MARKET DIVERSIFICATION AND DISCIPLINED GROWTH

2009 QUARTERLY REPORT

For the three and six months ended June 30, 2009

Q2

Badger Income Fund (the "Fund" or "Badger") is pleased to announce its financial and operating results for the three-month and six-month periods ended June 30, 2009. Overall revenues for the three months ended June 30, 2009 decreased by approximately 11 percent to $29.5 million from $33.1 million for the same period in 2008, due to a 19 percent decrease in Canadian revenues, which was partially offset by a modest increase in United States revenues. As a result of the decrease in revenues, the Fund's EBITDA and funds generated from operations also decreased from the same period of 2008. Badger's EBITDA decreased to $6.5 million for the three months ended June 30, 2009 from $8.8 million in the same quarter of 2008, while funds generated from operations decreased to $6.4 million in the second quarter of 2009 from $8.5 million in the comparable quarter of 2008.

Badger had 416 daylighting units at June 30, 2009, reflecting the addition of 20 daylighting units to the fleet to date in 2009 and the retirement of 17 units. The Fund had 413 daylighting units at December 31, 2008.

FINANCIAL HIGHLIGHTS

($ thousands, except per unit and total units outstanding information)	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Revenues	**29,459**	33,143	**66,843**	67,917
EBITDA (1)	**6,453**	8,820	**17,767**	18,866
Earnings before income taxes	**3,028**	5,367	**10,715**	12,145
Taxes				
Current	**248**	160	**1,020**	415
Future	**(147)**	1,200	**1,095**	2,440
Net earnings	**2,927**	4,007	**8,600**	9,290
Net earnings per unit – diluted ($)	**0.27**	0.37	**0.80**	0.86
Funds generated from operations (2)	**6,365**	8,510	**16,599**	18,198
Funds generated from operations per unit – diluted ($)	**0.59**	0.78	**1.54**	1.68
Maintenance capital expenditures (3)	**2,105**	631	**4,589**	631
Required long-term debt repayments	**108**	55	**217**	109
Cash available for growth and distribution (4)	**4,505**	8,254	**12,934**	18,221
Cash distributions declared	**3,404**	3,397	**6,805**	6,788
Growth capital expenditures (3)	**–**	13,488	**–**	18,940
Total units outstanding	**10,808,503**	10,790,744	**10,808,503**	10,790,744

The following financial measures do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures as presented by other funds or entities:

(1) Earnings before interest, taxes, depreciation and amortization (EBITDA) 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).

(2) 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 calculated from the Consolidated Statements of Cash Flows and is defined as cash provided by operating activities before changes in non-cash working capital.

(3) Maintenance capital expenditures is defined as the amount incurred during the period to keep the Fund's daylighting fleet at the same number of units, plus any other capital expenditures required to maintain the existing business. It also includes any costs incurred to enhance 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. During the three-month period ended June 30, 2009, Badger added seven units to the fleet and removed nine from service. As a result, none of the units added during the three months ended June 30, 2009 represent growth capital expenditures, while all of the units added represent maintenance capital expenditures. During the six months ended June 30, 2009 Badger added 20 units to the fleet, of which 17 have been reflected as maintenance capital expenditures. The economic life of a Badger hydrovac is approximately 10 years. The average age of the fleet is approximately four years. Growth capital expenditures exclude acquisitions made during the period.

(4) 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. 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.

Interim Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) should be read in conjunction with the attached unaudited interim consolidated financial statements of Badger Income Fund (the "Fund" or "Badger"). Readers should also refer to the audited consolidated financial statements and MD&A included in Badger Income Fund's 2008 Annual Report. Additional information is also available on the Fund's website (www.badgerinc.com) and all previous public filings, including the most recently filed Annual Information Form, are available through SEDAR (www.sedar.com).

Revenue and expense variance analysis in the MD&A focuses primarily on the year-over-year changes during the second quarter. However, unless otherwise indicated, year-over-year variances for the six months ended June 30, 2009 and 2008 are explained by the same general factors, which contributed to the second quarter variance.

This MD&A has been prepared taking into consideration information available to August 11, 2009.

DISCLAIMER

Certain statements contained in the quarterly report including the MD&A constitute forward-looking statements. These statements relate to future events or Badger's future performance. These statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or events to differ materially from those anticipated in such forward-looking statements. Other factors include, but are not limited to: the future tax treatment of income trusts; supply-demand fluctuations for oil and natural gas and related products and services; political and economic conditions; the demand for services provided by Badger; industry competition; and Badger's ability to attract and retain key personnel. The Fund believes that the expectations reflected in these forward-looking statements are reasonable; however, no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this quarterly should not be unduly relied upon. In addition, these forward-looking statements relate to the date on which they are made. Badger disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

SHORT-TERM ECONOMIC IMPACT AND OPERATIONAL OVERVIEW

As stated in the first quarter report the economic downturn, market uncertainty and slowdown in activity levels in the oil and gas industry have had an impact on Badger's business. It remains very difficult to forecast activity levels since the visibility for the work Badger performs is usually limited. There has been minimal, if any, positive impact due to government infrastructure funding commitments to date in either Canada or the United States. Badger expects by the end of the third quarter to see some positive impact which will roll into next year. As always Badger is focused on adding customers, growing its coverage area and making good use of capital assets.

Badger saw activity and financial results for the first quarter of 2009 come in a bit higher than expected due to high levels of project work in the Eastern United States region and better than expected results in Western Canada due to previously planned work which was completed during the winter or first quarter 2009. The second quarter came in below expectations with a bit less work than forecast plus poor cost control in certain corporate operations in Western Canada and a slowdown in some project work in the Eastern United States.

Comments on Badger's four regions are as follows.

Western Canada – Badger expects the market to remain depressed in Western Canada for the rest of the year. Overall there is lower activity in the oil and gas industry plus fewer projects which has affected Badger's fleet utilization levels.

Poor cost control in some corporate operations has had a negative impact on margins in this area, which was very disappointing. Actions are in place to correct this management failure. As stated in the first quarter report Badger will aggressively look to develop more business and also will keep better control of costs.

Eastern Canada – Although the second quarter was just satisfactory for Eastern Canada, Badger expects this region to grow this year. Badger is not tied to the depressed manufacturing sector and anticipates plenty of work in its focus areas of utilities and commercial construction for the rest of the year. Government infrastructure spending is expected to have a positive impact in this market.

Western United States – The areas dependent on the oil and gas service industry remain at low levels of activity and probably will for the remainder of the year. Badger believes it will be able to grow the rest of the market by strengthening business development efforts in this region.

Eastern United States – This market remains the most difficult to predict since there are a small number of customers who generate a good deal of the revenue. The financial impact this region has on the overall Badger results is evident in looking at the first two quarters of 2009. In the first quarter this region enjoyed a high level of project activity which helped improve financial results for the whole Fund. Activity levels in a couple of projects slowed down and wet weather hurt operations, which adversely affected overall results in the second quarter. Efforts continue to expand the customer base to reduce volatility in the future.

As in the first quarter, Badger is focused on business development more so than at any time in recent history. In the difficult market conditions it is critical to go find where the work is, and win it. In the past, the issues that came with growth offered the biggest challenges to the organization. Now, the challenges have shifted to maintaining reasonable work flow and holding down costs to preserve margins and earnings as much as possible. Badger is disappointed it did not exercise the necessary cost control in Western Canada during the second quarter, but is confident this problem has been fixed.

RESULTS OF OPERATIONS

REVENUES

Revenues were $29.5 million for the three months ended June 30, 2009, 11 percent lower than the $33.1 million generated during the comparable period of 2008. The decrease is attributable to the following:

1. In the United States second quarter revenues increased to $12.5 million from $12.3 million over the comparative period. This modest increase was due to foreign exchange rate changes as the United States dollar strengthened relative to the Canadian dollar. Ignoring the impact of foreign exchange United States revenue decreased 12 percent from the second quarter of 2008 to the second quarter of 2009. The main reason for the decrease was lower oil and gas service activity in the Western United States region.

2. In Western Canada revenues decreased by $3.5 million or 26 percent in the second quarter of 2009 from the second quarter of 2008. The decrease was due to a general decrease in demand for hydrovac services in various areas as a result of reduced oil and gas commodity prices, resulting in less plant work and fewer pipeline projects.

3. Eastern Canada revenue was consistent quarter-over-quarter.

Badger's average revenue per truck per month during the three months ended June 30, 2009 was $21,100 versus $27,100 for the three months ended June 30, 2008. This brings the average revenue per truck per month to $24,300 for the six months ended June 30, 2009 from $28,700 for the six months ended June 30, 2008. The decrease for each period is due to reduced revenue and the increase in the size of the fleet.

Included in revenues is approximately $536,000 of truck placement and franchise fees for the three months ended June 30, 2009, versus $410,000 for the three months ended June 30, 2008.

DIRECT COSTS

Direct costs for the quarter ended June 30, 2009 were $19.7 million compared to $21.7 million for the quarter ended June 30, 2008. This decrease of 9 percent is less than the decrease in revenues of 11 percent due to poor cost control in certain of the Western Canada corporate locations.

GROSS MARGIN

Gross margin was 33.0 percent for the quarter ended June 30, 2009, a decrease from 34.4 percent for the quarter ended June 30, 2008. The reduced margin was the result of lower revenues and poor cost control in certain of the Western Canada corporate operations.

AMORTIZATION

Amortization of property, plant and equipment was $3.2 million for the three months ended June 30, 2009, or $0.1 million higher than the $3.1 million incurred for the three months ended June 30, 2008. This increase reflects the larger number of hydrovac units in the fleet. Included in this figure is approximately $49,000 related to amortization of intangible assets with a limited life.

INTEREST EXPENSE

Interest expense was $231,000 for the quarter ended June 30, 2009 versus $394,000 for the quarter ended June 30, 2008. The lower interest expense is attributable to reduced interest rates.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3.2 million for the quarter ended June 30, 2009 compared to $2.7 million for the quarter ended June 30, 2008. As a percentage of revenues, selling, general and administrative expenses were 11.0 percent for the second quarter of 2009 versus 8.1 percent for the second quarter of 2008. The increase was the result of reduced revenues in Canada and adding personnel in the United States to support future growth in the business.

FOREIGN EXCHANGE LOSS (GAIN)

The foreign exchange loss or gain results from converting the balance sheet and earnings statement related to United States operations into Canadian currency. The foreign exchange loss was $36,000 in the second quarter of 2009 versus an $89,000 gain in the same period of 2008.

INCOME TAXES

The effective tax rate for the six months ended June 30, 2009 was 20 percent versus 24 percent for the six months ended June 30, 2008. The minimal effective tax rate overall is due to the trust structure, which results in tax-deductible distributions being made to unitholders.

LIQUIDITY AND CAPITAL RESOURCES

Funds generated from operations for the quarter ended June 30, 2009 decreased to $6.4 million from $8.5 million for the comparable period in 2008, due to weaker Canadian activity levels.

The Fund had working capital of $23.6 million at June 30, 2009 compared to $21.8 million at December 31, 2008. The increase was predominantly due to the Fund remitting payment for all of the cab and chassis that had been acquired prior to December 31, 2008, with the amount being included in the accounts payable and accrued liabilities figure.

In June 2009, the Fund's extendable revolving credit facility was renewed. The principal amount remained unchanged at $40 million. The renewal extends the facility to June 26, 2010. To the extent the credit facility is not renewed on June 26, 2010, interest is payable on the credit facility for 364 days after which the entire amount is to be repaid. Depending on certain financial ratios, the credit facility bears interest, at Badger's option, at the bank's prime rate plus

0.25 percent or bankers' acceptance rate plus 1.75 percent. The facility, of which $30.4 million was drawn at June 30, 2009, is used to fund working capital requirements and finance capital expenditures. It should be noted that as at June 30, 2009 Badger's cash balance was $4.3 million.

The Fund spent $2.1 million on property, plant and equipment for the three months ended June 30, 2009 compared to $14.1 million for the three months ended June 30, 2008 (including $4.3 million on land and buildings). The Fund built seven daylighting units in the second quarter of 2009, compared to 22 built in the second quarter of 2008. The costs to build a daylighting unit increased by approximately 9 percent comparing the second quarter of 2009 to fiscal 2008. The main reasons for the increase were the increased cost of acquiring cab and chassis which are purchased in United States dollars and the reduced build rate resulting in fixed overhead costs being allocated to fewer units.

Based on the current build of daylighting units Badger has paid for all of the cab and chassis required for the remainder of 2009 and the start of 2010. This will lower the cash requirement to build daylighting units for the foreseeable future.

In addition to the above, as at June 30, 2009 the Fund had committed to certain capital expenditures totalling approximately $1.7 million. These capital expenditures will be financed with existing credit facilities and funds generated from operations, as well as alternative sources of financing as required. There are no set terms for remitting payment for these financial obligations.

Management believes the Fund's healthy balance sheet and unutilized borrowing capacity, 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.

NUMBER OF DAYLIGHTING UNITS

During the three-month period ended June 30, 2009 Badger added seven units to the Canadian fleet, received two from the United States and removed five from service, bringing the total to 240 units operating in Canada as at June 30, 2009. In the United States, Badger did not add any units, transferred two to Canada and removed four from service, bringing the total number of units in the United States fleet to 176 at June 30, 2009.

DISTRIBUTIONS

The following table outlines the cash available to fund growth and pay distributions to unitholders for the three and six months ended June 30, 2009:

	Three months ended June 30, 2009	Six months ended June 30, 2009
Cash provided by operating activities	**$ 13,145,382**	$ 20,242,960
Add (deduct): net change in non-cash working capital	**(6,780,497)**	(3,644,451)
Funds generated from operations	**6,364,885**	16,598,509
Add: proceeds on disposal of property, plant and equipment	**353,771**	1,142,206
Deduct: required repayments of long-term debt	**(108,441)**	(216,882)
Deduct: maintenance capital expenditures	**(2,105,258)**	(4,589,375)
Cash available for growth capital expenditures and distributions	**$ 4,504,957**	$ 12,934,458
Growth capital expenditures	**$ –**	$ –
Cash distributions declared	**$ 3,404,285**	$ 6,804,840

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 of cash provided by operating activities and net earnings over cash distributions declared during the six months ended June 30, 2009 and 2008 and the year ended December 31, 2008:

	Six months ended June 30, 2009 $	Six months ended June 30, 2008 $	Year ended December 31, 2008 $
Cash provided by operating activities	**20,242,960**	15,826,388	35,231,938
Net earnings	**8,600,000**	9,289,685	18,981,890
Cash distributions declared	**6,804,840**	6,788,424	13,586,593
Excess of cash provided by operating activities over cash distributions declared	**13,438,120**	9,037,964	21,645,345
Excess of net earnings over cash distributions declared	**1,795,160**	2,501,261	5,395,297

The Fund makes regular monthly cash distributions to 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 the number of units outstanding. It may also be impacted by the future tax treatment of income trusts.

The Fund maintains a strong balance sheet and has sufficient debt facilities to manage its 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 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 distribution will be negatively affected. Due to Badger's growth rate in recent years, the majority of the Fund's hydrovac units are relatively new, with an average age of approximately four 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. For the fiscal year 2009, Badger estimates it will remove approximately 40 hydrovac units from the fleet. Badger expects that cash provided by operations and cash available for growth capital expenditures and distributions will be sufficient to fund the 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 quarterly MD&A the Fund is in full compliance with all debt covenants and is able to fully utilize all existing credit facilities. Badger does not have a stability rating.

UNITHOLDERS' CAPITAL

Unitholders' capital increased during the six months ended June 30, 2009 due to the issue of 3,750 units to the non-management trustees as partial payment for 2009 trustee fees and the issue of 14,009 units from the long-term incentive plan as partial payment for 2008 performance bonuses payable to management.

The total units outstanding at June 30, 2009 were 10,808,503. There was no change to the balance as of August 11, 2009.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Quarter Ended							
	2009		2008				2007	
	June 30	**Mar. 31**	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Revenues ($)	**29,459,240**	**37,383,305**	40,471,059	39,957,349	33,142,814	34,774,334	33,356,010	31,741,950
Net earnings ($)	**2,926,670**	**5,673,330**	2,732,192	6,960,013	4,006,788	5,282,897	5,816,949	5,136,223
Net earnings per unit – basic ($)	**0.27**	**0.53**	0.25	0.64	0.37	0.49	0.54	0.48
Net earnings per unit – diluted ($)	**0.27**	**0.53**	0.25	0.64	0.37	0.49	0.54	0.48

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Fund prospectively adopted the following section from the Handbook of the Canadian Institute of Chartered Accountants (CICA), Section 3064 "Goodwill and Intangible Assets", which establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from Section 3062. There is no material impact to the Fund's consolidated financial statements as a result of implementing the new standards.

CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2006, the Canadian Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. In February 2008, as part of its strategic plan, the AcSB confirmed that Canadian publicly accountable entities will be required to report under International Financial Reporting Standards (IFRS), which will replace Canadian generally accepted accounting principles (GAAP) for years beginning on or after January 1, 2011.

The IFRS conversion project consists of three phases which include: completing a preliminary impact assessment, developing a project plan, identifying accounting policy alternatives, selecting accounting policies, drafting consolidated pro-forma financial statements, drafting position papers, assessing system impacts and implementing financial statement changes.

The Fund has completed the first phase of its transition plan which entailed a review of the major differences between Canadian GAAP and IFRS and has identified IAS 16 - Property, Plant and Equipment, IAS 36 - Impairment of Assets and IFRS 1 – First-time Adoption of International Financial Reporting Standards as the standards expected to have the most significant impact on the Fund.

The Fund's IFRS project is progressing according to plan. The Fund continues to monitor new and amended standards that are to be issued by the International Accounting Standards Board. The quantitative impacts, if any, to the consolidated financial statements on the adoption of IFRS have not yet been determined and will depend on the circumstances prevailing on January 1, 2011 as well as the accounting policy choices made by Badger.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting (ICFR) is designed to provide reasonable assurance regarding the reliability of the Fund's financial reporting and its compliance with Canadian GAAP in its financial statements. The President and CEO and the VP Finance and CFO have evaluated whether there were any changes to the Fund's ICFR during the three months ended June 30, 2009 that have materially affected or are reasonably likely to materially affect the ICFR. No such changes were identified through their evaluation.

BUSINESS RISKS

The MD&A for the year ended December 31, 2008, which is included in the Fund's 2008 Annual Report, includes an overview of business risks associated with the Fund. Those business risks remain. The reader is also referred to Badger's 2008 Annual Information Form.

OUTLOOK

It is very difficult to forecast the rest of the year with the great deal of uncertainty in the market place. The infrastructure spending commitments from various governments are expected to have positive impacts later this year and into 2010. Determining when the oil and gas industry will return to growth mode is difficult to predict. Western Canada and Western United States daylighting markets will remain at lower levels until this activity returns. Both eastern markets are expected to beat their results from last year, which is very encouraging. For the last couple of years Badger was challenged with building and crewing enough trucks to keep up with its growth. With current economic conditions and the big fleet additions made in the past couple of years, the focus is now on business development and cost control. Badger expects it can still provide good returns in these circumstances.

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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Unaudited Consolidated Balance Sheets

	June 30, 2009 $	December 31, 2008 $
ASSETS		
Current		
Cash	**4,314,562**	2,656,144
Accounts receivable	**27,776,775**	35,830,748
Inventories	**1,656,010**	2,197,611
Prepaid expenses	**809,776**	778,661
	34,557,123	41,463,164
Property, plant and equipment	**94,715,939**	97,653,365
Intangible assets	**4,893,512**	4,791,512
Goodwill	**1,621,000**	1,621,000
	135,787,574	145,529,041
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**9,091,916**	18,043,971
Income taxes payable	**313,696**	58,135
Distributions payable	**1,134,893**	1,133,028
Current portion of long-term debt	**433,768**	433,768
	10,974,273	19,668,902
Long-term debt	**35,184,196**	39,147,594
Future income taxes	**21,562,236**	21,262,936
	67,720,705	80,079,432
Unitholders' equity		
Unitholders' capital (note 4(a))	**44,387,955**	44,183,155
Contributed surplus (note 4(c))	**3,231,150**	2,613,850
Retained earnings	**20,447,764**	18,652,604
	68,066,869	65,449,609
	135,787,574	145,529,041

See accompanying notes.

Unaudited Consolidated Statements of Earnings and Comprehensive Income and Retained Earnings

	Three months ended June 30, 2009 $	Three months ended June 30, 2008 $	**Six months ended June 30, 2009 $**	Six months ended June 30, 2008 $
Revenues	**29,459,240**	33,142,814	**66,842,545**	67,917,148
Direct costs	**19,743,966**	21,728,569	**43,281,394**	43,830,591
Gross margin	**9,715,274**	11,414,245	**23,561,151**	24,086,557
Expenses				
Amortization	**3,224,145**	3,123,473	**6,605,114**	6,015,152
Gain on sale of property, plant and equipment	**(30,074)**	(65,126)	**(122,519)**	(71,319)
Interest – long-term	**230,769**	394,384	**568,712**	777,061
Selling, general and administrative	**3,226,340**	2,682,848	**6,041,155**	5,261,316
Foreign exchange loss (gain)	**36,324**	(88,781)	**(246,706)**	(40,384)
	6,687,504	6,046,798	**12,845,756**	11,941,826
Earnings before income taxes	**3,027,770**	5,367,447	**10,715,395**	12,144,731
Income taxes				
Current	**248,280**	160,659	**1,020,075**	415,046
Future	**(147,180)**	1,200,000	**1,095,320**	2,440,000
	101,100	1,360,659	**2,115,395**	2,855,046
Net earnings and comprehensive income for the period	**2,926,670**	4,006,788	**8,600,000**	9,289,685
Retained earnings, beginning of period	**20,925,379**	15,149,045	**18,652,604**	13,257,307
Cash distributions	**(3,404,285)**	(3,397,265)	**(6,804,840)**	(6,788,424)
Retained earnings, end of period	**20,447,764**	15,758,568	**20,447,764**	15,758,568
Net earnings per unit (note 5)				
Basic	**0.27**	0.37	**0.80**	0.86
Diluted	**0.27**	0.37	**0.80**	0.86

See accompanying notes.

Unaudited Consolidated Statements of Cash Flows

	Three months ended June 30, 2009 $	Three months ended June 30, 2008 $	**Six months ended June 30, 2009 $**	Six months ended June 30, 2008 $
Operating activities				
Net earnings and comprehensive income for the period	**2,926,670**	4,006,788	**8,600,000**	9,289,685
Add (deduct) items not involving cash:				
Amortization	**3,224,145**	3,123,473	**6,605,114**	6,015,152
Future income taxes	**(147,180)**	1,200,000	**1,095,320**	2,440,000
Unit-based compensation	**355,000**	333,950	**667,300**	564,650
Foreign exchange loss (gain)	**36,324**	(88,781)	**(246,706)**	(40,384)
Gain on sale of property, plant and equipment	**(30,074)**	(65,126)	**(122,519)**	(71,319)
	6,364,885	8,510,304	**16,598,509**	18,197,784
Net change in non-cash working capital relating to operating activities	**6,780,497**	499,706	**3,644,451**	(2,371,396)
	13,145,382	9,010,010	**20,242,960**	15,826,388
Financing activities				
Proceeds received on the exercise of unit options	**–**	246,150	**–**	246,150
Proceeds from long-term debt	**–**	7,901,532	**–**	9,599,830
Repayment of long-term debt	**(4,435,299)**	(54,693)	**(3,963,398)**	(109,386)
Distributions to unitholders	**(3,403,891)**	(3,395,446)	**(6,802,975)**	(6,785,371)
	(7,839,190)	4,697,543	**(10,766,373)**	2,951,223
Investing activities				
Purchase of property, plant and equipment	**(2,650,058)**	(14,119,079)	**(8,760,375)**	(19,570,548)
Purchase of service rights	**–**	–	**(200,000)**	–
Proceeds on disposal of property, plant and equipment	**353,771**	429,102	**1,142,206**	763,572
	(2,296,287)	(13,689,977)	**(7,818,169)**	(18,806,976)
Increase (decrease) in cash during the period	**3,009,905**	17,576	**1,658,418**	(29,365)
Cash, beginning of period	**1,304,657**	1,430,137	**2,656,144**	1,477,078
Cash, end of period	**4,314,562**	1,447,713	**4,314,562**	1,447,713

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 six and three months ended June 30, 2009 and 2008 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, 2008, 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, 2008.

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 (of a normal recurring nature) necessary to present fairly the consolidated results of the Fund's operations and cash flows for the six and three months ended June 30, 2009 and 2008.

2. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009 the Fund adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064 "Goodwill and Intangible Assets", which replaced Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill, other intangible assets as well as research and development costs. The adoption of this standard has had no material impact on the Fund's net earnings or cash flows.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The Fund will be subject to International Financial Reporting Standards (IFRS) commencing in 2011. The Fund is assessing the impact conversion to IFRS may have on its financial statements.

4. UNITHOLDERS' EQUITY

(A) UNITHOLDERS' CAPITAL

	Units	Amount ($)
December 31, 2008	10,790,744	44,183,155
Units issued under the Incentive Plan	17,759	204,800
June 30, 2009	**10,808,503**	**44,387,955**

The Fund declared distributions of $0.105 per unit for each of January through June for a total of $6,804,840.

(B) UNIT OPTION PLAN

A summary of the unit option transactions for the six months ended June 30, 2009 is as follows:

	Units	Weighted average exercise price $
Outstanding at beginning of period	605,375	18.03
Granted	184,125	13.69
Exercised	–	–
Forfeited	(24,000)	18.68
Outstanding at end of period	**765,500**	**16.97**

	Options Outstanding			Options Exercisable	
Price	**Outstanding at June 30, 2009**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number exercisable at June 30, 2009**	**Weighted average exercise price**
$17.50	**160,000**	**1.9**	**$17.50**	**160,000**	**$17.50**
$17.45	**50,000**	**2.1**	**$17.45**	**33,333**	**$17.45**
$16.41	**255,000**	**2.9**	**$16.41**	**166,667**	**$16.41**
$22.45	**116,375**	**3.9**	**$22.45**	**38,791**	**$22.45**
$13.69	**184,125**	**4.9**	**$13.69**	**–**	**–**

In May 2009 the Fund granted 184,125 fund unit options at an exercise price of $13.69.

The estimated weighted average fair value of fund unit options granted for the six months ended June 30, 2009 was $1.46 per unit option. The fair value of each unit option grant was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following assumptions:

	Six months ended June 30, 2009
Weighted average assumptions	
Dividend yield	9.20%
Discount for forfeiture	0
Risk-free interest rate	2.16%
Expected life of options	5 years
Expected volatility factor of the future expected market price of fund units	32%

(C) CONTRIBUTED SURPLUS

	$
December 31, 2008	2,613,850
Unit-based compensation expense	617,300
June 30, 2009	**3,231,150**

(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 $59,000 as compensation expense for the six months ended June 30, 2009 as part of selling, general and administrative expenses.

5. NET EARNINGS PER UNIT

Basic per unit calculations for the six and three months ended June 30, 2009 were based on the weighted average number of units outstanding of 10,799,586 and 10,806,484, respectively. Basic per unit calculations for the six and three months ended June 30, 2008 were based on the weighted average number of units outstanding of 10,771,174 and 10,779,906, respectively. Diluted per unit calculations for the six and three months ended June 30, 2009 were based on the weighted average number of units outstanding of 10,799,586 and 10,806,484, respectively. Diluted per unit calculations for the six and three months ended June 30, 2008 were based on the weighted average number of units outstanding of 10,862,558 and 10,871,290, respectively. The difference between the basic and diluted units was attributable to the dilutive effect of the unit options outstanding.

6. GEOGRAPHIC SEGMENTED INFORMATION

The Fund operates in two geographic/reportable segments, providing daylighting services within each of these segments. The following is selected information for the six-month and three-month periods ended June 30, 2009 and 2008 based on these geographic segments.

	Three months ended June 30, 2009			Three months ended June 30, 2008		
	Canada ($)	**U.S. ($)**	**Total ($)**	Canada ($)	U.S. ($)	Total ($)
Revenues	**16,933,325**	**12,525,915**	**29,459,240**	20,831,129	12,311,685	33,142,814
Direct costs	**11,424,452**	**8,319,514**	**19,743,966**	13,510,526	8,218,043	21,728,569
Selling, general and administrative	**2,074,377**	**1,151,963**	**3,226,340**	2,045,020	637,828	2,682,848
Amortization	**1,934,090**	**1,290,055**	**3,224,145**	1,909,279	1,214,194	3,123,473
Earnings before income taxes	**1,239,241**	**1,788,529**	**3,027,770**	3,121,310	2,246,137	5,367,447
Capital expenditures	**1,870,240**	**235,018**	**2,105,258**	9,811,468	4,307,611	14,119,079

	Six months ended June 30, 2009			Six months ended June 30, 2008		
	Canada ($)	**U.S. ($)**	**Total ($)**	Canada ($)	U.S. ($)	Total ($)
Revenues	**37,616,967**	**29,225,578**	**66,842,545**	44,300,741	23,616,407	67,917,148
Direct costs	**24,564,153**	**18,717,241**	**43,281,394**	28,127,568	15,703,023	43,830,591
Selling, general and administrative	**3,677,972**	**2,363,183**	**6,041,155**	3,959,290	1,302,026	5,261,316
Amortization	**3,886,858**	**2,718,256**	**6,605,114**	3,783,319	2,231,833	6,015,152
Earnings before income taxes	**4,960,285**	**5,755,110**	**10,715,395**	7,812,678	4,332,053	12,144,731
Property, plant and equipment	**55,480,071**	**39,235,868**	**94,715,939**	53,531,080	31,102,883	84,633,963
Intangible assets	**4,893,512**	**–**	**4,893,512**	4,889,512	–	4,889,512
Goodwill	**1,621,000**	**–**	**1,621,000**	1,621,000	–	1,621,000
Total assets	**80,514,950**	**55,272,624**	**135,787,574**	82,877,018	43,457,874	126,334,892
Capital expenditures	**3,764,838**	**824,537**	**4,589,375**	11,855,984	7,714,564	19,570,548

Corporate Information

TRUSTEES

OFFICERS AND MANAGEMENT

Tor Wilson
President & CEO

Greg Kelly, CA
Vice President Finance & CFO

Derek Dillon
Vice President Operations

David Calnan, LL.B
Corporate Secretary

HEAD OFFICE

Badger Income Fund
Suite 2820, 715-5th Avenue S.W.
Calgary, Alberta, Canada T2P 2X6
Phone: 403-264-8500
Fax: 403-228-9773

AUDITORS

Ernst & Young LLP
Chartered Accountants
Calgary, Alberta

BANKERS

Toronto Dominion Bank
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services
Calgary, Alberta

SOLICITORS

Shea Nerland Calnan LLP
Calgary, Alberta

Robins Appleby & Taub LLP
Toronto, Ontario

Bose McKinney & Evans LLP
Indianapolis, Indiana

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading Symbol “BAD.UN”

WEBSITE

www.badgerinc.com