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, 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 has been prepared taking into consideration information available to May 11, 2017.

FINANCIAL HIGHLIGHTS

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

	Three months ended March 31,	
	2017	**2016**
Revenue		
Hydrovac service revenue	92,490	79,457
Other service revenue	9,201	8,700
Truck placement revenue	120	-
Total revenue	**101,811**	**88,157**
Adjusted EBITDA	19,856	19,592
Profit before tax	5,531	5,127
Net profit	3,698	3,668
Profit per share – diluted ($)	0.10	0.10
Cash flow from operating activities before changes in working capital	19,697	19,474
Cash flow from operating activities before changes in working capital per share – diluted ($)	0.53	0.52
Dividends declared	3,673	3,339
Total shares outstanding (end of period)	37,100,681	37,100,681

OVERVIEW

Key highlights for the three months ended March 31, 2017:

- Q1 2017 revenue of $101.8 million, up 15.5 percent from 2016.
- Q1 2017 revenue growth in the US was 23.4 percent before conversion to Canadian dollars, and Canada was 9.5 percent.
- Continued growth in non-oil and gas regions. Revenue improvement in oil and gas regions for both Canada and the US.
- Q1 2017 Adjusted EBITDA was $19.9 million vs $19.6 million in the prior year. Adjusted EBITDA margin declined to 19.5 percent from 22.2 percent in the prior year due to higher direct operating costs.
- Cash flow from operations increased to $17.8 million from $16.2 million. Net profit was comparable between periods while reduced working capital requirements provided increased cash flow from operations.
- Badger had 1,031 daylighting units at the end of the first quarter of 2017, reflecting an addition of 23 units and the retirement of 16 units in that period. Of this total, 688 were included in the US fleet and 343 were included in Canada. The new units were financed from cash generated from operations.

MANAGEMENT COMMENTS

In our 2017 Outlook we stated that Badger would pursue continued growth in our non-oil and gas markets and that we were well positioned for any recovery in oil and gas markets. In the first quarter we continued to demonstrate strong revenue growth from our strategy to diversify away from oil and gas markets, as well as realized an increase in revenue from oil and gas markets.

1. Hydrovac service revenue has increased 16.4 percent to $92.5 million in the first quarter of 2017 from $79.5 million in the same period of 2016. Total revenue in Canada has increased 9.5 percent while total revenue in the US (in US dollars) has increased 23.4 percent.
2. While year over year revenue growth continued to be strong, direct costs increased as a percent of revenue leading to a decline in gross margins in the quarter.
3. In particular, higher hourly wages and benefits, repair and maintenance and fuel expenses mostly offset the benefit of higher revenues in the quarter. The run rate of these costs were higher in the early part of the quarter, improving as the quarter progressed. Badger exited the quarter with these expenses in a similar run rate to last year's rates as a percent of revenue.
4. We saw welcome year on year improvement in our oil and gas driven geographies during the first quarter of 2017. While market opportunity is growing, we continue to see rate pressure in these regions driven by lower hydrovac industry utilization.
5. The US non-oil and gas market continued with strong revenue growth in the quarter. Direct cost increases offset a portion of the benefit of revenue growth, with the cost of training new Badger operators, repair and maintenance and higher fuel costs being the leading factors. Badger has continued to grow regionally, and as a result has recruited and trained many new operators within a competitive US market for commercial (CDL) licensed drivers. The Company has also recruited and trained a number of managers that are new to the hydrovac business. Badger estimates that there is approximately an 18 month experience curve for new managers, during which they progress in mastering all aspects of local operations including human resources, sales, scheduling, fleet, operating expense management and collections. Expense management improves with management tenure, and Badger expects that this pattern of improving expense management with tenure will continue into the future.
6. Eastern Canada Q1 2017 revenues were lower than the previous year. The Eastern Canada market continues to be very competitive and rate pressures have resulted in Badger passing on some business at low profitability. Q1 margins improved from prior year, driven by lower direct operating costs and lower direct

wage costs in particular. We are also initiating operations management changes to reduce the expense structure. Specific initiatives are targeted at optimizing the operating location network, dispatch/scheduling, and administration costs. We expect the Eastern Canada market will continue to be competitive, and we are positioning the region to be as efficient as possible.

7. Badger continues to execute on its strategies to build its organizational capabilities including reducing operator and area manager turnover, increasing operations efficiencies, driving sales growth, and improving on our business processes and practices. Senior positions filled so far in 2017 include:
    a. VP Human Resources: Tracey Wallace will join Badger in June 2017. Tracey has 28 years in HR, and has served as head of HR at large North American businesses.
    b. VP Business Development: Tim Reiber has accepted the role as VP Business Development. Tim was most recently VP of Operations, Western US for Badger, and has 5 years of experience with Badger and 23 years of experience in senior sales and operations roles.
    c. VP Canada Operations: Wade Wilson joined Badger in January 2017 and has assumed the role of VP responsible for all Canadian Operations. Wade has 38 years' experience as an operator in fleet-based service businesses. Wade will focus on improving the operational effectiveness and efficiencies of Badger's Canadian operations which is important given the level of competition across the Canadian market.
    d. VP US Central Region: Mike Tunney also joined Badger in January 2017 as VP of US Central Region. Mike has 38 years operations experience with fleet based service and transportation businesses.
    e. VP US Pacific Region: Kevin Carnahan joined Badger in April as VP Pacific. Kevin has 25 years of senior operations and sales experience in fleet-based industrial services.
8. Revenue per truck (RPT) in the first quarter of 2017 has improved compared to the first quarter of 2016 with the increase in revenue and ongoing efforts by the operations team to relocate Badgers to markets with higher opportunity. During the quarter, Badger relocated 47 units. RPT was at $24,747 through the first quarter of 2017, a 17.2 percent increase from $21,105 in the first quarter of 2016. RPT in Canada is higher than that in the US. Further increases in RPT and improved utilization in general will result in the need to increase the build rate of Badger units.
9. Badger is increasing the annual build rate to be between 100 and 160 units, versus the range of 70 to 100 provided with our 2016 Annual Report. Badger continues to expect to retire 40 to 50 trucks in 2017. To date Badger has removed 16 trucks from the fleet in 2017.
10. Badger's balance sheet continues to be strong and capable of supporting the increase in investment in new Badger units. Total debt less cash and cash equivalents is $41.0 million. Nothing is drawn on its $125 million syndicated revolving credit facility and the ratio of total debt less cash and cash equivalents to Adjusted EBITDA is 0.39. Badger has the capacity to build more trucks when needed.

Badger manages its business for long term growth and success. In the first quarter of 2017 Badger continued to focus on growth, significantly strengthened its organization, increasing the focus on human resources, business development, operations management and on maintaining a strong balance sheet

OUTLOOK

Badger continues to drive growth across a broad range of Infrastructure related markets. Additionally, with this quarter, there is growing evidence that the oil and gas regions are stabilizing and beginning to grow.

The Company has gone through a significant period of adjusting its operations across its regions, focusing on end use market segments that provide opportunity for continued growth. The operations team has focused on improving Badger utilization, relocating equipment from markets with lower opportunity to those with growing opportunity. RPT improvements reflect these efforts, and growing RPT is driving an increase in the Badger build rate.

As always, the key to any strategy is in execution. We are frustrated that higher direct operations costs in early Q1 offset the earnings benefits of revenue growth. The team is focused on efficient operations and improving margins by managing both rates and expenses. Longer term, the Company is adding the management resources to drive the strategy of doubling the US business in 3-5 years and adding 10-15 percent growth in Canada; at attractive Adjusted EBITDA margins.

Results of Operations

Revenues

First quarter revenues of $101.8 million for the three months ended March 31, 2017 were 15.5 percent higher than the $88.2 million generated during the comparable period in 2016. The increase is attributable to the following:

- Canadian revenue increased by 9.5 percent from $31.2 million in the first quarter of 2016 to $34.1 million in the first quarter of 2017 with an increase in Western Canadian revenues offsetting a decline in Eastern Canadian revenue.
- United States revenue in US dollars increased by 23.4 percent from $41.4 million in the first quarter of 2016 to $51.2 million in the current quarter of 2017. Year over year increase in oil and gas producing regions added to the continued growth experienced in non-oil and gas regions. The Canadian dollar was relatively stronger in the first quarter of 2017 as compared to the first quarter of 2016. The above noted 23.4 percent increase in USD denominated revenue translated to an 18.8 percent increase in United States revenue as reported in Canadian dollars, from $57.0 million in the first quarter of 2016, to $67.7 million in the first quarter of 2017.

Badger's average revenue per truck per month during the three months ended March 31, 2017 was $24,747 versus $21,105 for the three months ended March 31, 2016. While the first quarter RPT is $2,276 lower than fourth quarter 2016, this is consistent with the seasonality experienced since the decline in the oil and gas market. RPT and revenue in general is seasonally influenced, with lower levels of construction activity through the winter in northern regions and lower levels of industrial activity in oil and gas regions during spring thaw where wet conditions create weight restrictions on roads. The increase in revenue per truck along with forecast for demand for new Badgers as we enter construction season has caused management to review production plans and increase our forecasted build rate for the year. Revenue per truck is a mixed currency measure, for more information see the definition of this measure under the Non-IFRS Financial Measures section.

Direct Costs

Direct costs for the quarter ended March 31, 2017 were $78.2 million as compared to total direct costs of $64.6 million in the first quarter of 2016. Direct costs as a percent of revenue were 76.8 percent in the first quarter of 2017 as compared to 73.3 percent in the same period of the prior year.

Direct cost as a percent of revenue was higher due to increased wage expense, increased fuel and repair and maintenance. In addition, direct costs as a percent of revenue was also higher due to rate pressure in certain markets.

The largest component of direct cost is wages and benefits. Badgers had higher wage costs across the US, particularly in areas where local management was new. In addition, the increase in staffing required, in particular growth markets, caused increased expense in training and overtime to get new staff fully operational. Badger has a number of initiatives to attract and retain operating staff and is focusing on better managing this cost.

Badger incurred higher average fuel cost in the first quarter of 2017 as compared to 2016 across North America, and particularly in Western Canada.

Repair and maintenance was also higher as a percent of revenue as the slower months early in the quarter was an opportunity to perform maintenance.

Overall, across Western Canada, costs are being managed well although there are opportunities to improve. Eastern Canada provided cost improvements, particularly in labour. Across the US, there continues to be an operating focus on labour cost and labour utilization.

Gross Profit

The gross profit margin was 23.2 percent for the quarter ended March 31, 2017, down from 26.7 percent for the quarter ended March 31, 2016. Canada had a gross profit margin of 19.9 percent in the first quarter of 2017 as compared to 20.7 percent in the first quarter of 2016. The decline is largely due to the increased cost of fuel as well as overall rate pressure in Western Canada. United States gross profit margin was 24.9 percent in the first quarter of 2017 compared to 30.0 percent in the first quarter of 2016. Wages and labour utilization, fuel and repair and maintenance were all factors leading to the first quarter decrease in gross profit margin from the US.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $10.9 million for the three months ended March 31, 2017, $0.4 million lower than the $11.3 million incurred for the three months ended March 31, 2016 as a lower exchange rate on the conversion of US depreciation expense reduced the expense at a consolidated level and depreciation was reduced in Canada on reduced fleet.

General and Administrative Expenses

General and administrative expenses decreased from $3.9 million in the first quarter of 2016 to $3.8 million in the first quarter of 2017. Higher wages and increased recruiting fees to add senior management to support the growing revenue base in the US were offset by reduced professional and consulting fees. As a percentage of revenues, general and administrative expenses were 3.7 percent in the first quarter of 2017 as compared to 4.5 percent in the first quarter of 2016. Badger's target for general and administrative expenses is 4 percent.

Loss (gain) on Sale of Property, Plant and Equipment

There was a loss on disposal of property, plant and equipment of $2.2 million that was recognized in the first quarter of 2016, the majority of which was the result of disposing of sixteen vehicles with a particular engine that had proven to be unreliable. Badger incurred no such loss in Q1, 2017.

Finance Cost

Finance cost was comparable at $1.3 million in both the first quarter of 2017 and 2016. Finance costs were comparable between periods as they were incurred on senior secured notes in both periods, and there was no balance drawn on the syndicated revolving credit facility at any time in either of those periods.

Income Taxes

The effective tax rate for the first quarter of 2017 was 33.1 percent, or 4.6 percent higher than the effective tax rate of 28.5 percent in the first quarter of 2016. The increased tax rate is primarily due to higher pre-tax income in the US in the first quarter of 2017 compared to the first quarter of 2016 as well as a reduced transfer pricing benefit realized on the transfer of hydrovacs to the US.

Net Profit

Net profit for the period was comparable between the first quarter of 2017 and the first quarter of 2016 at $3.7 million in both periods.

Other Comprehensive Income

The company incurred an exchange loss on translation of the US operations of $1.8 million as compared to an exchange loss of $14.5 million in the same period in 2016. This loss results from the conversion of the United States subsidiaries financial statements into Canadian dollars, as the US dollar weakened relative to the Canadian dollar from December 31, 2016 to March 31, 2017. The US dollar denominated senior secured note is a hedge of the net investment in the US operations, and accordingly, offset the loss on translation with the gain on the translation of the US dollar senior secured notes. The gain on translation of the US senior secured note was $0.8 million (a gain of $6.6 million in 2016), for a net other comprehensive loss of $1.0 million (net other comprehensive loss of $7.9 million in 2016).

Liquidity and Dividends

Cash flow from operations increased to $17.8 million for the quarter ended March 31, 2017 from $16.2 million for the comparable period in 2016. Before non-cash working capital adjustments, cash flow from operations was comparable between periods at 19.7 million in the first quarter of 2017 and $19.5 million in the first quarter of 2016 as gross profit remained comparable between periods. 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 when possible.

The Company had working capital of $112.6 million at March 31, 2017 compared to $121.1 million at December 31, 2016.

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 $17.8 million on property, plant and equipment for the three months ended March 31, 2017 compared to $4.4 million for the three months ended March 31, 2016. The increase in investment is due ramping up production of Badger units at the Red Deer plant to accommodate increased demand for growth units.

(All amounts are $000's)	Three Months Ended March 31,	
Capital expenditures	**2017**	**2016**
Hydrovac trucks and related work in process	14,920	4,130
Other vehicles and trailers	2,480	192
Buildings	-	-
Other	386	102
Total Capital Expenditures	**17,786**	**4,424**

Badger has been able to largely re-hire skilled production staff to accommodate the increased Badger unit production. Being able to attract former employees back to the Red Deer plant has allowed Badger to efficiently increase production with little training time required for returning staff. As a result, the cost to build the units has not increased over costs incurred in 2016. As production increases, the cost to produce a unit is expected to decline through 2017.

Financing

Syndicated credit facility

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 Corporation's Funded Debt to "Bank EBITDA" ratio. Bank EBITDA is defined as earnings before interest, taxes, depreciation and amortization. The stand-by fee is expensed as incurred.

The credit facility expires on July 22, 2018.

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

Under the terms of the credit facility, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2017, and as at March 31, 2017, the Corporation was in compliance with all of these covenants. A complete listing and definition of the debt covenants is found in the Corporation's annual consolidated financial statements for the year ended December 31, 2016.

As at March 31, 2017, the Corporation has issued letters of credit of approximately $3.7 million. The outstanding letters of credit primarily support the US insurance program and certain performance bonds and reduce the amount available under the syndicated credit facility.

At March 31, 2017, the Corporation had available $121.3 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 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 2016, Badger recorded an unrealized foreign exchange gain of $0.8 million as compared to a gain of $6.6 million as a component of other comprehensive income as the senior secured notes were designated as a hedge of the net investment in its US operations. 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. A description of the compliance with covenants is included in the liquidity and dividends section.

SHARE CAPITAL

Shares outstanding at March 31, 2017 and May 11, 2017 were 37,100,681.

SELECTED QUARTERLY FINANCIAL INFORMATION

All amounts are $000's except Per Share amounts are $'s	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	101,811	110,896	113,167	91,981	88,157	101,064	111,431	90,435
Net profit	3,698	7,349	11,944	5,951	3,668	20,486	17,090	(10,533)
Net profit per share – basic and diluted	0.10	0.20	0.32	0.16	0.10	0.55	0.46	(0.28)

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:

- Overall activity and the economy remains relatively constant across its broad range of infrastructure-related markets;
- Areas associated with the oil and natural gas industry see the decline in investment by that industry and the decline in overall activity levels moderate;
- Badger can manage costs across its areas and sectors, and reallocate assets as required to areas which have strong economies to optimize fleet utilization;
- Badger can grow across its broad range of infrastructure-related markets;
- Badger, in 2017, can further develop the organization to position itself to be able to handle the planned future growth;
- It's business development efforts will provide Badger with the additional new customers necessary to grow the business in 2017 and the future;
- Badger's fleet is available to perform work in 2017 and truck replacements are not significantly more than planned;
- Badger targets Adjusted 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 2017;
- There will be a long-term demand for hydrovac services from oil refineries, petro-chemical plants, power plants and other large infrastructure and industrial facilities 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;
- 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:

"Adjusted EBITDA" is earnings before interest, taxes, depreciation and amortization, share-based compensation, gains and losses on sale of property, plant and equipment, gains and losses on foreign exchange, and a non-recurring legal provision. 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 March 31	
Adjusted EBITDA	**2017**	**2016**
Net profit	3,698	3,668
Add:		
Depreciation of property, plant and equipment	10,938	11,276
Share-based compensation expense	2,113	(348)
(Gain) loss on sale of property, plant and equipment	(34)	2,236
Finance cost	1,277	1,348
Foreign exchange gain	31	(47)
Tax expense	1,833	1,459
Adjusted EBITDA	**19,856**	**19,592**

Adjusted EBITDA is more directly calculated as follows:

	Three months ended March 31,	
Adjusted EBITDA	**2017**	**2016**
Gross profit	23,640	23,522
Less: General and administrative expense	3,784	3,930
Adjusted EBITDA	**19,856**	**19,592**

"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 number of hydrovacs in service throughout the period, and further dividing by the number of months in the period.

Revenue per truck (/mo)	**2017**	**2016**				**2015**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Total	24,747	27,023	28,062	23,038	21,105	25,197	28,106	23,317

FLEET SUMMARY

Number of hydrovacs	**2017**	**2016**				**2015**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Canada	343	356	353	358	361	364	375	393
US	688	668	675	661	651	654	645	626
Total	1,031	1,024	1,028	1,019	1,012	1,018	1,020	1,019

MARKETING AND FRANCHISE AGREEMENTS

Number of Marketing and Franchise Agreements	**2017**	**2016**				**2015**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Canada	12	12	12	12	13	13	14	14
US	4	4	5	5	5	5	5	7
Total	16	16	17	17	18	18	19	21

FOREIGN EXCHANGE RATES

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

	2017	**2016**				**2015**		
1 USD:CAD	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Quarterly average	1.3229	1.3340	1.3051	1.2885	1.3748	1.3354	1.3085	1.2300
Period end	1.3323	1.3426	1.3116	1.3009	1.2970	1.3847	1.3391	1.2475

CHANGES IN ACCOUNTING POLICIES

There were no new accounting standards that were adopted in the first 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. 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, 2017 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, 2017 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 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 the utility and petroleum 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

[Reference is also made to Badger's 2016 Annual Information Form]