



► For the Three and Nine Months Ended September 30, 2006

► Badger Income Fund Announces Results for the Third Quarter Ended September 30, 2006

Badger Income Fund (the “Fund” or “Badger”) is pleased to announce its third quarter results. In the third quarter of 2006 Badger’s operations generated strong increases in revenue, EBITDA, earnings before income taxes and funds generated from operations when compared to both the third quarter and nine-month period of 2005. Despite Badger’s strong performance in the third quarter, management has decided to maintain distributions at the current level in order to retain cash to fund its ongoing capital expenditure program.

► Highlights

(\$ thousands, except per unit and total units outstanding information)	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Revenue	25,324	20,471	72,749	60,238
EBITDA ⁽¹⁾	7,504	6,185	21,589	17,949
Earnings before income taxes	5,281	4,227	14,987	12,310
Taxes				
Current	194	71	504	81
Future	1,112	608	2,646	916
Net earnings	3,975	3,548	11,837	11,313
Net earnings per unit – diluted	0.37	0.33	1.10	1.06
Funds generated from operations ⁽²⁾	7,269	6,106	21,035	17,642
Funds generated from operations per unit – diluted	0.68	0.57	1.96	1.65
Maintenance capital expenditures ⁽³⁾	1,272	651	3,170	977
Long-term debt repayments	27	222	82	1,073
Cash available for growth and distribution ⁽⁴⁾	6,153	5,255	18,497	15,669
Cash distributions declared	3,388	3,087	9,858	8,022
Growth capital expenditures ⁽³⁾	2,870	2,046	10,653	7,524
Total units outstanding	10,758,618	10,662,848	10,758,618	10,662,848

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 Accumulated 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 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 September 30, 2006 Badger added 12 units to the fleet and removed four from service. As a result, eight of the units added during the three months ended September 30, 2006 represent growth capital expenditures, while four of the units represent maintenance capital expenditures. During the nine months ended September 30, 2006 Badger added 41 units to the fleet, of which 10 are 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.
- (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.

► Operational Summary

1. Western Canada operations generated good results, meeting growth targets for the quarter. Although there has been some weakening in the oil and natural gas industry in Western Canada, the demand for Badger's service appears to be fairly stable.
2. The third quarter is always a busy quarter in Eastern Canada for Badger due to the high seasonal construction activity. Badger had positive results in this region as forecast.
3. Badger's United States operations continued strong growth in the quarter, most of which was derived from the oilfield services market. This market is subject to fluctuations in oil and natural gas industry activity.
4. Revenue per truck per month was \$30,200 for the three months ended September 30, 2006 compared to \$27,600 for the three months ended September 30, 2005. Badger budgets an overall fleet average of \$25,000 per truck per month. It should be noted that revenue per truck per month fluctuates with both the general level of activity and the number of major projects that Badger is involved with. Major projects tend to increase the level of utilization of the Badger units and also revenue per truck.
5. Badger had 272 units at the end of the third quarter of 2006. This reflects the addition of 12 new units, less four units retired from the fleet during the third quarter. Badger added 41 units to the fleet to date in 2006 and retired 10 units. At December 31, 2005 the Fund had 241 units.

► Interim Management's Discussion and Analysis

This Management's Discussion and Analysis 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 the Management's Discussion and Analysis included in Badger Income Fund's 2005 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 Management's Discussion and Analysis focuses primarily on the year-over-year changes during the third quarter. However, unless otherwise indicated, year-over-year variances for the nine months ended September 30, 2006 and 2005 are explained by the same general factors, which contributed to the third quarter variance.

This Management's Discussion and Analysis has been prepared taking into consideration information available to November 8, 2006.

DISCLAIMER

This quarterly report contains forward-looking statements subject to various risk factors and uncertainties, which may cause the actual results, performances or achievements of Badger to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, 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 the quarterly report should not be relied upon. In addition, these forward-looking statements relate to the date on which they are made. Badger disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

RESULTS OF OPERATIONS

Revenues

Revenues of \$25.3 million for the three months ended September 30, 2006 were 24 percent higher than the \$20.5 million in revenues generated during the comparable period of 2005. This increase is attributable to the following:

- (1) Improved territorial coverage in Canada contributed to an increase in revenues.
- (2) In the United States revenues increased to \$8.4 million from \$5.0 million. This 66 percent increase is primarily due to increased activity related to oil field service.

Badger's average revenue per truck per month during the three months ended September 30, 2006 was \$30,200 versus \$27,600 per month for the three months ended September 30, 2005. This brings the year-to-date average revenue per truck per month to \$29,900 for the nine months ended September 30, 2006 versus \$27,900 for the nine months ended September 30, 2005.

Included in revenues is approximately \$276,000 of truck placement and franchise fees for the three months ended September 30, 2006 versus \$472,000 for the three months ended September 30, 2005.

Direct Costs

Direct costs for the quarter ended September 30, 2006 were \$16.0 million compared to \$12.8 million for the quarter ended September 30, 2005. This is consistent with the increase in revenues.

Gross Margin

Gross margin was 36.8 percent for the quarter ended September 30, 2006, which is relatively consistent with 37.3 percent for the quarter ended September 30, 2005.

Amortization

Amortization of property, plant and equipment was \$2.2 million for the three months ended September 30, 2006, or \$0.3 million higher than the \$1.9 million for the three months ended September 30, 2005. The increase reflects a larger number of hydrovac units in the fleet.

Interest Expense

Interest expense was \$108,000 for the quarter ended September 30, 2006 versus \$93,000 for the quarter ended September 30, 2005. The higher interest expense is attributable to maintaining a higher balance in the operating line and an increase in interest rates.

Selling, General And Administrative

Selling, general and administrative costs were \$1.8 million for the quarter ended September 30, 2006 compared to \$1.4 million for the quarter ended September 30, 2005. The increase is due to hiring additional personnel to support the growth of Badger's business plus compensation increases required to retain quality personnel in a competitive labour environment. As a percentage of revenues, selling, general and administrative costs remained relatively consistent at 7.3 percent for the nine months ended September 30, 2006 versus 7.6 percent for the nine months ended September 30, 2005.

Income Taxes

The effective tax rate for the quarter ended September 30, 2006 was 25 percent versus 16 percent for the quarter ended September 30, 2005. The main reason for the increase was not recognizing the accounting benefit of using certain United States tax losses during the third quarter of 2006, although these losses were used to reduce cash taxes which would have been payable in the United States.

The minimal effective tax rate overall is due to the trust structure, which results in tax-deductible distributions being made to unitholders.

LIQUIDITY

Funds generated from operations for the quarter ended September 30, 2006 increased to \$7.3 million from \$6.1 million for the comparable period in 2005 due to stronger activity in Canada and the United States.

The Fund had working capital of \$6.8 million at September 30, 2006 compared to \$8.2 million at December 31, 2005.

Strong levels of cash flow from operations allowed Badger to build new daylighting units and make distributions, while maintaining a healthy working capital position.

The following table outlines the cash available to fund growth and pay distributions to unitholders for the three and nine month periods ended September 30, 2006:

	Three Months Ended Sept. 30, 2006	Nine Months Ended Sept. 30, 2006
	\$	\$
Cash provided by operating activities	4,150,231	19,716,394
Add (deduct): net change in non-cash working capital	3,118,390	1,318,715
Funds generated from operations	7,268,621	21,035,109
Add: proceeds on disposal of property, plant and equipment	183,765	713,377
Deduct: required repayments of long-term debt	(27,192)	(81,509)
Deduct: maintenance capital expenditures (*)	(1,271,736)	(3,169,728)
Cash available for growth capital expenditures and distributions	6,153,458	18,497,249
Growth capital expenditures (*)	2,870,487	10,653,757
Distributions declared	3,387,728	9,857,509

(*) Total maintenance and growth capital expenditures for the three and nine months ended September 30, 2006 were \$4,142,223 and \$13,823,485 respectively.

As outlined in the above chart, cash which was not distributed to unitholders was used to finance growth capital expenditures.

Currently the Fund has a \$12.0 million operating line to fund working capital requirements, of which \$6.8 million was used at September 30, 2006.

CAPITAL RESOURCES

The Fund spent \$4.1 million on property, plant and equipment for the three months ended September 30, 2006 compared to \$2.7 million for the three months ended September 30, 2005. This brings the year-to-date capital expenditures to \$13.8 million for the nine months ended September 30, 2006 compared to \$8.5 million for the nine months ended September 30, 2005. The increase in capital expenditures is the result of increasing the number of hydrovac units built and deployed.

Management believes that the Fund's healthy balance sheet and unutilized borrowing capacity, combined with funds generated from operations, will provide sufficient capital to fund ongoing operations and distributions to unitholders. If growth capital expenditures continue at the same level, the Fund may seek debt or equity to help finance the growth.

Number of Daylighting Units

During the three-month period ended September 30, 2006 Badger added four units to the Canadian fleet and transferred one from the United States to Canada, while removing four from service. As a result, Badger had 192 units operating in Canada as at September 30, 2006. In the United States, Badger added eight units and transferred one to Canada, bringing the total number of units in the United States to 80 at September 30, 2006.

Contractual Obligations and Committed Capital Investment

The Fund intends to meet its contractual obligations through funds generated by operating activities. The Fund's contractual obligations for the next five years, relating to repayment of long-term debt, are as follows:

October 1, 2006 to December 31, 2006	\$ 27,192
2007	108,768
2008	108,768
2009	108,768
2010	108,768
Thereafter	571,070
Total	<u>\$ 1,033,334</u>

In addition to the contractual obligations above, as at September 30, 2006 the Fund had committed to certain capital expenditures totaling approximately \$9.2 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.

Due to uncertainty in truck engine and chassis configurations available to Badger in early 2007 as a result of changing EPA regulations, the Fund committed to purchase a number of chassis with current engines and configurations for production of daylighting units in early 2007. This purchase commitment amounts to approximately \$4.5 million and is included in the \$9.2 million referred to above.

UNITHOLDERS' CAPITAL

Unitholders' capital increased due to the issue of 5,888 units on the exercise of exchange rights at \$0.01 per exchange right.

The total units outstanding at September 30, 2006 were 10,758,618. There was no change to the balance as of November 8, 2006.

BUSINESS RISKS

The Management's Discussion and Analysis for the year ended December 31, 2005, which is included in the Fund's 2005 Annual Report, includes an overview of business risks associated with the Fund. Those business risks remain in effect.

The Government of Canada's recent proposal regarding the changes to the tax regime with respect to flow-through entities, including income trusts, and how distributions will be taxed at the personal unitholder level has caused significant market uncertainty. The outcome of the proposal and whether it will become law and the effect on income trusts and unitholders are unknown.

Badger orders and schedules a regular supply of chassis and other equipment to ensure it can meet its hydrovac building commitment. Badger's growth would be adversely affected if major suppliers were unable to deliver the equipment on time.

Badger's operating results have been, and are expected to continue to be, subject to quarterly and other fluctuations due to a variety of factors including changes in weather conditions and seasonality. As a result of these fluctuations the activity levels of the Fund are traditionally higher in the first and third quarters of the year and lower in the second and fourth quarters.

A significant portion of Badger's growth in the United States is in the oil field service sector which is subject to fluctuations of certain drilling activity.

► Selected Quarterly Financial Information

	Quarter Ended							
	2006			2005			2004	
	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Revenue (\$)	25,324,030	21,696,318	25,728,890	23,093,735	20,471,322	18,923,312	20,843,310	20,488,378
Net earnings (\$)	3,974,958	2,841,459	5,020,254	3,468,113	3,547,545	3,629,935	4,135,401	3,853,755
Net earnings per unit – basic (\$)	0.37	0.26	0.47	0.32	0.33	0.34	0.39	0.36
Net earnings per unit – diluted (\$)	0.37	0.26	0.47	0.32	0.33	0.34	0.39	0.36

► Changes in Accounting Policy

UNIT-BASED COMPENSATION

Effective January 30, 2006 the Trustees of the Fund approved the implementation of an employee unit option plan, which was approved at the Fund's annual general meeting held on April 27, 2006. Trustees, directors, officers, employees and consultants of the Fund are eligible to receive fund unit options to acquire fund units, with terms not to exceed 10 years from the date of grant. Under the unit option plan, vesting periods are determined by the Trustees of the Fund at the time of the grant. All unit options granted to September 30, 2006 vest equally over a period of three years from the date of grant. The maximum number of fund units to be issued under this plan may not exceed 850,000. At September 30, 2006 360,000 unit options were issued and outstanding (42 percent of the maximum issuable).

CICA Handbook Section 3870 requires the expensing of options granted using a fair value approach. The fair value of options granted is determined on their grant date using an accepted option-pricing model. This fair value amount is recognized as compensation expense over the period the unit options vest, with a corresponding increase to contributed surplus in unitholders' equity. Consideration paid by the unit option-holder upon the exercise of the options, together with amount previously recognized in contributed surplus, is recorded as an increase in unitholders' capital.

► Outlook

Management expects continued strong activity in Canada during the fourth quarter. Activity levels in the United States are expected to remain at current levels for the balance of the year.

It should be noted that the fourth quarter results are adversely affected by the holiday schedule.

Badger continues to build approximately four daylighting units per month.

► Unaudited Interim Consolidated Financial Statements

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, they 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.

► Consolidated Balance Sheets

(unaudited)

	September 30, 2006	December 31, 2005
ASSETS	\$	\$
Current		
Cash	1,214,488	1,190,398
Accounts receivable	22,935,435	19,552,905
Inventories	2,308,575	1,180,291
Prepaid expenses	639,260	504,365
	27,097,758	22,427,959
Property, plant and equipment	57,576,115	50,790,795
Future income taxes	–	1,332,581
	84,673,873	74,551,335
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness	6,776,860	3,497,348
Accounts payable and accrued liabilities	11,770,272	9,457,926
Income taxes payable	485,230	86,505
Distributions payable	1,129,655	1,052,404
Current portion of long-term debt	108,768	108,768
	20,270,785	14,202,951
Long-term debt	924,566	1,006,075
Future income taxes	10,257,003	8,418,801
	31,452,354	23,627,827
Unitholders' equity		
Unitholders' capital (note 2)	43,488,255	43,254,606
Contributed surplus (note 3)	911,200	826,000
Accumulated distributions	(29,379,687)	(19,522,178)
Accumulated earnings	38,201,751	26,365,080
	53,221,519	50,923,508
	84,673,873	74,551,335

See accompanying notes

► Consolidated Statements of Earnings and Accumulated Earnings

(unaudited)

	Three Months Ended Sept. 30, 2006	Three Months Ended Sept. 30, 2005	Nine Months Ended Sept. 30, 2006	Nine Months Ended Sept. 30, 2005
	\$	\$	\$	\$
Revenue	25,324,030	20,471,322	72,749,238	60,237,944
Direct costs	15,998,845	12,840,750	45,746,720	37,735,770
Gross margin	9,325,185	7,630,572	27,002,518	22,502,174
Expenses				
Amortization	2,186,232	1,853,676	6,325,107	5,405,773
Loss (gain) on sale of property, plant and equipment	(71,021)	11,950	(319)	8,687
Interest				
Long-term	17,766	19,031	51,411	68,966
Current	89,939	73,827	225,675	155,296
Selling, general and administrative	1,812,901	1,360,044	5,328,671	4,554,491
Foreign exchange loss (gain)	8,532	85,492	84,960	(1,421)
	4,044,349	3,404,020	12,015,505	10,191,792
Earnings before income taxes	5,280,836	4,226,552	14,987,013	12,310,382
Income taxes				
Current	194,158	71,326	504,442	80,989
Future	1,111,720	607,681	2,645,900	916,512
	1,305,878	679,007	3,150,342	997,501
Net earnings for the period	3,974,958	3,547,545	11,836,671	11,312,881
Accumulated earnings, beginning of period	34,226,793	19,349,422	26,365,080	11,584,086
Accumulated earnings, end of period	38,201,751	22,896,967	38,201,751	22,896,967
Net earnings per unit [note 4]				
Basic	0.37	0.33	1.10	1.06
Diluted	0.37	0.33	1.10	1.06

See accompanying notes

► Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended Sept. 30, 2006	Three Months Ended Sept. 30, 2005	Nine Months Ended Sept. 30, 2006	Nine Months Ended Sept. 30, 2005
	\$	\$	\$	\$
► OPERATING ACTIVITIES				
Net earnings for the period	3,974,958	3,547,545	11,836,671	11,312,881
Non-cash items:				
Amortization	2,186,232	1,853,676	6,325,107	5,405,773
Future income taxes	1,111,720	607,681	2,645,900	916,512
Unit-based compensation	58,200	–	142,790	–
Foreign exchange loss (gain)	8,532	85,492	84,960	(1,421)
Loss (gain) on sale of property, plant and equipment	(71,021)	11,950	(319)	8,687
Funds generated from operations	7,268,621	6,106,344	21,035,109	17,642,432
Net change in non-cash working capital	(3,118,390)	634,272	(1,318,715)	2,124,827
	4,150,231	6,740,616	19,716,394	19,767,259
► FINANCING ACTIVITIES				
Proceeds from units issued	59	–	59	–
Repayment of long-term debt	(27,192)	(222,051)	(81,509)	(1,073,229)
Distributions to unitholders	(3,387,110)	(2,905,626)	(9,780,258)	(9,463,293)
Increase (decrease) in bank indebtedness	3,057,855	(509,849)	3,279,512	(491,138)
	(356,388)	(3,637,526)	(6,582,196)	(11,027,660)
► INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,142,223)	(2,697,142)	(13,823,485)	(8,501,703)
Proceeds on disposal of property, plant and equipment	183,765	22,321	713,377	76,552
	(3,958,458)	(2,674,821)	(13,110,108)	(8,425,151)
Increase (decrease) in cash during the period	(164,615)	428,269	24,090	314,448
Cash, beginning of period	1,379,103	415,196	1,190,398	529,017
Cash, end of period	1,214,488	843,465	1,214,488	843,465

See accompanying notes

► Notes to the Consolidated Financial Statements

(unaudited)

► 1. Summary of Significant Accounting Policies

a) Basis of presentation

The unaudited interim consolidated financial statements include the accounts of the Fund and its wholly-owned subsidiaries and have been prepared by management in accordance with Canadian generally accepted accounting principles. These unaudited interim consolidated financial statements 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, 2005, except as noted below. 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, 2005.

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 its operations and cash flows for the nine and three months ended September 30, 2006 and 2005.

Certain comparative figures have been reclassified to conform to the current period presentation.

b) Unit-based compensation

The Fund has established a fund unit option plan for trustees, directors, officers, employees and consultants who otherwise meet the definition of an employee of the Fund. The Fund recognizes unit-based compensation expense in the Consolidated Statements of Earnings and Accumulated Earnings for all fund unit options ("options") granted based on their fair value at the time of the grant. The fair value is determined using an accepted option-pricing model, with total compensation expense recognized over the period the options vest. Compensation expense is offset with a corresponding increase to contributed surplus in unitholders' equity. Consideration paid by the option-holder upon the exercise of the options, together with the amount previously recognized in contributed surplus, is recorded as an increase in unitholders' capital.

▶ 2. Unitholders' Capital

	Units	Amount (\$)
December 31, 2005	10,738,820	43,254,606
Units issued pursuant to the long-term incentive plan	10,660	176,000
Units issued to non-management trustees	3,250	57,590
Units issued on exercise of exchange rights	5,888	59
Units issued at September 30, 2006	10,758,618	43,488,255

The Fund declared distributions of \$0.098 per unit for each of the months of January, February, March and April and \$0.105 per unit for each of the months of May, June, July, August and September for a total of \$9,857,509.

▶ 3. Unit-Based Compensation

In April 2006, the unitholders of the Fund approved the implementation of an employee unit option plan. Under the unit option plan, trustees, directors, officers, employees and consultants of the Fund are eligible to receive fund unit options to acquire fund units, with terms not to exceed 10 years from the date of the grant. The exercise price shall not be less than the closing price of the units traded on the Toronto Stock Exchange on the first date preceding the date of the grant. Under the unit option plan, vesting periods are determined by the Trustees of the Fund at the time of the grant. All unit options granted to September 30, 2006 vest equally over a period of three years from the date of grant. The maximum number of fund units to be issued under this plan may not exceed 850,000 fund units.

A summary of the unit option transactions are as follows:

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	Units	Weighted average exercise price \$	Units	Weighted average exercise price \$
Outstanding at beginning of period	310,000	17.50	–	–
Granted	50,000	17.45	360,000	17.49
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding at end of period	360,000	17.49	360,000	17.49

Range of prices	Options Outstanding			Options Exercisable	
	Outstanding at September 30, 2006	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at September 30, 2006	Weighted average exercise price
\$ 17.50	310,000	4.6	\$ 17.50	–	–
\$ 17.45	50,000	4.9	\$ 17.45	–	–

The Fund recorded compensation expense, included as part of selling, general and administrative expenses, of \$85,000 with an offsetting increase to contributed surplus in respect of the unit options granted for the nine months ended September 30, 2006.

The estimated weighted average fair value at the date of the grant for fund unit options granted for the nine months ended September 30, 2006 was \$2.08 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:

Weighted average assumptions	Nine Months Ended September 30, 2006
Dividend yield	7.20%
Discount for forfeiture	0
Risk-free interest rate	4.00%
Expected life of options	4 years
Expected volatility factor of the future expected market price of fund units	28.00%

► 4. Net Earnings per Unit

Basic per unit calculations for the nine and three months ended September 30, 2006 were based on the weighted average number of units outstanding of 10,748,796 and 10,754,138 respectively. Basic per unit calculations for the nine and three months ended September 30, 2005 were based on the weighted average units outstanding of 10,659,420 and 10,662,848 respectively. Diluted per unit calculations for the nine and three months ended September 30, 2006 were based on the weighted average number of units outstanding of 10,748,796 and 10,754,138 respectively. Diluted per unit calculations for the nine and three months ended September 30, 2005 were based on the weighted average number of units outstanding of 10,677,083 and 10,680,511 respectively. The difference between the basic and diluted units was attributable to the dilutive effect of the unit options issued and any exchange rights outstanding.

► 5. Segmented Information

The Fund operates in two geographic/reportable segments providing daylighting services to each of these segments. The following is selected information for the nine and three months ended September 30, 2006 and September 30, 2005 based on these geographic segments:

	Three Months Ended September 30, 2006			Three Months Ended September 30, 2005		
	Canada (\$)	USA (\$)	Total (\$)	Canada (\$)	USA (\$)	Total (\$)
Revenues	16,973,396	8,350,634	25,324,030	15,435,802	5,035,520	20,471,322
Direct costs	10,719,691	5,279,154	15,998,845	9,454,562	3,386,188	12,840,750
Selling, general and administrative	1,160,183	652,718	1,812,901	841,541	518,503	1,360,044
Amortization	1,567,359	618,873	2,186,232	1,422,004	431,672	1,853,676
Earnings before income taxes	3,493,290	1,787,546	5,280,836	3,627,562	598,990	4,226,552
Capital expenditures	1,469,128	2,673,095	4,142,223	1,941,236	755,906	2,697,142

	Nine Months Ended September 30, 2006			Nine Months Ended September 30, 2005		
	Canada (\$)	USA (\$)	Total (\$)	Canada (\$)	USA (\$)	Total (\$)
Revenues	51,815,467	20,933,771	72,749,238	47,243,153	12,994,791	60,237,944
Direct costs	32,177,762	13,568,958	45,746,720	29,269,274	8,466,496	37,735,770
Selling, general and administrative	3,589,626	1,739,045	5,328,671	3,040,747	1,513,744	4,554,491
Amortization	4,658,883	1,666,224	6,325,107	4,218,363	1,187,410	5,405,773
Earnings before income taxes	11,209,563	3,777,450	14,987,013	10,529,900	1,780,482	12,310,382
Property, plant and equipment	41,400,653	16,175,462	57,576,115	38,015,239	10,067,325	48,082,564
Total assets	60,422,543	24,251,330	84,673,873	54,509,826	14,706,279	69,216,105
Capital expenditures	5,405,014	8,418,471	13,823,485	6,347,699	2,154,004	8,501,703

▶ Corporate Information

TRUSTEES

George Watson
President & CEO
Critical Control Solutions Corp.

David Calnan, LL.B
Partner
Shea Nerland Calnan

Martin Margolis, CA
Chartered Accountant

Glen D. Roane
Corporate Director

J. Richard Couillard
Chief Executive Officer
Escavar Energy Inc.

Tor Wilson
President & CEO

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
Calgary, Alberta

Bose McKinney & Evans LLP
Indianapolis, Indiana

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading Symbol "BAD.UN"

WEBSITE

www.badgerinc.com



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