



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024

August 1, 2024

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", "Badger", "we", "our" or "us") (TSX:BDGI) for the year ended December 31, 2023, the 2023 annual MD&A, and the interim condensed consolidated financial statements for the three and six months ended June 30, 2024 and 2023. 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 for the three and six months ended June 30, 2024. Readers should also refer to all previous public filings, including the Company's Annual Information Form ("AIF") for the year ended December 31, 2023, which may be found on SEDAR+ at www.sedarplus.ca.

This MD&A is dated and has been prepared taking into consideration information available to August 1, 2024. All references to "dollars" and "\$" are to the currency of U.S. dollars unless otherwise indicated.

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 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 HydrovacTM, 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. Badger is unique in the non-destructive excavation industry because it designs and manufactures all of its hydrovac units at its plant in Red Deer Alberta, which has an annual production capacity of more than 350 hydrovac units. To complement the Badger Hydrovac, the Company has a select number of specialty units, mainly Airvacs, combo trucks and sewer and flusher units.

QUARTERLY OPERATIONAL HIGHLIGHTS

Badger delivered solid operating and financial performance in the second quarter, generating \$186.8 million of revenue, up 9% from 2023. The increase in revenue reflected the continued focus on our commercial strategy, year over year growth in our fleet and the benefits arising from the pricing strategies we initiated late in the second quarter of 2023. Adjusted EBITDA⁽¹⁾ improved by 14% over the prior year, to \$44.6 million for the quarter.

Revenue in the U.S. was \$165.6 million, up 14% or \$20.1 million higher compared to \$145.6 million in the prior year, as we continued to see solid growth in activity and pricing. U.S. Adjusted EBITDA improved by 23% over the prior year to \$40.8 million for the quarter.

Revenue in Canada was \$21.2 million, down 19% from \$26.3 million during the second quarter of 2023 as a result of lower activity from our Operating Partners and the deferral of projects. Canada Adjusted EBITDA of \$3.8 million decreased by 35% over the prior year of \$5.8 million.

Adjusted EBITDA margin improved to 23.9% for the quarter, up from 22.8% for the same quarter in 2023 largely due to stable general and administrative costs.

Adjusted net earnings per share⁽¹⁾ for the quarter was \$0.45 compared to \$0.38 during the same quarter last year. The increase was driven by higher Adjusted EBITDA, partially offset by higher depreciation expense. Badger's

revenue per truck per month ("RPT")⁽¹⁾ for the quarter was \$43,161, compared with \$44,502 for the same quarter in 2023. While revenue in our U.S. regions grew by 14%, the decrease in revenue in Canada combined with the increase in our average fleet count compared with the second quarter of 2023 resulted in lower overall consolidated RPT.

During the second quarter, Badger manufactured 59 non-destructive excavation units (2023 - 55 units) and refurbished 10 units. Additionally, we retired 5 units during the quarter. As of June 30, 2024, Badger had 1,584 non-destructive excavation units in operations, 8% more than June 30, 2023.

⁽¹⁾ "Adjusted EBITDA", "Adjusted net earnings per share", 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 Adjusted net earnings per share and "Key Financial Metrics and Other Operational Metrics" for additional detail on the definition and calculation of RPT.

BUSINESS OUTLOOK

In the second half of 2024, we continue to expect growing demand in our end markets, including infrastructure, utilities, and non-residential construction, across all of our U.S. regions. While this growth remains in line with our long term expectations, the rate of growth has slowed somewhat in California and the Upper Midwest markets. The slowdown we have experienced in Canada is attributed to the delay of several projects and we continue to expect these to begin later in the year, and into early 2025. Our strategy and focus remains the same. We are focused on increasing revenue through our sales and national accounts commercial strategy to drive higher activity levels, capture pricing opportunities throughout our branch operations network. We also remain focused on both operational, functional and administrative scalability to drive operating leverage and continue growing Adjusted EBITDA margins and Adjusted net earnings at a higher rate than revenue growth.

As a result of slightly lower than expected utilization on our fleet, reflecting primarily weaker results from Canada, we now expect the increase in our fleet count to fall in the lower half of our 7% - 10% growth range. This will be achieved primarily by building to the lower end of our original new build range.

	2024 Outlook
New builds	190 units to 220 units
Retirements	70 units to 90 units
Refurbishments	35 units to 45 units
Total Capital Spend⁽¹⁾	\$90 million to \$130 million

⁽¹⁾ Total capital spend for the 2024 Outlook includes the cost to manufacture a new hydrovac, refurbishments, ancillary equipment and other capital projects.

FINANCIAL HIGHLIGHTS

(\$ US thousands except RPT, per share amounts, share information and ratios)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue:				
Non-destructive excavation service	177,193	163,967	329,184	300,506
Other	9,645	7,919	19,216	14,596
Total revenue	186,838	171,886	348,400	315,102
RPT - Consolidated (mixed currency) ⁽¹⁾	43,161	44,502	39,685	40,849
RPT - U.S. (USD) ⁽¹⁾	45,176	45,010	42,123	41,407
RPT - Canada (CAD) ⁽¹⁾	36,626	43,060	31,961	39,287
Adjusted EBITDA ⁽¹⁾	44,632	39,151	73,811	63,137
Adjusted EBITDA per share, basic and diluted ⁽¹⁾	\$1.29	\$1.14	\$2.14	\$1.83
Adjusted EBITDA margin ⁽¹⁾	23.9%	22.8%	21.2%	20.0%
Net earnings before income tax	16,551	14,960	18,893	18,633
Net earnings	11,910	11,013	13,689	13,777
Net earnings per share, basic and diluted ⁽¹⁾	\$0.35	\$0.32	\$0.40	\$0.40
Adjusted net earnings ⁽¹⁾	15,466	13,146	20,298	17,106
Adjusted net earnings per share, basic and diluted ⁽¹⁾	\$0.45	\$0.38	\$0.59	\$0.50
Cash flow from operations before working capital and other adjustments	44,618	38,864	73,814	62,850
Cash flow from operations before working capital and other adjustments per share, basic and diluted ⁽¹⁾	\$1.29	\$1.13	\$2.14	\$1.82
Total debt to Compliance EBITDA ⁽¹⁾	1.5x	1.6x	1.5x	1.6x
Capital expenditures	29,121	41,692	59,152	55,742
Hydrovac truck count	1,584	1,470	1,584	1,470
Dividends paid	4,614	4,427	9,057	8,633
Weighted average common shares outstanding ⁽²⁾	34,473,438	34,473,438	34,473,438	34,473,438

⁽¹⁾ "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted net earnings", "Compliance EBITDA", "Total debt" 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" and p.12-13 of the Annual MD&A for additional detail on the definition and calculation of Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net earnings, Compliance EBITDA and Total debt. See "Key Financial Metrics and Other Operational Metrics" and p.10 of the Annual MD&A 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.

SECOND QUARTER HIGHLIGHTS

For the three months ended June 30, 2024:

- Revenue of \$186.8 million was 9% higher than the revenue in the second quarter of 2023.
- RPT of \$43,161 was 3% lower than \$44,502 in the second quarter of 2023.
- Gross profit margin of 29.2% was consistent with 29.1% in the second quarter of 2023.

- General and administrative expenses ("G&A") were \$10.0 million or 5% of revenue compared with \$10.9 million or 6% in the second quarter of 2023.
- Adjusted EBITDA margin improved to 23.9% compared with 22.8% in the second quarter of 2023.
- Adjusted net earnings was \$15.5 million compared to \$13.1 million in the second quarter of 2023.
- Net earnings was \$11.9 million compared with \$11.0 million in the second quarter of 2023.
- Cash flow from operations was \$44.6 million compared with \$38.9 million in the second quarter of 2023.
- Total debt to Adjusted EBITDA was 1.5x at June 30, 2024, down from 1.6x at June 30, 2023 and up from 1.3x at December 31, 2023.

For the six months ended June 30, 2024:

- Revenue of \$348.4 million was 11% higher than the revenue in the first half of 2023.
- RPT of \$39,685 was 3% lower than \$40,849 in the first half of 2023.
- Gross profit margin improved to 27.2% compared with 26.3% in the first half of 2023.
- G&A was \$20.8 million or 6% of revenue compared with \$19.8 million or 6% in the first half of 2023.
- Adjusted EBITDA margin improved to 21.2% compared with 20.0% in the first half of 2023.
- Adjusted net earnings was \$20.3 million compared to \$17.1 million in the first half of 2023.
- Net earnings was \$13.7 million compared with \$13.8 million in the first half of 2023.
- Cash flow from operations was \$73.8 million compared with \$62.9 million in the first half of 2023.
- Total debt to Adjusted EBITDA was 1.5x at June 30, 2024, down from 1.6x at June 30, 2023 and up from 1.3x at December 31, 2023.

RESULTS OF OPERATIONS FOR THE SECOND QUARTER

Adjusted EBITDA Summary

Adjusted EBITDA for the three months ended June 30, 2024 was \$44.6 million, an increase of 14% compared to \$39.2 million in the prior year.

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

Second Quarter Summary

	Three months ended June 30, 2024		
(\$ US thousands)	U.S.	Canada	Consolidated
Non-destructive excavation revenue	158,151	19,042	177,193
Other services revenue	7,502	2,143	9,645
Total revenue	165,653	21,185	186,838
Direct costs	115,963	16,256	132,219
Gross profit	49,690	4,929	54,619
Gross profit margin (%)	30.0%	23.3%	29.2%
General and administrative	8,855	1,132	9,987
Adjusted EBITDA	40,835	3,797	44,632
Adjusted EBITDA margin (%)	24.7%	17.9%	23.9%
Net earnings			11,910
Adjusted net earnings			15,466

	Three months ended June 30, 2023		
(\$ US thousands)	U.S.	Canada	Consolidated
Non-destructive excavation revenue	140,107	23,860	163,967
Other services revenue	5,524	2,395	7,919
Total revenue	145,631	26,255	171,886
Direct costs	103,167	18,644	121,811
Gross profit	42,464	7,611	50,075
Gross profit margin (%)	29.2%	29.0%	29.1%
General and administrative	9,139	1,785	10,924
Adjusted EBITDA	33,325	5,826	39,151
Adjusted EBITDA margin (%)	22.9%	22.2%	22.8%
Net earnings			11,013
Adjusted net earnings			13,146

Non-destructive Excavation Revenue

Consolidated non-destructive excavation revenue was \$177.2 million, \$13.2 million or 8% higher than the \$164.0 million in the prior year due to continued investment in our fleet to capture strong activity in our end markets across our U.S. operations combined with the ongoing benefits from our sales and marketing investments and pricing strategies implemented in 2023.

Non-destructive excavation revenue in the U.S. operations was \$158.2 million, 13% higher than the \$140.1 million revenue generated in the prior year, and is in line with overall expected performance levels. The U.S. operations experienced strong growth in the East and Southern regions which was offset slightly by slower levels of growth in specific markets, namely California and the Upper Midwest.

Non-destructive excavation revenue in the Canadian operations was \$19.0 million, 20% lower than the \$23.9 million generated in the prior year due to lower market activity at our Operating Partners operations and the delay of a number of significant projects in Central Canada. The Company anticipates that Canada's results will improve with the start of these projects later in 2024 and into 2025.

Other Services Revenue

Other services revenue was \$9.6 million, \$1.7 million higher than the \$7.9 million in the prior year due to an increase in customer demand in Badger's non-hydrovac related service lines, primarily locating services.

Revenue per Truck per Month

Consolidated RPT for the quarter was \$43,161, a 3% decrease compared with \$44,502 in the prior year. The decrease in consolidated RPT is primarily a result of lower revenue in Canada and the increase to the number of non-destructive hydrovac units in the overall fleet compared with the second quarter of 2023.

RPT in our U.S. operations was \$45,176, consistent with \$45,010 in the prior year. RPT in the Canadian operations was \$36,626, a 15% decrease compared with \$43,060 in the prior year as a result of lower truck utilization.

As at June 30, 2024, Badger had 1,584 non-destructive excavation units in its fleet compared with 1,470 as at June 30, 2023.

Direct Costs

Direct costs were \$132.2 million, or 71% of revenue compared with \$121.8 million, or 71% of revenue in the prior year.

Direct costs increased largely due to higher revenue, as well as increased expenses associated with the larger fleet size and operations support functions. Direct costs remained consistent as a percentage of revenue as the pricing gains largely offset the impact of higher costs.

Gross Profit

Gross profit was \$54.6 million and gross profit margin was 29.2% compared with \$50.1 million and 29.1% in the prior year, consistent with increased revenue and direct costs remaining stable as a percentage of revenue.

General and Administrative Expenses

G&A expenses were \$10.0 million or 5% of revenue compared with \$10.9 million or 6% of revenue in the prior year. Total G&A expenses were lower than the second quarter of 2023 primarily due to the timing of IT costs incurred and overall stability in these functions.

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

Depreciation and amortization expense was \$19.5 million compared with \$17.5 million in the prior year. Depreciation expense, which is recorded on a straight-line basis, increased compared with the prior year primarily due to increases in the average number of non-destructive excavation units and right of use assets.

Share-based Compensation

Share-based compensation was a recovery of \$1.9 million compared with a recovery of \$1.2 million in the prior year. The increase in the recovery is primarily due to a decrease in the market value of Badger's shares during the period compared to the prior quarter market value. During the quarter, Badger's share price decreased from CAD \$50.20 per share at March 31, 2024 to CAD \$41.19 per share at June 30, 2024. 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 net loss on the total return swaps in the quarter was \$7.3 million compared with a \$4.8 million loss in the prior year. The change in the loss is due to the change in the fair market value of Badger's shares. For a discussion of the risks and risk management strategies associated with financial instruments, see "Critical Accounting Policies and Estimates" and "Risk Factors to Badger" in the 2023 Annual MD&A.

Finance Cost

Finance costs of \$3.7 million consist primarily of interest on borrowings under the Company's Credit Facility (as defined below), standby fees on the Credit Facility and finance costs associated with lease liabilities. The \$0.2 million decrease in finance costs was due to lower interest accrued in relation to the unresolved U.S. Excise tax audit, and lower interest rates in Canada.

As at June 30, 2024, the Company's debt obligations, excluding the impact of operating leases and outstanding letters of credit, consisted of \$193.8 million drawn on the credit facility and \$49.7 million in lease liabilities, compared to \$164.8 million and \$47.2 million as at December 31, 2023, respectively.

Income Tax

Total income tax expense was \$4.6 million compared with \$3.9 million in the prior year. The increase in income tax expense is due primarily to higher taxable income.

Net Earnings

Net earnings was \$11.9 million compared with \$11.0 million in the prior year. The quarter-over-quarter increase in net earnings was primarily driven by improvements in revenue, lower general and administration costs, higher share-based compensation recovery, and lower finance costs. These were partially offset by increase in depreciation and amortization, loss on derivatives, and higher income tax expenses. Adjusted net earnings for the quarter was \$15.5 million, compared with \$13.1 million in the second quarter of 2023.

Other Comprehensive Gain Loss

Total other comprehensive gain loss, which includes the effect of translating Canadian operations into U.S. dollars, resulted in a gain of \$0.1 million compared with a loss of \$1.6 million in the prior year. The change in other comprehensive income is the result of the Canadian dollar fluctuating relative to the U.S. dollar throughout the period.

CAPITAL RESOURCES

Investing

Badger invested \$29.1 million in total capital expenditures during the quarter, compared with \$41.7 million in the prior year. Capital expenditures during the quarter were primarily related to the production of non-destructive excavation units. The decrease in spending for the quarter reflects the decrease of units put into service quarter over quarter.

In the quarter, 60 non-destructive excavation units were placed into service, with no completed units not yet in service at June 30, 2024. During the second quarter of 2023, 87 non-destructive excavation units were placed into service, with 8 units completed not yet in service at June 30, 2023.

Capital Expenditures

(\$ US thousands)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Non-destructive excavation units ⁽¹⁾	27,393	38,816	55,889	49,406
Other vehicles and trailers	1,411	1,573	2,592	3,411
Buildings ⁽²⁾	86	783	297	1,946
Other	231	520	374	979
Total Capital Expenditures	29,121	41,692	59,152	55,742

⁽¹⁾ Non-destructive excavation units consists of completed units placed into service, work-in-progress and refurbishment costs. Non-destructive excavation units includes \$1.7 million (\$3.9 million year-to-date) of refurbishment costs incurred during the quarter.

⁽²⁾ Additions to buildings includes modest continued expansion of the manufacturing facility in Red Deer, Alberta in 2023..

	Completed Units ⁽¹⁾	Average Manufacturing Cost
Q2 2024	59	\$409,000
Q1 2024	52	\$413,000
2023	217	\$399,000
2022	112	\$433,000
2021	32	\$440,000
2020	85	\$333,000

⁽¹⁾ Completed non-destructive excavation units in the above table exclude prototype Badger Airvac's manufactured.

The cost to build a non-destructive excavation unit 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 rates; and the impact of foreign currency rates as certain materials are denominated or otherwise influenced by foreign currency exchange rates. The average manufacturing costs during the second quarter were 1% lower than the same quarter in 2023.

Lease Liability

As at June 30, 2024, the Company had \$49.7 million in lease liabilities (December 31, 2023 – \$47.2 million) related to operating and administrative building lease arrangements, consisting primarily of yard space for non-destructive excavation operations, and leases for light-duty pick-up trucks. The large majority of the increase in the lease liability occurred in the first quarter of 2024.

Liquidity and Capital Resources

(\$ US thousands)	June 30, 2024	December 31, 2023
Credit Facility capacity	300,000	302,435
Borrowings under Credit Facility	(193,813)	(164,776)
Letters of credit issued	(5,853)	(5,020)
Cash on hand	630	8,513
Available Liquidity	100,964	141,152

The Company's Credit Facility (as defined below) is available for general corporate purposes, providing additional liquidity and financial capacity should it be required. The Company has also obtained the LC facility (as defined below) to support its U.S. insurance program and certain other performance bonds. The Company remained in compliance with all financial covenants associated with all lending arrangements.

Syndicated Revolving Credit Facility

On May 31, 2024, following the closing of the Company's fifth amended and restated credit agreement, Badger changed all commitments and references within its committed syndicated revolving credit facility (the "Credit Facility") from Canadian dollars to U.S. dollars. The total size of the Credit Facility was changed from \$400 million Canadian dollars to \$300 million U.S. dollars. The Company's \$300.0 million, committed Credit Facility is with a syndicate of six lenders. The Credit Facility allows for borrowings in either Canadian or U.S. dollars, providing Badger with the administrative flexibility to borrow in the functional currency in both its Canadian and U.S. operations. On September 29, 2023, the Company extended its Credit Facility by approximately one year to a 5-year term, expiring on September 29, 2028. Badger has the flexibility to expand the Credit Facility, subject to approval by the lenders, by an additional \$112.5 million. Badger maintains the Credit Facility for general corporate and liquidity purposes, in addition to financing requirements, if any, related to Badger's capital expenditures.

The Company's fifth amended and restated credit agreement also replaced the creation or purchase of Banker's Acceptances and other obligations, interest, fees, commissions or other amounts calculated with respect to the reference rate, Canadian Dollar Offered Rate ("CDOR") with mechanics for loans that bear interest at Canadian Overnight Repo Rate Average ("CORRA"). A standby fee is paid on the unused portion of the Credit Facility on a tiered basis. Standby fees are expensed as incurred. Under the terms of the Credit Facility, the Company must

comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2024, and as at June 30, 2024, the Company was in compliance with all of these covenants.

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

As at June 30, 2024, the Company had \$100.3 million (December 31, 2023 - \$132.6 million) of available undrawn committed borrowing facilities.

Letter of credit facility

During the second quarter, the Company obtained an unsecured demand revolving letter of credit facility ("LC facility") with a maximum principal amount of \$10.0 million guaranteed by Export Development Canada through its Performance Security Guarantee ("PSG") program. The PSG program is in place to cover standby letters of credit or letters of guarantee, required as part of a collateral package provided to support Badger's U.S. insurance program and certain other performance bonds. The maturity date of this performance security guarantee program extends to June 30, 2027. The LC facility remained unused as of June 30, 2024.

Compliance

Under the terms of the Credit Facility, the Company must comply with certain financial and non-financial covenants. Badger is restricted from declaring dividends if it is in breach of the covenants governing its credit facilities. Throughout 2024 and as at the date of this MD&A, the Company is in compliance with all covenants under the Credit Facility. The Company does not maintain a credit rating.

The Company's significant financial covenants are detailed in the summary below:

Ratio ⁽¹⁾⁽²⁾	June 30, 2024	December 31, 2023	Threshold
Total Debt to Compliance EBITDA Credit Facility	1.5x	1.3x	4.0:1x max
Interest Coverage Ratio Credit Facility	8.1x	8.1x	3.0:1x min

⁽¹⁾ The Interest Coverage Ratio Credit Facility is calculated as Compliance EBITDA divided by interest expense. For the twelve months ended June 30, 2024, calculated as \$130.3 million in Compliance EBITDA divided by \$16.1 million in interest expense and for the twelve months ended December 31, 2023, calculated as \$127.8 million in Compliance EBITDA divided by \$15.8 million in interest expense. Interest expense is calculated in accordance with IFRS on a trailing 12-month basis, and excludes interest paid on leases.

⁽²⁾ See "Non-IFRS Financial Measures" for additional detail on the definition and calculation of Compliance EBITDA and Total Debt.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements and no significant outstanding balances with related parties as at June 30, 2024.

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 \$79.6 million as at June 30, 2024, compared with \$74.0 million as at December 31, 2023. This is primarily due to an increase in trade and other receivables and a decrease in trade and other payables. This was offset in part by a decrease in cash, prepaid expenses, income taxes receivables, and an increase in the current portion of share-based compensation liability and lease liability.

The largest component of Badger's working capital is trade and other receivables. Trade and other receivables totaled \$174.5 million as at June 30, 2024, \$16.4 million higher than the balance as at December 31, 2023 of \$158.0 million. The June 30, 2024 balance of trade and other receivables is 7% higher than the balance at June 30, 2023 of \$163.4 million as a result of higher revenue, however this increase was smaller than the 9% increase in overall Revenue. In addition to slightly lower overall trade and other receivables as a percent of revenue, 92% of Badger's trade receivables were aged 90 days or less, improved from 90% at December 31, 2023. The

Company continues to actively manage its receivables portfolio and drive further improvements in all aspects of the cash collection cycle.

Badger manages a receivables purchase program that sells short term trade receivables of certain designated customers. The transaction is treated as a transfer of a financial asset but does not qualify for derecognition under IFRS. The receivables are derecognized once the receivable is collected from the customer and transferred to the counterparty. As at June 30, 2024, Badger sold \$15.0 million in trade receivables to its counterparty (December 31, 2023 - \$7.2 million).

The Company uses its cash and cash equivalents to fund day-to-day operations, purchase and manufacture property, plant and equipment, service debt and 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 has ample access to liquidity, through a combination of cash flows from operating activities and its various borrowing facilities, 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.

Share Capital

As at June 30, 2024, the number of common shares outstanding was 34,473,438, unchanged from prior year. The weighted average common shares outstanding at June 30, 2024 and December 31, 2023 was 34,473,438.

As at August 1, 2024, 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.

Contractual Obligations

Refer to the Company's unaudited Interim Condensed 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.

	2024	2025	2026	2027	2028	Thereafter	Total
Operating leases ⁽¹⁾	833	1,583	1,402	782	155	58	4,813
Service contract ⁽²⁾	6,052	10,201	7,645	587	587	—	25,072
Purchase commitments ⁽³⁾	24,162	7,970	21	—	—	—	32,153
Total	31,047	19,754	9,068	1,369	742	58	62,038

⁽¹⁾ Operating leases include variable lease payments for building, office space, and light-duty trucks.

⁽²⁾ Contract with third party service providers for information technology services.

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

The Company 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 Quarterly Financial Information

(\$ US thousands, except per share amounts)	2024			2023			2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue ⁽¹⁾	186,838	161,562	173,146	195,551	171,886	143,216	149,030	163,477
Canada	21,185	18,367	23,703	27,161	26,255	22,391	24,799	29,060
U.S.	165,653	143,195	149,443	168,390	145,631	120,825	124,231	134,417
Net earnings	11,910	1,779	4,710	23,284	11,013	2,764	4,238	14,512
Net earnings per share, basic and diluted	\$ 0.35	\$ 0.05	\$ 0.14	\$ 0.68	\$ 0.32	\$ 0.08	\$ 0.12	\$ 0.42
Dividends paid (CAD) ⁽²⁾	6,205	5,947	5,947	5,947	5,947	5,688	5,688	5,688
Dividends per share, basic and diluted (CAD) ⁽²⁾	\$0.180	\$0.173	\$0.173	\$0.173	\$0.173	\$0.165	\$0.165	\$0.165

⁽¹⁾ Refer to Note 14 - Segment reporting in the Company's unaudited Interim Condensed Consolidated Financial Statements for the three and six months ended June 30, 2024 for selected information by geographic segment.

⁽²⁾ Dividends paid and dividends per share, basic and diluted are presented in Canadian Dollars in the table above as dividends are declared and paid in Canadian Dollars.

During the periods in the above tables, 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;
- The growth in investment in non-building construction/infrastructure projects and the resulting growth in demand for hydrovac excavation services particularly in the U.S.;
- The execution of Badger's commercial strategy and sales and marketing function in 2022;
- The implementation of Badger's pricing strategies beginning in the second half of 2023; 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.

Revenue per truck per month – Consolidated (mixed currency)

(\$ thousands, except for RPT and average non-destructive excavation units)	Three months ended June 30		Six months ended June 30,	
	2024	2023	2024	2023
Non-destructive excavation service revenue gross - U.S.	161,280	143,131	299,496	262,105
Non-destructive excavation service revenue gross - Canada	40,325	48,184	71,721	88,867
Total Non-destructive excavation service revenue gross	201,605	191,315	371,217	350,972
Average non-destructive excavation units ⁽²⁾	1,557	1,433	1,559	1,432
RPT⁽³⁾	43,161	44,502	39,685	40,849

Revenue per truck per month – United States

(\$ thousands, except for RPT and average non-destructive excavation units)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Total revenue	165,653	145,631	308,848	266,456
Less: Other revenue	7,502	5,524	14,788	10,163
Non-destructive excavation service revenue net	158,151	140,107	294,060	256,293
Add: Operating Partner Net Revenue	3,129	3,024	5,436	5,812
Non-destructive excavation service revenue gross	161,280	143,131	299,496	262,105
Average non-destructive excavation units ⁽²⁾	1,190	1,060	1,185	1,055
RPT⁽³⁾	45,176	45,010	42,123	41,407

Revenue per truck per month – Canada

(\$ thousands, except for RPT, average non-destructive excavation units and foreign exchange rate)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Total revenue	21,185	26,255	39,552	48,646
Less: Other revenue	2,143	2,395	4,428	4,433
Non-destructive excavation service revenue net	19,042	23,860	35,124	44,213
Add: Operating Partner Net Revenue	10,427	12,027	17,624	21,733
Non-destructive excavation service revenue gross	29,469	35,887	52,748	65,946
Foreign exchange rate ⁽¹⁾	1.3684	1.3427	1.3597	1.3476
Non-destructive excavation service revenue - CAD equivalent	40,325	48,184	71,721	88,867
Average non-destructive excavation units ⁽²⁾	367	373	374	377
RPT⁽³⁾	36,626	43,060	31,961	39,287

⁽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 revenue divided by the number of average trucks in service 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

	2024			2023			2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Canada	365	368	384	387	377	368	371	383
U.S.	1,219	1,161	1,150	1,127	1,093	1,027	1,016	987
Total	1,584	1,529	1,534	1,514	1,470	1,395	1,387	1,370

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

	2024			2023			2022			
	Q2	Q1	Annual	Q4	Q3	Q2	Q1	Annual	Q4	Q3
Canada	367	376	377	385	382	373	370	379	377	381
U.S.	1,190	1,156	1,083	1,138	1,110	1,060	1,022	1,000	1,002	981
Total	1,557	1,532	1,460	1,523	1,492	1,433	1,392	1,379	1,379	1,362

⁽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 in service during the period and the closing number of non-destructive excavation units in service during the period. The average number of non-destructive excavation units is based on the total units in service and included in active fleet.

Number of Marketing and Franchise Agreements

	2024			2023			2022		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Canada	10 ⁽¹⁾	12	12	13	13	13	13	13	
U.S.	2 ⁽²⁾	3	3	3	3	3	3	3	

⁽¹⁾ In Canada, two operating partner agreements were terminated during the second quarter of 2024.

⁽²⁾ In the U.S., one franchise agreement was terminated during the second quarter of 2024.

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:

Refer to the discussion starting at p.10 of the Annual MD&A for a description of non-IFRS financial measures used by the Company. The Annual MD&A is available on the Company's SEDAR+ profile at www.sedarplus.ca.

“**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 right of use assets, 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 and right of use assets 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:

(\$ US thousands)	Three months ended June 30,		Six months ended June 30,	
Adjusted EBITDA	2024	2023	2024	2023
Net earnings	11,910	11,013	13,689	13,777
Add:				
Depreciation and amortization	19,478	17,540	38,493	33,479
Share-based compensation (recovery) expense	(1,910)	(1,220)	10,339	5,027
Gain on sale of property, plant and equipment and right of use assets	(538)	(833)	(1,200)	(1,407)
Loss (gain) on derivative instruments	7,345	4,779	(6)	473
Finance cost	3,691	3,844	7,297	6,645
Foreign exchange loss (gain)	15	81	(5)	287
Income tax expense	4,641	3,947	5,204	4,856
Adjusted EBITDA	44,632	39,151	73,811	63,137

Adjusted EBITDA can also be calculated as follows:

(\$ US thousands)	Three months ended June 30,		Six months ended June 30,	
Adjusted EBITDA	2024	2023	2024	2023
Revenue	186,838	171,886	348,400	315,102
Less:				
Direct costs	132,219	121,811	253,753	232,194
General and administrative expense	9,987	10,924	20,836	19,771
Adjusted EBITDA	44,632	39,151	73,811	63,137

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

Adjusted EBITDA margin is calculated as follows:

(\$ US thousands except for percentages)	Three months ended June 30,		Six months ended June 30,	
Adjusted EBITDA margin	2024	2023	2024	2023
Adjusted EBITDA	44,632	39,151	73,811	63,137
Revenue	186,838	171,886	348,400	315,102
Adjusted EBITDA margin	23.9%	22.8%	21.2%	20.0%

"Adjusted net earnings" is net earnings adjusted for share-based compensation, gains and losses on derivative instruments, gains and losses on sale of property, plant and equipment and right of use assets, and gains and losses on foreign exchange, tax impacted using the effective tax rate.

(\$ US thousands except share information and per share amounts)	Three months ended June 30,		Six months ended June 30,	
Adjusted earnings and earnings per share	2024	2023	2024	2023
Net earnings	11,910	11,013	13,689	13,777
Normalizing adjustments:				
Share-based compensation (recovery) expense	(1,910)	(1,220)	10,339	5,027
Gain on sale of property, plant and equipment and right of use assets	(538)	(833)	(1,200)	(1,407)
Loss (gain) on derivative instruments	7,345	4,779	(6)	473
Foreign exchange loss (gain)	15	81	(5)	287
Total normalizing adjustments	4,912	2,807	9,128	4,380
Tax rate	28%	24%	28%	24%
Tax effect of normalizing adjustments	1,356	674	2,519	1,051
Adjusted net earnings	15,466	13,146	20,298	17,106
Weighted average number of shares - basic and diluted	34,473	34,473	34,473	34,473
Adjusted net earnings per share - basic and diluted	\$0.45	\$0.38	\$0.59	\$0.50

"**Compliance EBITDA**" is earnings before interest, taxes, depreciation, amortization, and certain other items, calculated on a 12-month trailing basis, and is used by the Company to calculate compliance with its debt covenants.

(\$ US thousands)	Twelve months ended June 30,	
Compliance EBITDA	2024	2023
Net earnings	41,683	38,148
Add:		
Depreciation and amortization	74,883	64,141
Share-based compensation expense net of payments	11,074	585
Gain on sale of property, plant and equipment	(1,844)	(2,012)
(Gain) loss on derivative instruments	(10,609)	1,763
Finance cost	17,645	11,676
Right-of-use assets lease payments	(18,264)	(11,628)
Income tax expense	15,700	3,959
Unrealized foreign exchange (gain) loss	(2)	676
Compliance EBITDA	130,266	107,308

"**Total Debt**" consists of long-term debt and issued letters of credit, less cash on hand. Total Debt is used by the Company to calculate compliance with its debt covenants.

(\$ US thousands)

Total Debt	June 30, 2024	December 31, 2023
Borrowings under credit facility	193,813	164,776
Add: issued letters of credit	5,853	5,020
Less: cash on hand up to \$50.0 million	(630)	(8,513)
Total Debt	199,036	161,283

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are set out in Note 3 of the 2023 audited Annual Consolidated Financial Statements. Certain of these accounting policies, as well as estimates made by management in applying such policies, are recognized as critical because they require management to make subjective or complex judgements about matters that are inherently uncertain. The Company's critical accounting estimates, as detailed in Badger's annual MD&A for the year ended December 31, 2023 relate to: inventory, useful lives of property, plant and equipment, depreciation, income taxes, allowance for doubtful accounts, determining cash generating units, impairment of non-financial assets, intangible assets, goodwill and functional currency.

In the preparation of the Company's unaudited Interim Condensed Consolidated Financial Statements, management has made judgments, estimates and assumptions that affect the recorded amounts of revenues, expenses, assets, liabilities and the disclosure of commitments, contingencies and guarantees. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the unaudited Interim Condensed Consolidated Financial Statements are prepared. Actual results could differ from these estimates. The most significant estimates and judgments used in the preparation of the Company's unaudited Interim Condensed Consolidated Financial Statements have been set out in Note 2 of the Company's 2023 audited Annual Consolidated Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Badger's President and CEO and its 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 June 30, 2024 and have concluded the disclosure controls and procedures are effective.

Internal Control over Financial Reporting

Badger's President and CEO and its 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 June 30, 2024 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 second quarter of 2024.

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 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", "focus on", "grow", "trend", 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 expectations with regard to demand for non-destructive excavation services across its end markets;
- Badger's expectations regarding Canadian operations and U.S. operations in 2024, including the expected timing of projects in Canada and the U.S. and the results of operations in such markets;
- Badger's strategic initiatives, including sales and marketing investments and pricing strategies;
- Badger's expectations with respect to the production, retirement and refurbishments of non-destructive excavation and specialty units;
- Badger's focus on maintaining utilization rates throughout the branch operations network;
- Badger's continued focus on increasing revenues through its sales and national accounts commercial strategy;
- The expectation that Badger's growing customer base and national accounts program will contribute to year over year growth;
- Badger's continued focus on fleet management and utilization to support its organic growth requirements;
- The expected growth of Badger's fleet count in the 7% to 10% range in 2024;
- Badger's continued focus on operational, functional and administrative scalability to drive operating leverage and continue growing Adjusted EBITDA margins and Adjusted net earnings at a higher rate than revenue growth;
- Disclosure under the heading "Business Outlook";
- 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;
- The anticipated impact of Badger's refurbishment program, including the expectation that the program will extend the useful life of refurbished units and increase the return on invested capital;
- Badger's focus on asset optimization and increased utilization;
- Badger's management of its receivables portfolio and other improvements in its cash collection cycle; and
- Badger's anticipated use of its cash, cash equivalents and financial capacity available under its credit facility.

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;
- The overall market for Badger's services or its ability to provide service will not be adversely affected in the long-term by 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 and related 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;
- Badger will realize and continue to realize the efficiencies and benefits of the executed business restructuring activities and other business improvement initiatives;
- Badger will be able to successfully implement its plans, programs, and procedures as expected; and
- Badger will obtain all labour, parts and supplies necessary to complete planned Badger non-destructive excavation unit builds 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; loss of key customers; cybersecurity breaches; terrorism; industry competition; safety risks; and services; Badger's ability to attract and retain key personnel; reduction in customer spending; litigation; the availability of future debt and equity financing; changes in laws or regulations, including taxation and environmental regulations, which may adversely impact the labour supply and operating costs of Badger; extreme or unsettled weather patterns; reputational risks; fluctuations in fuel costs; and fluctuations in foreign exchange or interest rates. The foregoing list of risks is not exhaustive. The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in the Company's AIF for the year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca.

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.sedarplus.ca) 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.