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 September 30, 2017. Readers should also refer to the audited consolidated financial statements and MD&A for the year ended December 31, 2016, which along with all previous public filings, including the Company's Annual Information Form for the year ended December 31, 2016, may be found on SEDAR at www.sedar.com.

This MD&A is dated and has been prepared taking into consideration information available to November 10, 2017. All references to "dollars" and "$" are to the currency of Canada unless otherwise indicated. This MD&A includes forward-looking statements and assumptions. See "Cautionary Statements Regarding Forward-Looking Information and Statements" for additional details.

Financial Highlights

($ thousands, except RPT, per share and share information)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2017	**2016**	**2017**	**2016**
Revenue:				
Hydrovac service revenue	**129,409**	103,790	**335,354**	266,986
Other service revenue	**11,641**	9,375	**30,456**	26,095
Truck placement revenue	**235**	2	**637**	225
Total revenue	**141,285**	113,167	**366,447**	293,306
Revenue per truck per month ("RPT") – quarterly average[1]	**34,125**	28,062	**-**	-
Adjusted EBITDA[1]	**38,881**	33,517	**90,842**	76,330
Adjusted EBITDA Margin[1]	**27.5%**	29.6%	**24.8%**	26.0%
Profit before tax	**24,745**	18,022	**51,927**	32,927
Net profit	**16,192**	11,944	**34,608**	21,563
Profit per share	**$0.44**	$0.32	**$0.93**	$0.58
Cash flow from operating activities before working capital adjustments	**37,951**	33,327	**89,319**	75,944
Cash flow from operating activities before working capital adjustments per share	**$1.02**	$0.90	**$2.41**	$2.05
Dividends paid	**4,044**	3,673	**11,390**	10,574
Total shares outstanding (end of period)	**37,100,681**	37,100,681	**37,100,681**	37,100,681

[1] See Page 12 and Page 13 "Non-IFRS Financial Measures" and "Key Financial Metrics" for additional detail on the definition and calculation of Adjusted EBITDA, Adjusted EBITDA Margin and Revenue per truck per month.

Overview

2017 Third Quarter Financial and Operational Highlights

- Badger generated third quarter Adjusted EBITDA of $38.9 million compared to $33.5 million in the prior year. Improvements in Adjusted EBITDA were driven by revenue growth, higher hydrovac utilization and expense management.
    - Revenue in the third quarter of 2017 of $141.3 million was $28.1 million or 24.8% higher compared to $113.2 million in the prior year comparative quarter.
    - In Canada, revenue was $42.6 million in the third quarter of 2017, 11.4% higher than the prior year comparative quarter with revenue of $38.3 million. In the US, revenue for the third quarter of 2017 was US$77.9 million, 36.2% higher than the prior year comparative quarter with revenue of US$57.2 million.
    - Revenue growth compared to the prior year comparative quarter for both the Canadian and US markets was due to higher activity across Badger's broad range of geographic and end use markets. Specifically, Badger saw improvements in infrastructure and construction related markets due to increased overall activity levels, continued growth in the adoption of hydrovac, and modest improvements in oil and gas markets. Higher revenues in the third quarter of 2017 compared to the prior year comparative quarter can also be attributed to seasonal construction activity. Badger's investment in its business development function, a key differentiator for Badger compared to its competitors, continues to generate positive benefits, with Badger realizing ongoing revenue growth as a result of increased market penetration and usage of hydrovac as a method of non-destructive excavation in both new and existing markets.
    - Average rates for hydrovac and related services for the third quarter of 2017 compared to the prior year comparative quarter were consistent to modestly higher across both the Canadian and US markets.
- RPT was $34,125 in the third quarter of 2017 compared to $28,062 in the prior year quarter. The year-over-year quarterly improvement in RPT was driven by a combination of revenue growth and improved fleet utilization. Optimization of the fleet is driven through Badger's broad network of local branches that allow the Company to transfer units to locations with stronger activity levels.
- Badger's third quarter 2017 results were not materially impacted by hurricane Harvey or Irma as incremental revenue associated with hurricane activity was largely offset by operational down-time in hurricane impacted areas. Badger was able to quickly respond to customer emergency response requirements, due in part, to Badger's extensive branch network, providing Badger with the ability to temporarily reallocate hydrovacs into the hurricane impacted areas to assist our customers with their clean-up and reconstruction efforts. Badger does not anticipate a material impact to future period results as a result of the hurricanes.
- Adjusted EBITDA Margin for the third quarter of 2017 was 27.5% compared to 29.6% in the prior year quarter.
    - Adjusted EBITDA Margins continue to benefit from revenue growth, expense management initiatives and higher hydrovac utilization.
    - Adjusted EBITDA Margin in the third quarter of 2017 was impacted by higher general and administrative expenses as direct costs as a percentage of revenue were consistent with the prior year quarter.
- In the third quarter of 2017, Badger had 1,081 hydrovacs in operation compared to 1,056 during the second quarter of 2017. See "Outlook" and "Capital Resources" for additional details.
- Net profit for the third quarter of 2017 was $16.2 million or $0.44 per share compared to $11.9 million or $0.32 per share in the prior year quarter. Net profit was primarily impacted by the same items which affected Adjusted EBITDA as discussed above.

- Badger's total debt less cash and cash equivalents was $61.2 million at September 30, 2017, with a corresponding debt less cash and cash equivalents to trailing-twelve month's Adjusted EBITDA ratio of 0.5X. Badger continues to maintain a strong balance sheet, providing the flexibility to facilitate ongoing growth in the business.

Outlook

Badger anticipates that increased year-over-year activity realized in the second and third quarters will continue into the fourth quarter of 2017. The overall macro-economic environment in both Canada and the US is anticipated to be supportive of ongoing infrastructure, construction, and oil and gas activity levels for the remainder of 2017. In addition to increased levels of activity, Badger continues to see growth from increased usage of hydrovac for non-destructive excavation. Badger expects to see improvements in revenue as a result of investments in developing its branch network and its business development function. Due to the nature of construction operations, Badger does anticipate a seasonal slow-down in its northern markets due to winter weather, the exact nature and timing of this impact is variable and dependent on regional specific weather.

Continued growth in Badger's end-use markets and geographies throughout the second and third quarters has resulted in improved fleet utilization as evidenced by higher realized RPT. Based on existing and anticipated activity levels, Badger anticipates that its total hydrovac build for fiscal 2017 will be approximately 155 units. The retirement of hydrovacs for fiscal 2017 is anticipated to be in the range of 70 to 75 units, higher than the range provided in the second quarter of 2017 of 50 to 55 units. The increase in the number of anticipated retired hydrovacs is a result of management's ongoing assessment of the cost of repairing and maintaining a hydrovac versus retiring and replacing a unit.

2017 Investor Day

Badger is holding an Investor Day on Thursday, November 16, 2017 at the King Edward Hotel in Toronto. An update on Badger's operations, short and long-term growth opportunities and financial position will be presented. Badger's executive and operational leadership teams will be in attendance. The formal presentation will commence at 9:00 a.m. ET, a light breakfast and lunch will be served. Attendance in person for this event is by invitation as space is limited. The presentation will be webcast, and available on Badger's website www.badgerinc.com. To request an invitation, please e-mail your contact information to rsvpinvestorday@badgerinc.com.

Results of Operations

Revenues

Revenues of $141.3 million for the three months ended September 30, 2017 were 24.8% higher than the $113.2 million generated during the comparable period in 2016 ($366.4 million for the nine months ended September 30, 2017 as compared to $293.3 million during the same period of 2016). Consistent with the second quarter of 2017, Badger continues to see improved demand for hydrovac and related services across the majority of its operating regions and end-use markets. More specifically, the increase in the third quarter of 2017 over the same quarter of the prior year is attributable to the following:

- Revenue from the US operations increased by 36.2% to US$77.9 million in the third quarter of 2017 from US$57.2 million in the third quarter of 2016. Revenue growth in the third quarter was achieved by continued growth with Badger's existing customer base, expanding the business into new markets, the positive benefit of recovery in oil and gas producing regions, and consistent to modestly higher average hydrovac rates. US denominated revenue converted to Canadian dollars was $98.7 million in the third quarter of 2017 compared to $74.9 million in the prior year quarter, a 31.7% increase. The average foreign currency rate for the third quarter of 2017 was CDN$1.25 to US$1.00 compared to CDN$1.31 to US$1.00 in the prior year quarter.

- Canadian revenue increased by 11.4% to $42.6 million in the third quarter of 2017 compared to $38.3 million in the prior year comparative quarter. The increase in revenue was due to continued improvements in customer demand for hydrovac services, primarily in Western Canada. Consistent with the second quarter of 2017, Badger continues to see modest improvements in demand in oil and gas producing regions, in addition to general improvements in demand amongst non-oil and gas customers in Western Canada. Revenue in Badger's Eastern Canadian operations for the third quarter of 2017 was modestly higher than the prior year comparative quarter.
- Eastern Canada continues to be a competitive market, but recent changes to the regulatory environment implemented by the Ontario Ministry of Transportation related to the licensing of hydrovacs has helped to support modest improvements in pricing. Hydrovacs in Ontario were required to be licensed for on-road use as of July 1, 2017. Accordingly, hydrovacs are now subject to commercial vehicle regulations which includes weight restrictions. Competitor hydrovac companies operating large heavy units will be required to transport smaller loads in order to comply with these weight restrictions. Smaller loads may result in higher operating costs which may incentivize competitors to increase prices in order to maintain profitability and sales margins.
- Other services revenue for the third quarter of 2017 was $11.6 million compared to $9.4 million in the prior year quarter. The increase in other revenue for the third quarter was due primarily to higher general activity levels, particulary in the US operations.
- Truck placement revenue of $0.2 million in the third quarter of 2017 represents fees paid by franchisees for new hydrovacs received and put into service by the franchisees during the respective quarter. Truck placement revenue will vary on a quarter-over-quarter basis due to the variability in timing of when a franchise may require a new hydrovac.

Badger's RPT during the third quarter of 2017 was $34,125 compared to $28,062 in the comparative quarter period. Consistent with the second quarter of 2017, revenue per truck continues to increase as a result of a combination of higher overall revenues and the ongoing optimization of Badger's fleet. Badger continues to assess its fleet on an ongoing basis in order to optimize operating performance and to respond to regional customer needs. Badger is uniquely positioned to be able to respond to customer service requirements due to its large hydrovac fleet and extensive branch network.

RPT is a mixed currency measure, for additional information, refer to the definition of this measure under the "Key Financial Metrics" section.

Direct Costs

Direct costs for the third quarter of 2017, were $96.0 million compared to direct costs of $76.5 million in the third quarter of 2016. On a dollar basis, the increase in direct costs was directly attributable to higher revenues and increased customer demand. As a percentage of revenue, direct costs were consistent with the prior year quarter. Direct costs as a percentage of revenue were 68.0% in the third quarter of 2017 compared to 67.6% in the third quarter of 2016. Direct costs in the third quarter of 2017 were impacted by modestly higher repairs and maintenance expense and compensation related expense, the impact of which was largely offset by the benefit of improved asset utilization. Direct costs for the nine months ended September 30, 2017 were 71.2% compared to 70.2% in the prior year comparative period. Badger continues to manage its overall costs through active expense management and fleet utilization, the impact of which has offset higher costs due to general inflation as well as costs attributable to growth in Badger's overall business such as recruitment, business development, fleet, and health and safety activities.

Included in direct costs is bad debt expense. Bad debt expense was $0.7 million in the third quarter of 2017 compared to $0.9 million in the third quarter of 2016. For the nine months ended September 30, 2017, bad debt expense was $1.9 million, or 0.5% of revenue. As a percentage of revenue, bad debt expense for the nine months ended September 30, 2017 is consistent with Badger's historical average.

Gross Profit

Gross profit for the third quarter of 2017 was $45.3 million compared to $36.7 million in the prior year quarter. Gross profit margin was 32.0% for the third quarter of 2017, compared to 32.4% for the third quarter of 2016 (28.8% for the nine months ended September 30, 2017 and 29.8% in the same period of 2016).

Gross profit margin for the Canadian operations was 28.1% in the third quarter of 2017 compared to 29.5% in the third quarter of 2016, with gross profit margin in the US operations of 33.7% in the third quarter of 2017 compared to 33.9% in the third quarter of 2016. Gross profit margins in Canada and the US were driven primarily by a combination of changes in end-use market and regional sales mix and modestly higher direct costs as a percentage of revenue. Average hydrovac rates for the third quarter of 2017 compared to the prior year comparative quarter were consistent to modestly higher across both the Canadian and US markets. Gross profit margin in both Canada and the US benefitted from the positive trends in RPT. Typically a higher RPT will result in higher average margins as less direct fixed costs as a percentage of revenue are required to support the incremental revenue in the business.

General and Administrative Expenses

General and administrative expenses for the third quarter of 2017 were $6.4 million compared to $3.2 million in the prior year quarter. As a percentage of revenue, general and administrative expenses were 4.5% in the third quarter of 2017 (4.0% for the nine months ended September 30, 2017) compared to 2.8% in the comparative period quarter (3.7% for the nine months ended September 30, 2016). The increase in general and administrative expenses compared to the prior year quarter is due primarily to higher short-term incentive plan costs, additional salary and benefits due to higher headcount and professional costs associated with general corporate activities and ongoing strategic initiatives. In addition, the prior year comparative expenses included a recovery of US health benefit premiums. The increase in short-term incentive plan costs in the current year quarter is due to Badger's strong year-to-date financial performance combined with additional headcount. The increase in headcount is the result of Badger's ongoing investment in additional management and administrative resources to facilitate Badger's current and future growth objectives. Higher professional fees relate to consulting costs to support several key strategic initiatives, including evaluating Badger's technology and business support applications and enhanced corporate and investor communications. Badger's target for general and administrative expenses on a long-term annualized basis remains at four percent of revenue.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $11.2 million for the third quarter of 2017, compared to $10.6 million in the third quarter of 2016 ($33.5 million for the nine months ended September 30, 2017 and $32.5 million for the same period of 2016). The increase in depreciation expense is the result of additional hydrovacs put into service throughout 2017. For the nine months ended September 30, 2017 Badger put 57 incremental hydrovacs into service.

Share-based Compensation Expense

Share-based compensation expense was $0.8 million in the third quarter of 2017 compared to an expense of $3.5 million in the same quarter of 2016. Stock-based compensation expense will fluctuate based on the effects of the current period movement in Badger's share price combined with the impact of normal course vesting of previously issued long-term incentive plan grants.

Gain or Loss on Sale of Property, Plant and Equipment

Loss on the sale of property, plant and equipment for the nine months ended September 30, 2017 was $0.1 million as the residual value of units retired and disposed of was modestly in excess of the proceeds on disposal. In the same period of 2016, there was a $2.4 million loss on sale of property, plant and equipment resulting from disposing of sixteen vehicles with a particular engine that proved to be unreliable. The loss on these sixteen vehicles was recognized in the first quarter of 2016. Badger does not sell retired or operational hydrovacs, but does dispose of bare chassis from retired units.

Finance Cost

Finance cost was $1.7 million in the third quarter of 2017 compared to $1.3 million in the comparable period in 2016. The increase was due to costs associated with the extension of the syndicated revolving credit facility on August 11, 2017, as disclosed in Badger's 2017 second quarter earnings release.

There is currently no balance drawn on the syndicated revolving credit facility. Consistent with the second quarter of 2017, Badger's only material debt obligation, excluding normal course operating leases, is Badger's US$75.0 million senior secured notes which are fully described in Badger's 2017 third quarter unaudited interim consolidated financial statements.

Income Tax

The provision for total income taxes in the third quarter of 2017 was $8.6 million compared to $6.1 million in the comparative period quarter, resulting in an effective tax rate for the third quarter of 2017 of 34.6% compared to 33.7% in the comparative period quarter. Current income tax expense in the third quarter of 2017 was $8.6 million compared to $8.2 million in the prior year comparative quarter. Badger's total income tax expense and current income tax expense were impacted by higher taxable earnings, particularly in Badger's US operations.

Badger's US current income taxes continue to benefit from the accelerated depreciation of capital pools in accordance with US income tax legislation, commonly referred to as bonus depreciation. The benefit of the bonus depreciation provision is currently scheduled to be phased out beginning in fiscal 2018, with an expiration of the bonus depreciation provisions in fiscal 2019. After expiration of the bonus depreciation provisions, capital cost deductions in the US will resume at standard depreciation rates. In addition to the benefit of the accelerated capital cost deduction, Badger continues to send a high proportion of its manufactured hydrovac units to its US operations, increasing the total capital eligible for capital cost deductions in the US, which reduces near-term US current income taxes.

Compared to Canada, the US has historically been a higher corporate tax jurisdiction. Badger anticipates that in the absence of changes to existing corporate tax rates in Canada or the US, Badger's current income tax rate and related current tax expense will trend towards statutory rates in both tax jurisdictions with a more pronounced impact in the US due to the current benefit of accelerated depreciation of capital pools as noted above.

Badger is currently monitoring proposed changes to US corporate tax legislation which may impact Badger's US income taxes.

Net Profit

Net profit for the third quarter of 2017 was $16.2 million, a 35.6% increase over the prior year quarter. The increase in net profit is due primarily to strong revenue growth and improved asset utilization, offset in part, by higher share-based compensation expense and higher income taxes, all of which are fully described previously in this MD&A.

Other Comprehensive Income

Total other comprehensive income, which includes the effect of translating US operations and the offsetting translation of US dollar denominated senior secured notes that are designated as a hedge of the US operations, resulted in a net other comprehensive loss of $6.1 million in the third quarter of 2017, compared to a gain in other comprehensive income of $1.1 million in the third quarter of 2016. The loss in the third quarter is the result of the US dollar weakening relative to the Canadian dollar between the end of the second quarter of 2017 and the end of the third quarter of 2017. Other comprehensive income has no impact on Badger's cash flow from operations or Adjusted EBITDA.

Liquidity and Dividends

Cash flow from operating activities for the third quarter of 2017 was $16.6 million, consistent with the prior year quarter of $16.2 million. Cash flow from operating activities was impacted by higher net earnings offset by higher current taxes. Cash flow from operating activities before non-cash working capital adjustments was $38.0 million in the third quarter of 2017 compared to $33.3 million in the prior year comparative quarter. The increase in cash flow from operating activities before non-cash working capital adjustments is due to higher net earnings and consequently higher Adjusted EBITDA in the current year quarter.

Working capital is a normal course component of Badger's business. Changes in working capital levels may result from increasing or decreasing revenue or the timing of working capital changes due to seasonality in Badger's operations. Badger had working capital of $109.4 million at September 30, 2017, compared to $110.5 million at June 30, 2017, and $121.1 million at December 31, 2016. Working capital during the third quarter of 2017 compared to the second quarter of 2017 and to December 31, 2016, was impacted by the growth in revenue, offset by higher trade and other payables as a result of increased operational and hydrovac build activity levels.

The largest component of Badger's working capital is trade and other receivables. Trade and other receivables totaled $127.5 million at September 30, 2017, compared to $109.6 million at June 30, 2017, and $92.5 million at December 31, 2016. Included in total trade and other receivables at September 30, 2017, was $2.1 million in accrued revenue, compared to $8.6 million at June 30, 2017, and $2.6 million at December 31, 2016. Accrued revenue is recognized only when it meets the requirements of Badger's revenue recognition policy. The reduction in the accrual for the third quarter of 2017 compared to the second quarter of 2017 is due to invoice processing and administrative improvements.

As at September 30, 2017, 89% of Badger's trade receivables were aged 90 days or less which is consistent with the ageing at June 30, 2017 (87% aged 90 days or less) and at December 31, 2016 (85% aged 90 days or less).

The Company utilizes cash to pay dividends to shareholders, to build additional hydrovacs units, to fund day-to-day operations, and for general corporate purposes.

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 maintain a credit rating.

Capital Resources

Investing

Badger invested $21.2 million on property, plant and equipment for the three months ended September 30, 2017, compared to $5.5 million for the three months ended September 30, 2016. The majority of capital expenditures for the third quarter of 2017 related to the production of hydrovacs and the purchase of chassis in advance of future hydrovac production requirements. Chassis purchases are included with work-in-progress in the summary of capital expenditures below. For the three months ended September 30, 2017, Badger completed 47 hydrovacs, compared to 20 hydrovacs in the third quarter of 2016. For the nine months ended September 30, 2017, Badger has manufactured 111 hydrovacs, compared to 45 hydrovacs in the prior year comparative period.

Badger anticipates that its total hydrovac build for fiscal 2017 will be approximately 155 units. The current forecasted hydrovac build for fiscal 2017 is consistent with management's previously provided estimate of 100 to 160 units. Management guided towards the high end of the range in Badger's 2017 second quarter earnings release. The retirement of hydrovacs for fiscal 2017 is anticipated to be in the range of 70 to 75 units, higher than the range provided in the second quarter of 2017 of 50 to 55 units. The increase in the number of anticipated retired hydrovacs is a result of management's ongoing assessment of repairing and maintaining a hydrovac versus retiring and replacing a unit.

($ thousands)	**Three Months Ended September 30,**		**Nine months ended September 30,**	
Capital expenditures	**2017**	**2016**	**2017**	**2016**
Hydrovac trucks and work-in-progress	**18,539**	4,281	**54,273**	13,259
Other vehicles and trailers	**1,660**	729	**5,947**	3,561
Buildings	**791**	30	**817**	30
Other	**238**	492	**838**	646
Total capital expenditures	**21,228**	5,532	**61,875**	17,496

The cost to build a hydrovac is likely to fluctuate on an annual basis due to factors such as: number of hydrovac units built in the Red Deer manufacturing facility; the cost of chassis; labour and materials; and, the impact of foreign currency rates as many materials are denominated or otherwise influenced by foreign currency exchange rates. Badger will update its 2017 average manufactured hydrovac costs as part of its annual disclosure documents.

The average cost to manufacture is a pure manufacturing cost and does not include certain costs required to put the hydrovac into service. Finished hydrovacs, and the related total cost included in capital expenditures, includes the cost to manufacture, as noted above, plus additional non-refundable sales taxes, excise taxes and costs to place the unit in service such as shipping.

Work-in-progress includes hydrovacs currently being manufactured and chassis that will be used in future hydrovac builds. Badger will typically purchase chassis in advance of hydrovac builds due to the delay between ordering and receiving chassis.

Financing

Syndicated credit facility

Badger has established a syndicated revolving credit facility (the "credit facility") with a syndicate of three lenders. The credit facility, which is $143.6 million in aggregate Canadian dollars, consists of a $50 million Canadian tranche and a US$75 million ($93.6 million Canadian dollar equivalent) US denominated tranche, providing Badger with the administrative flexibility to borrow in both Canada and the United States. The credit facility, which is a four year term, matures on August 11, 2021. Badger has the flexibility to expand the credit facility with approval of the syndicate by an additional $100 million.

Badger maintains the credit facility for general liquidity management, general corporate purposes and to finance Badger's capital expenditure program. The credit facility bears interest, at the Company'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 tiers range 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 Bank EBITDA ratio. Stand-by fees are expensed as incurred.

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

As at September 30, 2017, the Company has issued letters of credit of $3.3 million. The outstanding letters of credit support the US insurance program and certain performance bonds and reduce the amount available under the syndicated credit facility.

At September 30, 2017, the Company had available $140.3 million (December 31, 2016 - $121.3 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 credit facility, have a principal amount of US$75.0 million ($93.6 million Canadian equivalent at September 30, 2017) and an interest rate of 4.83% per annum and mature on January 24, 2022. The Canadian dollar equivalent on January 24, 2014 was $82.9 million. Amortizing principal repayments of US$25.0 million are due under the notes on January 24, 2020, January 24, 2021 and January 24, 2022. Interest is paid semi-annually in arrears.

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

Under the terms of the credit facility and the senior secured notes, the Company must comply with certain financial and non-financial covenants, as defined by the respective agreements. Throughout 2017, and as at September 30, 2017, the Company was in compliance with all of these covenants. A complete listing and definition of the debt covenants is found in the Company's annual consolidated financial statements for the year ended December 31, 2016. A description of the compliance with covenants is included in the liquidity and dividends section.

Share Capital

Common shares outstanding at September 30, 2017 and November 10, 2017 were 37,100,681.

Selected Quarterly Financial Information

($ thousands, except per share amounts)	**2017**			**2016**				**2015**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	**141,285**	123,351	101,811	110,896	113,167	91,981	88,157	101,064
Net profit	**16,192**	14,718	3,698	7,349	11,944	5,951	3,668	20,486
Net profit per share – basic and diluted ($)	**0.44**	0.40	0.10	0.20	0.32	0.16	0.10	0.55

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 outlook, 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 in this MD&A include, but are not limited to the following:

- Badger anticipates that increased year-over-year activity realized in the second and third quarters will continue into the fourth quarter of 2017. The overall macro-economic environment in both Canada and the US is anticipated to be supportive of ongoing infrastructure, construction, and oil and gas activity levels for the remainder of 2017;
- In addition to increased levels of activity, Badger continues to see growth from increased usage of hydrovac for non-destructive excavation;

- Badger expects to see improvements in revenue as a result of investments in developing its branch network and business development function;
- Badger anticipates that the number of new hydrovac builds for 2017 will be approximately 155 units and that hydrovac retirements for 2017 will be in the range of 70 to 75 units;
- Badger's target for general and administrative expenses on a long-term annualized basis remains at four percent of revenue; and
- The cost to build a Hydrovac may fluctuate due to production volume in the Red Deer manufacturing facility, cost of labour and materials and foreign currency as many materials are denominated or otherwise influenced by exchange rates.

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

- Badger has the ability to achieve its revenue, net profit and cash flow forecasts for 2017;
- There will be long-term demand for hydrovac services from infrastructure, construction, and oil and gas activity in North America;
- Badger will maintain relationships with current customers and develop successful relationships with new customers;
- Badger will collect customer payments in a timely manner;
- Badger will be able to compete effectively for the demand for its services;
- There will not be significant changes in profit margins due to pricing changes driven by market conditions, competition, regulatory factors or unforeseen factors;
- 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 including attracting and retaining key personnel; and
- Badger will obtain all labour, parts and supplies necessary to complete the planned hydrovac build at the costs expected.

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 companies or entities. These financial measures are identified and defined below:

"Adjusted EBITDA" is earnings before interest, taxes, depreciation and amortization, share-based compensation, gains and losses on sale of property, plant and equipment, and gains and losses on foreign exchange. Adjusted EBITDA is a measure of the Company's operating profitability and is therefore useful to management and investors as it provides improved continuity with respect to the comparison of our operating results over time. Adjusted EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, the results are taxed in various jurisdictions, and assets are amortized. In addition, Adjusted EBITDA excludes gains and losses on sale of property, plant and equipment as these gains and losses are considered incidental and secondary to the principal business activities, it excludes gains and losses on foreign exchange as such gains and losses can vary significantly based on factors beyond our control and it excludes share-based compensation as these expenses can vary significantly with changes in the price of our common shares.

Adjusted EBITDA is calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
Adjusted EBITDA	**2017**	**2016**	**2017**	**2016**
Net profit	**16,192**	11,944	**34,608**	21,563
Add:				
Depreciation of property, plant and equipment	**11,240**	10,648	**33,515**	32,457
Share-based compensation expense	**797**	3,454	**381**	4,593
(Gain) loss on sale of property, plant and equipment	**94**	(17)	**55**	2,375
Finance cost	**1,692**	1,317	**4,269**	3,943
Foreign exchange loss	**313**	93	**695**	35
Tax expense (recovery)	**8,553**	6,078	**17,319**	11,364
Adjusted EBITDA	**38,881**	33,517	**90,842**	76,330

Adjusted EBITDA is more directly calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
Adjusted EBITDA	**2017**	**2016**	**2017**	**2016**
Revenue	**141,285**	113,167	**366,447**	293,306
Less:				
Direct costs	**96,035**	76,481	**260,944**	205,991
General and administrative expense	**6,369**	3,169	**14,661**	10,985
Adjusted EBITDA	**38,881**	33,517	**90,842**	76,330

"Adjusted EBITDA Margin" is Adjusted EBITDA as defined above, expressed as a percentage of revenues.

Key Financial Metrics

"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 foreign currency revenues into a Canadian dollar equivalent, dividing the total mixed currency hydrovac revenue for the period by the number of hydrovacs in service throughout the period, and further dividing by the number of months in the period.

Revenue per truck per month – quarterly average ($)	2017			2016				2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total	**34,125**	29,141	24,747	27,023	28,062	23,038	21,105	25,197

Fleet Summary

	2017			2016				2015
Number of Hydrovacs	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Canada	**361**	353	343	356	353	358	361	364
US	**720**	703	688	668	675	661	651	654
Total	**1,081**	1,056	1,031	1,024	1,028	1,019	1,012	1,018

Marketing and Franchise Agreements

Number of Marketing and Franchise Agreements	2017			2016				2015
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Canada	**10**(3)	11(1)	12	12	12	12	12	13
US	**3**	3(2)	4	4	5	5	5	5
Total	**13**	14	16	16	17	17	17	18

(1) Badger purchased the assets of one operating partner due to the retirement of the owner.

(2) Expiration and non-renewal of one US-based Franchise agreement.

(3) Badger purchased the assets of one operating partner to facilitate the operating partner's exit from the business.

Foreign Exchange Rates

Foreign exchange rates are an important factor that affects the results of Badger's operations.

	2017			2016				2015
1 USD:CAD	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Quarterly average	**1.2528**	1.3457	1.3229	1.3340	1.3051	1.2885	1.3748	1.3354
Period end	**1.2480**	1.2977	1.3323	1.3426	1.3116	1.3009	1.2970	1.3847

Changes in Accounting Policies

There were no new accounting standards that were adopted in the third quarter of 2017.

Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Committee (IFRIC). The affected standards applicable to Badger are as follows:

IFRS 9 – *Financial Instruments*

The International Accounting Standards Board issued IFRS 9 – *Financial Instruments* that introduces new requirements for classifying and measuring financial instruments. The standard is effective for fiscal years beginning on or after January 1, 2018. Badger intends to adopt the new standard on the effective date and is currently assessing the effect that the new standard will have on its presentation and disclosure requirements, which is expected to be completed in the fourth quarter of 2017.

IFRS 15 – *Revenue from Contracts with Customers*

The International Accounting Standards Board issued IFRS 15 – *Revenue from Contracts with Customers* to replace the existing revenue recognition standards. The new standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard is effective for fiscal years beginning on or after January 1, 2018. Badger intends to adopt the new standard on the effective date and is currently assessing the effect that the new standard will have on its presentation and disclosure requirements, which is expected to be completed in the fourth quarter of 2017.

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.

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. Badger uses the the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of Badger's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes to Badger's internal control over financial reporting in the third quarter of 2017.

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.

Description of Business

Badger is North America's largest provider of non-destructive excavating services. Badger traditionally works for contractors and facility owners in a broad range of infrastructure industries. The Company'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 Badger Corporate operations and via operating partners (franchisees in the United States and agents in Canada). For the first method, Badger has established corporate run operations in locations to market and deliver the service in the local area directly. For the second method, Badger Corporate works with its operating partners in certain locations to provide Hydrovac services 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. Badger continues to own the trucks and all work is invoiced by Badger and then shared with the operating partner based upon a revenue sharing formula. In the earlier phase of its growth and development Badger frequently used operating partners to expand its business into new markets. Badger's operating partners remain an important part of Badger's operations, however, Badger now pursues expansion into new geographic areas mainly through Badger Corporate operations.

Business Risks

See Badger's 2016 Annual Information Form for a summary of business risks.