

Badger Infrastructure Solutions Ltd.
Interim Condensed Consolidated Financial Statements
(Unaudited)

For the three and six months ended June 30, 2023, and 2022

BADGER INFRASTRUCTURE SOLUTIONS LTD.
Interim Condensed Consolidated Statement of Financial Position
(Unaudited)

<i>(\$ U.S. thousands)</i>	Notes	June 30, 2023	December 31, 2022
ASSETS			
Current Assets			
Cash and cash equivalents		2,477	5,398
Trade and other receivables	6	163,999	141,495
Prepaid expenses		11,517	9,550
Inventories	7	19,747	25,213
Income tax receivable		1,342	—
		199,082	181,656
Non-current Assets			
Property, plant and equipment		329,243	298,636
Right-of-use assets	8	40,752	29,679
Intangible assets		22,067	21,832
Goodwill		1,224	1,197
		393,286	351,344
Total Assets		592,368	533,000
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		83,296	68,831
Lease liability	9	12,282	8,751
Derivative financial instruments		4,154	4,203
Share-based plan liability	11	17,345	17,207
Income taxes payable		—	1,141
Dividends payable		4,492	4,200
		121,569	104,333
Non-current Liabilities			
Lease liability	9	27,208	18,356
Derivative financial instruments		889	1,070
Borrowings under credit facility	10	165,427	138,882
Deferred tax liability		51,541	47,512
		245,065	205,820
Shareholders' Equity			
Shareholders' capital		66,950	66,950
Contributed surplus		422	422
Accumulated other comprehensive loss		(5,929)	(3,859)
Retained earnings		164,291	159,334
		225,734	222,847
Total Liabilities and Shareholders' Equity		592,368	533,000

See accompanying Notes to the unaudited interim condensed consolidated financial statements.

BADGER INFRASTRUCTURE SOLUTIONS LTD.
Interim Condensed Consolidated Statement of Comprehensive Income
(Loss)
(Unaudited)

(\$ U.S. thousands, except per share amounts)	Notes	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Revenue	12	171,886	144,158	315,102	258,305
Direct costs		121,811	108,399	232,194	201,589
Gross profit		50,075	35,759	82,908	56,716
Depreciation and amortization		17,540	14,624	33,479	28,922
General and administrative		10,924	9,849	19,771	20,124
Share-based plans (recovery) expense	11	(1,220)	1,399	5,027	2,123
Operating income		22,831	9,887	24,631	5,547
(Gain) loss on sale of property, plant and equipment		(833)	(276)	(1,407)	274
Unrealized loss on derivatives		4,779	2,240	473	2,595
Finance cost		3,844	1,788	6,645	3,035
Foreign exchange loss		81	22	287	234
Earnings (loss) before income tax		14,960	6,113	18,633	(591)
Current income tax expense		465	60	885	1,056
Deferred income tax expense (recovery)		3,482	1,248	3,971	(1,187)
Income tax expense (recovery)		3,947	1,308	4,856	(131)
Net earnings (loss)		11,013	4,805	13,777	(460)
Other comprehensive loss:					
Foreign exchange differences on translation of foreign operations		(1,582)	(608)	(2,070)	(136)
Other comprehensive loss		(1,582)	(608)	(2,070)	(136)
Comprehensive income (loss)		9,431	4,197	11,707	(596)
Net earnings (loss) per share					
Weighted average number of shares - basic and diluted		34,473,438	34,473,438	34,473,438	34,473,438
Basic and diluted		\$ 0.32	\$ 0.14	\$ 0.40	\$ (0.01)

See accompanying Notes to the unaudited interim condensed consolidated financial statements.

BADGER INFRASTRUCTURE SOLUTIONS LTD.
Interim Condensed Consolidated Statement of Changes in Equity
(Unaudited)

<i>(\$ U.S. thousands)</i>	Notes	Shareholders' capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
As at January 1, 2022		68,705	422	(5,632)	158,320	221,815
Net loss		—	—	—	(460)	(460)
Other comprehensive loss		—	—	(136)	—	(136)
Dividends		—	—	—	(8,957)	(8,957)
As at June 30, 2022		68,705	422	(5,768)	148,903	212,262
As at January 1, 2023		66,950	422	(3,859)	159,334	222,847
Net earnings		—	—	—	13,777	13,777
Other comprehensive loss		—	—	(2,070)	—	(2,070)
Dividends		—	—	—	(8,820)	(8,820)
As at June 30, 2023		66,950	422	(5,929)	164,291	225,734

See accompanying Notes to the unaudited interim condensed consolidated financial statements.

BADGER INFRASTRUCTURE SOLUTIONS LTD.
Interim Condensed Consolidated Statement of Cash Flows
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
(\$ U.S. thousands)	Notes	2023	2022	2023	2022
Operating activities					
Net earnings (loss)		11,013	4,805	13,777	(460)
Items not requiring cash and cash equivalents:					
Depreciation and amortization		17,540	14,624	33,479	28,922
Deferred income tax expense (recovery)		3,482	1,248	3,971	(1,187)
(Gain) loss on sale of property, plant and equipment		(833)	(276)	(1,407)	274
Finance cost		3,844	1,788	6,645	3,035
Current income tax expense		465	60	885	1,056
Unrealized loss on derivatives		4,779	2,240	473	2,595
Share-based plans (recovery) expense		(1,220)	1,399	5,027	2,123
Unrealized foreign exchange (gain) loss		(206)	338	—	331
Cash flow from operations before working capital and other adjustments		38,864	26,226	62,850	36,689
Change in non-cash working capital	13	7,235	(22,658)	(5,869)	(26,481)
Income taxes paid		(3,454)	(63)	(3,464)	(64)
Income taxes recovered		—	—	90	27
Financial instrument paid		(626)	(8)	(815)	(367)
Interest paid on lease liabilities	9	(265)	(151)	(491)	(272)
Share-based plan paid		(2,459)	(2,137)	(5,296)	(2,317)
Cash flow from operations		39,295	1,209	47,005	7,215
Investing activities					
Purchase of property, plant and equipment		(41,692)	(20,910)	(55,742)	(24,767)
Proceeds from sale of property, plant and equipment		666	1,038	1,196	1,516
Proceeds from disposal of right of use assets		1,572	98	1,922	120
Additions to intangible assets		(763)	(387)	(1,087)	(452)
Change in non-cash working capital	13	163	2,273	99	3,749
Cash used in investing activities		(40,054)	(17,888)	(53,612)	(19,834)
Financing activities					
Borrowings under credit facility		103,759	27,316	136,331	51,944
Repayment of credit facility		(93,320)	—	(112,672)	(1,986)
Repayment of senior secured notes		—	—	—	(24,629)
Interest paid		(2,928)	(1,383)	(5,442)	(2,808)
Payment of lease liabilities	9	(3,237)	(1,862)	(5,904)	(3,454)
Dividends paid		(4,427)	(4,469)	(8,633)	(5,897)
Cash (used in) provided by financing activities		(153)	19,602	3,680	13,170
Effect of foreign exchange rate changes on cash		2	(408)	6	(240)
(Decrease) increase in cash and cash equivalents		(910)	2,515	(2,921)	311
Cash and cash equivalents, beginning of period		3,387	1,933	5,398	4,137
Cash and cash equivalents, end of period		2,477	4,448	2,477	4,448

See accompanying Notes to the unaudited interim condensed consolidated financial statements.

BADGER INFRASTRUCTURE SOLUTIONS LTD.
Notes to the Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2023 and June 30, 2022
(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

1 Incorporation and operations

Badger Infrastructure Solutions Ltd. and its subsidiaries (together “Badger” or the “Company”) provide non-destructive excavating services to utilities, industrial, construction, transportation and other industries in Canada and the United States (“U.S.”). Badger is a publicly traded company. The head office of Badger is located at Suite 400, 919-11th Avenue SW, Calgary, Alberta T2R 1P3. The registered office of Badger is located at c/o CAS Corporate Governance Services Inc., 600, 815-8th Avenue SW, Calgary, Alberta T2P 3P2.

The unaudited interim condensed consolidated financial statements of the Company for the three and six months ended June 30, 2023 and June 30, 2022 were authorized for issue in accordance with a resolution of the Board of Directors (“Board”) on August 3, 2023.

2 Basis of preparation

Statement of compliance

These unaudited interim condensed consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* and accordingly, do not include all the disclosures included in the Company’s annual consolidated financial statements for the year ended December 31, 2022. These unaudited interim condensed consolidated financial statement should be read in conjunction with the annual consolidated financial statements. Certain prior year amounts have been reclassified to conform with the current period’s presentation.

Basis of measurement

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis except for share-based plan transactions and financial derivatives measured at fair market value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of the transaction.

Functional and presentation currency

These unaudited interim condensed consolidated financial statements are presented in U.S. dollars. The functional currency of the Canadian operations is in Canadian dollars and the U.S. operations functional currency is in U.S. dollars.

3 Significant accounting judgements, estimates and assumptions

The preparation of these unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the unaudited interim condensed consolidated financial statements and reported amounts of revenues, expenses, gains and losses during the reporting period. These judgements, estimates and assumptions are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2022. Estimates and judgements are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 Standards adopted and recently announced accounting pronouncements

A) Standards Adopted

Presentation of Financial Statements (“IAS 1”)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help a company apply materiality judgements to accounting policy disclosures. The amendments seek to help a company provide more useful accounting policy disclosures by replacing the requirement for a company to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, as well as add guidance on how a business applies the

BADGER INFRASTRUCTURE SOLUTIONS LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

concept of materiality in making decisions about accounting policy disclosures. The company will now have to consider both the size of the transactions, other events or conditions, and the nature of them. 'Material' is a defined term in IFRS and is more widely understood by users of financial statements.

In October 2022, the IASB issued amendments to clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least twelve months at the reporting date. The right needs to exist at the reporting date and must have substance. In addition to the amendment from January 2020 where the IASB issued amendments to IAS 1, to provide a more general approach to the presentation of liabilities as current or non-current, only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date.

The first amendment is effective January 1, 2023, and the second amendment is effective January 1, 2024 and are to be applied retrospectively. Management believes these amendments have no impact on the Company.

Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Effective January 1, 2023, the definition of accounting estimates has been amended under IAS 8. Under the amended definition, a change in an input or a change in a measurement technique is a change in accounting estimates if they do not result from the correction of prior period errors. The amendment further clarifies that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty.

Under the prior definition, IAS 8 stated that a change in accounting estimates specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. Management adopted the standard and there was no impact on the Company.

B) Recently Announced Accounting Pronouncements

Amendments to IFRS 16 Lease Liability in a Sale-and-Leaseback

In September 2022, the IASB issued amendments to IFRS 16 Leases to provide additional specifications that require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relate to the right-of-use it retains. The effective date is January 1, 2024. The Company is currently reviewing the impacts of this amendment on its consolidated financial statements.

5 Seasonality of Operations

The Company's revenues are typically highest in the second, third and fourth quarters resulting from the seasonal upswing in construction activity, the impact of which typically results in higher activity levels. Construction activity in the majority of Canada and certain regions of the U.S. is typically lower in the first quarter as a result of winter weather conditions. As the Company continues to grow its U.S. customer base, the impact of seasonality may shift over time. The Company's net working capital requirements will typically follow the seasonality of the related sales activity.

BADGER INFRASTRUCTURE SOLUTIONS LTD.**Notes to the Interim Condensed Consolidated Financial Statements**

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

6 Trade and other receivables

	June 30, 2023	December 31, 2022
Trade receivables	154,116	136,398
Holdback receivables	1,504	1,273
Allowance for doubtful accounts	(2,190)	(1,405)
Total trade receivables	153,430	136,266
Accrued revenue and other receivables	10,569	5,229
Trade and other receivables	163,999	141,495

Trade receivables include \$8.8 million (December 31, 2022 - \$7.2 million) of trade accounts receivables being serviced under a receivables purchase agreement. The Company has transferred the relevant trade receivables of certain designated customers to a third-party financial institution in exchange for a cash payment equal to the face value of the transferred trade receivables less an applicable discount. The Company retains substantially all of the risks and rewards relating to these receivables, and therefore, continues to recognize the transferred accounts receivables in their entirety. The amounts repayable under this receivables purchase agreement are recorded as accounts payable.

Holdback receivables are amounts customers withhold paying until the completion of the contract. These amounts are agreed to in advance and typically have collection terms beyond the Company's general payment terms.

Accrued revenue represents revenue for services which have been completed and for which an invoice has not yet been rendered. All such recorded amounts are considered collectible.

Trade receivables are non-interest bearing and are generally on 30-90 day payment terms.

The aging analysis of trade receivables, holdback receivables and the allowance for doubtful accounts is as follows:

	June 30, 2023	December 31, 2022
Current to 90 days	139,218	120,322
Over 90 days	14,212	15,944
Total trade receivables	153,430	136,266

Movement in allowance for doubtful accounts is as follows:

	June 30, 2023	December 31, 2022
Opening balance	1,405	2,790
Additions to the allowance	2,563	1,059
Accounts written off	(1,791)	(2,345)
Amounts recovered that were previously allowed for	—	(64)
Exchange differences	13	(35)
Closing balance	2,190	1,405

7 Inventory

Inventory includes manufacturing finished goods, manufacturing and spare parts and work in progress related to non-destructive excavation truck units that will be sold in the ordinary course of business.

BADGER INFRASTRUCTURE SOLUTIONS LTD.**Notes to the Interim Condensed Consolidated Financial Statements**

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

	June 30, 2023	December 31, 2022
Finished goods	3,679	2,367
Manufacturing and spare parts	10,354	17,498
Work in progress	5,714	5,348
Total inventory	19,747	25,213

8 Right-of-Use Assets

Badger enters into leases primarily for office space and yard space for the non-destructive excavation operations and for light-duty vehicles. Terms of property leases vary including the life of the lease and the existence of extension options.

Right-of-use assets

	Property	Light-duty vehicles	Total
January 1, 2022	11,818	7,142	18,960
Additions	11,656	9,510	21,166
Depreciation	(6,403)	(2,839)	(9,242)
Disposals/modifications	(973)	—	(973)
Impact of foreign exchange	(107)	(125)	(232)
December 31, 2022	15,991	13,688	29,679
Additions	7,347	11,382	18,729
Depreciation	(3,561)	(3,000)	(6,561)
Disposals/modifications	(337)	(326)	(663)
Impact of foreign exchange	(204)	(228)	(432)
June 30, 2023	19,236	21,516	40,752

BADGER INFRASTRUCTURE SOLUTIONS LTD.**Notes to the Interim Condensed Consolidated Financial Statements**

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

9 Lease liability**Lease liabilities**

	June 30, 2023	December 31, 2022
Opening balance	27,107	15,409
Additions	18,669	21,086
Interest expense	491	667
Lease payments	(6,397)	(9,019)
Disposals/modifications	(502)	(827)
Impact of foreign exchange	122	(209)
Closing balance	39,490	27,107
Current	12,282	8,751
Long-term	27,208	18,356
Total lease liabilities	39,490	27,107

Contractual undiscounted cash flows

	June 30, 2023	December 31, 2022
Less than one year	15,333	10,895
One to five years	32,941	22,320
Total	48,274	33,215

Amounts recognized in net profit

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Expenses related to short-term leases	451	575	881	1,143

10 Debt

	June 30, 2023	December 31, 2022
Borrowings under credit facility	166,450	140,038
Less: unamortized debt issuance costs	(1,023)	(1,156)
Total long-term debt	165,427	138,882
	June 30, 2023	December 31, 2022
Syndicated revolving credit facility capacity	302,115	295,334
Less: borrowings under credit facility	(166,450)	(140,038)
Less: letters of credit	(3,950)	(3,950)
Available amount	131,715	151,346

Syndicated revolving credit facility

The Company has a C\$400.0 million (USD\$302.1 million), committed syndicated revolving credit facility (the "Credit Facility") with a syndicate of six lenders. The Credit Facility allows for borrowings in either Canadian or U.S. dollars, providing Badger with the administrative flexibility to borrow in the functional currency in both its Canadian and the U.S. operations. On August 31, 2022, the Company renewed its Credit Facility for a 5-year term, expiring on August

BADGER INFRASTRUCTURE SOLUTIONS LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

31, 2027. Badger has the flexibility to expand the Credit Facility, subject to approval by the lenders, by an additional C\$150.0 million (USD\$113.3 million). Badger maintains the Credit Facility for general corporate and liquidity purposes, in addition to financing requirements, if any, related to Badger's capital expenditures.

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 ("BA")/Secured Overnight Financing Rate ("SOFR") also with a tiered structure. A standby fee is paid on the unused portion of the Credit Facility on a tiered basis. Standby fees are expensed as incurred. Under the terms of the Credit Facility, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2023, and as at June 30, 2023, the Company was in compliance with all of these covenants.

The Credit Facility is collateralized by a general security interest over the Company's assets, property and undertaking, present and future. The outstanding letters of credit, which reduce the amount of available credit under the Credit Facility, support the U.S. insurance program and certain other performance bonds.

As at June 30, 2023, the Company had available \$131.7 million (December 31, 2022 - \$151.3 million) of undrawn committed borrowing facilities.

11 Share-based plan

	June 30, 2023	March 31, 2023	December 31, 2022
TSX: BDGI Closing Share Price (CAD)	\$26.90	\$32.68	\$26.66

A) Deferred Share Unit Plan

The Deferred Share Unit ("DSU") Plan was established to promote greater alignment of interests between the executive officers and the Shareholders of the Company. The Board may also participate in the plan whereby they will be paid 60% to 100% of the annual retainer in the form of DSUs. Pursuant to the terms of the DSU, participants are granted deferred units with a value equivalent to the value of a Badger share. The deferred units granted earn additional deferred units at the same rate as dividends on Badger common shares. DSUs are also granted to Badger's employees and are paid out in cash upon departure from the Company.

The DSU Plan is accounted for as a cash-settled plan. Compensation expense is based on the estimated fair value of the deferred units outstanding at the end of each quarter using the period closing share price and vested immediately upon issuance, with a corresponding credit to liabilities.

BADGER INFRASTRUCTURE SOLUTIONS LTD.**Notes to the Interim Condensed Consolidated Financial Statements**

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

The liability for deferred units outstanding and exercisable as at June 30, 2023 was \$9.9 million (December 31, 2022 - \$10.0 million). Changes in the number of deferred units under the DSU Plan were as follows:

	Units
December 31, 2021	532,522
Granted	57,172
Dividends earned	12,400
Redeemed for cash	(81,620)
Forfeited	(8,418)
December 31, 2022	512,056
Granted	61,146
Dividends earned	7,368
Redeemed for cash	(70,075)
Forfeited	(22,560)
June 30, 2023	487,935
Exercisable as at June 30, 2023	487,935

B) Performance Share Unit Plan

The Company also has a Performance Share Unit (“PSU”) Plan for officers of the Company. Officers can elect to have at least half up to all of their annual long-term incentive compensation awarded in PSUs, with the remainder, if any, awarded in RSUs. The PSUs represent rights to share value based on the number of PSUs issued and achieving certain performance criteria as set out by the Board of Directors. Subject to achievement of performance criteria, under the terms of the plan, PSUs awarded will vest on a three-year term on their anniversary date and are recognized over their vesting period. PSUs, will be settled in cash upon vesting in accordance with the achieved performance and other vesting criteria.

The PSU Plan is accounted for as a cash-settled plan. Compensation expense is based on the estimated fair value of the PSUs outstanding at the end of each quarter using the closing period share price and recognized over the vesting period, with a corresponding credit to liabilities.

The liability for PSUs outstanding as at June 30, 2023 was \$3.3 million (December 31, 2022 - \$3.5 million). The fair value of units fully vested at June 30, 2023 was nil (December 31, 2022 - \$2.0 million). Changes in the number of PSUs under the PSU plan were as follows:

	Units
December 31, 2021	309,580
Granted	211,825
Dividends earned	4,796
Redeemed for cash	(102,635)
Forfeited	(26,349)
December 31, 2022	397,217
Granted	133,080
Dividends earned	7,368
Redeemed for cash	(70,969)
Forfeited	(78,998)
June 30, 2023	387,698
Exercisable as at June 30, 2023	—

C) Restricted Share Unit Plan

The company also has a Restricted Shareholder Unit Plan (“RSU”). Pursuant to the terms of the RSU, participants are granted restricted units with a value equivalent to the value of a Badger share. The restricted units granted earn

BADGER INFRASTRUCTURE SOLUTIONS LTD.**Notes to the Interim Condensed Consolidated Financial Statements**

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

additional restricted units at the same rate as dividends on Badger common shares. The restricted units granted vest equally over a period of three years from the date of the grant. Upon vesting, payment for the vested RSUs will be made by the Company to the participants.

The RSU Plan is accounted for as a cash-settled plan. Compensation expense is based on the estimated fair value of the restricted units outstanding at the end of each quarter using the closing period share price and recognized using graded vesting throughout the term of the vesting period, with a corresponding credit to liabilities.

The liability for RSUs outstanding as at June 30, 2023 was \$4.1 million (December 31, 2022 - \$3.7 million). The fair value of units fully vested at June 30, 2023 was nil (December 31, 2022 - \$1.1 million). Changes in the number of RSUs under the RSU plan were as follows:

	Units
December 31, 2021	131,657
Granted	223,776
Dividends earned	5,655
Redeemed for cash	(49,829)
Forfeited	(37,783)
December 31, 2022	273,476
Granted	256,345
Dividends earned	2,484
Redeemed for cash	(102,704)
Forfeited	(26,702)
June 30, 2023	402,899
Exercisable as at June 30, 2023	—

12 Revenue

The following table disaggregates the Company's revenue by type of service and type of customer.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Non-destructive excavation service revenue – corporate	159,148	133,515	291,456	238,924
Non-destructive excavation service revenue – operating partners	4,819	4,714	9,050	8,696
Total non-destructive excavation service revenue	163,967	138,229	300,506	247,620
Other service revenue – corporate ⁽¹⁾	7,598	5,592	13,987	10,099
Other service revenue – operating partners ⁽¹⁾	321	337	609	586
Total other revenue	7,919	5,929	14,596	10,685
Total revenue	171,886	144,158	315,102	258,305

⁽¹⁾ Other service revenue includes other non-destructive excavation and related services, truck placement fees and other administrative related revenue.

BADGER INFRASTRUCTURE SOLUTIONS LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

13 Statement of cash flow supplemental information

The following table provides supplemental information on the components of changes in non-cash working capital in operating and investing activities:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Operating activities				
Source (use) of cash:				
Trade and other receivables	(26,760)	(23,089)	(22,955)	(16,659)
Prepaid expenses	(4,057)	(6,789)	(1,905)	(8,837)
Inventories	17,513	(2,089)	5,365	(10,469)
Trade and other payables	20,539	9,309	13,626	9,484
Change in non-cash working capital	7,235	(22,658)	(5,869)	(26,481)
Investing activities				
Source of cash:				
Trade and other payables ⁽¹⁾	163	2,273	99	3,749
Change in non-cash working capital	163	2,273	99	3,749

⁽¹⁾ Non-cash working capital changes from trade and other payables relate to vendors supplying Badger's manufacturing operations and are included in investing activities as these supplies are additions to property, plant and equipment.

14 Segment reporting

The Company has identified three reportable segments consisting of two geographic segments (U.S. and Canada) and a Corporate segment. The U.S. and Canadian operating segments provide non-destructive excavating services. The following is selected information for the three and six months ended June 30, 2023 and 2022 based on these geographic/reportable segments.

Three months ended	June 30, 2023				June 30, 2022			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Non-destructive excavation service revenue	23,860	140,107	—	163,967	22,648	115,581	—	138,229
Other revenue	2,395	5,524	—	7,919	2,794	3,135	—	5,929
Total revenue	26,255	145,631	—	171,886	25,442	118,716	—	144,158
Direct costs	18,644	103,167	—	121,811	18,714	89,685	—	108,399
Depreciation and amortization	3,947	13,591	2	17,540	3,932	10,692	—	14,624
General and administrative ⁽¹⁾	1,653	8,404	867	10,924	602	8,199	1,048	9,849
Unrealized loss on derivatives ⁽²⁾	—	—	4,779	4,779	—	—	2,240	2,240
Share-based plans ⁽²⁾	—	—	(1,220)	(1,220)	—	—	1,399	1,399
Finance cost ⁽²⁾	57	206	3,581	3,844	45	106	1,637	1,788
Other ⁽³⁾	73	(837)	12	(752)	(187)	(67)	—	(254)
Earnings (loss) before tax	1,881	21,100	(8,021)	14,960	2,336	10,101	(6,324)	6,113

BADGER INFRASTRUCTURE SOLUTIONS LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

Six months ended	June 30, 2023				June 30, 2022			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Non-destructive excavation service revenue	44,213	256,293	—	300,506	41,853	205,767	—	247,620
Other revenue	4,433	10,163	—	14,596	5,057	5,628	—	10,685
Total revenue	48,646	266,456	—	315,102	46,910	211,395	—	258,305
Direct costs	35,820	196,374	—	232,194	35,827	165,762	—	201,589
Depreciation and amortization	7,838	25,636	5	33,479	7,697	21,225	—	28,922
General and administrative ⁽¹⁾	2,613	15,375	1,783	19,771	1,262	16,427	2,435	20,124
Unrealized loss on derivatives ⁽²⁾	—	—	473	473	—	—	2,595	2,595
Share-based plans ⁽²⁾	—	—	5,027	5,027	—	—	2,123	2,123
Finance cost ⁽²⁾	108	381	6,156	6,645	79	193	2,763	3,035
Other ⁽³⁾	197	(1,329)	12	(1,120)	(54)	561	1	508
Earnings (loss) before tax	2,070	30,019	(13,456)	18,633	2,099	7,227	(9,917)	(591)

⁽¹⁾ Included in general and administrative expenses for the corporate segment are employee, office, and other costs related to public company administration.

⁽²⁾ Share-based plans for participants in both the U.S. and Canada, unrealized (gain) loss on financial instruments, and finance costs from the Company's credit facilities are reported in the corporate segment.

⁽³⁾ Included in other are loss (gain) on sale of property, plant and equipment, and foreign exchange (gain) losses.

	Canada	U.S.	Corporate	Total
June 30, 2023				
Property, plant and equipment	96,563	232,680	—	329,243
Right of use assets	7,872	32,639	241	40,752
Intangible assets	12,188	9,879	—	22,067
Goodwill	1,224	—	—	1,224
Total assets	248,930	343,197	241	592,368
Total liabilities ⁽¹⁾	63,851	115,980	186,803	366,634
December 31, 2022				
Property, plant and equipment	90,756	207,880	—	298,636
Right of use assets	5,836	23,518	325	29,679
Intangible assets	12,196	9,636	—	21,832
Goodwill	1,197	—	—	1,197
Total assets	178,443	354,232	325	533,000
Total liabilities ⁽¹⁾	48,644	100,020	161,489	310,153

⁽¹⁾ Included in total liabilities for the corporate segment are dividends payable, share-based plan liabilities, derivatives liability and borrowings under Credit Facility.

BADGER INFRASTRUCTURE SOLUTIONS LTD.**Notes to the Interim Condensed Consolidated Financial Statements**

For the three and six months ended June 30, 2023 and June 30, 2022

(Unaudited - All amounts in thousands of U.S. Dollars, except per share amounts or as otherwise stated)

15 Commitments and contingencies

The Company had the following commitments as at June 30, 2023:

	2023	2024	2025	2026	2027	Thereafter	Total
Operating leases ⁽¹⁾	628	1,184	1,073	888	312	84	4,169
Service contract ⁽²⁾	9,686	5,642	4,506	206	—	—	20,040
Purchase commitments ⁽³⁾	35,695	9,463	—	—	—	—	45,158
Total	46,009	16,289	5,579	1,094	312	84	69,367

⁽¹⁾ Operating leases include variable lease payments for building, office space, and light-duty trucks.⁽²⁾ Contract with third party service provider for information technology services related to the Enterprise Resource Planning.⁽³⁾ Purchase commitments include amounts related to manufacturing operations, and other committed capital expenditures. The Company has the option to cancel certain purchase commitments at its sole discretion and without penalty.

The Company is subject to routine audits of its tax filing positions by the Canada Revenue Agency and the Internal Revenue Service (the “IRS”). In 2020, the Company appealed the findings of one such audit conducted by the IRS in respect of excise tax paid and payable during the 2015-2019 fiscal years (the “Excise Tax Audit”), and that appeal was heard by the IRS’ Independent Office of Appeals in the fourth quarter of 2021. The matter was not able to be resolved through the appeals process, as a result Badger has filed a claim in the U.S. District Court. This matter remains unresolved at June 30, 2023. The continued growth of the U.S. non-destructive excavation fleet has increased the potential liability if there is an unsuccessful resolution of the Excise Tax Audit case. Accordingly, in Q2, 2023, the Company accrued a provision in the interim condensed consolidated financial statements in connection with the Excise Tax Audit.