085 per Share
July	August 15, 2011	\$0.085 per Share
August	September 15, 2011	\$0.085 per Share
September	October 17, 2011	\$0.085 per Share
October	November 15, 2011	\$0.085 per Share
November	December 15, 2011	\$0.085 per Share
December	January 16, 2012	<u>\$0.085 per Share</u>
Totals for Period		<u>\$1.02 per Share</u>
2012		
January	February 15, 2012	\$0.085 per Share
February	March 15, 2012	\$0.085 per Share
March	April 16, 2012	<u>\$0.085 per Share</u>
Totals for Period		<u>\$0.255 per Share</u>

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Badger is not currently a party to any legal proceedings or regulatory actions material to it and, insofar as management of Badger is aware, no such proceedings are currently contemplated.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of Badger are Ernst & Young LLP, Chartered Accountants, of Calgary, Alberta.

Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario is the transfer agent and registrar for the Badger Shares.

MATERIAL CONTRACTS

Other than as set out in the list below, there are no contracts, other than contracts entered into in the ordinary course of business, that are material to Badger that were entered in to within the most recently completed financial year, or before the most recently completed financial year but that are still in effect:

1. A second amended and restated credit agreement dated as of June 25, 2011 between Badger and The Toronto Dominion Bank. See “Risk Factors – Risks Relating to the Badger Shares – Debt Financing”.
2. An acquisition agreement dated January 26, 2011, among the Corporation, Clean Harbors, Inc. and Clean Harbors Industrial Services Canada, Inc. . See “The Business of Badger – Significant Events in the Last Three Years – Badger Shareholders Vote Against Proposed Sale to Clean Harbors”.

INTERESTS OF EXPERTS

Auditor

Audited financial statements for Badger for the financial years ended December 31, 2011 and 2010 have been included in filings made by Badger under National Instrument 51-102 during or relating to Badger’s most recently completed financial year or during or relating to Badger’s current financial year. The firm which conducted the audits and signed the audit reports on the aforementioned financial statements of Badger was Ernst & Young LLP, Chartered Accountants, of Calgary, Alberta. Ernst & Young LLP has advised that it is independent of Badger in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

Financial Advisor

Cormark Securities Inc. was retained by Badger to provide financial advice and assistance in connection with potential strategies and alternatives that might be employed by Badger to maximize shareholder value. Pursuant to that retainer, Cormark Securities Inc. provided its opinion as to the fairness, from a financial point of view, of the consideration offered under the previously proposed transaction between Badger and Clean Harbors, Inc. (see “The Business of Badger – Significant Events in the Last Three Years – Badger Shareholders Vote Against Proposed Sale to Clean Harbors”). The fairness opinion of Cormark Securities Inc. was included in the information circular of Badger dated March 23, 2011 that was forwarded to Badger Shareholders in advance of the meeting of Badger Shareholders held to consider that proposed transaction. Cormark Securities Inc. has advised that, as of the date of the fairness opinion delivered by Cormark Securities Inc., the partners, employees and consultants of Cormark Securities Inc., as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Badger Shares.

Legal Counsel

Shea Nerland Calnan LLP provided a legal opinion with respect to certain tax matters in the information circular of Badger dated March 23, 2011 that was forwarded to Badger Shareholders in advance of the meeting of Badger Shareholders held to consider the proposed transaction between Badger and Clean Harbors, Inc. (see “The Business of Badger – Significant Events in the Last Three Years – Badger Shareholders Vote Against Proposed Sale to Clean Harbors”). Shea Nerland Calnan LLP has advised that, as of the date of that information circular, the partners and associates of Shea Nerland Calnan LLP, as a group, beneficially owned, directly or indirectly, less than 2% of the outstanding Badger Shares. David M. Calnan, a partner at Shea Nerland Calnan LLP, is also a director and the Secretary of Badger.

AUDIT COMMITTEE INFORMATION

Mandate of the Audit Committee

A copy of the Mandate of the Audit Committee of Badger is attached as Schedule A to this annual information form.

Audit Committee Composition

The Audit Committee is a standing committee appointed by the board of directors of the Corporation to assist the board of directors in fulfilling its oversight responsibilities with respect to financial reporting by Badger. The Audit Committee currently consists of J. Richard Couillard, Garry P. Mihaichuk and Glen Roane. Mr. Roane is the Chair of the Audit Committee. Each member of the Audit Committee is independent and financially literate, as such terms are defined in National Instrument 52-110 – Audit Committees.

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of such member's responsibilities as a member of the Audit Committee are set forth below.

- *J. Richard Couillard* – Mr. Couillard is currently the President and Chief Executive Officer of RockWell Petroleum Inc., a private energy company specializing in the recovery of oil from mature oil fields. Prior to joining Rockwell Petroleum Inc. he was the Chief Executive Officer of Escavar Energy Inc., a Canadian junior exploration and production company. In these capacities he was and is directly responsible for the financial oversight of the company. In the past, he was a member of the Audit Committee of Canadian Spirit Resources Inc. and Chairman of the Audit Committee of Kensington Energy Ltd. Prior to founding Escavar Energy Inc., Mr. Couillard served in senior positions in both public and private companies where he was directly responsible for operational and financial performance and reporting. Mr. Couillard has a Bachelor of Science (Honours) degree from Carleton University.
- *Glen Roane* – Mr. Roane was employed by the Toronto Dominion Bank, Burns Fry Limited, Lancaster Financial Inc. and by TD Asset Management for over 20 years in increasingly senior roles and was responsible for a variety of general management, asset management, financial advisory and corporate finance activities. Mr. Roane has a Bachelor of Arts and a Masters of Business Administration from Queen's University. Mr. Roane is currently a member of or chairs the audit committees of four other public or private companies.
- *Garry P. Mihaichuk* – Mr. Mihaichuk was employed by Toromont Energy Systems Inc., Husky Energy Inc., Mancal Corporation, TransCanada Pipelines Limited, Amoco Corporation, Dome Petroleum, General Crude Oil and Texaco Exploration Canada Ltd. for over 35 years in increasingly senior roles and was responsible for a variety of senior management (including President and CEO), general management, asset management, engineering and financial advisory activities. Mr. Mihaichuk has a Bachelor of Science in Mechanical Engineering from Queen's University, PMD from Harvard University, Global Leadership from Michigan University and Executive Development from the University of Calgary. Mr. Mihaichuk is currently a member of the audit committee of two other public and one private company.

Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to Badger by its external auditors. Prior to engaging the auditors to provide any services over and above the regular audit engagement, management will contact the Chair of the Audit Committee for approval. The Chair of the Audit Committee will assess whether or not he should seek the approval of the entire Audit Committee prior to approving the engagement.

External Auditor Service Fees

The aggregate amounts paid or accrued by Badger with respect to fees payable to Ernst & Young LLP, the auditors of Badger, for audit (including separate audits of subsidiary entities, financings and regulatory reporting requirements), audit-related, tax and other services in the fiscal periods ended December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Audit fees ⁽¹⁾	\$190,000	\$167,250
Audit-related fees ⁽²⁾	\$-	\$55,000
Tax fees ⁽³⁾	\$179,000	\$283,591
All other fees ⁽⁴⁾	\$-	\$-
TOTAL	<u><u>\$369,000</u></u>	<u><u>\$505,841</u></u>

Notes:

- (1) "Audit fees" include the aggregate professional fees paid to Ernst & Young LLP for the audit of the annual consolidated financial statements and other regulatory audits and filings.
- (2) "Audit-related fees" include the aggregate fees paid to Ernst & Young LLP for services related to the audit services, including namely consultations regarding financial reporting and accounting standards and due diligence and comfort letters related to filing franchise circulars in the United States.
- (3) "Tax fees" include the aggregate fees paid to Ernst & Young LLP for tax compliance, tax advice, tax planning and advisory services, including namely the preparation of income tax and capital returns.
- (4) "All other fees" include the aggregate fees paid to Ernst & Young LLP for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees.

The Audit Committee of Badger considered and agreed that the above fees are compatible with maintaining the independence of Badger's auditors. Further, the Audit Committee determined that, in order to ensure the continued independence of the auditors, only limited non-audit related services will be provided to Badger by Ernst & Young LLP and in such case, only with the prior approval of the Audit Committee.

ADDITIONAL INFORMATION

Additional information relating to Badger may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular of the Corporation for its most recent meeting of shareholders which involved the election of directors.

Additional financial information is provided in Badger's consolidated financial statements and management's discussion and analysis for its most recently completed financial year.

SCHEDULE A

BADGER DAYLIGHTING LTD.

MANDATE OF THE AUDIT COMMITTEE

Adoption

This Mandate of the Audit Committee has been adopted by the Board of Directors (the “**Board**”) of Badger Daylighting Ltd. (the “**Corporation**”).

References to “Badger”

In this Mandate of the Audit Committee, “**Badger**” means the Corporation and, where the context requires, the Corporation and its subsidiaries considered on a consolidated basis.

Policy Statement

It is the policy of the Corporation to establish and maintain an Audit Committee (the “**Audit Committee**”), composed entirely of independent directors of the Corporation, to assist the Board in carrying out its oversight responsibility for Badger’s internal controls, financial reporting and risk management processes. The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

Composition of the Committee

1. The Audit Committee shall consist of at least three directors of the Corporation (the “**Directors**”). The Board shall appoint the members of the Audit Committee. The Board shall appoint one member of the Audit Committee to be the Chair of the Audit Committee.
2. Each Director appointed to the Audit Committee by the Board shall be an independent Director. Generally speaking, a Director is “**independent**” if such Director has no direct or indirect material relationship with Badger and a “**material relationship**” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of the Director’s independent judgment. In determining whether a Director is independent of management, the Board shall make reference to the then current legislation, rules, policies and instruments of applicable regulatory authorities.
3. Each member of the Audit Committee shall be “**financially literate**”. In order to be financially literate, a Director must be, at a minimum, able to read and understand basic financial statements, and at least one member shall have "accounting or related financial management expertise", meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.
4. A Director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board or until his or her resignation.
5. The Chairman of the Board shall be an *ex officio* member of the Audit Committee.

Meetings of the Committee

1. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the auditors, or a senior officer of Badger. Meetings of the Audit

Committee shall correspond with the review of the quarterly financial statements and management's discussion and analysis.

2. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee.
3. Notice of a meeting of the Audit Committee shall:
 - (a) be in writing;
 - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
 - (c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and
 - (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
4. A quorum for the transaction of business at a meeting of the Audit Committee shall consist of a majority of the members of the Audit Committee (excluding the Chairman of the Board). However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.
5. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
6. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
7. The Chairman of the Board, senior management of Badger and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management and (ii) may meet with management or independently of management.
8. Minutes shall be kept of all meetings of the Audit Committee and shall be signed by the Chair and the Secretary of the meeting.

Duties and Responsibilities of the Committee

1. The Audit Committee's primary duties and responsibilities are to:
 - (a) identify and monitor the management of the principal risks that could impact the financial reporting of Badger;
 - (b) monitor the integrity of Badger's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
 - (c) monitor the independence and performance of Badger's external auditors;
 - (d) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;
 - (e) directly oversee the external audit process and results (in addition to items described in Section 4 below);

- (f) provide an avenue of communication among the external auditors, management and the Board;
 - (g) ensure that an effective “whistle blowing” procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual; and
 - (h) ensure that an appropriate Code of Conduct is in place and understood by employees, officer and Directors of Badger.
2. The Audit Committee shall have the authority to:
- (a) inspect any and all of the books and records of Badger;
 - (b) discuss with the management of Badger and senior staff of Badger, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
 - (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
 - (d) to set and pay the compensation for any advisors employed by the Audit Committee.
3. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
4. The Audit Committee shall:
- (a) review the audit plan with Badger’s external auditors and with management;
 - (b) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;
 - (c) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
 - (d) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - (e) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
 - (f) review audited annual financial statements and related documents in conjunction with the report of the external auditors and obtain an explanation from management of all significant variances between comparative reporting periods;
 - (g) consider and review with management the internal control memorandum or management letter containing the recommendations of the external auditors and management’s response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of Badger and subsequent follow-up to any identified weaknesses;
 - (h) review with financial management the quarterly unaudited financial statements and management’s discussion and analysis before release to the public;

- (i) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectuses, annual reports, annual information forms, management's discussion and analysis and press releases; and
 - (j) oversee any of the financial affairs of Badger, and, if deemed appropriate, make recommendations to the Board, external auditors or management.
- 5. The Audit Committee shall:
 - (a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor or the discharge of the external auditor when circumstances are warranted;
 - (b) consider the recommendations of management in respect of the appointment of the external auditors;
 - (c) pre-approve all non-audit services to be provided to Badger by its external auditors;
 - (d) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;
 - (e) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Instrument 51-102 (or any successor legislation) of the Canadian Securities Administrators and the planned steps for an orderly transition period; and
 - (f) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.
- 6. The Audit Committee shall:
 - (a) review with management at least annually the financing strategy and plans of Badger; and
 - (b) review all securities offering documents (including documents incorporated therein by reference) of Badger.
- 7. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by Badger with respect to risks inherent in its operations and potential liabilities incurred by the Directors or officers in the discharge of their duties and responsibilities.
- 8. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
- 9. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters which are directed to the Audit Committee by any member of the Board, a securityholder of Badger, the external auditors, or senior management.
- 10. The Audit Committee shall periodically review with management the need for an internal audit function.
- 11. The Audit Committee shall review Badger's accounting and reporting of environmental costs, liabilities and contingencies.

12. The Audit Committee shall establish and maintain procedures for:
 - (a) the receipt, retention and treatment of complaints received by Badger regarding accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of Badger on concerns regarding questionable accounting or auditing matters.
13. The Audit Committee shall review and approve Badger's hiring policies regarding employees and former employees of the present and former external auditors or auditing matters.
14. The Audit Committee shall review with Badger's legal counsel as required, but at least annually, any legal matter that could have a significant impact on Badger's financial statements, and any enquiries received from regulators, or government agencies.
15. The Audit Committee shall assess, on an annual basis, the adequacy of this Mandate and the performance of the Audit Committee.

Document Control Information

Approved by Board of Directors: Yes

Originally dated: January 1, 2011

Last amended: N/A

Last reviewed: August 10, 2011