



## 2010 QUARTERLY REPORT



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For the three and nine months ended September 30, 2010

Badger Income Fund (the “Fund” or “Badger”) is pleased to announce its financial and operating results for the three-month and nine-month periods ended September 30, 2010. Revenues for the three months ended September 30, 2010 increased by 11 percent to \$38.7 million from \$35.0 million for the same period in 2009, due to an 11 percent increase in Canadian revenues and a 10 percent increase in United States revenues (removing the effect of the change in the foreign exchange rate, United States revenues increased by 14 percent period-over-period). As a result of the increase in revenues, the Fund’s quarterly EBITDA and funds generated from operations also increased from the same period in 2009. Badger’s EBITDA increased to \$10.4 million for the three months ended September 30, 2010 from \$9.9 million in the same quarter of 2009, while funds generated from operations increased to \$10.4 million from \$8.3 million in the comparable quarter of 2009.

Badger had 406 daylighting units at the end of the third quarter of 2010 reflecting the addition of 13 daylighting units to the fleet to date in 2010 and the retirement of 14 units. Of the total, 228 units were operating in Canada and 178 in the United States at quarter-end. The Fund had 407 daylighting units at December 31, 2009.

# Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) should be read in conjunction with the attached unaudited interim consolidated financial statements of Badger. Readers should also refer to the audited consolidated financial statements and MD&A included in Badger's 2009 Annual Report. Additional information is also available on the Fund's website ([www.badgerinc.com](http://www.badgerinc.com)) and all previous public filings, including the Fund's Annual Information Form, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Revenue and expense variance analysis in the MD&A focuses primarily on the year-over-year changes during the third quarter. Year-over-year variances for the nine months ended September 30, 2010 and 2009 are explained by the same general factors which contributed to the third quarter variance, unless otherwise indicated.

This MD&A has been prepared taking into consideration information available to November 9, 2010.

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS**

Certain statements and information contained in this MD&A and other continuous disclosure documents of the Fund referenced herein, including statements related to the Fund's capital expenditures, projected growth, view and outlook toward margins, cash distributions, customer pricing, future market opportunities, and statements and information that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" 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 Fund 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 include expectations and/or beliefs that:

- Economic and business conditions will continue to improve in the last quarter of 2010;
- Badger's customers will increase their levels of activity;
- Eastern Canada will continue to see revenue growth in the final quarter of 2010;
- Western Canada will continue to see an increase in its workload over the winter and until spring break-up in 2011;
- The addition of locations in the United States East will develop more market opportunities for Badger;
- Investments made in the United States West will provide a return during the remainder of 2010;
- The Fund's conversion to a corporate structure will take place during the remainder of 2010;
- Following conversion, Badger as a corporation will remit a dividend between 75 percent and 100 percent of the current level of the Fund's annual distribution (\$1.26 per unit); and
- The Fund will remove approximately 20 hydrovac units from its fleet in 2010.

The forward-looking statements rely on certain expected economic conditions and a certain assumed level of overall demand for Badger's services and are based on certain assumptions. The assumptions used to generate forward-looking statements are that, among other things:

- Badger has the ability to achieve its internal revenue, net earnings and cash flow forecasts for 2010;
- There will be long-term demand for hydrovac services provided in support of oil refineries, petro-chemical plants, power plants and other large industrial facilities throughout North America;
- Over the short term, there will be increased variability in recurring industrial maintenance and production support services;
- Badger will maintain relationships with current customers and develop successful relationships with new customers;
- The Fund will collect customer obligations in a timely manner; and
- Badger will execute its growth strategy.

Risk factors 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: supply-demand fluctuations for oil and natural gas and related products and services; political and economic conditions; industry competition; Badger's ability to attract and retain key personnel; the availability of future debt and equity financing; changes in laws or regulations, including taxation and environmental regulations; and fluctuations in foreign exchange or interest rates.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect the Fund's operations and financial results is included in reports on file with securities regulatory authorities in Canada and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or at the Fund's website. The forward-looking statements and information contained in this MD&A are expressly qualified by this cautionary statement. The Fund 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.

## **NON-GAAP FINANCIAL MEASURES**

This MD&A contains references to certain financial measures, including some that do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and that may not be comparable to similar measures presented by other corporations or entities. These financial measures are identified and defined below:

**“Cash available for growth and distribution”** is used by management to supplement cash flow as a measure of operating performance and leverage. The objective of this measure is to calculate the amount which is available for distribution to unitholders as well as to expand the daylighting fleet or make acquisitions. It is defined as funds generated from operations less required debt repayments and maintenance capital expenditures, plus any proceeds received on the disposal of assets.

**“EBITDA”** is earnings before interest, taxes, depreciation and amortization. It is a measure of the Fund’s operating profitability and is therefore useful to management and investors. EBITDA provides an indication of the results generated by the Fund’s principal business activities prior to how these activities are financed, assets are amortized or how the results are taxed in various jurisdictions. EBITDA is calculated from the Consolidated Statements of Earnings and Comprehensive Income and Retained Earnings as gross margin less selling, general and administrative costs and foreign exchange loss (gain). It is derived as follows:

(\$)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2010	2009	2010	2009
Net earnings and comprehensive income	<b>6,619,437</b>	4,795,804	<b>12,593,206</b>	13,395,804
Add (deduct):				
Income taxes	<b>138,529</b>	1,383,628	<b>1,402,761</b>	3,499,023
Interest - long-term	<b>245,498</b>	324,733	<b>686,724</b>	893,445
Loss (gain) on sale of property, plant and equipment	<b>(48,167)</b>	9,825	<b>(154,703)</b>	(112,694)
Amortization	<b>3,464,935</b>	3,385,733	<b>10,187,919</b>	9,990,847
	<b>10,420,232</b>	9,899,723	<b>24,715,907</b>	27,666,425

**“Funded debt”** is a measure of Badger’s long-term debt position. Funded debt is long-term debt.

**“Funds generated from operations”** is used to assist management and investors in analyzing operating performance and leverage. It is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Funds generated from operations is derived from the Consolidated Statements of Cash Flows and is calculated as follows:

(\$)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2010	2009	2010	2009
Cash provided by operating activities	<b>6,120,031</b>	5,121,141	<b>20,242,110</b>	25,364,101
Add (deduct):				
Net change in non-cash working capital relating to operating activities	<b>4,269,338</b>	3,190,074	<b>3,614,854</b>	(1,250,397)
	<b>10,389,369</b>	8,311,215	<b>23,856,964</b>	24,113,704

**“Growth capital expenditures”** are capital expenditures that are intended to improve Badger’s efficiency, productivity or overall capacity and thereby to allow Badger to access new markets. They generally represent any net additions to the daylighting fleet. Growth capital expenditures exclude acquisitions made during the period.

**“Maintenance capital expenditures”** are any amounts incurred during a reporting period to keep the Fund’s daylighting fleet at the same number of units, plus any other capital expenditures required to maintain the capacities of the existing business. They also include any costs incurred to extend the operational life of a daylighting unit. This amount will fluctuate from period-to-period depending on the number of units retired from the fleet.

**“Net debt”** is funded debt less cash and short-term deposits.

The terms cash available for growth and distribution, EBITDA, funded debt, funds generated from operations, growth capital expenditures, maintenance capital expenditures and net debt used throughout this document have the meanings set out above.

## FINANCIAL HIGHLIGHTS

(\$ thousands, except per unit and total units outstanding information)

	Three months ended,		Nine months ended,	
	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2010	Sept. 30, 2009
Revenues	<b>38,727</b>	35,005	<b>98,435</b>	101,847
EBITDA	<b>10,420</b>	9,900	<b>24,716</b>	27,666
Earnings before income taxes	<b>6,758</b>	6,179	<b>13,995</b>	16,895
Taxes				
Current	<b>(183)</b>	538	<b>586</b>	1,559
Future	<b>322</b>	845	<b>816</b>	1,940
Net earnings	<b>6,619</b>	4,796	<b>12,593</b>	13,396
Net earnings per unit – diluted (\$)	<b>0.61</b>	0.44	<b>1.16</b>	1.24
Funds generated from operations	<b>10,389</b>	8,311	<b>23,857</b>	24,114
Funds generated from operations per unit – diluted (\$)	<b>0.96</b>	0.77	<b>2.20</b>	2.23
Maintenance capital expenditures	<b>3,913</b>	1,573	<b>7,577</b>	6,162
Required long-term debt repayments	<b>81</b>	108	<b>243</b>	325
Cash available for growth and distribution	<b>6,933</b>	6,718	<b>16,864</b>	18,857
Cash distributions declared	<b>3,404</b>	3,405	<b>10,214</b>	10,210
Growth capital expenditures	<b>106</b>	–	<b>1,023</b>	–
Total units outstanding	<b>10,807,411</b>	10,808,503	<b>10,807,411</b>	10,808,503

## OVERVIEW AND OUTLOOK

The market and work opportunities Badger began to see earlier in the year translated into increased revenue in the third quarter of 2010. The Fund continues to see increased work opportunities and believes the workload will continue to be strong for the remainder of 2010 and into 2011.

After a slow start in 2010, Eastern Canada experienced a strong increase in revenue during the third quarter, a trend that should continue during the remainder of the 2010 construction season.

With increased oil and natural gas activity in Western Canada in 2010, hydrovac work demand has improved and Badger is busy in Western Canada. This increased workload is expected to continue until spring break-up in 2011.

Badger has experienced a steady build-up of revenue in the United States. The large projects of 2009 have been replaced by an increase in smaller jobs and a more diversified revenue base. Efforts are underway to have new locations develop into strong contributors to revenue for the rest of the year. The plan is to continue to add locations in the United States East to develop business in the infrastructure market. The United States West has benefited from good activity levels in oil and gas areas and urban opportunities are developing as well. Badger believes the United States market will continue its growth during the remainder of the year.

After the slower start to 2010 Badger, in recent months, has seen a steady increase in work opportunities which are turning into revenue. Badger believes this steady increase will continue for the foreseeable future. With the increased level of revenue per truck, improved market outlook and demand for new units Badger has decided to ramp up the build of new trucks to a rate of five to six per month by January 2011.

During the three-month period ended September 30, 2010 Badger added five new hydrovac units and removed six from service, exiting the quarter with 406 hydrovac units. These are considered to be maintenance capital expenditures as there were no net additions to the daylighting fleet during the third quarter of 2010. The new units were financed from cash generated from operations.

With the federal legislation dealing with income trusts coming into force in 2011, on March 19, 2010 Badger announced its intention to convert to a dividend-paying corporation before the end of 2010. The conversion to a corporation was approved at the annual and special meeting of unitholders on June 29, 2010. The Board of Directors will make the final decision on the level and timing of the dividend at the time of conversion. The basic plan is to have a dividend of a gross magnitude between 75 percent and 100 percent of the Fund's annual distribution, which is \$1.26 per unit. More will be known by the end of 2010 and details will be announced in due course.

## **RESULTS OF OPERATIONS**

### **REVENUES**

Revenues were \$38.7 million for the three months ended September 30, 2010, 11 percent higher than the \$35.0 million generated during the comparable period in 2009. The increase is attributable to the following:

- Canadian revenues increased by 11 percent from \$20.6 million in the third quarter of 2009 to \$22.9 million in the third quarter of 2010. Western Canada hydrovac revenue increased by 14 percent due to a general increase in demand for hydrovac services in various areas due to moderately increased activity in the oil and natural gas industry. Eastern Canada revenue increased by 6 percent quarter-over-quarter due to a general increase in activity; and
- United States revenues increased from \$14.4 million for the three months ended September 30, 2009 to \$15.8 million for the three months ended September 30, 2010. Removing the effect of the change in the foreign exchange rate, revenues increased by 14 percent. The increase is primarily due to more work in the United States West due to moderately increased activity in the oil and natural gas industry.

Badger's average revenue per truck per month during the three months ended September 30, 2010 was \$28,200 versus \$25,300 for the three months ended September 30, 2009.

Included in revenues is \$489,000 of truck placement and franchise fees for the three months ended September 30, 2010, versus \$303,000 for the three months ended September 30, 2009.

### **DIRECT COSTS**

Direct costs for the quarter ended September 30, 2010 were \$25.2 million compared to \$22.7 million for the quarter ended September 30, 2009. This increase of 11 percent was consistent with the increase in revenues.

### **GROSS MARGIN**

Gross margin was 35.0 percent for the quarter ended September 30, 2010 which is consistent with the 35.1 percent for the quarter ended September 30, 2009. The Canadian gross margin percentage increased from 36.4 percent for the three months ended September 30, 2009 to 38.2 percent for the three months ended September 30, 2010 due to better cost control in certain Western Canada corporate locations and the resulting ability to leverage increased revenues. United States gross margin decreased from 33.3 percent for the three months ended September 30, 2009 to 30.5 percent for the three months ended September 30, 2010 due to reduced project work in the United States East and costs associated with the start-up of additional locations.

**AMORTIZATION**

Amortization was \$3.5 million for the three months ended September 30, 2010, slightly higher than the \$3.4 million for the three months ended September 30, 2009. Included in this figure is approximately \$49,000 related to amortization of intangible assets with a limited lifespan.

**INTEREST EXPENSE**

Interest expense was \$245,000 for the quarter ended September 30, 2010 versus \$325,000 for the quarter ended September 30, 2009. The lower interest expense was mainly due to having a lower average debt balance quarter-over-quarter.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative expenses were \$3.0 million for the quarter ended September 30, 2010 compared to \$2.4 million for the quarter ended September 30, 2009. As a percentage of revenues, selling, general and administrative expenses were 7.7 percent for the third quarter of 2010 versus 6.9 percent for the third quarter of 2009. The increase was predominantly due to additional locations being set up in the United States and the collection of a United States bad debt expense in the quarter ended September 30, 2009, which had been previously provided for.

**FOREIGN EXCHANGE LOSS (GAIN)**

The foreign exchange loss or gain results from converting the balance sheet and earnings statement related to the United States operations into Canadian currency.

**INCOME TAXES**

The effective tax rate for the nine months ended September 30, 2010 was 10 percent versus 21 percent for the nine months ended September 30, 2009. The decrease was due to generating lower earnings in the United States, which are taxed at a higher rate.

In general, the low effective tax rate is due to the trust structure, which results in tax-deductible distributions being made to unitholders.

**LIQUIDITY AND DISTRIBUTIONS**

Funds generated from operations increased to \$10.4 million for the quarter ended September 30, 2010 from \$8.3 million for the comparable period in 2009 due primarily to increased Canadian EBITDA. The Fund uses its cash to make distributions to unitholders, build additional hydrovac units, invest in maintenance and growth capital expenditures and repay long-term debt.

The Fund had working capital of \$36.6 million at September 30, 2010 versus \$26.6 million at December 31, 2009. The increase was due to the cash flow from operations exceeding capital expenditures and distributions to unitholders and an increase in accounts receivable due to the increase in revenues in each of Canada and the United States.

The following table outlines the cash available to fund growth and pay distributions to unitholders for the three and nine months ended September 30, 2010:

	Three months ended Sept. 30, 2010 (\$)	Nine months ended Sept. 30, 2010 (\$)
Cash provided by operating activities	6,120,031	20,242,110
Add (deduct): net change in non-cash working capital	4,269,338	3,614,854
Funds generated from operations	10,389,369	23,856,964
Add: proceeds on disposal of property, plant and equipment	537,501	826,605
Deduct: required repayments of long-term debt	(80,940)	(242,801)
Deduct: maintenance capital expenditures	(3,913,095)	(7,577,188)
Cash available for growth capital expenditures and distributions	6,932,835	16,863,580
Growth capital expenditures	106,120	1,022,937
Cash distributions declared	3,404,336	10,213,577

In determining cash available for distributions the Fund excludes non-cash working capital changes for the period as well as growth capital expenditures. Changes in non-cash working capital items have been excluded so as to remove the effects of timing differences in cash receipts and disbursements, which generally reverse themselves and can vary significantly between fiscal quarters. Growth capital expenditures have been excluded so as to include only the maintenance capital expenditures required for the sustainability of the existing asset base.

The following table outlines the excess or shortfall of cash provided by operating activities and net earnings over cash distributions declared during the nine months ended September 30, 2010 and 2009 and the year ended December 31, 2009:

	Nine months ended Sept. 30, 2010 (\$)	Nine months ended Sept 30, 2009 (\$)	Year ended December 31, 2009 (\$)
Cash provided by operating activities	20,242,110	25,364,101	33,775,825
Net earnings	12,593,206	13,395,804	19,653,128
Cash distributions declared	10,213,577	10,209,517	13,614,197
Excess of cash provided by operating activities over cash distributions declared	10,028,533	15,154,584	20,161,628
Excess of net earnings over cash distributions declared	2,379,629	3,186,287	6,038,931

The Fund makes regular monthly cash distributions to its unitholders. These cash distributions may be reduced, increased or suspended entirely by the trustees depending on the operations of Badger and the performance of its assets. The actual cash flow available for distribution to holders of Fund units is a function of numerous factors, including: the Fund's financial performance; debt covenants and obligations; working capital requirements; maintenance and growth capital expenditure requirements for the purchase of property, plant and equipment; and number of units outstanding.

The Fund maintains a strong balance sheet and has sufficient debt facilities to manage short-term funding needs as well as planned equipment additions. The debt management strategy includes retaining sufficient funds from available distributable cash to finance maintenance capital expenditures as well as working capital needs. Growth capital expenditures will generally be financed through existing debt facilities or cash retained from operating activities. The majority of the cash provided by operating activities was used to finance maintenance and growth capital expenditures and to pay distributions to unitholders.



If maintenance capital expenditures increase in future periods, the Fund's cash available for growth capital expenditures and distributions will be correspondingly reduced, other factors remaining equal. Due to Badger's growth rate in recent years, the majority of the hydrovac units are relatively new, with an average age of approximately four-and-a-half years. As a result, Badger is currently experiencing relatively low levels of maintenance capital expenditures. Over time, Badger would expect to incur annual maintenance capital expenditures in an amount that approximates the amortization expense reported in the year. Badger estimates it will remove approximately 20 hydrovac units from the fleet in 2010. Badger expects that cash provided by operations and cash available for growth capital expenditures and distributions will be sufficient to fund its maintenance capital expenditures in the future.

Badger is restricted from declaring distributions and distributing cash if it is in breach of the covenants under its credit facilities. As at the date of this MD&A the Fund is in compliance with all debt covenants and is able to fully utilize all existing credit facilities. Badger does not have a stability rating.

## **CAPITAL RESOURCES**

### **INVESTING**

The Fund spent \$4.0 million on property, plant and equipment for the three months ended September 30, 2010 compared to \$1.6 million for the three months ended September 30, 2009. The Fund added five new hydrovac units and incurred construction costs of \$1.4 million during the three months ended September 30, 2010. The costs to build a hydrovac unit in the first nine months of 2010 increased by approximately 6 percent over fiscal 2009, mainly due to the reduced build rate resulting in fixed overhead costs being allocated to fewer units.

Maintenance capital expenditures are incurred during a period to keep the hydrovac fleet at the same number of units, which applied to all of the units that joined the fleet in the three-month and nine-month periods ended September 30, 2010, plus any other capital expenditures required to maintain the existing business. As a result \$3.9 million of third-quarter 2010 capital expenditures has been classified as maintenance capital expenditures, with only a minor amount being classified as growth capital expenditures, and \$7.6 million of capital expenditures for the nine months ended September 30, 2010 has been classified as maintenance capital expenditures, with \$1.0 million being classified as growth capital expenditures.

### **FINANCING**

The Fund has a \$40 million extendable revolving credit facility which is used to fund working capital requirements and finance capital expenditures, of which \$33.2 million was drawn at September 30, 2010. The facility has no required principal repayments. It expires on June 25, 2011 and is renewable at Badger's option for an additional 364-day period. If not renewed, interest is payable on the facility for 364 days, after which the entire amount must be repaid. The facility bears interest at the bank's prime rate or bankers' acceptance rate plus 1.5 percent plus 0 to 1 percent depending on Badger's funded-debt-to-EBITDA ratio.

The Fund continues to reduce its net debt outstanding. As at September 30, 2010 Badger's cash and short-term deposits were \$13.9 million resulting in net debt of \$22.7 million versus net debt of \$24.8 million at December 31, 2009. The decrease in net debt was the result of cash flow generated from operations and proceeds received on the disposal of property, plant and equipment.

Management believes that the Fund's healthy balance sheet combined with funds generated from operations will provide sufficient capital to fund ongoing operations, make distributions to unitholders, finance future capital expenditures and execute its strategic plan for the foreseeable future. The Fund's practice is to utilize an appropriate mix of debt and equity to finance its maintenance capital expenditures and growth initiatives.

Badger is in compliance with all financial covenants under the credit facility agreement. Financial performance relative to the financial ratio covenants under the extendable revolving credit facility is reflected in the table below:

Ratio	September 30, 2010	December 31, 2009	Threshold
Current <sup>(1)</sup>	<b>3.51:1</b>	3.01:1	<b>1.20:1 minimum</b>
Funded Debt <sup>(2)</sup> to EBITDA <sup>(3)</sup>	<b>0.67:1</b>	0.87:1	<b>2.00:1 maximum</b>
Fixed Charge Coverage <sup>(4)</sup>	<b>2.02:1</b>	2.49:1	<b>1.00:1 minimum</b>
Distribution <sup>(5)</sup>	<b>0.70:1</b>	0.65:1	<b>1.00:1 maximum</b>

1 Current ratio means the ratio of the consolidated current assets to consolidated net current liabilities (excluding the current portion of long-term debt).

2 Funded debt is long-term debt less cash and short-term deposits.

3 Funded debt to EBITDA means the ratio of consolidated funded debt to the aggregated EBITDA for the trailing 12 months. EBITDA is defined as the trailing 12 months of EBITDA for the Fund.

4 Fixed charge coverage ratio means the trailing 12-month EBITDA less unfinanced capital expenditures and cash taxes, plus the unused portion of the extendable revolving credit facility, to the sum of the aggregate of scheduled long-term debt principal payments, interest and distributions.

5 Distribution ratio means distributions for the trailing 12-month period to the sum of funds generated from operations less scheduled long-term debt principal payments and maintenance capital expenditures.

In addition to the above the Fund had committed to making certain capital expenditures totalling approximately \$4.5 million. These capital expenditures will be financed with existing credit facilities and funds generated from operations. There are no set terms for remitting payment for these financial commitments.

## UNITHOLDERS' CAPITAL

Total units outstanding at September 30, 2010 were 10,807,411. There was no change to this balance as of November 9, 2010.

## SELECTED QUARTERLY FINANCIAL INFORMATION

(\$)	Quarter Ended							
	2010			2009			2008	
	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31
Revenues	<b>38,727,159</b>	<b>29,374,171</b>	<b>30,333,959</b>	33,123,204	35,004,725	29,459,240	37,383,305	40,471,059
Net earnings	<b>6,619,437</b>	<b>2,430,962</b>	<b>3,542,807</b>	6,257,324	4,795,804	2,926,670	5,673,330	2,732,192
Net earnings per unit - basic	<b>0.61</b>	<b>0.22</b>	<b>0.33</b>	0.58	0.44	0.27	0.53	0.25
Net earnings per unit - diluted	<b>0.61</b>	<b>0.22</b>	<b>0.33</b>	0.58	0.44	0.27	0.53	0.25

## CHANGES IN ACCOUNTING POLICIES

In January 2009, the Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards (IFRS). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. This standard will impact the Fund's consolidated financial statements if the Fund enters a business combination in the future.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replaced Section 1600 "Consolidated Financial Statements". Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are adopted early, at the same time as Section 1582 "Business Combinations". The adoption of these standards is not expected to have any material impact on the Fund's financial statements except if the Fund enters into a business combination in the future.

## CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2006 Canada's Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. On February 13, 2008, the AcSB confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, IFRS will replace Canada's current GAAP for all publicly accountable profit-oriented enterprises.

The Fund has developed a conversion plan to complete the transition to IFRS by January 1, 2011 (the "transition date"), including the preparation of required comparative information relating to 2010. As part of the IFRS conversion project, the Fund has engaged external consultants to assist and advise in the Fund's transition to IFRS.

The conversion project consists of three phases:

Phase	Description	Status
<b>Phase 1 Preliminary Impact Assessment</b>	Phase 1 involves the high-level identification and assessment of the differences between IFRS and Canadian GAAP that will impact the Fund.	Phase 1 was completed during the third quarter of 2008.
<b>Phase 2 Detailed Evaluation</b>	Phase 2 involves performing a detailed impact assessment of the differences between IFRS and Canadian GAAP, reviewing and approving accounting policy choices, identifying impacts on systems and business processes, preparing position papers for areas of significant judgement, quantifying IFRS conversion adjustments and drafting pro-forma IFRS-compliant consolidated financial statements.	<p>IFRS 1 elections have been made as detailed below.</p> <p>Drafting of position papers was completed during the third quarter of 2010 and the drafts are currently being reviewed by the Fund's external auditors.</p> <p>Formulation of IFRS accounting policies and drafting of IFRS-compliant financial statements is currently being finalized and will be completed during the fourth quarter of 2010.</p> <p>Effect on processes and systems has been evaluated and it has been determined that the Fund's current information technology infrastructure is capable of handling the changeover.</p> <p>The Fund is expecting to complete Phase 2 in the fourth quarter of 2010.</p>
<b>Phase 3 Implementation</b>	Phase 3 involves embedding changes to systems, processes and internal controls, drafting the transitional opening balance sheet and preparing IFRS-compliant consolidated interim and annual consolidated financial statements for the 2011 fiscal year including comparatives.	Opening IFRS-compliant statement of financial position has been drafted and will be reviewed by the Fund's external auditors in the fourth quarter of 2010. Phase 3 will be completed with the filing of the Fund's annual consolidated financial statements for the 2011 fiscal year.

Based on the work completed to date, the Fund expects the greatest potential impact of IFRS adoption to be within the following areas:

#### **FIRST-TIME ADOPTION OF IFRS (“IFRS 1”)**

IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be recognized directly in retained earnings. However, IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards.

The Fund has chosen to apply the following optional exemptions:

<b>Area impacted</b>	<b>Impact of applying exemption</b>
Business combinations	The Fund is not required to apply IFRS 3 – Business Combinations to past business combinations that occurred before the transition date.
Share-based payments	The Fund is not required to apply IFRS 2 – Share-Based Payment to share-based payment transactions that had vested at the transition date.
Foreign exchange	The Fund will reclassify transition-date cumulative translation gains or losses from accumulated other comprehensive income to retained earnings and apply the requirements of IAS 21 – The Effects of Changes in Exchange Rates prospectively from that date.
Borrowing costs	The Fund is only required to apply the requirements of IAS 23 – Borrowing Costs prospectively from the transition date.
Arrangements containing a lease	The Fund will apply the requirements of IFRIC 4 – Determining whether an Arrangement contains a Lease prospectively from the transition date.

#### **PROPERTY, PLANT AND EQUIPMENT (PP&E)**

Canadian GAAP requires the Fund to break down its assets into significant components only when practicable. Under IAS 16 – Property, Plant and Equipment, the Fund is explicitly required to allocate the amount initially recognized in respect of an item of PP&E to its significant components and depreciate separately each of these components. Where a significant component has a useful life and depreciation method that is the same as the useful life and depreciation method of another significant component of the same item of PP&E, such components may be grouped in determining the depreciation charge.

The Fund has performed a detailed analysis which identified the significant components and useful lives of the material items of PP&E. This analysis determined that the useful lives of each significant component of an item of PP&E did not differ materially from the useful lives of other significant components of the same item. The Fund, subject to review by its external auditors, has determined that the components requirement of IAS 16 will not have a material impact on the financial statements.

#### **IMPAIRMENT OF ASSETS**

Canadian GAAP impairment testing involves two steps, the first of which compares the asset's carrying value with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the amount of the impairment and the carrying value is written down to estimated fair value.

PP&E and intangibles, including goodwill, are tested for impairment in accordance with IAS 36 – Impairment of Assets (IAS 36). IAS 36 requires that assets, other than goodwill and indefinite-life intangibles, be subjected to an impairment test if there are indicators of impairment. For goodwill and indefinite-life intangibles, IAS 36 requires that the Fund perform impairment tests on an annual basis.

Under IFRS an asset is impaired when the recoverable amount of that asset is less than the carrying amount. If there is any indication that an asset may be impaired, the recoverable amount should be estimated for individual assets. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable and willing parties. The value in use is the present value of the future cash flows (i.e. discounted cash flows) expected to be derived from an asset.

If it is not possible to estimate the recoverable amount for the individual asset other than goodwill, the Fund must determine the recoverable amount for the cash-generating unit (CGU) to which that asset can be allocated. A CGU is the smallest group of assets that generates cash inflows largely independent of other assets or groups of assets. Management is therefore required to determine all of the CGUs of the Fund.

Impairment will be recognized more frequently under IFRS as Canadian GAAP does not require the discounting of cash flows when assessing the recoverability of an asset's carrying value. However, IAS 36 requires the reversal of an impairment loss for an asset, other than goodwill, where there is an indication that circumstances have changed and that the impairment loss has decreased or no longer exists. This is not allowed under Canadian GAAP.

The Fund, through an analysis of its operations, has identified the appropriate CGUs. The CGUs identified are not expected to have an impact on the Fund's processes and controls. The Fund has conducted an IFRS transition date goodwill test and, subject to review by its external auditors, has not recognized any impairment upon transition to IFRS.

#### **FINANCIAL STATEMENT DISCLOSURE**

The Fund is currently assessing the impact of the IFRS disclosure requirements on its financial statements through the drafting of IFRS-compliant consolidated financial statements. The draft IFRS-compliant consolidated financial statements will be finalized during the fourth quarter of 2010.

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

#### **DISCLOSURE CONTROLS AND PROCEDURES**

Badger's President and CEO and the VP Finance and 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 and interim filings are being prepared; and (ii) material information required to be disclosed in the annual and interim filings 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 at December 31, 2009 and as a result of identifying the material weakness outlined below have concluded the disclosure controls and procedures are not effective.

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Badger's President and CEO and the VP Finance and 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 Canadian GAAP. Further, using the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's internal control over financial reporting at December 31, 2009 and as a result of identifying the material weakness outlined below have concluded the internal controls over financial reporting are not effective.

**MATERIAL WEAKNESS**

Badger has identified that it does not have sufficient accounting personnel with the appropriate tax expertise to allow for an effective review over the accuracy of its accounting for income taxes and the determination of the income tax provision. Management and the Board of Directors have determined that it is not economically feasible to maintain such personnel in-house or to engage an external tax consultant to perform an independent review. This material weakness could result in a misstatement in various tax-related accounts that could result in a material misstatement to Badger's annual and interim consolidated financial statements and disclosures that would not be prevented or detected.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

No changes were made to the design of Badger's internal control over financial reporting during the three months ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

**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 it may not prevent or detect misstatements. Management's estimates may be incorrect or assumptions about future events may be incorrect, resulting in varying results. In addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

**BUSINESS RISKS**

The MD&A for the year ended December 31, 2009, which is included in the Fund's 2009 Annual Report, includes an overview of business risks associated with the Fund. Those business risks remain. The reader is also referred to Badger's 2009 Annual Information Form.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Fund have been prepared by Badger Income Fund's management.

The Fund's independent auditor has not performed a review of the accompanying unaudited interim consolidated financial statements in accordance with standards established by the CICA for a review of interim financial statements by an entity's auditor.

# Unaudited Consolidated Balance Sheets

	September 30, 2010 \$	December 31, 2009 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term deposits	13,924,998	7,516,605
Accounts receivable	34,476,487	30,205,878
Inventories	1,837,319	1,792,708
Income taxes receivable	301,295	-
Prepaid expenses	1,037,769	776,997
	51,577,868	40,292,188
<b>Property, plant and equipment</b>	<b>89,042,740</b>	<b>91,155,437</b>
<b>Intangible assets</b>	<b>4,798,513</b>	<b>4,795,512</b>
<b>Goodwill</b>	<b>1,621,000</b>	<b>1,621,000</b>
	<b>147,040,121</b>	<b>137,864,137</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	13,565,472	11,364,134
Income taxes payable	-	907,377
Distributions payable	1,134,778	1,134,893
Current portion of long-term debt	323,768	323,768
	15,024,018	13,730,172
<b>Long-term debt</b>	<b>36,263,991</b>	<b>31,960,496</b>
<b>Future income taxes</b>	<b>19,866,343</b>	<b>19,280,129</b>
	<b>71,154,352</b>	<b>64,970,797</b>
<b>Unitholders' equity</b>		
Unitholders' capital (note 4(a))	44,387,955	44,387,955
Contributed surplus (note 4(c))	4,426,650	3,813,850
Retained earnings	27,071,164	24,691,535
	75,885,769	72,893,340
	<b>147,040,121</b>	<b>137,864,137</b>

See accompanying notes



# Unaudited Consolidated Statements of Earnings and Comprehensive Income and Retained Earnings

	Three Months Ended Sept. 30, 2010 \$	Three Months Ended Sept. 30, 2009 \$	Nine Months Ended Sept. 30, 2010 \$	Nine Months Ended Sept. 30, 2009 \$
<b>Revenues</b>	<b>38,727,159</b>	35,004,725	<b>98,435,289</b>	101,847,270
<b>Direct costs</b>	<b>25,169,351</b>	22,714,571	<b>64,296,160</b>	65,995,965
<b>Gross margin</b>	<b>13,557,808</b>	12,290,154	<b>34,139,129</b>	35,851,305
<b>Expenses</b>				
Amortization	3,464,935	3,385,733	10,187,919	9,990,847
Loss (gain) on sale of property, plant and equipment	(48,167)	9,825	(154,703)	(112,694)
Interest - long-term	245,498	324,733	686,724	893,445
Selling, general and administrative	2,984,426	2,422,148	9,391,694	8,463,303
Foreign exchange loss (gain)	153,150	(31,717)	31,528	(278,423)
	<b>6,799,842</b>	6,110,722	<b>20,143,162</b>	18,956,478
<b>Earnings before income taxes</b>	<b>6,757,966</b>	6,179,432	<b>13,995,967</b>	16,894,827
<b>Income taxes</b>				
Current	(183,471)	538,478	586,361	1,558,553
Future	322,000	845,150	816,400	1,940,470
	<b>138,529</b>	1,383,628	<b>1,402,761</b>	3,499,023
<b>Net earnings and comprehensive income for the period</b>	<b>6,619,437</b>	4,795,804	<b>12,593,206</b>	13,395,804
<b>Retained earnings, beginning of period</b>	<b>23,856,063</b>	20,447,764	<b>24,691,535</b>	18,652,604
<b>Cash distributions</b>	<b>(3,404,336)</b>	(3,404,677)	<b>(10,213,577)</b>	(10,209,517)
<b>Retained earnings, end of period</b>	<b>27,071,164</b>	21,838,891	<b>27,071,164</b>	21,838,891
<b>Net earnings per unit (note 5)</b>				
Basic	<b>0.61</b>	0.44	<b>1.17</b>	1.24
Diluted	<b>0.61</b>	0.44	<b>1.16</b>	1.24

See accompanying notes

# Unaudited Consolidated Statements of Cash Flows

	Three Months Ended Sept. 30, 2010 \$	Three Months Ended Sept. 30, 2009 \$	Nine Months Ended Sept. 30, 2010 \$	Nine Months Ended Sept. 30, 2009 \$
<b>Operating activities</b>				
Net earnings and comprehensive income for the period	6,619,437	4,795,804	12,593,206	13,395,804
Add (deduct) items not involving cash:				
Amortization	3,464,935	3,385,733	10,187,919	9,990,847
Future income taxes	322,000	845,150	816,400	1,940,470
Unit-based compensation	117,800	292,000	612,800	959,300
Foreign exchange loss (gain)	153,150	(31,717)	31,528	(278,423)
Unrealized foreign exchange loss (gain) on future income taxes	(239,786)	(985,580)	(230,186)	(1,781,600)
Loss (gain) on sale of property, plant and equipment	(48,167)	9,825	(154,703)	(112,694)
	<b>10,389,369</b>	8,311,215	<b>23,856,964</b>	24,113,704
Net change in non-cash working capital relating to operating activities	<b>(4,269,338)</b>	(3,190,074)	<b>(3,614,854)</b>	1,250,397
	<b>6,120,031</b>	5,121,141	<b>20,242,110</b>	25,364,101
<b>Financing activities</b>				
Proceeds from long-term debt	3,388,512	2,021,619	4,546,296	-
Repayment of long-term debt	(80,940)	(108,441)	(242,801)	(2,050,220)
Distributions to unitholders	(3,404,336)	(3,404,677)	(10,213,692)	(10,207,652)
	<b>(96,764)</b>	(1,491,499)	<b>(5,910,197)</b>	(12,257,872)
<b>Investing activities</b>				
Purchase of property, plant and equipment	(4,019,215)	(1,572,624)	(8,600,125)	(10,332,999)
Purchase of service rights	(150,000)	-	(150,000)	(200,000)
Proceeds on disposal of property, plant and equipment	537,501	87,934	826,605	1,230,140
	<b>(3,631,714)</b>	(1,484,690)	<b>(7,923,520)</b>	(9,302,859)
<b>Increase in cash and short-term deposits during the period</b>	<b>2,391,553</b>	2,144,952	<b>6,408,393</b>	3,803,370
<b>Cash and short-term deposits, beginning of period</b>	<b>11,533,445</b>	4,314,562	<b>7,516,605</b>	2,656,144
<b>Cash and short-term deposits, end of period</b>	<b>13,924,998</b>	6,459,514	<b>13,924,998</b>	6,459,514

See accompanying notes

# Notes to the Unaudited Consolidated Financial Statements

## 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements include the accounts of Badger Income Fund (“Badger” or the “Fund”) and its wholly-owned subsidiaries and have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). These unaudited interim consolidated financial statements for the three and nine months ended September 30, 2010 and 2009 have been prepared following the same accounting policies and methods of application as the audited consolidated financial statements of the Fund for the fiscal year ended December 31, 2009, except as noted below in Note 2. The disclosures provided below are incremental to those included in the Fund’s annual audited consolidated financial statements. The unaudited interim consolidated financial statements and the related notes should be read in conjunction with the audited consolidated financial statements and the related notes in the Fund’s Annual Report for the year ended December 31, 2009.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end and the results of operations for the interim periods shown in these statements are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the accompanying unaudited interim consolidated financial statements include all adjustments necessary to present fairly the consolidated results of the Fund’s operations and cash flows for the three and nine months ended September 30, 2010 and 2009.

## 2. CHANGES IN ACCOUNTING POLICIES

In January 2009, the Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 1582 “Business Combinations” to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards (IFRS). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. This standard will impact the Fund’s consolidated financial statements if the Fund enters a business combination in the future.

The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests” which replaced Section 1600 “Consolidated Financial Statements”. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are adopted early, at the same time as Section 1582 “Business Combinations”. The adoption of these standards is not expected to have any material impact on the Fund’s financial statements unless the Fund enters into a business combination in the future.

## 3. FUTURE CHANGES IN ACCOUNTING POLICIES

The Fund will be subject to IFRS commencing in 2011. The Fund is assessing the effects conversion to IFRS will have on its financial statements and notes thereto.

## 4. UNITHOLDERS' EQUITY

### (A) UNITHOLDERS' CAPITAL

	Units	Amount (\$)
December 31, 2009	10,808,503	44,387,955
Units cancelled	1,092	-
September 30, 2010	<b>10,807,411</b>	<b>44,387,955</b>

The Fund declared distributions of \$0.105 per unit for each of January through September for a total of \$10,213,577.

### (B) UNIT OPTION PLAN

A summary of the unit option transactions for the nine months ended September 30, 2010 is as follows:

	Units	Weighted average exercise price \$
Outstanding at beginning of period	<b>765,500</b>	16.97
Granted	<b>9,000</b>	14.20
Exercised	-	-
Forfeited/expired	-	-
Outstanding at end of period	<b>774,500</b>	16.94

Options Outstanding			Options Exercisable		
Price	Outstanding at Sept. 30, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at Sept. 30, 2010	Weighted average exercise price
\$17.50	160,000	0.6	\$17.50	160,000	\$17.50
\$17.45	50,000	0.9	\$17.45	50,000	\$17.45
\$16.41	255,000	1.6	\$16.41	255,000	\$16.41
\$22.45	116,375	2.7	\$22.45	77,583	\$22.45
\$13.69	184,125	3.7	\$13.69	61,375	\$13.69
\$14.20	9,000	5.0	\$14.20	-	\$14.20

### (C) CONTRIBUTED SURPLUS

	\$
December 31, 2009	3,813,850
Unit-based compensation expense	612,800
September 30, 2010	<b>4,426,650</b>

### (D) PERFORMANCE TRUST UNITS PLAN

The Fund has established a Performance Trust Units (PTU) plan to reward officers and employees. The number of fund units earned is dependent upon the achievement of certain financial targets over a three-year period. The PTUs are earned over the same three-year period and vest on the third anniversary of the grant, at which time the holder is entitled to cash equal to the aggregate current market value of the number of fund units subject to the PTUs. Distributions per PTU are added to the entitlement after the PTUs are earned. Compensation expense is based on the estimated fair value of the award determined at the end of each quarter and recognized on a straight-line basis

throughout the term of the vesting period, with a corresponding increase to accrued liabilities. The Fund has granted awards pursuant to the plan and recorded \$437,000 as compensation expense for the nine months ended September 30, 2010 as part of selling, general and administrative expenses.

## 5. NET EARNINGS PER UNIT

Basic per unit calculations for the three and nine months ended September 30, 2010 were based on the weighted average number of units outstanding of 10,807,411 and 10,808,087, respectively. Basic per unit calculations for the three and nine months ended September 30, 2009 were based on the weighted average number of units outstanding of 10,808,503 and 10,802,591, respectively. Diluted per unit calculations for the three and nine months ended September 30, 2010 were based on the weighted average number of units outstanding of 10,825,024 and 10,825,700, respectively. Diluted per unit calculations for the three and nine months ended September 30, 2009 were based on the weighted average number of units outstanding of 10,808,503 and 10,802,591, respectively. The difference between the basic and diluted units was attributable to the dilutive effect of the unit options outstanding.

## 6. COMMITMENTS AND CONTINGENCIES

In May 2010 a judgment of approximately \$0.8 million was rendered against Badger for damages as well as prejudgment interest and costs. This amount was expensed in the second quarter of 2010. The Fund has appealed the decision.

## 7. GEOGRAPHICALLY SEGMENTED INFORMATION

The Fund operates in two geographical/reportable segments providing daylighting services to each of these segments. The following is selected information for the three-month and nine-month periods ended September 30, 2010 and 2009 based on these geographical segments:

	Three months ended Sept. 30, 2010			Three months ended Sept. 30, 2009		
	Canada (\$)	U.S. (\$)	Total (\$)	Canada (\$)	U.S. (\$)	Total (\$)
Revenues	22,906,738	15,820,421	38,727,159	20,557,133	14,447,592	35,004,725
Direct costs	14,167,769	11,001,582	25,169,351	13,082,234	9,632,337	22,714,571
Selling, general and administrative	1,904,062	1,080,364	2,984,426	1,970,365	451,783	2,422,148
Amortization	2,062,493	1,402,442	3,464,935	1,975,265	1,410,468	3,385,733
Earnings before income taxes	4,595,567	2,162,399	6,757,966	3,281,241	2,898,191	6,179,432
Capital expenditures	2,727,299	1,291,916	4,019,215	786,620	786,004	1,572,624

	Nine months ended Sept. 30, 2010			Nine months ended Sept. 30, 2009		
	Canada (\$)	U.S. (\$)	Total (\$)	Canada (\$)	U.S. (\$)	Total (\$)
Revenues	58,182,847	40,252,442	98,435,289	58,174,100	43,673,170	101,847,270
Direct costs	36,563,480	27,732,680	64,296,160	37,646,387	28,349,578	65,995,965
Selling, general and administrative	6,815,580	2,576,114	9,391,694	5,648,337	2,814,966	8,463,303
Amortization	5,979,647	4,208,272	10,187,919	5,862,123	4,128,724	9,990,847
Earnings before income taxes	8,147,026	5,848,941	13,995,967	8,241,526	8,653,301	16,894,827
Property, plant and equipment	49,428,951	39,613,789	89,042,740	52,143,054	40,711,017	92,854,071
Intangible assets	4,798,513	–	4,798,513	4,844,512	–	4,844,512
Goodwill	1,621,000	–	1,621,000	1,621,000	–	1,621,000
Total assets	80,158,432	66,881,689	147,040,121	81,037,258	59,646,413	140,683,671
Capital expenditures	7,021,428	1,578,697	8,600,125	4,551,458	1,610,541	6,161,999

# Corporate Information

## TRUSTEES

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<b>George Watson</b>	Executive Chairman CriticalControl Solutions Corp.
<b>David Calnan, LL.B</b>	Partner Shea Nerland Calnan LLP
<b>Garry Mihaichuk</b>	President GWM Resources Ltd.
<b>Glen D. Roane</b>	Corporate Director
<b>J. Richard Couillard</b>	President & Chief Executive Officer RockWell Petroleum Inc.
<b>Tor Wilson</b>	President & Chief Executive Officer

## OFFICERS AND MANAGEMENT

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<b>Tor Wilson</b>	President & CEO
<b>Greg Kelly, CA</b>	Vice President Finance & Chief Financial Officer
<b>Derek Dillon</b>	Vice President Operations
<b>David Calnan, LL.B</b>	Corporate Secretary

## HEAD OFFICE

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### Badger Income Fund

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## AUDITORS

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**Ernst & Young LLP** Chartered Accountants  
Calgary, Alberta

## BANKERS

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**Toronto Dominion Bank**  
Calgary, Alberta

## REGISTRAR AND TRANSFER AGENT

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**Computershare Investor Services**  
Calgary, Alberta

## SOLICITORS

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**Shea Nerland Calnan LLP**  
Calgary, Alberta

**Robins Appleby & Taub LLP**  
Toronto, Ontario

**Bose McKinney & Evans LLP**  
Indianapolis, Indiana

## STOCK EXCHANGE LISTING

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Toronto Stock Exchange  
Trading Symbol "BAD.UN"

## WEBSITE

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[www.badgerinc.com](http://www.badgerinc.com)