



Management's Discussion and Analysis
FOR THE YEAR ENDED DECEMBER 31, 2022

March 23, 2023

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited Consolidated Financial Statements and notes thereto of Badger Infrastructure Solutions Ltd. (the "Company" or "Badger") as at and for the years ended December 31, 2022, and 2021. This MD&A is a review of the financial results of Badger and has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for the year ended December 31, 2022. Readers should also refer to all previous public filings, including the Company's Annual Information Form for the year ended December 31, 2022, which may be found on SEDAR at www.sedar.com.

This MD&A is dated and has been prepared taking into consideration information available to March 23, 2023. All references to "dollars" and "\$" are to the currency of U.S. dollars unless otherwise indicated. Effective January 1, 2022, Badger began reporting results in U.S. dollars to improve year over year comparability given foreign exchange rate fluctuations as the majority of its business activities are denominated in U.S. dollars. The change was implemented retrospectively, with comparative financial information previously expressed in Canadian dollars having been restated to be expressed in U.S. dollars, beginning with the first quarter 2022 financial results.

This MD&A includes forward-looking statements and assumptions. See "Cautionary Statements Regarding Forward-Looking Information and Statements" for additional details.

Overview of Badger

Badger Infrastructure Solutions Ltd. (TSX:BDGI) is North America's largest provider of non-destructive excavating services. Badger works for contractors and facility owners in a broad range of infrastructure industries and in general commercial construction. Badger's customers typically operate near high concentrations of underground power, communication, water, gas and sewer lines, where safety and economic risks are high and where non-destructive excavation provides a safe alternative for certain customer excavation requirements.

The Company's key technology is the Badger Hydrovac™, which is used primarily for safe excavation around critical infrastructure and in congested underground conditions. The Badger Hydrovac uses a pressurized water stream to liquify the soil cover, which is then removed with a powerful vacuum system and deposited into a storage tank. To complement the Badger Hydrovac, the Company introduced the Badger Airvac™⁽¹⁾, in late 2021. The Badger Airvac is also used for safe excavation but utilizes compressed air instead of water to loosen the cover soil before vacuuming and depositing excavation materials into a storage tank. Badger is unique in the non-destructive excavation industry because it designs and manufactures all of its hydrovac and airvac units at its plant in Red Deer Alberta, which has an annual production capacity of more than 350 hydrovac and airvac units.

2022 Annual Operational Highlights

Badger delivered stronger operating and financial performance in the quarter as well as the full year. The improvements in revenue and margin are a result of improved operating discipline across our branch network, increased asset utilization and strategic investments in sales and marketing.

Year-over-year revenue grew 25.8% as a result of focused efforts on the new commercial strategy and pricing. Adjusted EBITDA⁽²⁾ margins improved to 17.5% from 12.2% in the prior year, after adjusting for the \$2.4 million in Canada Emergency Wage Subsidies ("CEWS") that Badger received in 2021. This improvement is due to disciplined cost controls and better operating leverage as revenue improved across all operating regions. Badger improved its revenue per truck per month⁽²⁾ ("RPT") for the year by 28.6% to \$39,649, compared with 2021, while also growing its fleet by 33 units, which includes 17 units held in inventory at December 31, 2022. Badger manufactured 115 non-destructive excavation units in 2022 (2021 - 32 units) and retired 79 units.

(1) Badger Airvac is a registered trademark in Canada. The trademark is currently "pending" in the United States

(2) "Adjusted EBITDA margin" and "RPT" are not standardized financial measures prescribed by IFRS and may not be comparable to similar measures presented by other companies or entities. See "Non-IFRS Financial Measures" for additional detail on the definition and calculation of Adjusted EBITDA margin and "Key Financial Metrics and Other Operational Metrics" for additional detail on the definition and calculation of RPT.

2023 Business Outlook

The Company will continue to focus on sales activities and pricing strategies to improve revenue growth and margin levels. Badger is continuing to align its sales resources with the market and customer opportunities while leveraging its branch network. The company continues to see strong demand in its end markets, which include infrastructure, energy and non-residential construction.

Badger continues to focus on fleet management and utilization to support near-term growth requirements and will continue to leverage its vertically integrated manufacturing capabilities to support its medium and long-term growth requirements. The Company's fleet is well positioned to take advantage of market demand in 2023 and the Company expects to produce between 200 and 230 non-destructive excavation units and retire between 80 and 100 units. Badger continues to be comfortable with chassis and key component availability and does not expect to be impacted materially by supply chain disruptions, based on the Company's supplier relationships and inventory planning completed in 2022.

Badger continues to be encouraged by the need for near and long-term reinvestment in North America's critical infrastructure, including the addition of new sustainable energy technology and Badger is well positioned to capture the market demand for non-destructive excavation across North America. Badger has managed through the recent inflationary environment by increasing its focus on sales activities, fleet utilization, pricing improvements, fuel recovery program and operating cost management. It is too early for the Company to determine what impact, if any, may result from the increasing global recessionary risks, however, increased revenue diversity and new national account programs are expected to help mitigate any market downturns.

Financial Highlights

	Three months ended December 31,		Twelve months ended December 31,	
<i>(\$ U.S. thousands except RPT, per share and share information)</i>	2022	2021	2022	2021
Revenue:				
Non-destructive excavation service revenue	143,016	115,709	547,858	432,460
Other revenue	6,014	5,828	22,954	21,450
Total revenue	149,030	121,537	570,812	453,910
RPT - Consolidated (mixed currency) ¹	42,064	33,664	39,649	30,841
RPT - U.S. (U.S. dollars) ¹	41,697	32,773	39,114	30,795
RPT - Canada (Canadian dollars) ¹	43,039	35,957	41,061	30,955
Adjusted EBITDA ¹	28,076	13,472	99,956	57,933
Adjusted EBITDA per share, basic and diluted ^{1 2}	\$0.81	\$0.39	\$2.90	\$1.67
Adjusted EBITDA margin ¹	18.8%	11.1%	17.5%	12.8%
Earnings (loss) before income tax	6,592	(6,635)	22,883	(11,272)
Net earnings (loss)	4,238	(4,582)	18,290	(8,737)
Net earnings (loss) per share, basic and diluted ²	\$0.12	(\$0.13)	\$0.53	(\$0.25)
Cash flow from operating activities before working capital and other adjustments	28,417	13,510	100,601	57,790
Cash flow from operating activities before working capital and other adjustments per share, basic and diluted ²	\$0.82	\$0.39	\$2.92	\$1.67
Dividends paid ³	4,226	4,309	14,506	17,224
Weighted average common shares outstanding ²	34,473,438	34,505,599	34,473,438	34,600,681

(1) "Adjusted EBITDA", "Adjusted EBITDA margin" and "RPT" are not standardized financial measures prescribed by IFRS and may not be comparable to similar measures presented by other companies or entities. See "Non-IFRS Financial Measures" for additional detail on the definition and calculation of Adjusted EBITDA and Adjusted EBITDA margin. See "Key Financial Metrics and Other Operational Metrics" for additional details on RPT. Per share, basic and diluted measures are calculated by dividing the financial measure with the weighted average common shares outstanding for the period.

(2) See "Share Capital" for additional details.

(3) The frequency of dividend payments was changed from monthly to quarterly effective with the March 2022 dividend payment.

Fourth Quarter and Full Year 2022 Highlights

For the three months ended December 31, 2022:

- Revenue was \$149.0 million or 22.6% higher than the revenue realized in the fourth quarter of 2021.
- RPT improved by 25.0% to \$42,064 compared with \$33,664 realized in the fourth quarter of 2021.
- Gross profit margin improved to 25.3% compared with 19.1% in the fourth quarter of 2021.
- General and administrative expenses ("G&A") were \$9.6 million or 6.4% of revenue compared with \$9.7 million or 8.0% in the fourth quarter of 2021.
- Adjusted EBITDA margin improved to 18.8% compared with 11.1% in the fourth quarter of 2021.
- Net earnings were \$4.2 million compared with net loss of \$(4.6) million in the fourth quarter of 2021.
- Cash flow from operating activities was \$41.8 million compared with \$20.4 million in the fourth quarter of 2021.

For the year ended December 31, 2022:

- Revenue was \$570.8 million or approximately 25.8% of the revenue realized in 2021.
- RPT improved by 28.6% to \$39,649 compared with \$30,841 realized in 2021.
- Gross profit margin improved to 24.4% compared with 20.4% in 2021 after adjusting for \$2.2 million in CEWS benefits Badger received in 2021 which did not recur in 2022.
- G&A was \$39.2 million or 6.9% of revenue compared with \$37.1 million or 8.2% in 2021.
- Adjusted EBITDA margin improved to 17.5% compared with 12.2% in 2021, after adjusting for \$2.4 million in CEWS benefits received in 2021 which did not recur in 2022.
- Net earnings were \$18.3 million compared with net loss of \$8.7 million in 2021.
- Cash flow from operating activities was \$68.3 million compared with \$54.6 million in 2021.
- Total debt to Adjusted EBITDA was 1.6x at December 31, 2022 compared with 2.7x in 2021.

Results of Operations for the Year Ended December 31, 2022

2022 Adjusted EBITDA Summary

Consolidated Adjusted EBITDA (see Non-IFRS Financial Measures) for the year ended December 31, 2022 was \$100.0 million compared with \$57.9 million in 2021.

The breakdown of Adjusted EBITDA by the Company's geographic segments is as follows:

	2022			2021		
(\$ US thousands)	U.S.	Canada	Consolidated	U.S.	Canada	Consolidated
Non-destructive excavation revenue	456,786	91,072	547,858	357,750	74,710	432,460
Other services revenue	13,257	9,697	22,954	11,110	10,340	21,450
Total revenue	470,043	100,769	570,812	368,860	85,050	453,910
Direct costs	357,386	74,276	431,662	294,962	63,895	358,857
Gross profit	112,657	26,493	139,150	73,898	21,155	95,053
Gross profit margin (%)	24.0%	26.3%	24.4%	20.0%	24.9%	20.9%
G&A	35,870	3,324	39,194	30,254	6,866	37,120
Adjusted EBITDA	76,787	23,169	99,956	43,644	14,289	57,933
Adjusted EBITDA margin (%)	16.3%	23.0%	17.5%	11.8%	16.8%	12.8%

Non-destructive excavation revenue

Consolidated non-destructive excavation revenue was \$547.9 million, \$115.4 million or 26.7% higher than the \$432.5 million in the prior year due to a combination of improved customer activity driven by sales and marketing investments, pricing and fuel recovery.

Non-destructive excavation revenue in the U.S. operations was \$456.8 million, 27.7% higher than the \$357.8 million revenue generated in the prior year.

Non-destructive excavation revenue in the Canadian operations was \$91.1 million, 21.9% million higher than the \$74.7 million generated in the prior year.

Other services revenue

Other services revenue was \$23.0 million, \$1.5 million higher than the \$21.5 million in the prior year.

Revenue per truck per month

	2022	2021
Consolidated RPT (mixed currency)	39,649	30,841
U.S. operations (USD)	39,114	30,795
Canadian operations (CAD)	41,061	30,955

Effective January 1, 2022, Badger has revised the methodology in which it calculates RPT. See "Key Financial Metrics" below.

Consolidated RPT for the year was \$39,649, a 28.6% increase compared with \$30,841 in the prior year. The increase in consolidated RPT reflects Badger's continued commitment to optimize fleet and asset utilization.

U.S. operations RPT was \$39,114, a 27.0% increase compared with \$30,795 in the prior year. Canadian operations RPT was \$41,061, a 32.6% increase compared with \$30,955 in the prior year. As at December 31, 2022, Badger had 1,387 non-destructive excavation units in its fleet compared with 1,371 as at December 31, 2021.

Direct Costs

Direct costs were \$431.7 or 75.6% of revenue compared with \$358.9 million or 79.1% of revenue in the prior year. Direct costs for 2021 were 79.6% of revenue after adjusting for \$2.2 million in CEWS benefits Badger received in 2021, which did not recur in 2022.

Labour related costs decreased as a percentage of revenue due to increased volume and cost management actions. Prior year labour related costs were impacted by overtime as a result of operator quarantine from COVID-19 exposures, operator shortages in certain areas, training costs for onboarding new operators to meet customer demand and retention costs for operators. Maintenance and repair expenses remained consistent as a percentage of revenue.

Costs relating to salaried sales staff increased as part of the Company's strategic investment in its sales and marketing capabilities to capture the long-term growth opportunities in the North American market for non-destructive excavation and related services.

Overall, increases in direct costs were more than offset by higher volume and revenue experienced in the year resulting in improved operating leverage.

Gross Profit

Gross profit was \$139.2 million and gross profit margin was 24.4% compared with \$95.1 million and 20.9% in the prior year. Gross profit margin in 2021 was 20.4% after adjusting for \$2.2 million in CEWS benefits Badger received in 2021, which did not recur in 2022.

General and Administrative ("G&A") Expenses

G&A expense was \$39.2 million or 6.9% of revenue compared with \$37.1 million or 8.2% of revenue in the prior year.

G&A as a percent of revenue decreased compared with 2021 due to higher revenues offset in part by an increase in headcount and salaries and wages.

Depreciation and Amortization of Property, Plant and Equipment, Right-of-Use and Intangible Assets

Depreciation and amortization expense was \$59.6 million compared with \$57.1 million in the prior year. Depreciation expense increased compared with the prior year primarily due to the increase in the average number of non-destructive excavation units.

Share-based Compensation Expense

Share-based compensation expense was \$5.5 million compared with \$2.5 million in the prior year. Share-based compensation expense will fluctuate based on the effects of the movement in Badger's share price, combined with the impact of normal course vesting of previously issued long-term incentive plan grants and the issuance, if any, of new long-term incentive plan grants.

The Company has entered into total return swap contracts to manage the exposure to share price market risk on its cash-settled long-term incentive plan programs. All total return swap contracts are recorded at fair value. The unrealized loss on the total return swaps was \$3.9 million compared with \$2.1 million in the prior year.

Finance Cost

Finance costs, which consist primarily of interest on the Company's syndicated revolving credit facility and finance costs associated with lease liabilities, were \$8.1 million, \$3.7 million higher than the prior year of \$4.4 million. The increase in finance costs was driven by higher debt balances and interest rates year over year.

As at December 31, 2022, the Company's debt obligations, excluding the impact of operating leases and outstanding letters of credit, consisted of \$140.0 million drawn on the Company's syndicated revolving credit facility and \$27.1 million in lease liabilities.

Income Tax

Current income tax expense of \$5.4 million was comprised of \$0.3 million in Canadian current income tax expense (2021 – \$4.4 million recovery) and \$5.1 million in the U.S. (2021 – \$2.5 million expense). The change in U.S. and Canadian current income taxes is due primarily to changes in underlying taxable income.

Deferred income tax recovery was \$0.9 million compared with a recovery of \$1.0 million in the prior year.

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 remains unresolved as at December 31, 2022. The Company and its tax advisors continue to believe that the Company's tax filing positions are appropriate and, accordingly, no amounts have been accrued in the consolidated financial statements in connection with the Excise Tax Audit.

Net earnings (loss)

Net earnings were \$18.3 million compared to a net loss of \$8.7 million in the prior year. Net earnings benefited from higher revenues and gross margins and lower loss on sale and impairment of property, plant and equipment offset in part by higher general and administrative expenses, unrealized loss on derivatives higher foreign exchange gains, increased share-based plan expenses, finance costs, and higher current income taxes, all of which is fully described previously in this MD&A.

Other Comprehensive Income (Loss)

Total other comprehensive income (loss) ("OCI"), which includes the effect of translating Canadian operations into U.S. dollars, resulted in other comprehensive loss of \$0.2 million compared with \$0.7 million in the prior year. The change in OCI is the result of the Canadian dollar weakening relative to the U.S. dollar throughout the period. Effective January 1, 2022, Badger changed its presentation currency from Canadian dollars to U.S. dollars. In the Audited Consolidated Statement of Financial Position, all assets and liabilities have been translated using the period-end exchange rates, and all resulting exchange differences have been recognized in accumulated other comprehensive income. The Company has applied the presentation currency change retrospectively. OCI balances were restated to reflect the change in presentation currency and its impact on the net investment hedge treatment. Previously included in OCI was the effect of translating U.S. operations into Canadian dollars, and the offsetting translation of U.S. dollar denominated senior secured notes into Canadian dollars that were designated as a hedge of U.S. operations.

As a result of a reporting currency change and repayment of the senior secured notes on January 24, 2022, the net investment hedge is discontinued and all appropriate changes to OCI are reflected retrospectively.

Capital Resources

Investing

Badger invested \$65.5 million in total capital expenditures during the year, compared with \$42.8 million in the prior year. Capital expenditures during the year were primarily related to the production of non-destructive excavation units.

In 2022, Badger completed 115 non-destructive excavation units, compared with 32 non-destructive excavation units for 2021. 98 non-destructive excavation units were placed into service, with 17 units held in inventory at December 31, 2022.

Capital Expenditures

(\$ thousands)	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Hydrovac completed units ^{1 2}	23,753	7,953	51,523	18,034
Other vehicles and trailers	58	1,545	9,248	18,541
Buildings ³	1,348	1,003	4,387	3,804
Other	181	1,900	51	2,415
Total expenditures of property, plant and equipment	25,340	12,401	65,209	42,794
Upfront payments for right-of-use assets ⁴	281	0	336	0
Total capital expenditures	25,621	12,401	65,545	42,794

(1) During the first quarter of 2022, the application of the Company's accounting policy to its revised operating model resulted in the inclusion of finished goods, manufacturing parts, and work in progress as part of Inventory rather than Property, Plant and Equipment.

(2) In accordance with IFRS, the change in inventory accounting policy application has been treated prospectively with no comparative period adjustment. As a result, the 2021 balance for non-destructive excavation completed units includes work in progress inventory previously reported as Property, Plant and Equipment; whereas, the 2022 balance has been adjusted to reflect work in progress adjustment to inventory.

(3) Additions to buildings includes the expansion of the manufacturing facility in Red Deer, Alberta.

(4) Upfront payments for right-of-use assets relate to the Company's leasing of light-duty trucks.

	Completed non-destructive excavation units	Average Manufacturing Costs
2022	112	\$433,000
2021	32	\$440,000
2020	85	\$333,000
2019	199	\$316,000
2018	191	\$306,000

The cost to build a non-destructive excavation units will fluctuate on an annual basis due to factors such as: the number of non-destructive excavation units built; the cost of chassis; labour and materials; and the impact of foreign currency rates as certain materials are denominated or otherwise influenced by foreign currency exchange rates. The 2022 completed non-destructive excavation units exclude the 3 prototype Badger Airvacs manufactured in 2022.

Lease Liability

As at December 31, 2022, the Company had \$27.1 million in lease liabilities (December 31, 2021 – \$15.4 million) related primarily to operating and administrative building lease arrangements primarily for yard space for hydrovac operations and leases for light-duty pick-up trucks.

Liquidity and Capital Resources

	2022	2021
Credit facility capacity	295,334	315,507
Borrowings under credit facility	(140,038)	(96,802)
Letters of credit issued	(3,950)	(3,957)
Cash on hand	5,398	4,137
Available Liquidity	156,744	218,885

Badger continues to maintain sufficient liquidity. The Company's revolving credit facility is available for general corporate purposes, providing additional liquidity and financial capacity should it be required. The Company remained in compliance with all financial covenants associated with all lending arrangements.

Syndicated Revolving Credit Facility

The Company has a CAD\$400.0 million (USD\$295.3 million), committed syndicated revolving credit facility with a syndicate of six lenders. The committed syndicated revolving credit facility allows for borrowings in either Canadian or U.S. dollars, providing Badger with the opportunity to borrow in the functional currency in both its Canadian and U.S.

operations. On August 31, 2022, the Company renewed its syndicated revolving credit facility for a 5-year term, expiring on August 31, 2027. Badger has the flexibility to expand the syndicated revolving credit facility, subject to approval by the lenders, by an additional CAD\$150.0 million. Badger maintains the syndicated revolving credit facility for general corporate and liquidity purposes.

The syndicated revolving 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 also required on the unused portion of the syndicated revolving credit facility on a tiered basis. Standby fees are expensed as incurred. Under the terms of the syndicated revolving credit facility, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2022, and as at December 31, 2022, the Company was in compliance with all of these covenants.

The syndicated revolving 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 syndicated revolving credit facility, support the U.S. insurance program and certain other performance bonds.

As at December 31, 2022, the Company had available \$156.7 million (December 31, 2021 - \$326.4 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 with an original principal of \$75.0 million. The notes, which ranked pari passu with the syndicated revolving credit facility, had an interest rate of 4.83% per annum and matured on January 24, 2022. The final amortizing principal repayment of \$25.0 million was completed on January 24, 2022, with no outstanding balance as at December 31, 2022.

Net Working Capital

Changes in working capital levels may result from increasing or decreasing revenue, the seasonality in operations, the timing of the collection of receivables and the payment of payables, the timing of capital expenditures and the impact of fluctuations in foreign currency exchange rates. Working capital was \$77.3 million as at December 31, 2022, compared with \$42.8 million as at December 31, 2021. The change in working capital as at December 31, 2022 resulted from an increase in trade and other receivables, inventories, decrease in income taxes payable, decrease in senior secured notes offset in part by an increase in trade and other payables. During the first quarter of 2022, the Company changed its accounting policy application related to the presentation of Inventory and Property, Plant and Equipment in regard to the inclusion of finished goods, manufacturing parts, and work in progress as part of Inventory rather than Property, Plant and Equipment. This change resulted in an increase in inventory of \$7.7 million compared with the prior year. The remaining increase in inventory is due to the Company increasing the build rate from 2021 levels to the 2022 targets.

The largest component of Badger's working capital is trade and other receivables. Trade and other receivables totaled \$141.5 million as at December 31, 2022, \$27.7 million higher than the balance as at December 31, 2021, of \$113.8 million. As at December 31, 2022, 88.3% of Badger's trade receivables were aged 90 days or less compared with 90.8% at December 31, 2021. The Company continues to actively manage its receivables portfolio and drive further improvements in all aspects of the cash collection cycle. The implementation of enhanced credit and collections processes, including the overall management of the collections function, has resulted in improved accounts receivable collection metrics.

On August 31, 2022, Badger entered into a receivables purchase agreement to sell its short term receivables generated in the ordinary course of business for goods and services delivered to certain designated customers. The transaction is treated as a transfer of a financial asset but does not qualify for de-recognition under IFRS. The receivables are de-recognized once the receivable is collected from the customer and transferred to a counterparty. As at December 31, 2022, Badger sold \$7.2 million in trade receivables to the counterparty.

The Company uses its cash and cash equivalents for the purchase and manufacture of property, plant and equipment, to fund day-to-day operations, pay dividends and for general corporate purposes. Badger assesses its need for general liquidity based on its cash flow from operating activities combined with the financial capacity available under its various borrowing facilities. Badger's access to liquidity, through a combination of cash flows from operating activities and its various credit facilities, is sufficient to meet the existing operational and capital expenditures of the business. Cash flows from operating activities are subject to variations and risks associated with the normal course operations of the business, including the impact of the seasonality within the business and the normal course timing and collection of working capital.

Compliance

Under the terms of the syndicated revolving credit facility, the Company must comply with certain financial and non-financial covenants, as defined by the respective credit agreements. Badger is restricted from declaring dividends if it is in breach of the covenants governing its credit facilities. Throughout 2022 and as at the date of this MD&A, the Company is in

compliance with all debt covenants and is able to fully use its various credit facilities as well as declare dividends. The Company does not maintain a credit rating.

There were no off-balance sheet arrangements and no significant outstanding balances with related parties as at December 31, 2022.

Share Capital

As at December 31, 2022, the number of common shares outstanding was 34,473,438 (December 31, 2021 – 34,473,438). The weighted average common shares outstanding for the year ended 2022 was 34,473,438 (December 31, 2021 – 34,600,681). Badger does not currently have any material financial instruments which can be converted into additional common shares.

As at March 23, 2023, the number of common shares outstanding was 34,473,438. Badger does not currently have any material financial instruments which can be converted into additional common shares.

Normal Course Issuer Bid

On March 11, 2021, the Board of Directors approved the Company to pursue the implementation of a normal course issuer bid (“NCIB”), pursuant to which Badger would have an option to repurchase its common shares for cancellation and on March 22, 2021, the Toronto Stock Exchange (“TSX”) accepted the notice filed by the Company to implement the NCIB program. The NCIB expired on March 23, 2022. Under the NCIB, the Company could have acquired up to 1,500,000 common shares, which represented 4.3% of the public float at the time of approval.

During the year ended December 31, 2021, under its NCIB program, the Company purchased and cancelled 380,400 common shares at a weighted average price per share of \$36.02. No purchases were made during the period beginning January 1, 2022, through March 23, 2022.

Contractual Obligations

Refer to the Company’s audited Annual Consolidated Financial Statements for disclosure related to contractual obligations. The Company anticipates using its cash and cash equivalents, in addition to the financial capacity available under its various credit facilities to fund its contractual obligations.

(\$ thousands)	2023	2024	2025	2026	2027	Thereafter	Total
Operating leases ¹	835	762	630	433	99	45	2,804
Service contract ²	8,003	4,345	3,204	—	—	—	15,552
Purchase commitments ³	30,838	—	—	—	—	—	30,838
Total	39,676	5,107	3,834	433	99	45	49,194

(1) Operating leases include building and office space.

(2) Contract with third party service provider for information technology services related to the ERP.

(3) Purchase commitments include amounts related to manufacturing operations, the purchase of light-duty trucks and other committed capital expenditures. The Company has the option to cancel certain purchase commitments at its sole discretion and without penalty.

The Company does not have off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company’s financial condition, results of operations, liquidity, or capital expenditures.

Selected Annual Financial Information

(\$ thousands, except per share amounts)	2022	2021	2020
Revenue	570,812	453,910	416,707
Net earnings (loss)	18,290	(8,737)	18,315
Net earnings (loss) per share, basic and diluted (\$)	\$0.53	\$(0.25)	\$0.53
Total assets	533,000	478,314	489,224
Total non-current liabilities	205,820	154,284	138,379
Dividends paid	14,506	17,224	15,474
Dividends per share (\$)	\$0.42	\$0.50	\$0.44

(1) Selected annual information in the above table as per the Company’s audited Consolidated Financial Statements prepared in accordance with IFRS.

Selected Quarterly Financial Information

(\$ thousands, except per share amounts)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue ¹	149,030	163,477	144,158	114,147	121,537	136,236	110,423	85,714
Canada	24,799	29,060	25,442	21,468	23,749	24,683	20,299	16,319
U.S.	124,231	134,417	118,716	92,679	97,788	111,553	90,124	69,395
Net earnings (loss)	4,238	14,512	4,805	(5,265)	(4,583)	9,832	(2,248)	(11,738)
Net earnings (loss) per share, basic and diluted (\$)	\$ 0.12	\$ 0.42	\$ 0.14	\$ (0.15)	\$ (0.13)	\$ 0.28	\$ (0.06)	\$ (0.34)
Dividends paid ²	4,226	4,382	4,469	1,429	4,309	4,249	4,474	4,192
Dividends per share, basic and diluted (\$)	\$0.123	\$0.127	\$0.130	\$0.041	\$0.125	\$0.123	\$0.128	\$0.120

(1) Refer to Note 24 - Segment reporting in the Company's audited Consolidated Financial Statements for the year ended December 31, 2022 for selected information by geographic segment.

(2) The frequency of dividend payments was changed from monthly to quarterly effective with the March 2022 dividend payment.

During the periods in the above table, Badger's results were impacted by the following factors and trends:

- General changes in economic growth and overall macro-economic conditions in both the U.S. and Canada;
- Increased usage and demand for Badger's non-destructive excavation units services, particularly in the U.S., which is Badger's largest market.
- Reduced customer activity levels beginning in March 2020 as a result of COVID-19, resulting in the curtailment of the production of non-destructive excavation units at Badger's Red Deer manufacturing facility in the second quarter of 2020 through 2022;
- The impact of the COVID-19 pandemic on both the U.S. and Canadian operations, which resulted in a broad-based slowdown of the North American economy. Revenue and underlying customer activity levels varied by region, and over time due to impact of COVID-19 on economic and construction activity levels;
- The impact of a number of regions being in the early stages of recovery from the COVID-19 pandemic in the first half of 2021 and the uneven growth levels from COVID-19 throughout the year;
- The impact of unusual and/or non-typical weather conditions such as natural disasters, general precipitation levels or extreme winter weather conditions which may impact the timing and level of customer demand; and
- Additional investments related to the manufacture of non-destructive excavation units and an increase in working capital requirements associated with the underlying growth in the business.

Key Financial Metrics and Other Operational Metrics

"Revenue per truck per month" ("RPT") is a non-IFRS financial measure of non-destructive excavation fleet utilization. It is calculated using non-destructive excavation and non-destructive excavation related revenue only. RPT is calculated on both a consolidated basis and for each geographic segment by dividing non-destructive excavation and non-destructive excavation related revenue for each segment, by the average number of non-destructive excavation units in service in the segment during the period.

Effective January 1, 2022, Badger has revised the methodology in which it calculates RPT:

- Raw materials, work in progress and finished non-destructive excavation units held for sale in the normal course of operations previously presented in property, plant and equipment are now presented in inventory on the balance sheet and are excluded from the RPT calculation.
- RPT for Badger's operating partners and franchisees previously reflected the net revenue recognized by the Company versus the gross revenue that a non-destructive excavation unit would generate. To apply a consistent utilization metric across all parts of Badger's business, the RPT for Badger's operating partners now reflects the gross revenue generated on each non-destructive excavation units.

All comparative periods have been restated to reflect the changes.

Revenue per truck per month – Consolidated (mixed currency)

(\$ thousands, except for RPT and average non-destructive excavation units)	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Non-destructive excavation service revenue gross - U.S.	125,341	96,648	469,363	365,108
Non-destructive excavation service revenue gross - Canada	48,677	41,207	186,743	145,985
Total Non-destructive excavation service revenue gross	174,018	137,855	656,106	511,093
Average non-destructive excavation units ²	1,379	1,365	1,379	1,381
RPT ³	42,064	33,664	39,649	30,841

Revenue per truck per month – United States

(\$ thousands, except for RPT and average non-destructive excavation units)	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Total revenue	124,231	97,788	470,043	368,860
Less: Other revenue	3,920	2,984	13,257	11,110
Non-destructive excavation service revenue net	120,311	94,804	456,786	357,750
Add: Operating Partner Net Revenue	5,030	1,844	12,577	7,358
Non-destructive excavation service revenue gross	125,341	96,648	469,363	365,108
Average non-destructive excavation units ²	1,002	983	1,000	988
RPT ³	41,697	32,773	39,114	30,795

Revenue per truck per month – Canada

(\$ thousands, except for RPT and average non-destructive excavation units)	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Total revenue	24,799	23,755	100,769	85,018
Less: Other revenue	2,094	2,854	9,697	10,352
Non-destructive excavation service revenue net	22,705	20,901	91,072	74,666
Add: Operating Partner Net Revenue	13,103	11,847	52,191	41,842
Non-destructive excavation service revenue gross	35,808	32,748	143,263	116,508
Foreign exchange rate ¹	1.3594	1.2583	1.3035	1.2530
Non-destructive excavation service revenue - CAD equivalent	48,677	41,207	186,743	145,985
Average non-destructive excavation units ²	377	382	379	393
RPT ³	43,039	35,957	41,061	30,955

(1) Foreign exchange rate calculated on a weighted average basis for the respective period.

(2) See “Fleet Summaries” for additional details.

(3) RPT is calculated by taking non-destructive excavation unit revenue divided by the number of average trucks for the period and further divided by the number of months in the respective period, being three months for a quarter and twelve months for an annual period.

Fleet Summaries

Number of non-destructive excavation units at period end

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Canada	371	383	378	375	387	377	387	397
U.S.	1,016	987	975	960	983	982	979	982
	1,387	1,370	1,353	1,335	1,370	1,359	1,366	1,379
Non-destructive excavation operator training center ¹	—	—	—	—	1	1	1	1
Total	1,387	1,370	1,353	1,335	1,371	1,360	1,367	1,380

⁽¹⁾ Represents non-destructive excavation units being utilized at Badger's U.S. non-destructive excavation unit operator training center. Non-destructive excavation units utilized for training on a permanent basis are not available for day-to-day revenue generation, and as such, these units are excluded in the calculation of RPT.

Average number of non-destructive excavation units during the period ¹

	2022					2021				
	Annual	Q4	Q3	Q2	Q1	Annual	Q4	Q3	Q2	Q1
Canada	379	377	381	377	381	393	382	382	392	398
U.S.	1,000	1,002	981	968	972	988	983	981	981	988
Total	1,379	1,379	1,362	1,345	1,353	1,381	1,365	1,363	1,373	1,386

⁽¹⁾ The average number of non-destructive excavation units during the period is calculated using a simple average between the opening number of non-destructive excavation units during the period and the closing number of non-destructive excavation units during the period. Prior quarter comparatives have been restated to reflect the change in RPT calculation. Average number of non-destructive excavation units is based on the total units in service and included in active fleet.

Marketing and Franchise Agreements

Number of Marketing and Franchise Agreements	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Canada	13	13	13 ⁽¹⁾	15	15	15	15	15
U.S.	3	3	3 ⁽²⁾	2	2	2	2	2

⁽¹⁾ In Canada, three operating partner agreements were terminated and one agreement was added during the second quarter of 2022.

⁽²⁾ In the U.S., a new franchise agreement was executed during the second quarter of 2022.

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. The Company uses these non-IFRS financial measures in addition to results prepared in accordance with IFRS. Such non-IFRS measures allow us to view certain aspects of Badger's business that, when considered alongside applicable IFRS results, may provide a more comprehensive understanding of Badger's operational and financial condition and the factors and trends affecting Badger's business. These non-IFRS financial measures are identified and defined below:

“Adjusted EBITDA” is earnings before interest, taxes, depreciation and amortization, share-based compensation, gains and losses on derivative instruments, 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 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, gains and losses on foreign exchange, as such gains and losses can vary significantly based on factors beyond the Company's control and share-based compensation and gains and losses on derivative instruments as these expenses can vary significantly with changes in the price of the Company's common shares.

Adjusted EBITDA is calculated as follows:

(\$ thousands)	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Adjusted EBITDA				
Net earnings (loss)	4,238	(4,582)	18,290	(8,737)
Add:				
Depreciation and amortization	15,422	14,285	59,584	57,125
Share-based compensation expense	2,475	110	5,507	2,453
(Gain) loss on sale and impairment of property, plant and equipment	(546)	2,860	(331)	3,147
Unrealized loss on derivative instruments	1,249	1,658	3,885	2,140
Finance cost	2,763	1,075	8,066	4,406
Foreign exchange loss (gain)	121	119	362	(66)
Income tax expense (recovery)	2,354	(2,053)	4,593	(2,535)
Adjusted EBITDA	28,076	13,472	99,956	57,933

Adjusted EBITDA can also be calculated as follows:

(\$ thousands)	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Adjusted EBITDA				
Revenue	149,030	121,537	570,812	453,910
Less:				
Direct costs	111,364	98,372	431,662	358,857
General and administrative expense	9,590	9,693	39,194	37,120
Adjusted EBITDA	28,076	13,472	99,956	57,933

“Adjusted EBITDA margin” is Adjusted EBITDA as defined above, expressed as a percentage of revenues.

Adjusted EBITDA margin is calculated as follows:

(\$ thousands except for percentages)	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Adjusted EBITDA margin				
Adjusted EBITDA	28,076	13,472	99,956	57,933
Revenue	149,030	121,537	570,812	453,910
Adjusted EBITDA margin	18.8%	11.1%	17.5%	12.8%

Critical Accounting Policies and Estimates

The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the amounts recognized in the consolidated financial statements are:

Inventory

During the first quarter of 2022, the application of the Company’s accounting policy to its revised operating model resulted in the inclusion of finished goods, manufacturing parts, and work in progress as part of Inventory rather than Property, Plant and Equipment. Inventory includes manufacturing finished goods, manufacturing and spare parts, and work in progress related to non-destructive excavation units that will be sold in the ordinary course of business. Manufacturing inventories are measured at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the standard cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the application of Inventory policy to new transactions is treated prospectively with no comparative prior period adjustments.

Useful lives of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at the end of each reporting period and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. Future results of operations could be materially affected by changes in the estimated useful lives due to the factors mentioned above. The amounts and timing of recorded expenses would be affected by this as a reduction in the estimated useful lives of the property, plant and equipment would increase the recorded depreciation expense with an offset to the value of the related property, plant and equipment.

Intangible assets

Intangible assets consist of service rights acquired from the Company's operating partners and software costs. The initial valuation of intangibles at the closing date of any acquisition requires judgement and estimates by management with respect to identification, valuation and determining the expected periods of benefit. Valuations are based on discounted expected future cash flows and other financial tools and models and are amortized over their expected periods of benefit or not amortized if it is determined the intangible asset has an indefinite life. Intangible assets are reviewed annually with respect to their useful lives or more frequently if events or changes in circumstances indicate that the assets might be impaired. A change in the remaining life of an intangible asset would affect the amortization rate used to amortize the intangible asset for assets being amortized, and for assets not being amortized could result in an impairment of the related asset, the impact of which would be recognized in the Company's consolidated statement of comprehensive income (loss) as amortization expense or an asset impairment charge.

Income taxes

Current income taxes

Provisions for current income taxes are made using the best estimate of the amount expected to be paid based on a qualitative and quantitative assessment of all relevant factors that involves management's judgment. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date changes to these provisions could result from audits by tax authorities, reassessments and changes in interpretations of standards. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the income tax provisions in the period in which such determination is made.

Deferred income taxes

Deferred income tax assets are recognized when it is considered probable that the deductible temporary differences will be recovered. If future taxable income or the timing of the reversal differs significantly from the Company's estimate, the ability to realize the deferred income tax assets could be impacted.

Deferred income tax liabilities are recognized when there are taxable temporary differences that will result in a future outflow to a tax authority. The Company records a provision for the amount that is expected to be settled. Deferred income tax liabilities may be impacted by a change in the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals and the tax laws in which the Company operates.

Allowance for doubtful accounts

The Company records a loss allowance for expected credit losses on financial assets that are measured at amortized cost. The amortized cost is reduced by impairment losses at an amount equal to the lifetime expected credit losses that result from all possible default events over the expected life of the financial instrument. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

Determining cash generating units

For the purpose of assessing impairment of non-financial assets, the Company must determine its cash generating units ("CGUs"). Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. An impairment occurs when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and

the growth rate used for extrapolation purposes, which requires management's judgment. Impairment of non-financial assets would be recognized in the Company's consolidated statement of comprehensive income.

Goodwill

Goodwill is the amount that results when the cost of acquired assets exceeds their fair value at the date of acquisition. Goodwill is recorded at cost, is not amortized and is tested at least annually for impairment. The impairment test includes the application of a fair value test, with an impairment loss recognized when the carrying amount of goodwill exceeds its estimated fair value. Impairment provisions are not reversed if there is a subsequent increase in the fair value of goodwill. Impairment of goodwill would be recognized in the Company's consolidated statement of comprehensive income.

Functional currency

The determination of the functional currency of the Company and each of its subsidiaries requires judgment based on the composition of revenue and costs in the locations in which it operates.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure Controls and Procedures

Badger's President and CEO and its VP Finance and Interim 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 Badger's annual filings, interim filings or other reports filed or submitted by it under Canadian securities legislation 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 as at December 31, 2022 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 Interim 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 December 31, 2022 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 fourth quarter of 2022 or in the year ended December 31, 2022.

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

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 and information that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "continues to", "target", "focus on" 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's focus on cost management, sales activities and operational efficiencies and its impact on growth and on maximizing shareholder value;

- Badger’s expectations with respect to the production and retirement of non-destructive excavation and specialty units in 2023;
- Badger’s continued focus on enhancing operating leverage;
- The expectation of reinvestment in North America’s critical infrastructure and Badger’s ability to position operations to capture resulting market demand for non-destructive excavation;
- The anticipated impact on Badger’s manufacturing capacity and supply chain efficiencies;
- The expectation of future market opportunities for Badger with respect to infrastructure strengthening;
- Disclosure under the heading “2023 Business Outlook”;
- The market conditions, demand trends and supply chain capacity anticipated by Badger throughout 2023;
- Anticipated continued economic recovery from the COVID-19 pandemic in 2023 and its impact on Badger and its operations, including in connection with seasonal construction volume increases and regulations related to COVID-19;
- Badger’s ability to respond to global recessionary risk;
- Badger’s beliefs with respect to the appropriateness of its tax filings;
- Badger’s ability to continue to grow its business, including revenue, as a result of capitalizing on the long-term growth opportunity in the North American non-destructive excavation market;
- Badger’s focus on fleet optimization and increased utilization, and asset management;
- The benefits, if any, that Badger’s operational scale creates related to financial and operating performance; and
- Badger’s anticipated use of its cash, cash equivalents and financial capacity available under its credit facilities;

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 will maintain its financial position and financial resources will continue to be available to Badger;
- Business activity levels will continue to increase as there is continuous economic recovery following the COVID-19 pandemic;
- The monitoring of potential impacts of COVID-19 on all aspects of Badger’s business, including the impact on the demand for Badger’s services and the expectation that Badger’s business model, operating scale and financial position will enable it to manage effectively through the ongoing uncertain economic environment as a result of COVID-19, and that the long-term growth potential of non-destructive excavation will not be adversely impacted by the same;
- The actions taken by Badger to protect the health and safety of its employees, customers and communities, and to mitigate the operational and financial effects of COVID-19, will continue to have the intended effects;
- The overall market for Badger’s services or its ability to provide service will not be adversely affected in the long-term by COVID-19, economic disruption, or other factors beyond Badger’s control such as weather, natural disasters, global events, legislation or regulatory changes and technological advances;
- There will be long-term sustained customer demand for non-destructive excavation services from a broad range of end use markets 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 other unforeseen factors; and
- Badger will realize and continue to realize the efficiencies and benefits of the executed business restructuring activities and other business improvement initiatives; and
- Badger will obtain all labour, parts and supplies necessary to complete the planned Badger non-destructive excavation unit build at the costs and on the timeline expected.

Risks 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: political and economic conditions; industry competition; price fluctuations for oil and natural gas and related products and services; 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 as well as COVID-19 related regulations (e.g. vaccination mandates) which may adversely impact the labour supply and operating costs of Badger; extreme or unsettled weather patterns; and fluctuations in foreign exchange or interest rates. The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2022, which is available on SEDAR at www.sedar.com.

Any future-orientated financial information and financial outlook information (collectively, “FOFI”) contained in this MD&A, as such terms are defined by applicable securities laws, is provided for the purpose of providing information about

management's current expectations and plans relating to the future and is subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. Management believes that the FOFI has been prepared on a reasonable basis, reflecting best estimates and judgments; however, actual results of the Company's operations and financial outcomes may vary from the amounts set forth herein. FOFI contained in this MD&A was made as of the date of this MD&A and the Company does not undertake any obligation to publicly update or revise any FOFI contained in this MD&A, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. Readers are cautioned that any FOFI contained herein should not be used for purposes other than those for which it has been disclosed herein.

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.

Risk Factors to Badger

An investment in Badger Shares involves a number of risks and uncertainties. This section describes the general material risks that Badger believes may impact Badger Shareholders and/or the Company. See Badger's Annual Information Form for the year ended December 31, 2022 which is filed on SEDAR at www.sedar.com for a list of additional risk factors. If any of the following risks actually occur, Badger's business, operating results and financial condition, and the amount of cash available for distribution to Badger Shareholders, could suffer. Further, the risks described below are not the only risks that Badger faces. Additional risks not currently known to management or that are currently deemed immaterial may also have a negative impact on Badger Shareholders and/or the Company.

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

Risks Related to Badger's Industry and Operations

Reliance on Certain End Use and Geographic Markets

Badger operates across a wide range of end use infrastructure markets, as well as across a wide geographic footprint. Badger could be subject to a downturn in any of its end use segments and/or in certain geographic markets in which Badger operates.

Specifically, the oil and natural gas sector has historically been a significant end use market for Badger. Spending by Badger's customers for exploration, development, and production of oil and natural gas is based on a number of factors, including expectations of future hydrocarbon demand, energy prices, the risks associated with developing reserves, customers' ability to finance exploration and development of reserves, regulatory developments, and the future value of the reserves. Reductions in customer spending levels adversely affect the demand for Badger's products and services, and consequently, its revenues and operating results.

Badger also provides emergency response related services, including work related to large scale natural disasters such as hurricanes. The timing, size and nature of the services related to emergency response work performed by Badger is highly variable as a result of the non-recurring and specific nature of these type of events.

Badger continues to focus on expanding its end use segments and geographies in order to diversify its customer demand risk; however, no assurance can be provided that this expansion or diversification will be successful.

Loss of Key Customers

Badger has a number of key customers that, in aggregate, generate a significant portion of Badger's revenue. There can be no assurance that Badger's relationship with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Reliance on Key Suppliers

Badger sources the parts and products for the manufacture of its Badger non-destructive excavation units from a variety of suppliers, all of which may be subject to wide price variation, from time to time. Should any suppliers of Badger be unable to provide the necessary products or otherwise fail to deliver products in the quantities required or at acceptable prices, any resulting disruption or delays in the sourcing of new products or suppliers could have a material adverse effect on Badger's business, financial condition and results from operations. In addition, Badger's ability to grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to parts and products required to manufacture Badger non-destructive excavation units. No assurance can be given that the Company will be successful in maintaining the required supply of parts and products to manufacture Badger non-destructive excavation units. A significant increase in the price of any part, product, or material used in the manufacturing of such parts or products could negatively impact our profitability.

Competition

Badger operates in a highly competitive environment for non-destructive excavation services in Canada and the United States. In order to remain the leading provider of non-destructive excavation services, Badger continually enhances its safety and operational procedures to ensure they meet or exceed Badger's customers' expectations. Badger also has the in-house capabilities to continuously improve its non-destructive excavation units so that they remain safe, productive and efficient. There can be no assurance that Badger's competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Company, that Badger's competitors will not achieve greater market acceptance due to pricing, efficiency, safety and other factors, or that new or existing competitors will not enter the various markets in which the Company is active. Badger's customers may elect not to purchase our services if they view the Company's financial viability as unacceptable, which would cause the Company to lose customers, and may adversely affect the Company's results of operation, financial condition and reputation. There is also a risk that Badger is unable to respond in a timely or effective manner to competitive changes in the marketplace, at which point the business and financial condition of Badger could be adversely affected.

Development of Alternative or Competing Technology and Equipment

Generally speaking, the use of non-destructive excavation units and the process of hydro excavation is not protected by patents. As such, there are no significant technological barriers to entry within the industry, and new technological advances could occur in the design of non-destructive excavation trucks or the process of hydro excavation, or other forms of excavation at any time. Such new advancements could render non-destructive excavation equipment obsolete, or could result in a reduction in demand for non-destructive excavation services through the introduction of competing products that are lower in cost, perform better or are determined by the market to be a more preferable service. If we are not successful in continuing to keep current with such changing excavation trends and technology that are accepted in the marketplace or that comply with industry standards, we could lose market share to competitors which could have a material adverse effect on our business, financial condition, and results of operations.

Badger may, from time to time, invest in and use new, or less proven, technologies or methods in the design and manufacturing of Badger non-destructive excavation units. There can be no assurances that such new technologies or methods will perform as anticipated. The failure of such new technologies or methods to perform as anticipated may have a material adverse effect on Badger's business, financial condition, and results of operations.

Expansion of Badger's Business into New Jurisdictions

Badger has an organic growth strategy, the success of which is dependent upon a number of factors including the Company's ability to retain and expand its customer roster; expand into new geographical regions; recruit and retain additional staff; and manufacture sufficient additional Badger non-destructive excavation units. The achievement of these results may be impacted by many factors described elsewhere in this MD&A including competitive conditions; availability of qualified staff; and changes in input costs including labour rates.

Accordingly, Badger may from time to time expand its business into new operating jurisdictions. The expansion of the business will depend upon the ability of management to successfully implement its strategy. There is no guarantee that this business expansion will be successful. Badger will need to comply with the laws and regulations of these new jurisdictions, which may be significantly different than those the Company is accustomed to. Any failure to comply with applicable laws could result in the imposition of restrictions on the ability of Badger to conduct business in these jurisdictions, and could also result in fines or sanctions, any or all of which could adversely affect its results of operations or financial condition. In addition, any changes in laws and regulations in these new jurisdictions could adversely affect the business, results of operations and financial condition of the Company.

Badger may expand into cities where there is insufficient economic activity, reduced capacity for growth or less qualified personnel to support our operations. The Company may encounter operating conditions in these new markets that materially differ from our current operations and customer relationships may be difficult to obtain. Also, we may not be able to apply our regional operating strategy successfully in additional cities, and it might take longer than expected or require a more substantial financial commitment than anticipated to establish operations in the additional cities.

Global Health Crises, Including COVID-19

In December 2019, the first case of COVID-19 was reported. On January 30, 2020, the World Health Organization declared the outbreak a global health emergency, which was escalated to a pandemic on March 11, 2020. Since its outbreak, COVID-19 has resulted in governments around the world, including Canada and the U.S., imposing restrictions including lockdowns, temporary business closures, quarantine measures, and travel bans. These measures have been removed and re-introduced periodically over the past three years as new variants of COVID-19 continue to emerge, and several remain in effect as of the date of this MD&A.

Accordingly, the ultimate duration of the business disruptions and related financial impact from the COVID-19 pandemic is not known and could continue to materially adversely affect the demand for Badger's services and its ability to operate its business or to achieve its growth objectives in the manner and on the timelines previously planned. As it has in the past, the

COVID-19 pandemic could continue to cause material disruptions to Badger's business and operations in the future as a result of, among other things, quarantines, cyber-attacks, worker absenteeism as a result of illness or other factors, social distancing measures and other travel, health-related, business or other restrictions. If a significant percentage of the Company's workforce is unable to work, including because of illness or travel or government restrictions in connection with the pandemic, its operations may be negatively affected. An extended period of remote work arrangements could also increase operational risks, including but not limited to cybersecurity risks, which could impair Badger's ability to manage its business.

The impact of the COVID-19 pandemic may also aggravate other risks described herein, which could materially adversely affect Badger's business, financial condition, results of operations (including revenues and profitability) and/or share price. In addition, the COVID-19 pandemic may also affect Badger's operating or financial results in a manner that is not presently known to or that the Company does not currently consider to present significant risks to operations.

In connection with the COVID-19 pandemic, Badger previously availed itself of the Government of Canada Canadian Emergency Wage Subsidy. Although this program ended in October of 2021, depending on the severity and duration of the COVID-19 pandemic, Badger may need to rely on similar relief benefits in the future to the extent they are available. A reduction or elimination of such benefits may lead to personnel reductions, adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's liquidity and ability to generate income and cash flows in the future.

Cyber Security and Terrorism

Badger relies on information technology, such as computer hardware and software systems, in order to properly operate its business. In the event the Company becomes unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data. In addition, information systems could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, and confidential and proprietary information, and on Badger's business, financial condition, and results of operations.

In the ordinary course of business, Badger collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of employees and third parties. Despite the Company's internal controls and security measures, the Company's information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise information used or stored on Badger's systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to Badger's operations and damage to its reputation, which could have a material adverse effect on Badger's business, financial condition, and results of operations.

The Company attempts to prevent security breaches and other related information technology risks by implementing various technology security measures, segregating control systems from general business networks, engaging skilled employees and consultants to manage technology applications and adopting policies and procedures as deemed appropriate. Data backup and recovery processes are in place to minimize the risk of data loss and resulting disruption of business. Badger may also be required to invest in improved systems, software, or related services from time to time to ensure that it adequately adapts to cyber risks or security vulnerabilities.

In addition, Badger's assets may be the target of terrorist activities that could disrupt its ability to service customers. Badger may be required by regulators or by the future terrorist threat environment to make investments in security that cannot be predicted. The implementation of security guidelines and measures and maintenance of insurance, to the extent available, addressing such activities could increase costs. These types of events could materially adversely affect Badger's business, financial condition, and results of operations.

Safety

Provision of non-destructive excavation services involves numerous risks including undertaking operations in dangerous conditions or confined spaces, equipment defects, malfunctions and failures, accidents caused by operator error, environmental liabilities including liability related to slurry disposal, damage to or total loss of our property or assets or injury or death of our employees or of third parties. These risks also expose Badger to potential liability for pollution and other environmental damage or destruction claims. We must also maintain a safety record which meets the thresholds set by our customers in order to qualify to perform services for them. Although Badger has (i) implemented programs that seek to ensure its operations meet or exceed established safety standards, including through extensive training of our operators and monitoring activities; (ii) developed comprehensive maintenance programs for Badger non-destructive excavation units; and (iii) placed insurance programs that meet or exceed industry standards and are intended to minimize our potential liability for

safety or environmental claims, no assurance can be given that such programs will be adequate to protect against the occurrence of accidents and all resulting potential liabilities. Failure to maintain an acceptable safety record may have an adverse impact on our ability to retain and acquire customers.

Performance Obligations

Badger's success depends in large part on whether it fulfills its obligations with clients and maintains client satisfaction. If the Company fails to satisfactorily perform its obligations, or makes professional errors in the services that it provides, its clients could terminate contracts, including master service agreements, exposing the Company to loss of its reputation and risk of loss or reduced profits or, in some cases, the loss of the customer.

Moreover, if a client project is not completed as scheduled or expected, the Company may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late or insufficient completion. In addition, performance of projects can be affected by a number of factors beyond the Company's control, including unavoidable delays due to government regulation or inaction, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in project scope of services requested by clients, industrial accidents, environmental hazards, labour disruptions and other factors. To the extent these events occur, the total cost of the project could exceed estimates and the Company could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate overall profitability.

Foreign Currency and Operations Risk

A portion of the Company's activities relate to operations in Canada and are therefore exposed to foreign currency fluctuations. The Company is exposed to foreign currency fluctuations as revenues, expenses and working capital derived from its foreign operations are denominated in Canadian dollars. In addition, the Company's Canadian subsidiaries are subject to translation gains and losses on consolidation. Foreign exchange gains and losses are included in net earnings except for foreign exchange gains and losses arising from the translation of the assets, liabilities, revenues and expenses of the Company's foreign operations.

Risks of foreign operations include, but are not necessarily limited to, changes of laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange, inflation, repatriation of earnings, social unrest or civil war, acts of terrorism, extortion or armed conflict and uncertain political and economic conditions resulting in unfavourable government actions such as unfavourable legislation or regulation. While the impact of these factors cannot be accurately predicted, if any of the risks materialize, they could have a material adverse impact on the Company's business, financial condition, and results of operations.

Litigation

Legal proceedings may arise from time to time in the ordinary course of Badger's business. All industries, including the non-destructive excavation unit industry, are subject to legal claims, with and without merit. Such legal claims may be brought against Badger or one or more of its subsidiaries in the future from time to time. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, such legal proceedings could divert management time, attention and effort and the resolution of any particular legal proceeding to which Badger may become subject could have a material effect on Badger's business, financial condition, and results of operations.

Interruptions to Internal Facilities

Badger's manufacturing and storage facilities are subject to the risk of critical equipment breakdown or failure, safety shutdowns and lower-than-expected levels of efficiency or operational performance due to the deterioration of assets from use or age, design flaws and/or related modification requests from original equipment manufacturers and service providers or errors in the operation or maintenance of these facilities, among other things. Such events and the resulting conditions could cause harm to Badger's employees or property, increased capital expenditures, and production disruptions, among other things, and could have a material adverse impact on Badger's operating and financial results.

Scheduled and Unscheduled Maintenance

Much of Badger's assets, including the non-destructive excavation units, are subject to regularly scheduled maintenance or may require additional unscheduled downtime for unanticipated maintenance or repairs. Scheduled and unscheduled maintenance reduces Badger's revenues and increases its operating expenses during the period of time that our equipment is not operating. Furthermore, material unanticipated costs and delays may be incurred in scheduled and unscheduled maintenance which may negatively impact Badger's results of operations.

Fluctuations in Weather and Seasonality

Badger's operating results have been, and are expected to continue to be, subject to fluctuations on a quarterly basis due to a variety of factors including changes in weather conditions and seasonality. The seasonal nature of non-destructive excavation services requires Badger to estimate market demand for different seasons and prepare accordingly by hiring and training operators sufficiently in advance of demand materializing. While management takes into account several factors in estimating

market demand, there can be no assurance that Badger will recover such additional expenditures or that the estimates made by management in respect of demand will materialize, or materialize on the timing anticipated. Additionally, in the western United States, Badger has, in the past, been restricted by the imposition of government regulations from conducting its work in environmentally sensitive areas during the mating seasons of certain animals and birds. This has had a negative effect on Badger's results. As such, changes in the weather and seasonality may, depending on the location and nature of the event, have either a positive or negative effect on Badger's operating and financial results.

Disclosure Controls and Procedures

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to the CEO and VP Finance and Interim CFO by others within the Company, particularly during the period in which the annual and interim filings of the Company are being prepared, in an accurate and timely manner in order for the Company to comply with its disclosure and financial reporting obligations and in order to safeguard the Company's assets. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Company's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

Fluctuations in Fuel Costs

The price and supply of fuel fluctuates considerably based on events beyond the Company's control, including, among others, geopolitical developments, supply and demand for oil and gas, actions by oil and gas producers and associated organizations, war and unrest in oil producing countries and regional production patterns. As fuel is necessary to operate our fleet of non-destructive excavation units, price escalations for fuel increase our operating expenses and may adversely affect the business and financial condition of Badger.

Risks Relating to Badger's Human Capital

Dependence on Key Personnel

If Badger is unable to retain executive officers and key management employees, the Company's business, financial condition and results of operations could be adversely affected. Badger is highly dependent upon the services of our executive officers and key management employees, including our CEO. While management and the Board continue to be focused on succession planning with respect to senior management personnel, there is no guarantee that such efforts will be successful. Although we strive to reduce the potential negative impact of any such changes, the loss of any executive officers or key management employees could result in disruptions to the Company's operations. In addition, hiring, training, and successfully integrating replacement personnel, whether internal or external, could be time consuming, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact our business, financial condition and results of operations.

Availability and Cost of Qualified Labour

Badger's ability to maintain, and grow, its business is dependent upon its ability to attract and retain skilled personnel. Shortages of skilled personnel could have a material effect on Badger's operations and financial results by restricting growth and/or by increasing labour costs.

A significant proportion of Badger's workforce is comprised of operators for its Badger non-destructive excavation units, who are required to hold commercial driver's licenses. Badger hires and trains these operators over a broad range of geographies, and its ability to recruit and retain drivers with the necessary skills, including commercial driver's licenses, is subject to local and regional labour market conditions.

A portion of Badger's workforce is unionized, and Badger is a party to various local union agreements. Relations with local unions and the renewal of existing agreements could negatively impact Badger's business, financial condition, and results from operations. Badger maintains ongoing dialogue with local unions but there is no guarantee that operational disruptions will not occur.

Financial Risks and Risks Relating to Badger's Capital Requirements and Financing

Market Price of Badger Shares

The value of Badger Shares is subject to volatility, which is often based on factors related and unrelated to the financial performance of Badger. The price of Badger Shares could fluctuate in response to variations in Badger's operating results, financial condition, liquidity, and other factors. Factors unrelated to Badger's performance that could also affect the price include domestic and global commodity prices, international financial markets and economic uncertainty, and market perceptions of the attractiveness of particular industries and business that may provide services to such industries.

Cash Dividends are Not Guaranteed

Although the Company intends to pay cash dividends these payments are not assured and may be reduced or suspended. Effective with its March 2022 dividend, the Board approved a change in the frequency of Badger's cash dividend payment from monthly to quarterly.

The ability of the Company to pay dividends and the actual amount of such dividends will be dependent upon numerous factors including, but not limited to, Badger's financial performance, debt covenants and obligations, working capital requirements and future capital requirements. Under the terms of Badger's credit facilities, Badger is restricted from declaring dividends or distributing cash if Badger is in breach of its debt covenants. As at the date of this MD&A, Badger is in compliance with all of its covenants. Moreover, Badger must comply with the requirements of the Alberta Business Corporations Act, which states that a corporation shall not declare or pay a dividend if there are reasonable grounds for believing that (a) the corporation is, or would after the payment be, unable to pay its liabilities as they become due or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

In addition, the timing and amount of capital expenditures will directly affect the amount of cash available for dividend payments to Badger Shareholders. Dividends may be reduced, or even eliminated, when significant capital or operating expenditures are required.

The market value of the Badger Shares may decline if the Company is unable to meet its cash dividend targets in the future and that decline may be significant. Dividend payments may be reviewed and adjusted from time to time by the Board to reflect current business conditions. The Badger Shares are not a source of guaranteed income and Badger Shareholders should be aware that they bear the risk that the frequency and amounts of dividends may fluctuate or be interrupted.

It is important for anyone making an investment in Badger Shares to consider the particular risk factors that may affect both the Company and the industry, as described herein, in which it operates and which may therefore affect the stability of the dividend payments on the Badger Shares. Badger has not obtained a stability rating for the Badger Shares and does not anticipate doing so in the foreseeable future.

Debt Financing

The degree to which the Company is financially leveraged could have important consequences to the Company and Badger Shareholders.

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

Badger's syndicated revolving credit facility is collateralized by a general security interest over the Company's assets, property and undertaking, present and future. The credit facility contains terms and covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Badger to create liens or other encumbrances, to pay dividends on its securities or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with other entities. In addition, the credit facilities contain a number of financial covenants that require Badger to meet certain financial ratios and tests. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could result in a reduction or termination of Badger's dividends, and may permit acceleration of the relevant debt. If the indebtedness under the credit facility was to be accelerated, there can be no assurance that assets of the Company would be sufficient to repay that indebtedness and we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional financing. Badger's ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. Badger may not be able to engage in any of these activities or engage in these activities on desirable terms, which could have a material adverse effect on the Company's business and financial condition.

In addition to indebtedness owing under Badger's credit facility, the Company enters into various leases in the normal course of business, primarily related to the leasing of operating and administrative buildings. Terms and conditions associated with the lease arrangements would be consistent with industry norms. There is no lease liability associated with the Company's light-duty vehicle leases as the full consideration of the underlying lease is paid at the inception of the lease.

As at December 31, 2022, Badger's outstanding debt was \$167.1 million including:

- \$140.0 outstanding pursuant to its credit facility, which does not include \$4.0 million in outstanding letters of credit and \$1.2 million in unamortized debt issuance costs; and
- \$27.1 million in lease liabilities.

Credit Risk

Credit risk arises where a financial loss would be experienced if a counterparty to a financial asset failed to meet its contractual obligations. Badger's credit risk exposure is primarily through its trade receivables which are subject to industry credit risks. A portion of the Company's accounts receivable are with customers or counterparties involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices, economic conditions, environmental regulations, government policy, royalty rates and geopolitical factors. Accordingly, collection of these receivables could be influenced by economic factors affecting this industry. Badger mitigates credit risks by: (i) maintaining a large and diversified customer base across the utility, petroleum and construction industries; (ii) actively monitoring the financial strength of its customer base through credit processes to minimize the risk of default on receivables; (iii) relying on a due diligence process to approve credit for new and existing customers by assessing the creditworthiness of each customer; and (iv) by insuring its trade receivables portfolio. Badger cannot assure that these mitigation efforts will be successful in mitigating its credit risk exposure.

Credit Market Instability

Instability of the credit markets and the resulting effects on the economy could have a material adverse effect on Badger's operating results. If the credit markets and the economy weaken, Badger's business, financial results, and results of operations could be materially and adversely affected, especially if consumer confidence declines and domestic spending decreases. We may need to incur indebtedness, which may include drawing on our credit facility, or issue debt securities in the future to fund working capital requirements, make investments, or for general corporate purposes. Additionally, stresses in the credit market causes uncertainty in the equity markets, which may result in volatility of the market price for Badger's securities.

Global Financial Conditions

Global financial conditions include the commodity and equity markets that have been volatile as investors react to changes in the global economy. As a result of these global conditions, the Company may be subject to increased counterparty and liquidity risks. The Company is exposed to various counterparty risks including, but not limited to: financial institutions that hold the cash of the Company to provide available funding on the credit facility and the insurance providers of the Company. As a result, the cash of the Company may become exposed to credit related losses in the event of non-performance by counterparties to these financial instruments. In the event that a counterparty fails to complete its obligations, the Company would bear the risk of loss of the amount expected to be received under these financial instruments in the event of the default or bankruptcy of a counterparty.

The Company is also exposed to liquidity risk in the event its cash positions decline or become inaccessible for any reason, or additional financing is required to advance its projects or growth strategy and appropriate financing is unavailable, or is available but on uneconomic terms. Any of these factors may impact the ability of the Company to obtain further equity based funding, loans and other credit facilities in the future and, if obtained, on terms favorable to the Company. If volatility and market turmoil recur, the Company's results from operations and planned growth could be adversely impacted and such impact may have an adverse effect on the financial condition of the Company.

Additionally, the agreements governing the Company's various credit facilities impose certain operating and financial covenants on the Company that may prevent the Company from pursuing certain business opportunities and restrict its ability to operate its business. The Company's ability to comply with these covenants will likely be affected by events beyond its control, and the Company cannot assure that it will satisfy those requirements. If the Company's financial performance results in a breach of any existing or future financial covenants, access to financing could be restricted and/or all or a portion of the Company's debt could become due on demand.

Interest Rates

Badger has certain floating rate loans and may be negatively impacted by increases in interest rates, the effect of which increase would be to reduce the amount of cash available for operating, investing and financing related activities, including the amount of cash available for dividends on Badger Shares.

Income Tax Matters

Badger and its subsidiaries are subject to federal, provincial and state income taxes in Canada and the United States, as applicable. While Badger works to keep itself and its subsidiaries in full compliance with all applicable legal requirements relating to federal, provincial and state legislation on income tax, sales tax, goods and services tax, excise tax and all other direct or indirect taxes including business tax, real estate tax, municipal, and other taxes, there can be no assurance that Badger and its subsidiaries will not be subject to assessment, reassessment, audit, investigation, inquiry or judicial or administrative proceedings under any such laws. As taxing regimes change their tax basis and rates, or initiate reviews of

prior tax returns, Badger's liability to income tax may increase and Badger could be exposed to increased costs of taxation, which could, among other things, reduce the amount of funds available to distribute to Badger Shareholders or otherwise have a material adverse effect on Badger's business, financial condition, and results of operations.

Legal, Regulatory, General Economic and Political Risks

Climate Change Legislation and Related Regulatory Initiatives

In recent years, the United States Congress has considered legislation to reduce emissions of greenhouse gases ("GHGs"). However, it is uncertain if either house of Congress will pass comprehensive climate change legislation in the near future, although energy legislation and other regulatory initiatives are expected to be proposed that may be relevant to GHG emissions issues. In addition, some states are addressing GHG emissions, primarily through the development of emission inventories or regional GHG cap and trade programs.

In Canada, several provinces and the Government of Canada have recently adopted legislation to reduce, cap or tax GHG emissions. Depending on the particular program, Badger may be required to reduce GHG emissions, pay a carbon tax or purchase and surrender allowances or offsets for GHG emissions resulting from Badger's operations. Independent of Congress, the United States Environmental Protection Agency ("EPA") has adopted regulations controlling GHG emissions under its existing authority under the Clean Air Act ("CAA"). For example, following its findings that emissions of GHGs endanger human health and the environment because such emissions contributed to warming of the earth's atmosphere and other climatic changes, EPA has adopted regulations under existing provisions of the CAA that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources that are also potential major sources for conventional pollutants. In addition, EPA has adopted rules requiring annual monitoring and reporting of GHG emissions from specified production, processing, transmission and storage facilities in the United States.

Also, the United States and Canada are among 197 nations that are parties to the Paris Agreement, an international climate change agreement that calls for countries to set GHG emissions targets and the measures each country will use to achieve those targets. The agreement came into force on November 4, 2016 and Canada and the United States are among the 187 nations that have ratified the agreement. Although United States formally withdrew from the agreement on November 4, 2020, President Biden's administration officially re-entered the United States into the Paris Agreement in February 2021. Although it is not possible at this time to predict how new laws in the United States or Canada that address GHG emissions will impact Badger's business, any such future laws could require Badger to incur costs and delay or restrict GHG emissions from new or modified sources. The reductions may not be technically or economically feasible and the failure to meet such reduction requirements or other compliance mechanisms may materially adversely affect Badger's business and result in fines, penalties and the suspension of operations.

There have also been efforts in recent years to influence the investment community, including investment advisors and certain sovereign wealth, pension and endowment funds, promoting divestment of fossil fuel equities and pressuring lenders to limit funding to companies engaged in the extraction of fossil fuel reserves. Such environmental activism and initiatives aimed at limiting climate change and reducing air pollution could interfere with our business activities, operations, and ability to access capital.

As well, equipment from suppliers which can meet future emission standards may not be available on an economic basis and other compliance methods of reducing emissions to levels required in the future may significantly increase Badger's operating costs or reduce output. Emission reductions or offset credits may not be available on an economic basis. In addition, limitations on GHG emissions could adversely affect a number of Badger's customers thereby delaying or decreasing the demand for Badger's products and services.

Further, increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods, wildfires and other climatic events; if any such effects were to occur, they could have an adverse effect on Badger's and its customers' operations. Although it is not currently possible to predict how any such proposed or future GHG legislation will impact Badger's business, any regulation of GHG emissions in areas in which Badger conducts business could result in increased compliance costs or additional operating restrictions to Badger's exploration and production customers which could have a significant adverse effect on Badger's operations.

Compliance with Government and Related Regulations

Badger's operations are subject to a variety of federal, provincial, state and local laws, regulations and guidelines. Such laws and regulations relate to, among other things, health and safety, environment and emissions, the excavation, transportation and disposal of customer's materials and the manufacture of Badger non-destructive excavation units used in the Company's operations, foreign trade, rules imposed by the TSX and Canadian securities regulators, and reporting obligations. While Badger believes that it is currently in compliance with all applicable government standards and regulations, there can be no assurance that all of Badger's business will be able to continue to comply with all applicable standards and regulations that may be in place in the future.

The laws and regulations applicable to Badger's operations provide that Badger could be liable for fines, penalties and other costs in the event that it is found to not be in compliance with those laws and regulations. A failure to comply with such laws and regulations could result in, among other things, investigations into Badger's operations or the suspension or revocation of operating permits and damage Badger's reputation and have a negative effect on Badger's operating and financial results. Private parties may also pursue legal actions against us based on alleged non-compliance with or liability under certain of these laws, rules and regulations. Further, any changes in the current legal and regulatory environment could impact industry activity and the demands for our products and services, the scope of products and services that we provide, or our cost structure required to provide our products and services, or the costs incurred by our customers.

General Economic And Business Risk

In addition to the risk factors outlined elsewhere in this MD&A, Badger's business is dependent on a number of general economic and business factors that may have a materially adverse effect on the Company's results of operations, many of which are beyond our control. These factors include strikes or other work stoppages, significant increases or fluctuations in interest rates, fuel taxes, fuel prices, and license and registration fees, natural disasters, forest fires, national emergencies, acts of war, acts of terrorism, technological attacks, domestic and global trade disruptions, infrastructure disruptions, civil disobedience or unrest, the outbreak of disease, or similar events. We are affected by recessionary economic cycles and downturns in customers' business cycles, particularly in market segments and industries where we have a significant concentration of customers. Economic conditions may adversely affect our customers and their ability to pay for our services.

It is not possible to predict the effects of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against any foreign state, heightened security requirements, or other related events and the subsequent effects on the economy or on consumer confidence in the United States and Canada, or the impact, if any, on our future results of operations.

In addition, Badger's financial and/or operating performance could be materially adversely affected by the outbreak of new public health crises, epidemics, pandemics or outbreaks of new infectious diseases or viruses. As has been seen with respect to COVID-19, such public health crises can result in volatility and disruption to global supply chains, demand for oil and gas, trade and market sentiment, mobility of people, and global financial markets, which could affect access to capital, interest rates, credit ratings, credit risk, inflation, business, financial conditions and results of operations, and other factors relevant to Badger.