

BADGER INFRASTRUCTURE SOLUTIONS LTD.
CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(\$ US thousands)	Note	March 31, 2024	December 31, 2023
ASSETS			
Current Assets			
Cash and cash equivalents		8,413	8,513
Trade and other receivables	6	151,444	158,023
Prepaid expenses		7,740	8,524
Inventories		12,471	13,334
Income taxes receivable		6,669	7,716
Derivative financial instruments		8,425	3,422
		195,162	199,532
Non-current Assets			
Property, plant and equipment		368,692	358,021
Right-of-use assets	7	49,170	47,809
Derivative financial instruments		5,258	2,831
Intangible assets		23,201	23,595
Goodwill		1,196	1,226
Total Assets		642,679	633,014
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		68,071	90,019
Lease liability	8	16,388	15,083
Share-based plan liability	10	24,317	15,962
Dividends payable		4,579	4,496
		113,355	125,560
Non-current Liabilities			
Lease liability	8	32,400	32,147
Share-based plan liability	10	7,789	12,854
Borrowings under credit facility	9	193,962	163,690
Deferred tax liability		53,209	53,769
Total Liabilities		287,360	262,460
Shareholders' Equity			
Shareholders' capital		66,950	66,950
Contributed surplus		422	422
Accumulated other comprehensive loss		(5,997)	(5,767)
Retained earnings		180,589	183,389
Total Shareholders' Equity		241,964	244,994
Total Liabilities and Shareholders' Equity		642,679	633,014

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

(\$ US thousands, except per share amounts)	Note	Three months ended March 31,	
		2024	2023
Revenue	11	161,562	143,216
Direct costs		121,534	110,383
Gross profit		40,028	32,833
Depreciation and amortization		19,015	15,939
General and administrative		10,849	8,847
Share-based plan expense		12,249	6,247
Operating (loss) income		(2,085)	1,800
Gain on sale of property, plant and equipment and right of use assets		(662)	(574)
Unrealized gain on derivatives		(7,351)	(4,306)
Finance cost	12	3,606	2,801
Foreign exchange (gain) loss		(20)	206
Earnings before income tax		2,342	3,673
Current income tax expense		1,057	420
Deferred income tax (recovery) expense		(494)	489
Income tax expense		563	909
Net earnings		1,779	2,764
Other comprehensive loss:			
Foreign exchange differences on translation of foreign operations		(230)	(488)
Other comprehensive loss		(230)	(488)
Comprehensive income		1,549	2,276
Weighted average number of shares - basic and diluted		34,473,438	34,473,438
Net earnings per share - basic and diluted		\$ 0.05	\$ 0.08

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited)

<i>(\$ US thousands)</i>	Shareholders' capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
At January 1, 2023	66,950	422	(3,859)	159,334	222,847
Net earnings	—	—	—	2,764	2,764
Other comprehensive loss	—	—	(488)	—	(488)
Dividends	—	—	—	(4,394)	(4,394)
At March 31, 2023	66,950	422	(4,347)	157,704	220,729
At January 1, 2024	66,950	422	(5,767)	183,389	244,994
Net earnings	—	—	—	1,779	1,779
Other comprehensive loss	—	—	(230)	—	(230)
Dividends	—	—	—	(4,579)	(4,579)
At March 31, 2024	66,950	422	(5,997)	180,589	241,964

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(\$ US thousands)	Note	Three months ended March 31,	
		2024	2023
OPERATING ACTIVITIES			
Net earnings		1,779	2,764
Items not requiring cash and cash equivalents:			
Depreciation and amortization		19,015	15,939
Deferred income tax (recovery) expense		(494)	489
Gain on sale of property, plant and equipment and right of use		(662)	(574)
Finance cost		3,606	2,801
Current income tax expense		1,057	420
Unrealized gain on derivatives		(7,351)	(4,306)
Share-based plans		12,249	6,247
Unrealized foreign exchange (gain) loss		(3)	206
Cash flow from operating activities before working capital and other adjustments		29,196	23,986
Change in non-cash working capital	13	(11,920)	(13,104)
Income taxes paid		(235)	(10)
Income taxes recovered		212	90
Financial instruments paid		(275)	(189)
Share-based plans paid		(8,268)	(2,837)
Cash provided by operating activities		8,710	7,936
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(30,031)	(14,050)
Proceeds from sale of property, plant and equipment		1,034	530
Proceeds from disposal of right of use assets		329	350
Additions to intangible asset		(536)	(324)
Change in non-cash working capital	13	(285)	(64)
Cash used in investing activities		(29,489)	(13,558)
FINANCING ACTIVITIES			
Borrowings under credit facility		61,081	32,572
Repayments of credit facility		(28,346)	(19,352)
Interest paid		(2,912)	(2,514)
Interest paid on lease liabilities		(401)	(226)
Payment of lease liabilities	8	(4,257)	(2,667)
Dividends paid		(4,443)	(4,206)
Cash provided by financing activities		20,722	3,607
Effect of foreign exchange rate changes on cash		(43)	4
Decrease in cash and cash equivalents		(100)	(2,011)
Cash and cash equivalents, beginning of period		8,513	5,398
Cash and cash equivalents, end of period		8,413	3,387

See accompanying notes to the unaudited interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1 INCORPORATION AND OPERATIONS

Badger Infrastructure Solutions Ltd. and its subsidiaries (together “Badger” or the “Company”) provide non-destructive excavating services to utilities, industrial, construction, transportation and other industries in Canada and the United States (“U.S.”). Badger is a publicly traded company listed on the Toronto Stock Exchange (TSX; BDGI). 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 months ended March 31, 2024 and March 31, 2023 were authorized for issue in accordance with a resolution of the Board of Directors (“Board”) on May 1, 2024.

2 BASIS OF PREPARATION

Statement of compliance

These unaudited interim condensed consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting and accordingly, do not include all the disclosures included in the Company’s annual consolidated financial statements for the year ended December 31, 2023. These unaudited interim condensed consolidated financial statement should be read in conjunction with the annual consolidated financial statements.

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 U.S. dollars. The functional currency of the Canadian operations is in Canadian dollars and the U.S. operations functional currency is in U.S. dollars.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the unaudited interim condensed consolidated financial statements and reported amounts of revenues, expenses, gains and losses during the reporting period. These judgements, estimates and assumptions are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2023. Estimates and judgements are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 STANDARDS ADOPTED AND RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

IAS 1 Presentation of Financial Statements

In October 2022, the IASB issued amendments to clarify that the classification of liabilities as current or non-current is based solely on a company’s right to defer settlement for at least twelve months at the

reporting date. The right needs to exist at the reporting date and must have substance. In addition to the amendment from January 2020 where the IASB issued amendments to IAS 1, to provide a more general approach to the presentation of liabilities as current or non-current, only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date.

The amendment was effective January 1, 2024, and was applied retrospectively. The adoption of this policy resulted in the reclassification of \$4.6 million and \$12.9 million of share-based plan liability to long-term liabilities as of January 1, 2023, and December 31, 2023, respectively. There was no change to total liabilities on either date.

5 SEASONALITY OF OPERATIONS

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

6 TRADE AND OTHER RECEIVABLES

	March 31, 2024	December 31, 2023
Trade receivables	145,938	153,591
Holdback receivables	897	1,167
Allowance for doubtful accounts	(2,500)	(2,525)
Total trade receivables	144,335	152,233
Accrued revenue and other receivables	7,109	5,790
Trade and other receivables	151,444	158,023

Trade receivables include \$13.3 million (December 31, 2023 - \$7.2 million) of trade accounts receivables being serviced under a receivables purchase agreement. The Company retains substantially all of the risks and rewards relating to the receivables sold, and therefore, continues to recognize the transferred accounts receivables in their entirety. The amounts repayable under the receivables purchase agreement are recorded as accounts payable.

Holdback receivables are amounts customers withhold paying until the completion of the contract. These amounts are agreed 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:

	March 31, 2024	December 31, 2023
Current to 90 days	129,322	137,185
Over 90 days	15,013	15,048
Total trade receivables	144,335	152,233

Movement in allowance for doubtful accounts is as follows:

	March 31, 2024	December 31, 2023
Opening balance	2,525	1,405
Additions to the allowance	521	3,976
Accounts written off	(524)	(2,876)
Exchange differences	(22)	20
Closing balance	2,500	2,525

7 RIGHT-OF-USE ASSETS

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

	Property	Light-duty vehicles	Total
January 1, 2023	15,991	13,688	29,679
Additions	15,331	21,411	36,742
Depreciation	(7,848)	(6,588)	(14,436)
Disposals/modifications	(1,110)	(3,106)	(4,216)
Impact of foreign exchange	19	21	40
December 31, 2023	22,383	25,426	47,809
Additions	1,205	5,546	6,751
Depreciation	(2,204)	(2,090)	(4,294)
Disposals/modifications	(265)	(612)	(877)
Impact of foreign exchange	(94)	(125)	(219)
March 31, 2024	21,025	28,145	49,170

8 LEASE LIABILITY

	March 31, 2024	December 31, 2023
Opening balance	47,230	27,107
Additions	6,728	36,494
Interest expense	401	1,197
Lease payments	(4,659)	(14,992)
Disposals/modifications	(869)	(2,790)
Exchange differences	(43)	214
Closing balance	48,788	47,230
Current	16,388	15,083
Long-term	32,400	32,147
Total lease liabilities	48,788	47,230

Contractual undiscounted cash flows

	March 31, 2024	December 31, 2023
Less than one year	20,398	18,880
One to five years	38,929	38,668
More than five years	210	—
Total	59,537	57,548

Amount recognized in net earnings

	March 31, 2024	December 31, 2023
Expenses related to short-term leases	447	357
Total	447	357

9 DEBT

	March 31, 2024	December 31, 2023
Borrowings under credit facility	194,945	164,776
Less: unamortized debt issuance costs	(983)	(1,086)
Total long-term debt	193,962	163,690

	March 31, 2024	December 31, 2023
Syndicated revolving credit facility capacity	295,203	302,435
Less: borrowings under credit facility	(194,945)	(164,776)
Less: letters of credit	(5,020)	(5,020)
Available amount	95,238	132,639

Syndicated revolving credit facility

The Company has a CAD\$400.0 million (USD\$295.2 million), committed syndicated revolving credit facility (the "Credit Facility") with a syndicate of six lenders. The Credit Facility allows for borrowings in either Canadian or U.S. dollars, providing Badger with the administrative flexibility to borrow in the functional currency in both its Canadian and U.S. operations. On September 27, 2023, the Company extended its Credit Facility by approximately one year to a 5-year term, expiring on September 27, 2028. Badger has the flexibility to expand the Credit Facility, subject to approval by the lenders, by an additional CAD\$150.0 million (USD\$110.7 million). Badger maintains the Credit Facility for general corporate and liquidity purposes, in addition to financing requirements, if any, related to Badger's capital expenditures.

The Credit Facility bears interest, at the Company's option, at either the bank's prime rate plus a tiered set of basis points or bankers' acceptance ("BA")/Secured Overnight Financing Rate ("SOFR") also with a tiered structure. A standby fee is paid on the unused portion of the Credit Facility on a tiered basis. Standby fees are expensed as incurred. Under the terms of the Credit Facility, the Company must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2024, and as at March 31, 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 March 31, 2024, the Company had available \$95.2 million (December 31, 2023 - \$132.6 million) of undrawn committed borrowing facilities.

10 SHARE-BASED PLANS

	March 31, 2024	December 31, 2023
TSX: BDGI Closing Share Price (CAD)	\$ 50.20	\$ 40.71

A) Deferred Share Unit Plan

The Deferred Share Unit (“DSU” or “deferred unit”) Plan was established to promote greater alignment of interests between officers and Shareholders of the Company. The Board has to participate in the plan whereby they will be paid 50% to 100% of their annual retainer in the form of DSUs. Pursuant to the terms of the DSU, participants are granted deferred units with a value equivalent to the value of a Badger share. The deferred units granted earn additional deferred units at the same rate as dividends on Badger common shares. DSUs are paid out in cash upon departure from the Company.

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

The liability for DSU's vested and outstanding as at March 31, 2024 is \$15.8 million (December 31, 2023 - \$13.2 million). Changes in the number of deferred units under the DSU Plan were as follows:

	Units
December 31, 2022	512,056
Granted	61,146
Dividends earned	11,604
Redeemed for cash	(132,912)
Forfeited	(22,783)
December 31, 2023	429,111
Granted	24,743
Dividends earned	1,520
Redeemed for cash	(30,011)
Forfeited	—
March 31, 2024	425,363
Vested as at March 31, 2024	425,363

B) Performance Share Unit Plan

The Company also has a Performance Share Unit (“PSU”) Plan for officers of the Company. Officers are awarded 50% of their annual long-term incentive compensation in PSUs, and may elect to receive up to 100%, with the remainder, if any, awarded in RSUs. The PSUs represent rights to share value based on the number of PSUs issued and the achievement of certain performance criteria as set out by the Board of Directors. Under the terms of the plan, and subject to achievement of the performance criteria, PSUs awarded will vest on December 31st of the second calendar year following issuance and the related expense is recognized over their vesting period. PSUs will be settled in cash upon vesting in accordance with the achieved performance and other vesting criteria.

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

The liability for PSUs outstanding as at March 31, 2024 is \$9.0 million (December 31, 2023 - \$7.2 million). The fair value of units fully vested at March 31, 2024 is \$0.0 million (December 31, 2023 - \$1.8 million). Changes in the number of PSUs under the PSU plan were as follows:

	Units
December 31, 2022	397,217
Granted	176,964
Dividends earned	8,479
Redeemed	(79,628)
Forfeited	(93,576)
December 31, 2023	409,456
Granted	102,381
Dividends earned	1,602
Redeemed	(59,191)
Forfeited	(5,783)
March 31, 2024	448,465
Vested as at March 31, 2024	—

C) Restricted Share Unit Plan

The company also has a Restricted Shareholder Unit Plan (“RSU”). Pursuant to the terms of the RSU, participants are granted restricted units with a value equivalent to the value of a Badger share. The restricted units granted earn additional restricted units at the same rate as dividends on Badger common shares. The restricted units granted vest equally over a period of three years from the date of the grant. Upon vesting, payment for the vested RSUs will be made by the Company to the participants.

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

The liability for RSUs outstanding as at March 31, 2024 is \$6.8 million (December 31, 2023 - \$8.4 million). The fair value of units fully vested at March 31, 2024 is \$0.0 million (December 31, 2023 - \$5.2 million). Changes in the number of RSUs under the RSU plan were as follows:

	Units
December 31, 2022	273,476
Granted	256,345
Dividends earned	8,415
Redeemed	(110,611)
Forfeited	(52,737)
December 31, 2023	374,888
Granted	195,163
Dividends earned	1,436
Redeemed	(168,373)
Forfeited	(1,100)
March 31, 2024	402,014
Vested as at March 31, 2024	—

11 REVENUE

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

	Three months ended March 31,	
	2024	2023
Non-destructive excavation service – corporate	148,971	132,308
Non-destructive excavation service – operating partners	3,020	4,230
Total non-destructive excavation service revenue	151,991	136,538
Other service – corporate ⁽¹⁾	9,308	6,390
Other service – operating partners ⁽¹⁾	263	288
Total other revenue	9,571	6,678
Total revenue	161,562	143,216

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

12 FINANCE COSTS

	Three months ended March 31,	
	2024	2023
Borrowings under credit facility	3,086	2,462
Interest on lease liability	401	226
Other	119	113
Total finance costs	3,606	2,801

13 STATEMENT OF CASH FLOW SUPPLEMENTAL INFORMATION

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

	Three months ended March 31,	
	2024	2023
Cash provided by (used in) operating activities		
Trade and other receivables	6,579	3,805
Prepaid expenses	849	2,152
Inventories	863	(12,148)
Trade and other payables	(20,211)	(6,913)
Change in non-cash working capital	(11,920)	(13,104)
Cash used in investing activities		
Trade and other payables ⁽¹⁾	(285)	(64)
Change in non-cash working capital	(285)	(64)

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

14 SEGMENT REPORTING

The Company has identified three reportable segments consisting of two geographic segments (U.S. and Canada) and a Corporate segment. The U.S. and Canadian operating segments provide non-destructive excavating and related services. The following is selected information for the three months ended March 31, 2024 and 2023 based on these geographic/reportable segments.

	Three months ended March 31, 2024			
	Canada	U.S.	Corporate	Total
Revenue	18,367	143,195	—	161,562
Non-destructive excavation service	16,082	135,909	—	151,991
Other	2,285	7,286	—	9,571
Direct costs	15,876	105,658	—	121,534
Depreciation and amortization	3,944	15,102	(31)	19,015
General and administrative ⁽¹⁾	1,315	8,295	1,239	10,849
Unrealized gain on derivatives ⁽²⁾	—	—	(7,351)	(7,351)
Share-based plans ⁽²⁾	—	—	12,249	12,249
Finance cost ⁽²⁾	67	334	3,205	3,606
Other ⁽³⁾	(96)	(587)	1	(682)
(Loss) earnings before tax	(2,739)	14,393	(9,312)	2,342

	Three months ended March 31, 2023			
	Canada	U.S.	Corporate	Total
Revenue	22,391	120,825	—	143,216
Non-destructive excavation service	20,353	116,185	—	136,538
Other	2,038	4,640	—	6,678
Direct costs	17,176	93,207	—	110,383
Depreciation and amortization	3,891	12,045	3	15,939
General and administrative ⁽¹⁾	960	6,971	916	8,847
Unrealized gain on derivatives ⁽²⁾	—	—	(4,306)	(4,306)
Share-based plans ⁽²⁾	—	—	6,247	6,247
Finance cost ⁽²⁾	51	175	2,575	2,801
Other ⁽³⁾	124	(492)	—	(368)
Earnings (loss) before tax	189	8,919	(5,435)	3,673

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

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

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

	Canada	U.S.	Corporate	Total
March 31, 2024				
Property, plant and equipment	95,679	273,013	—	368,692
Right of use assets	9,009	40,040	121	49,170
Intangible assets	11,383	11,818	—	23,201
Goodwill	1,196	—	—	1,196
Total assets ⁽¹⁾	154,252	473,984	14,443	642,679
Total liabilities ⁽¹⁾	15,999	148,973	235,743	400,715
December 31, 2023				
Property, plant and equipment	99,930	258,091	—	358,021
Right of use assets	9,195	38,584	30	47,809
Intangible assets	11,806	11,789	—	23,595
Goodwill	1,226	—	—	1,226
Total assets ⁽¹⁾	161,439	464,734	6,841	633,014
Total liabilities ⁽¹⁾	43,643	151,765	192,612	388,020

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

15 COMMITMENTS AND CONTINGENCIES

The Company had the following commitments as at March 31, 2024:

	2024	2025	2026	2027	2028	Thereafter	Total
Operating leases ⁽¹⁾	1,202	1,501	1,310	682	119	52	4,866
Service contract ⁽²⁾	9,276	10,849	7,672	593	593	—	28,983
Purchase commitments ⁽³⁾	39,101	3,537	11	—	—	—	42,649
Total	49,579	15,887	8,993	1,275	712	52	76,498

⁽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.