

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

For the three and nine months ended September 30, 2021, and 2020

BADGER INFRASTRUCTURE SOLUTIONS LTD.
Interim Condensed Consolidated Statement of Financial Position
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

As at	Notes	September 30, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash and cash equivalents	15	3,283	17,295
Trade and other receivables	7	158,997	148,112
Prepaid expenses		11,474	8,542
Inventories		13,007	9,340
Income taxes receivable		13,076	5,428
		199,837	188,717
Non-current Assets			
Property, plant and equipment		371,543	380,525
Right-of-use assets	10	24,225	21,354
Intangible assets		29,564	30,668
Goodwill		1,621	1,621
		426,953	434,168
Total Assets		626,790	622,885
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		68,851	51,018
Lease liability	10	6,920	5,412
Derivative financial instruments	17	431	-
Share-based plan liability	13	23,791	28,179
Dividends payable		1,810	1,743
Current portion of senior secured notes	11	31,543	31,830
		133,346	118,182
Non-current Liabilities			
Trade and other payables		3,211	3,209
Lease liability	10	12,387	9,798
Derivative financial instruments	17	183	-
Senior secured notes	11	-	31,830
Borrowings under credit facility	11	119,684	68,066
Deferred income tax		64,149	63,281
		199,614	176,184
Shareholders' Equity			
Shareholders' capital	12	77,991	78,851
Contributed surplus		548	548
Accumulated other comprehensive income		19,706	19,119
Retained earnings		195,585	230,001
		293,830	328,519
Total Liabilities and Shareholders' Equity		626,790	622,885

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

BADGER INFRASTRUCTURE SOLUTIONS LTD.
Interim Condensed Consolidated Statement of Comprehensive Income
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2021	2020	2021	2020
Revenue	8	171,753	156,853	415,813	428,015
Direct costs		124,785	100,687	325,831	295,138
Gross profit		46,968	56,166	89,982	132,877
Depreciation and amortization		18,052	18,452	53,611	55,484
General and administrative		11,213	9,041	34,328	32,054
Share-based plans	13	(461)	6,122	3,046	6,551
Operating profit (loss)		18,164	22,551	(1,003)	38,788
(Gain) loss on sale and impairment of property, plant and equipment		(87)	(416)	349	1,302
Unrealized loss on derivatives	17	614	-	614	-
Finance cost		1,664	1,703	4,168	6,665
Foreign exchange gain		(962)	(646)	(229)	(190)
Profit (loss) before income tax		16,935	21,910	(5,905)	31,011
Current income tax expense (recovery)		467	5,916	(1,439)	5,916
Deferred income tax expense (recovery)		4,061	(159)	881	2,173
Income tax expense (recovery)		4,528	5,757	(558)	8,089
Net profit (loss)		12,407	16,153	(5,347)	22,922
Other comprehensive income:					
Foreign exchange differences on translation of foreign operations		5,714	(8,031)	(348)	12,175
Unrealized foreign exchange gain (loss) on net investment hedge	11	805	1,445	935	(2,143)
Other comprehensive income (loss)		6,519	(6,586)	587	10,032
Comprehensive income (loss)		18,926	9,567	(4,760)	32,954
Net profit (loss) per share					
Basic and diluted	14	\$0.36	\$0.46	(\$0.15)	\$0.66

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

BADGER INFRASTRUCTURE SOLUTIONS LTD.
Interim Condensed Consolidated Statement of Changes in Equity
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

	Notes	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
As at January 1, 2020		79,009	548	23,202	227,912	330,671
Net profit		-	-	-	22,922	22,922
Other comprehensive income		-	-	10,032	-	10,032
Dividends		-	-	-	(15,512)	(15,512)
Shares repurchased and cancelled under normal course issuer bid	12	(158)	-	-	(1,919)	(2,077)
As at September 30, 2020		78,851	548	33,234	233,403	346,036
As at January 1, 2021		78,851	548	19,119	230,001	328,519
Net loss		-	-	-	(5,347)	(5,347)
Other comprehensive income		-	-	587	-	587
Dividends		-	-	-	(16,228)	(16,228)
Shares repurchased and cancelled under normal course issuer bid	12	(860)	-	-	(12,841)	(13,701)
As at September 30, 2021		77,991	548	19,706	195,585	293,830

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

BADGER INFRASTRUCTURE SOLUTIONS LTD.
Interim Condensed Consolidated Statement of Cash Flows
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2021	2020	2021	2020
Operating activities					
Net profit (loss)		12,407	16,153	(5,347)	22,922
Non-cash adjustments to reconcile net profit (loss) from operations to cash flow from operating activities before working capital and other adjustments:					
Depreciation and amortization		18,052	18,452	53,611	55,484
Deferred income tax expense (recovery)		4,061	(159)	881	2,173
(Gain) loss on sale of property, plant and equipment		(87)	(416)	349	1,302
Finance cost		1,664	1,703	4,168	6,665
Current income tax expense (recovery)		467	5,916	(1,439)	5,916
Unrealized loss on derivatives	17	614	-	614	-
Share-based plans	13	(461)	6,122	3,046	6,551
Unrealized foreign exchange gain		(920)	(794)	(458)	(1,021)
Cash flow from operating activities before working capital and other adjustments		35,797	46,977	55,425	99,992
Change in non-cash working capital	15	(31,139)	(17,201)	810	7,715
Income taxes paid		(1,146)	(3,095)	(8,328)	(3,582)
Income taxes recovered		1,448	7,131	2,254	7,497
Interest paid on lease liabilities	10	(172)	(150)	(470)	(470)
Share-based plan paid	13	(2,870)	(1,957)	(7,436)	(3,935)
Cash flows from operating activities		1,918	31,705	42,255	107,217
Investing activities					
Purchase of property, plant and equipment		(14,778)	(15,955)	(37,989)	(43,129)
Upfront payments for right-of-use assets	10	(2)	(180)	(41)	(916)
Proceeds from sale of property, plant and equipment		278	676	1,865	1,052
Additions to intangible assets		(476)	(20)	(936)	(3,193)
Change in non-cash working capital	15	748	(1,872)	675	(5,844)
Cash flows used in investing activities		(14,230)	(17,351)	(36,426)	(52,030)
Financing activities					
Borrowings under credit facility	11	26,040	-	83,915	123,740
Repayment of credit facility	11	(7,387)	(11,000)	(32,709)	(105,897)
Repayment of senior secured notes	11	-	-	(31,568)	(32,858)
Interest paid		(1,308)	(2,066)	(4,013)	(6,749)
Payment of lease liabilities	10	(2,159)	(1,533)	(5,575)	(4,736)
Dividends paid		(5,446)	(5,229)	(16,161)	(15,430)
Common shares repurchased under normal course issuer bid	12	(7,692)	-	(13,701)	(2,077)
Cash flows from (used in) financing activities		2,048	(19,828)	(19,812)	(44,007)
Effect of foreign exchange rate changes on cash		229	(397)	(29)	155
(Decrease) increase in cash and cash equivalents		(10,035)	(5,871)	(14,012)	11,335
Cash and cash equivalents, beginning of period		13,318	26,007	17,295	8,801
Cash and cash equivalents, end of period		3,283	20,136	3,283	20,136

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

BADGER INFRASTRUCTURE SOLUTIONS LTD.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and September 30, 2020
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

1 Incorporation and operations

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

The unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2021 and September 30, 2020 were authorised for issue in accordance with a resolution of the Board of Directors (“Board”) on November 4, 2021.

2 Basis of preparation

Statement of compliance

These unaudited interim condensed consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board.

Basis of measurement

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

Functional and presentation currency

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

3 Significant accounting judgements, estimates and assumptions

The preparation of these unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the unaudited interim condensed consolidated financial statements and reported amounts of revenues, expenses, gains and losses during the reporting period. These judgements, estimates and assumptions are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2020. Estimates and judgements are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The COVID-19 outbreak and related mitigation measures have had an adverse impact on global economic conditions resulting in government response actions, social distancing, business closures and reduced travel. These measures have caused disruptions to normal business operations and have increased economic uncertainty which have had an impact on the Company’s financial results for the three and nine months ended September 30, 2021.

Management has considered the impact of COVID-19 on significant accounting judgements, estimates and assumptions used in the preparation of the financial statements and did not identify any material changes in the current year. The duration of the pandemic and its impact on the Company’s financial performance and position is an area of estimation uncertainty and judgement, which is constantly monitored and reflected in management’s estimates.

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For the three and nine months ended September 30, 2021 and September 30, 2020
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4 Recently announced accounting pronouncements

Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current - amendments to IAS 1 to promote consistency in determining and reporting whether, in the statement of financial position, debt and other liabilities should be classified as current (settled within one year) or non-current based on rights that exist at the end of the reporting period. The amendment is effective January 1, 2023 and is required to be adopted retrospectively. Early adoption is permitted, and management does not anticipate material impact on the Company's consolidated financial statements.

5 Standards adopted and changes in accounting policies

Derivative Financial Instruments

During the three and nine months ended September 30, 2021, the Company entered into total return swaps to manage its exposure to fluctuations in the total return of its common shares related to long-term incentive compensation plans. The derivative financial instruments are utilized by the Company in the management of its equity price as changes in equity price affect share-based plan expense. These cash-settled share swap transactions require the exchange of net contractual payments at maturity without the exchange of the notional principal amounts on which the payments are based. These represent an economic hedge of the long-term incentive compensation plans recorded in the Interim Condensed Consolidated Statement of Comprehensive income in Share-based plans. Changes in fair value are recorded as an expense to the unrealized loss on derivatives in the Interim Condensed Consolidated Statement of Comprehensive Income. Any change in fair value of the total return swaps is recognized as unrealized losses or gains on derivatives in the period in which the change occurs both in the Interim Condensed Consolidated Statement of Comprehensive Income and Cash Flows.

6 Seasonality of Operations

The Company's sales are typically highest in the second, third and fourth quarters as a result of the seasonal upswing in construction activity, the impact of which typically results in higher activity levels. In the first quarter, construction activity in the majority of Canada and certain regions of the U.S. typically reduces as a result of winter weather conditions. Partially offsetting the impact of the seasonality related to construction activity, is demand for certain oil and gas related activities which are typically strongest in the first quarter and weakest in the second quarter as a result of spring break-up and restrictions related to road access. As the Company continues to grow its U.S. customer base, the impact of seasonality may shift over time. Similarly to sales, the Company's net working capital requirements will typically follow the seasonality of the related sales activity.

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Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and September 30, 2020
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

7 Trade and other receivables

As at	September 30, 2021	December 31, 2020
Trade receivables	154,334	146,165
Holdback receivables	1,299	1,613
Allowance for doubtful accounts	(4,185)	(5,860)
Total trade receivables	151,448	141,918
Accrued revenue and other receivables	7,549	6,194
Trade and other receivables	158,997	148,112

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

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

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

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

	Total	Current	31-60 days	61-90 days	91-120 days	Greater than 120 days
As at September 30, 2021						
Trade receivables	154,334	115,762	15,189	7,040	4,109	12,234
Holdback receivables	1,299	-	24	66	100	1,109
Allowance for doubtful accounts	(4,185)	-	(16)	(10)	(12)	(4,147)
	151,448	115,762	15,197	7,096	4,197	9,196
As at December 31, 2020						
Trade receivables	146,165	77,916	17,780	14,432	5,729	30,308
Holdback receivables	1,613	3	19	32	19	1,540
Allowance for doubtful accounts	(5,860)	-	(390)	(610)	-	(4,860)
	141,918	77,919	17,409	13,854	5,748	26,988

The changes in the allowance for doubtful account for the nine months ended September 30, 2021 and year ended December 31, 2020 are as follows:

As at December 31, 2019	5,611
Additions to the allowance (bad debt expense)	4,505
Accounts written off (reduces allowance for doubtful accounts)	(3,954)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(174)
Exchange differences	(128)
As at December 31, 2020	5,860
Additions to the allowance (bad debt expense)	4,208
Accounts written off (reduces allowance for doubtful accounts)	(5,230)
Amounts recovered that were previously allowed for (reduces bad debt expense)	(658)
Exchange differences	5
As at September 30, 2021	4,185

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Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

8 Revenue

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Hydrovac revenue – corporate	157,496	143,721	380,438	394,013
Hydrovac revenue – operating partners	6,706	5,942	15,809	14,203
Total hydrovac revenue	164,202	149,663	396,247	408,216
Other service revenue – corporate ⁽¹⁾	7,054	6,928	18,543	19,055
Other service revenue – operating partners ⁽¹⁾	497	262	1,023	744
Total other revenue	7,551	7,190	19,566	19,799
Total revenue	171,753	156,853	415,813	428,015

⁽¹⁾ Other revenue includes non hydrovac related services, truck placement fees and other administrative related revenue.

9 Other expenses

Government assistance

The Company is participating in the Canada Emergency Wage Subsidy (“CEWS”) and Canada Emergency Rent Subsidy (“CERS”) programs which were passed by the Government of Canada to support employers facing financial hardship, as measured by certain revenue declines, as a result of the COVID-19 pandemic. CEWS provides a reimbursement of compensation expense for the period from March 15, 2020, to October 2021, as prescribed by the government. CERS provides reimbursement of qualifying property expenses for the period from September 27, 2020 to October 2021, as prescribed by the government. The Company recognized funds of \$3.0 million during the three and nine months ended September 30, 2021, respectively. The Company recognized funds of \$2.0 million and \$7.2 million during the three and nine months ended September 30, 2020. The Company continues to evaluate its eligibility for the program on an ongoing basis and will continue to evaluate if and when there are any extensions to the program.

The following table outlines the total government assistance recognized during the three and nine months ended September 30, 2021.

	For the three months		For the nine months	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
Government assistance included in:				
Direct costs	(2,790)	(1,922)	(2,790)	(6,571)
General and administrative	(247)	(110)	(247)	(666)
Total government assistance	(3,037)	(2,032)	(3,037)	(7,237)

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Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and September 30, 2020
(Unaudited - Expressed in thousands of Canadian Dollars unless otherwise stated)

10 Leases

Badger enters into leases primarily in order to secure office and yard space for the hydrovac operations and for light-duty vehicles. Terms of property leases vary including the life of the lease and the existence of extension options. Leases for light-duty vehicles are managed through a third-party and do not create a lease liability as Badger makes the required lease payments upon initiation of the lease.

Right-of-use assets

	Property	Light-duty vehicles	Total
Opening balance as at January 1, 2020	16,839	6,378	23,217
Additions	7,694	1,660	9,354
Depreciation	(6,738)	(1,069)	(7,807)
Disposals/modifications	(2,744)	(36)	(2,780)
Impact of foreign exchange	(416)	(214)	(630)
Right-of-use assets as at December 31, 2020	14,635	6,719	21,354
Additions	11,716	41	11,757
Depreciation	(5,469)	(818)	(6,287)
Disposals/modifications	(2,442)	(229)	(2,671)
Impact of foreign exchange	93	(21)	72
Right-of-use assets as at September 30, 2021	18,533	5,692	24,225

Lease liabilities

Opening balance as at January 1, 2020	17,151
Additions	7,694
Interest expense	606
Lease payments	(6,962)
Disposals/modifications	(2,936)
Impact of foreign exchange	(343)
Lease liabilities as at December 31, 2020	15,210
Additions	11,716
Interest expense	470
Lease payments	(6,045)
Disposals/modifications	(2,391)
Impact of foreign exchange	347
Lease liabilities as at September 30, 2021	19,307
Current	6,920
Long-term	12,387
Total lease liabilities	19,307

Contractual undiscounted cash flows

As at	September 30, 2021	December 31, 2020
Less than one year	7,815	6,268
One to five years	14,392	11,188
Total	22,207	17,456

Amounts recognized in net profit

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Expenses related to short-term leases	787	576	2,216	1,829

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Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and September 30, 2020
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11 Debt

As at	September 30, 2021	December 31, 2020
Current portion of senior secured notes	31,543	31,830
Current debt	31,543	31,830

As at	September 30, 2021	December 31, 2020
Borrowings under credit facility	120,325	68,820
Less: unamortized debt issuance costs	(641)	(754)
Net borrowings under credit facility	119,684	68,066
Senior secured notes	-	31,830
Total long-term debt	119,684	99,896

As at	September 30, 2021	December 31, 2020
Syndicated revolving credit facility capacity	300,000	300,000
Supplemental credit facility	100,000	100,000
Less: borrowings under credit facility	(120,325)	(68,820)
Less: letters of credit	(5,072)	(4,750)
Available amount	274,603	326,430

Syndicated revolving credit facility

The Company has a \$300.0 million syndicated revolving credit facility with a syndicate of five lenders. The \$300.0 million syndicated revolving credit facility allows for borrowings in either Canadian or U.S. dollars, providing Badger with the administrative flexibility to borrow in the functional currency in both its Canadian and the U.S. operations. The syndicated revolving credit facility, which is a five-year term, matures on September 30, 2024. Badger has the flexibility to expand the syndicated revolving credit facility, subject to approval by the lenders, by an additional \$150.0 million Canadian dollars. Badger maintains the syndicated revolving credit facility for general corporate and liquidity purposes, in addition to financing requirements, if any, related to Badger's capital expenditure requirements. The increase and extension of the syndicated revolving credit facility completed on September 30, 2019, has no impact on the Company's existing senior secured notes, including the respective financial covenant ratios and maturity dates, all of which is further detailed below.

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")/London interbank offered rate ("LIBOR") 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. The prime rate tiers range between zero and 175 basis points. The BA/LIBOR tiers range from 120 to 300 basis points. The standby fee tiers range between 24 and 60 basis points. All of the tiers are based on the Company's Total Debt to Compliance EBITDA ratio. Stand-by 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 2021, and as at September 30, 2021, 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.

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Supplemental credit facility

On May 7, 2020, the Company entered into a supplemental \$100.0 million credit facility with the same group of lenders as its existing syndicated revolving credit facility. The supplemental credit facility had an initial term of one year, expiring on May 6, 2021. On May 4, 2021, the Company renewed its supplemental \$100.0 million credit facility with the same group of lenders as its existing syndicated revolving credit facility. The renewed supplemental credit facility has a term of one year, expiring on May 3, 2022. The facility is available for general corporate purposes, providing the Company with additional liquidity and financial flexibility should it be required. Key conditions of the facility, including financial covenants and pricing, are consistent with the Company's existing syndicated revolving credit facility. As at September 30, 2021, the Company had no amounts outstanding on its supplemental credit facility.

As at September 30, 2021, the Company had available \$274.6 million (December 31, 2020 - \$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 US\$75.0 million. The notes, which rank pari passu with the syndicated revolving credit facility, have a current principal amount outstanding of US\$25.0 million, and an interest rate of 4.83% per annum and mature on January 24, 2022. Repayments of US\$25.0 million, as required under the terms of the notes, were completed on January 24, 2020 and January 24, 2021. The remaining amortizing principal repayment of US\$25.0 million are due under the notes on January 24, 2022. Interest is paid semi-annually in arrears.

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

Under the terms of the senior secured notes, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2021, and as at September 30, 2021, the Company was in compliance with all of these covenants. As at September 30, 2021, the fair value of the senior secured notes was approximately US\$25.3 million.

Hedge on net investment

The Company's U.S. dollar denominated senior secured notes has been designated as a hedge of the net investment in its U.S. operations. At the inception of the hedge and on an ongoing basis, the Company documents whether the hedge is highly effective in offsetting foreign exchange fluctuations of its net investment. The effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income; any ineffectiveness is recorded immediately in earnings. Amounts included in foreign currency translation reserve will be recognized in net profit when there is a reduction of the hedged net investment.

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Notes to the Interim Condensed Consolidated Financial Statements

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12 Shareholders' capital

A) Authorized shares

An unlimited number of voting common shares are authorized without nominal or par value.

B) Issued and outstanding

Normal course issuer bid

On March 11, 2021, the Board of Directors approved the Company to pursue an NCIB program of up to 1,500,000 common shares commencing on March 24, 2021, and ending on March 23, 2022 or such earlier date on which the Company completes its purchases of common shares under the NCIB, or terminates the NCIB at its option.

During the three and nine months ended September 30, 2021, pursuant to its NCIB, the Company purchased and cancelled 223,900 and 380,400 common shares, at a weighted average price per share of \$34.40 and \$36.04.

	Number of Shares	Amount
As at December 31, 2019	34,923,738	79,009
Common shares repurchased and cancelled through NCIB	(69,900)	(158)
As at December 31, 2020	34,853,838	78,851
Common shares repurchased and cancelled through NCIB	(380,400)	(860)
As at September 30, 2021	34,473,438	77,991

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13 Share-based plan

A) Deferred Share Unit Plan

The Deferred Share Unit (“DSU”) Plan was established to promote greater alignment of interests between the executive officers and the Shareholders of the Company. The Board may also participate in the plan whereby they will be paid 60% to 100% of the annual retainer in the form of deferred units. Pursuant to the terms of the DSU, participants are granted deferred units with a value equivalent to the value of a Badger share. The deferred units granted earn additional deferred units at the same rate as dividends on Badger common shares. Prior to 2021, the deferred units granted other than to the Board, which vest immediately, vested equally over a period of three years from the date of the grant. For units granted prior to 2021, the participant could elect to redeem the deferred units upon vesting for an equal number of Badger shares or the cash equivalent. For grants to participants other than to the Board granted in 2021, shares vest immediately and are redeemed upon departure from the company. A maximum of 1,500,000 Common Shares have been reserved for issuance pursuant to the DSU Plan.

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

The liability for deferred units outstanding as at September 30, 2021 is \$18.4 million (December 31, 2020 - \$20.9 million). The fair value of deferred units exercisable as at September 30, 2021 is \$15.9 million (December 31, 2020 - \$15.6 million). Changes in the number of deferred units under the DSU Plan were as follows:

	Units
As at December 31, 2019	514,291
Granted	219,938
Dividends earned	12,020
Redeemed for cash	(77,496)
Forfeited	(8,657)
As at December 31, 2020	660,096
Granted	24,294
Dividends earned	7,632
Redeemed for cash	(88,399)
Forfeited	(19,931)
As at September 30, 2021	583,692
Exercisable as at September 30, 2021	470,798

B) Performance Share Unit Plan

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

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

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The liability for PSUs outstanding as at September 30, 2021 is \$3.4 million (December 31, 2020 - \$7.3 million). The fair value of units exercisable at September 30, 2021 is nil (December 31, 2020 - \$2.8 million). Changes in the number of PSUs under the PSU plan were as follows:

	Units
As at December 31, 2019	268,296
Granted	171,224
Redeemed	(61,064)
Forfeited	(4,936)
As at December 31, 2020	373,520
Granted	95,674
Redeemed	(135,500)
Forfeited	(25,205)
As at September 30, 2021	308,489
Exercisable as at September 30, 2021	-

C) Restricted Share Unit Plan

On March 11, 2021 the Board approved a new Restricted Share Unit (“RSU”) Plan to promote greater alignment of interests between the executive officers and the Shareholders of the Company. Pursuant to the terms of the RSU, participants are granted restricted units with a value equivalent to the value of a Badger share. The restricted units granted earn additional restricted units at the same rate as dividends on Badger common shares. The restricted units granted vest equally over a period of three years from the date of the grant. Upon vesting, payment for the vested RSUs will be made by the Company to the participants.

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

The liability for RSUs outstanding as at September 30, 2021 is \$2.0 million (December 31, 2020 - nil). The fair value of units exercisable at September 30, 2021 is nil (December 31, 2020 - nil). Changes in the number of RSUs under the RSU plan were as follows:

	Units
As at December 31, 2020	-
Granted	138,913
Dividends earned	1,086
Redeemed	(1,574)
Forfeited	(7,400)
As at September 30, 2021	131,025
Exercisable as at September 30, 2021	-

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14 Earnings per share

Basic earnings per share ("EPS")

Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Net profit (loss)	12,407	16,153	(5,347)	22,922

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Weighted average number of common shares, basic	34,537,761	34,853,838	34,643,561	34,873,262

Diluted EPS

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of any dilutive potential shares. The effects of anti-dilutive potential shares are ignored in calculating diluted EPS.

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Basic weighted average number of common shares	34,537,761	34,853,838	34,643,561	34,873,262
Effect of dilutive deferred share units	-	-	-	-
Weighted average number of common shares, diluted	34,537,761	34,853,838	34,643,561	34,873,262

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Basic and diluted earnings (loss) per share	\$0.36	\$0.46	(\$0.15)	\$0.66

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15 Statement of cash flow supplemental information

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating activities				
Source (use) of cash:				
Trade and other receivables	(32,825)	(18,521)	(10,562)	10,569
Prepaid expenses	(7,015)	(5,010)	(2,878)	(1,644)
Inventories	(2,355)	1,494	(3,658)	(2,120)
Trade and other payables	11,056	4,836	17,908	910
Change in non-cash working capital	(31,139)	(17,201)	810	7,715
Investing activities				
Source (use) of cash:				
Trade and other receivables	-	(1,768)	-	(1,768)
Trade and other payables ⁽¹⁾	748	(104)	675	(4,076)
Change in non-cash working capital	748	(1,872)	675	(5,844)

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

	September 30, 2021	December 31, 2020
Cash and cash equivalents:		
Cash	3,283	17,295
Cash equivalents	-	-
Total cash and cash equivalents	3,283	17,295

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16 Segment reporting

The Company has identified three reportable segments consisting of two geographic segments (U.S. and Canada) and a Corporate segment. The U.S. and Canadian operating segments provide non-destructive excavating services. The following is selected information for the three and nine months ended September 30, 2021 and 2020 based on these geographic/reportable segments.

For the three months ended	September 30, 2021				September 30, 2020			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	27,634	136,568	-	164,202	25,998	123,665	-	149,663
Other revenue	3,470	4,081	-	7,551	4,925	2,265	-	7,190
Total revenue	31,104	140,649	-	171,753	30,923	125,930	-	156,853
Direct costs	18,640	106,145	-	124,785	17,251	83,436	-	100,687
Depreciation and amortization	4,683	13,327	42	18,052	4,874	13,554	24	18,452
General and administrative ⁽¹⁾	1,440	8,646	1,127	11,213	974	4,864	3,203	9,041
Derivative financial instruments ⁽²⁾	-	-	614	614	-	-	614	614
Share-based plan ⁽³⁾	-	-	(461)	(461)	-	-	6,122	6,122
Finance cost ⁽⁴⁾	45	126	1,493	1,664	56	93	1,554	1,703
Other ⁽⁵⁾	(1,021)	(28)	-	(1,049)	(993)	(69)	-	(1,062)
Profit (loss) before tax	7,317	12,433	(2,815)	16,935	8,761	24,052	(10,903)	21,910

For the nine months ended	September 30, 2021				September 30, 2020			
	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Hydrovac revenue	67,278	328,969	-	396,247	72,149	336,067	-	408,216
Other revenue	9,385	10,181	-	19,566	14,284	5,515	-	19,799
Total revenue	76,663	339,150	-	415,813	86,433	341,582	-	428,015
Direct costs	56,584	269,247	-	325,831	56,132	239,006	-	295,138
Depreciation and amortization	14,600	38,934	77	53,611	14,786	40,625	73	55,484
General and administrative ⁽¹⁾	5,024	24,309	4,995	34,328	4,135	17,524	10,395	32,054
Derivative financial instruments ⁽²⁾	-	-	614	614	-	-	-	-
Share-based plan ⁽³⁾	-	-	3,046	3,046	-	-	6,551	6,551
Finance cost ⁽⁴⁾	135	329	3,704	4,168	179	280	6,206	6,665
Other ⁽⁵⁾	(437)	557	-	120	655	457	-	1,112
Profit (loss) before tax	757	5,774	(12,436)	(5,905)	10,546	43,690	(23,225)	31,011

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

(2) Derivative financial instruments related to the share-based plans are reported in the corporate segment.

(3) Share-based plans for participants in both the U.S. and Canada are reported in the corporate segment.

(4) Finance costs from the Company's credit facilities are reported in the corporate segment.

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

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For the three and nine months ended September 30, 2021 and September 30, 2020
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	Canada	U.S.	Corporate	Total
As at September 30, 2021				
Property, plant and equipment	108,363	263,180	-	371,543
Right of use assets	5,557	18,278	390	24,225
Intangible assets	17,387	12,177	-	29,564
Goodwill	1,621	-	-	1,621
Total assets	190,223	436,177	390	626,790
Total liabilities ⁽¹⁾	95,790	60,070	177,100	332,960
As at December 31, 2020				
Property, plant and equipment	123,584	256,941	-	380,525
Right of use assets	6,641	14,241	472	21,354
Intangible assets	17,260	13,408	-	30,668
Goodwill	1,621	-	-	1,621
Total assets	210,447	411,966	472	622,885
Total liabilities ⁽¹⁾	67,446	63,430	163,490	294,366

⁽¹⁾ Included in total liabilities for the corporate segment are dividends payable, share-based plan liabilities, senior secured notes, borrowings under credit facility and accrued interest.

17 Derivative financial instruments

During the three and nine months ended September 30, 2021, the Company entered into total return swaps transactions to manage its exposure to fluctuations in the total return of Badger common shares related to its long-term incentive compensation plans. Changes in fair value are recorded in the Interim Condensed Consolidated Statement of Comprehensive Income.

As at	September 30, 2021	December 31, 2020
Current liability		
Derivative financial instruments – short-term	431	-
	431	-
Non-current liability		
Derivative financial instruments – long-term	183	-
Total derivative financial instruments	614	-

The following table presents unrealized loss (gain) from derivative financial instruments:

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Derivative financial instruments	614	-	614	-

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18 Commitments

The Company had the following commitments as at September 30, 2021:

	2021	2022	2023	2024	2025	Thereafter	Total
Operating leases ⁽¹⁾	235	881	671	641	451	36	2,915
Service contract ⁽²⁾	1,073	4,412	3,055	-	-	-	8,540
Senior secured note interest ⁽³⁾	-	769	-	-	-	-	769
Purchase commitments ⁽⁴⁾	11,206	9,781	-	-	-	-	20,987
Total	12,514	15,843	3,726	641	451	36	33,211

⁽¹⁾ Operating leases include building and office space.

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

⁽³⁾ Senior note interest is the interest due on the Company's senior secured notes at 4.83% per annum paid semi-annually in arrears translated into Canadian dollars at the September 30, 2021 closing U.S. to Canadian foreign currency exchange rate. See Note 9.

⁽⁴⁾ Purchase commitments include amounts related to manufacturing operations, the purchase of light-duty trucks and other committed capital expenditures.

19 Subsequent Events

Syndicated Revolving Credit Facility Renewal

Subsequent to September 30, the Company renewed its syndicated revolving credit facility for a 5-year term, expiring on October 7, 2026. The Supplemental \$100.0 million credit facility was incorporated into the syndicated revolving credit facility for a total of \$400.0 million with a syndicate of six lenders. Key conditions of the facility, including financial covenants and pricing, are consistent with the Company's previous syndicated revolving credit facility as disclosed in Note 11.