

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) should be read in conjunction with the unaudited interim consolidated financial statements of Badger Daylighting Ltd. (the "Company" or "Badger") for the period ended March 31, 2015. Readers should also refer to the audited consolidated financial statements and MD&A for the year ended December 31, 2014, which along with all previous public filings, including the Company's Annual Information Form for the year ended December 31, 2014, may be found on SEDAR at www.sedar.com.

This MD&A has been prepared taking into consideration information available to May 12, 2015.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

- Internal preparations for anticipated growth in 2015 will be completed;
- Overall activity and the economy remains relatively constant in areas and market segments not affected by activities in the oil and natural gas sector;
- Areas associated with the oil and natural gas industry continue to operate at least at levels not significantly worse than the slowdown in the sector in 2009;
- Badger can manage costs in areas and sectors affected by the low oil price environment and reallocate assets as required to areas which have strong economies and which have benefited from weak oil prices;
- Badger can grow in areas unaffected by the low oil price environment;
- Badger in 2015 can further develop the organization to position itself to be able to handle the planned future growth;
- The business development efforts will provide Badger with the additional new customers necessary to grow the business in 2015 and the future;
- Badger's fleet is available to perform work in 2015 and truck replacements are not significantly more than planned;
- Badger achieves revenue per truck greater than \$30,000 per month on an annual basis;
- Badger achieves EBITDA levels of approximately 28 to 29 percent of revenue;

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

- Badger has the ability to achieve its revenue, net profit and cash flow forecasts for 2015;
- There will be a long-term demand for hydrovac services from oil refineries, petro-chemical plants, power plants and other large industrial facilities in North America;
- Badger will maintain relationships with current customers and develop successful relationships with new customers;
- The Company will collect customer payments in a timely manner;
- Badger will be able to compete effectively for the demand for its services;
- The overall market for its services will not be adversely affected by weather, natural disasters, global events, legislation changes, technological advances, economic disruption or other factors beyond Badgers control;
- Badger will execute its growth strategy;
- Badger will obtain all labour, parts and supplies necessary to complete the planned hydrovac build.

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

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

NON-IFRS FINANCIAL MEASURES

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

"EBITDA" is earnings before interest, taxes, depreciation and amortization and is a measure of the Company's operating profitability and is therefore useful to management and investors. EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, assets are amortized or the results are taxed in various jurisdictions. EBITDA is calculated from the consolidated statement of comprehensive income as revenue less direct costs and selling, general and administrative expenses. In prior years, we have provided an EBITDA measure and an Adjusted EBITDA measure. The current definition of EBITDA is comparable to what was previously defined as Adjusted EBITDA.

EBITDA is calculated as follows:

	Three months ended March 31,	
EBITDA	2015	2014
Revenue	101,689	100,022
Less: Direct costs	(70,616)	(73,105)
Less: Selling, general and administrative expense	(3,317)	(2,550)
EBITDA	27,756	24,367

“**Funded debt**” is a measure of Badger’s long-term debt position. Funded debt is long-term debt.

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

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

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

	Three months ended March 31,	
Growth capital expenditures	2015	2014
Hydrovac trucks	14,257	18,775
Other vehicles and trailers	1,014	1,736
Buildings	841	1,425
Other	19	2,909
Total growth capital expenditures	16,131	24,845
Maintenance capital expenditures		
Hydrovac trucks	5,582	683
Other vehicles and trailers	276	-
Buildings	-	-
Other	-	530
Total maintenance capital expenditures	5,858	1,213
Purchase of property, plant and equipment	21,989	26,058

“**Revenue per truck per month**” (RPT) is a measure of hydrovac fleet utilization. It is a measure of hydrovac revenue only. The RPT is calculated by combining Canadian and US dollar hydrovac revenue without converting

for exchange differences, dividing the hydrovac revenue for the period by the simple average of hydrovacs in service throughout the period, and further dividing by the number of months in the period.

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

FINANCIAL HIGHLIGHTS

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

	Three months ended March 31,	
	2015	2014
Revenue		
Hydrovac service revenue	90,020	87,972
Other service revenue	11,413	11,316
Truck placement revenue	256	734
Total revenue	101,689	100,022
EBITDA	27,756	24,367
Profit before tax	16,529	8,386
Net profit	11,443	5,730
Profit per share – diluted (\$)	0.31	0.15
Cash flow from operating activities before working capital adjustments	21,955	15,224
Cash flow from operating activities before working capital adjustments per share – diluted (\$)	0.59	0.41
Dividends declared	3,334	3,333
Total shares outstanding (end of period)	37,045,791	37,033,893

FLEET SUMMARY

Number of hydrovacs	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Canada	393	410	405	391	376	356	340	330
US	618	588	552	517	470	435	408	377
Total	1,011	998	957	908	846	791	748	707

REVENUE PER TRUCK

Revenue per truck (/mo)	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total	26,258	30,435	33,136	29,947	33,800	35,644	37,800	31,800

OVERVIEW

Highlights for the three months ended March 31, 2015:

- Revenues increased by 1.7 percent to \$101.7 million from \$100.0 million for the same quarter in 2014 on lower Canadian revenue, offset by continued growth in the United States. Overall revenues were affected by weakness in oil and gas producing regions and harsh winter weather in eastern North America.
- EBITDA margins increased to 27.3 percent from 24.4 percent in the prior year as management focused the company on cost control and productivity of the existing hydrovac fleet. EBITDA increased to \$27.8 million, a 13.9 percent increase over the \$24.4 million in EBITDA in the first quarter of 2014.
- Cash flow from operations increased by 127.6 percent. Before non-cash working capital adjustments, cash from operations increased by 44.2 percent.
- Badger had 1,011 daylighting units at the end of the first quarter of 2015, reflecting an addition of 27 units and the retirement of 14 units. Of this total, 618 were operating in the US and 393 were operating in Canada. The new units were financed from cash generated from operations and existing credit facilities.

OUTLOOK

Positives in the first quarter of 2015 include:

- Although revenue was only slightly better in the first quarter of 2015 compared to first quarter of 2014 due to many factors, EBITDA margins improved by 13.9 percent to 27.3 percent in the first quarter of 2015. Although slightly less than our aggressive target of 28 to 29 percent, we are very pleased with the result. It should be noted that increasing EBITDA margins was a key initiative for the corporation at the start of 2015 given the negative impact projected for revenues due to lower oil and natural gas prices.
- Good revenue growth of 11.8 percent in the United States (before translation to Canadian dollars) in the first quarter of 2015 compared to the first quarter of 2014 even with some difficult weather conditions and challenging oil and natural gas markets. In the first quarter of 2014 the United States benefited from strong activity in the Rocky Mountain Region which allowed us to temporarily relocate trucks from slow areas in the US to complete the large volume of work. Activity levels in the Rocky Mountain Region were much lower this year due to low oil and natural gas pricing.
- Successful management of costs in a very tough environment in western Canada. There was a reduction of activity due to lower oil and natural gas pricing and an unseasonably warm winter that lead to an early spring break up. Badger benefits from cold winters in western Canada which produce deep frost in the ground requiring more hours to excavate – there was little benefit in 2015.
- Good EBITDA margin improvement overall in the US in slower than normal markets due to harsh winter weather and lower activity in oil and gas producing regions. We reduced the build of Hydrovacs in the first quarter to deal with reduced revenue per truck. The reduced build rate will continue for the foreseeable future. This reduction was handled efficiently by plant personnel.

Opportunities for improvement noted:

- Business development efforts were good during the first quarter but it is apparent there are many opportunities for Badger to be more proactive to develop more customers.

- Although revenue per truck was lower than target, it was reasonable given the tough market conditions in the first quarter and the large increase in fleet size in 2014.

Regional comments:

- Western Canada operated in an environment of lower market activity in the oil and natural gas industry especially in northern Alberta, strong pressure to reduce selling prices from good customers and an unseasonably warm winter. Through very stringent cost controls, including layoffs, Badger was able to improve margins in the first quarter of 2015 when compared to 2014. It is expected spring break up will last longer than usual and activity levels will not pick up until there is improvement in oil and natural gas pricing. There is a lag period between when commodity prices improve and activity levels increase in the field.
- Revenue in eastern Canada was lower than expected in the first quarter. Negative impacts included harsh winter conditions causing work to be delayed and much lower activity in the large project which has been ongoing for about one year. As always, large projects come and go which cause slight variations to results. Our focus remains to build a larger customer base to reduce the impact of individual large projects on our business. It is expected eastern Canada will have improved revenue for the rest of the year.
- The United States had pockets of slow activity caused either by bad weather or lower activity due to low oil and natural gas pricing and also pockets of strong activity due to strong infrastructure spending in these areas. With improving weather conditions we expect activity to improve in the slow activity areas in the eastern half of the United States. However no improvement is expected in areas affected by low oil and natural gas prices in the foreseeable future. As always, recruitment, development and retention of personnel is critical in this growing market.
- Until revenue per truck increases to target levels the new truck build will remain at a low level of 1 to 3 per week. The positive result of this reduction is that there will be reduced capital requirements which will allow us to pay down debt. In times of lower than target revenue per truck more trucks tend to be taken out of service. We are reluctant to spend more than just maintenance type expenses on trucks older than 10 years during these times, and we forecast that we will replace 20-25 trucks.

Overall we are pleased with the financial results in the first quarter of 2015 given the tough market conditions caused by harsh weather and low oil and natural gas markets. However there are areas for improvement in the coming quarters. The company will continue to focus on stringent cost controls in areas of lower activity to maintain margins. This remains a tough task and requires discipline. On the positive side Badger will focus effort on growing its customer base and organization in the many areas of opportunity where markets are strong. It is difficult to predict overall growth for Badger until oil and natural gas activities improve. However, we know our utility and infrastructure markets will grow in 2015.

Results of Operations

Revenues

First quarter revenues of \$101.7 million for the three months ended March 31, 2015 were relatively flat at 1.7 percent higher than the \$100.0 million generated during the comparable period in 2014. The increase is attributable to the following:

- Canadian revenue decreased by 17.5 percent as weakness in western Canada, and specifically northern Alberta led the company to move idle vehicles to other regions. Eastern Canadian revenue also declined due to harsh weather conditions which led to a deferral of construction activity. Hydrovacs have been transferred from western Canada to the US and eastern Canada in anticipation of improved activity in those areas and in response to weakness in the western Canadian economy due to the steep decline in the price of oil.
- United States revenue in US dollars increased by 11.8 percent from \$40.0 million in the first quarter of 2014 to \$44.7 million in the current quarter. The growth in the US business was weaker than expected due to reduced activity in oil and natural gas producing areas plus heavy snow and a harsh winter in the eastern half of the United States. On conversion to Canadian dollars, Badger benefitted from a strengthening in the USD as the above noted 11.8 percent increase in USD denominated revenue translated to a 26.1 percent increase in revenue as reported in Canadian dollars, from \$44.0 million in the first quarter of 2014, to \$55.5 million in the first quarter of 2015.

Badger's average revenue per truck per month during the three months ended March 31, 2015 was \$26,258 versus \$33,800 for the three months ended March 31, 2014. The reduction in revenue per truck has caused management to reduce our truck build program in response to weak demand, principally in oil-producing areas in which the company operates and also weaker activity in eastern areas due to harsh winter weather.

Reclassification of selling, general and administrative expenses

Beginning in the first quarter of 2015, selling, general and administrative expenses include only those costs related to the Corporation's three main administrative centers – the Corporate office in Calgary, the Canadian administration center in Red Deer, and the United States administration center in Pittsboro. Costs that are incurred outside these centers have been classified as direct costs. Historical results were reclassified to match the current period presentation. This reclassification did not impact net earnings, EBITDA, earnings per share, financial position or cash flows.

Management believes that the new definition for selling, general and administrative expenses more closely aligns to respective senior management areas of responsibility, as well as allows for greater comparability of Badger's Canadian and US businesses.

Direct Costs

Direct costs for the quarter ended March 31, 2015 were \$70.6 million as compared to total direct costs of \$73.2 million in the first quarter of 2014. Direct costs as a percent of revenue were 69.4 percent in the first quarter of 2015 as compared to 73.1 percent in the same period of the prior year. Direct costs as a percentage of revenue declined, or improved across the company.

Direct costs as a percentage of revenue declined as the company continues to focus on managing costs. Specifically, cost reductions were realized in improving the recovery of third party charges (the recovery of which are netted off direct costs), reduced repair and maintenance costs and reductions in other discretionary items. In addition, the US business benefitted from lower diesel fuel prices.

In the first quarter of 2015, Badger added 27 hydrovacs, 13 net new additions and the replacement of 14 hydrovacs. In the first quarter of 2014, Badger increased the hydrovac fleet by 55 and replaced 2 hydrovacs. The reduced build rate and fewer trucks being added to the fleet allowed operations management to focus on the productivity of its existing fleet.

Gross Profit

The gross profit margin was 30.6 percent for the quarter ended March 31, 2015, up from the 26.9 percent for the quarter ended March 31, 2014. Canada had a gross profit margin of 29.7 percent in the first quarter compared to 26.3 percent in the first quarter of 2014. The United States gross profit margin was 31.3 percent in the first quarter of 2015 compared to 27.7 percent in the first quarter of 2014.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was \$10.2 million for the three months ended March 31, 2015, \$2.6 million higher than the \$7.6 million incurred for the three months ended March 31, 2014, due to the increased number of hydrovac units in the fleet.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased from \$2.6 million in the first quarter of 2014 to \$3.3 million in the same quarter of 2015, as the bonus expense following the payment of annual bonuses in the first quarter was higher in 2015 than 2014, higher recruitment cost for Board of Director roles, and management personnel, as well as higher audit and audit-related fees. As a percentage of revenues, selling, general and administrative expenses were 3.3 percent in the first quarter of 2015 as compared to 2.6 percent in the first quarter of 2014. Following the change in definition of selling, general and administrative expenses, we have revised our target for such expenses to 4 percent.

Finance Cost

Finance cost was \$1.1 million for the first quarter of 2015 versus \$0.9 million for the same quarter in 2014. The higher finance cost was due to having USD denominated debt and the related interest charges translated at a higher exchange rate in 2015 than in 2014.

Income Taxes

The effective tax rate for the first quarter of 2015 was 30.8 percent, which is comparable to the effective tax rate of 31.7 percent in the same period of 2014.

Net Profit

Net profit for the period increased to \$11.4 million in the first quarter of 2015 from \$5.7 million in the same period of 2014. The increase is due to an increase in EBITDA as well as a reduction in the deferred unit plan expense of \$0.3 million, from \$7.4 million in the same quarter in 2014.

Other Comprehensive Income

The company incurred an exchange gain on translation of the US operations of \$16.8 million. This gain results from the conversion of the United States subsidiaries financial statements into Canadian dollars, as the US dollar strengthened significantly relative to the Canadian dollar from December 31, 2014 to March 31, 2015. The company chose to designate the US dollar denominated senior secured note as a hedge of the net investment in its US operations, and accordingly, offset the gain on translation with the loss on the translation of the US dollar note. The loss on translation of the US senior secured note was \$8.2 million, for a net other comprehensive income of \$8.6 million. As the designation of the US dollar denominated senior secured note as a hedge occurred in 2015 and is prospective, any foreign exchange gains or losses in 2014 are included in net profit for 2014. In the first quarter of 2014, there was a foreign exchange gain related to the US dollar denominated senior secured note of \$185,000.

Liquidity and Dividends

Cash flow from operations increased to \$23.4 million for the quarter ended March 31, 2015 from \$10.3 million for the comparable period in 2014. Before non-cash working capital adjustments, cash flow from operations increased to \$22.0 million from \$15.2 million in the same period of 2014 due to increased EBITDA. The Company uses its cash to pay dividends to shareholders, to build additional hydrovac units, to invest in maintenance capital expenditures and to repay long-term debt.

The Company had working capital of \$92.1 million at March 31, 2015 compared to \$92.9 million at December 31, 2014.

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

Capital Resources

Investing

The Company invested \$22.0 million on property, plant and equipment for the three months ended March 31, 2015 compared to \$26.1 million for the three months ended March 31, 2014. Of the \$22.0 million that the company invested in capital assets, \$9.1 million relates to a higher work in process balance as the Company committed to purchase chassis and other material ordered when there was a higher Hydrovac build rate.

The costs to build a hydrovac unit increased in the first quarter of 2015 due to the strength in the United States dollar causing certain materials to be more expensive as translated to Canadian dollars as well as due to the reduced efficiency experienced in operating the manufacturing facility at less than capacity.

Maintenance capital expenditures are incurred during a period to keep the hydrovac fleet at the same number of units plus any other capital expenditures required to maintain the business. This amount will fluctuate period-to-period depending on the number of units retired from the fleet. During the quarter ended March 31, 2015, Badger added 27 units to the fleet (57 in the first quarter of 2014), of which 14 have been reflected as maintenance capital expenditures (2 in 2014). Total maintenance capital expenditures for the first

quarter of 2015 were \$6.0 million as compared to \$1.2 million in the first quarter of 2014.

Financing

Syndicated credit facility

In 2014, the Corporation established a \$125 million syndicated credit facility. The purpose of the credit facility is to finance the Corporation's capital expenditure program and for general corporate purposes. The credit facility bears interest, at the Corporation's option, at either the bank's prime rate plus a tiered set of basis points or bankers' acceptance rate also with a tiered structure. A stand-by fee is also required on the unused portion of the credit facility on a tiered basis. The prime rate tiers range between zero and 125 basis points. The bankers' acceptance tier ranges from 125 to 250 basis points. The stand-by fee tiers range between 25 and 50 basis points. All of the tiers are based on the Company's Funded Debt to EBITDA ratio. The stand-by fee is expensed as incurred.

The credit facility expires on July 22, 2018.

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

As at March 31, 2015, the Corporation has issued letters of credit of approximately \$2.7 million. The outstanding letters of credit support the U.S. insurance program and certain performance bonds and reduce the amount available under the syndicated credit facility.

At March 31, 2015, the Corporation had available \$87.3 million (December 31, 2014 - \$86.0 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Senior secured notes

On January 24, 2014 Badger closed a private placement of senior secured notes. The notes, which rank pari passu with the extendable revolving credit facility, have a principal amount of US \$75.0 million and an interest rate of 4.83 percent per annum and mature on January 24, 2022. The Canadian dollar equivalent on January 24, 2014 was \$82.9 million. Amortizing principal repayments of US \$25.0 million are due under the notes on January 24, 2020, January 24, 2021 and January 24, 2022. Interest is paid semi-annually in arrears.

The senior secured notes are collateralized by a general security interest over the Corporation's assets, property and undertaking, present and future.

In the first quarter of 2015, Badger recorded an unrealized foreign exchange loss of \$8.2 million as a component of other comprehensive income. In the first quarter of 2014, the Company recorded an unrealized foreign exchange gain of \$0.2 million that was recorded in net profit as the senior secured notes were not designed as a net investment hedge at that time. These foreign exchange gains and losses were due to the impact of the change over the period in the value of the Canadian dollar relative to the US dollar on the Corporation's \$75.0 million of US dollar denominated debt.

Under the terms of the credit facility and the senior secured notes, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. In the first quarter of 2015, throughout 2014, and as at December 31, 2014, the Corporation was in compliance with all of these covenants.

SHARE CAPITAL

Shares outstanding at March 31, 2015 were 37,045,791.

As of May 13, 2015 the outstanding shares totaled 37,045,791.

SELECTED QUARTERLY FINANCIAL INFORMATION

All amounts are \$000's except Per Share amounts are \$'s	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	101,689	108,350	113,121	100,726	100,022	94,239	87,543	73,658
Net Profit	11,443	17,045	16,078	14,249	5,730	11,233	11,774	9,371
Net Profit per share – Basic	0.31	0.47	0.43	0.38	0.15	0.30	0.32	0.22
Net Profit per share – Diluted	0.31	0.47	0.43	0.38	0.15	0.30	0.32	0.25

CHANGES IN ACCOUNTING POLICIES

There were no new accounting standards that were adopted in the first quarter of 2015.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Badger's President and CEO and its VP Finance and CFO have designed, or caused to be designed under their direct supervision, Badger's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to Badger, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. Further, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's disclosure controls and procedures at March 31, 2015 and have concluded the disclosure controls and procedures are fully effective.

Internal Control over Financial Reporting

Badger's President and CEO and its VP Finance and CFO have also designed, or caused to be designed under their direct supervision, Badger's internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Further, using the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's internal control over financial reporting at March 31, 2015 and have concluded the internal controls over financial reporting are effective.

Changes in Internal Control over Financial Reporting

There were no changes to Badger's internal control over financial reporting in the first quarter of 2015.

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 2014 Annual Information Form]