

**Form 51-102F1
MANAGEMENT'S DISCUSSION & ANALYSIS**

Issuer Details	For Nine Months Ended	Date of Report
Name of Issuer: Baden Technologies Inc. 4535 - 8A Street NE Calgary, Alberta T2E 4J6 Contact Name: Ian Ball Contact Email: ian.ball@baden.ca	September 30, 2006 Fax: (403) 230-3106 Position: CFO	November 2, 2006 Phone: (403) 571-4230

Director's Signature
"Signed"
Richard Ball, CEO

Date Signed
November 2, 2006

Director's Signature
"Signed"
Ian R. Ball, CFO

Date Signed
November 2, 2006

- Through its subsidiary FSI International Services Ltd., Baden's core business is the development, marketing, manufacture, production, and installation of filtration and filtration-related products for the petrochemical, utilities and environmental industries. FSI currently markets its product group in Canada and in international markets such as Russia, and the Middle East. FSI has been in the oil and gas services industry since 1987.
- Financial data has been prepared in accordance with Canadian Generally Acceptable Accounting Principles ("GAAP"). All figures are stated in Canadian dollars, unless explicitly identified as otherwise.

1. Overall Performance

Operating Results

Overall, during the third quarter of 2006, the Company experienced an increase in revenue of 811% from the same three month period in the prior year (\$2,924,035 - 2006 compared to \$320,715 - 2005). For the first nine months of the fiscal year, overall revenue for the Company increased by 532% (\$7,079,736 - 2006 compared to \$1,120,933 - 2005).

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to \$276,471 for the third quarter (or 9.5% of total sales), compared to net loss for of \$145,783 (or -45.5% of total sales) for the third quarter of 2005. Net earnings increased by \$397,802 (net earnings of \$224,727 - 2006 compared to net loss of \$173,075 - 2005).

The material increase in revenue was due to shipment of a Brine Plant to a client in Russia. This was part of an export contract was signed in March, 2006, valued at USD3,431,000. The total value of goods shipped – and revenue realized for the period – was USD1,685,120. The following table summarizes the changes in revenue by geographic segment for the specified periods.

Geographic Area	Revenue			
	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Canada	\$886,088	\$320,715	\$3,253,163	\$1,120,933
Russia	2,037,947	-	3,666,042	-
UAE	-	-	178,531	-
Total	\$2,924,035	\$320,715	\$7,079,736	\$1,120,933

Increased revenue for the period was also due to an overall increase in economic activity in the domestic Canadian oil and gas markets. The rise in the value of the Canadian dollar in relation to the U.S. dollar, as well as increased sales in the domestic and Russian markets, contributed to the increase in earnings.

Cashflow and Earnings

Cashflow from operations increased for the three months ended September 30, 2006 to a net inflow of \$261,634 from a net outflow of \$104,148 for the same period in 2005. Net cashflow was \$501,892 compared to cash outflow of \$4,425 for the same period last year. Increased cashflow was primarily the result of increased business activity for the year.

Operating Costs and Expenses

Selling, General and Administrative expenses ("SGA") for the period decreased to \$205,101 from \$244,490 for the third quarter of 2005. The decrease in SGA is attributable to more efficient utilization of human resources.

Breakdown of material costs in SGA as presented in financial statements (three months ended September 30):

Selling, General and Administrative Expenses	% of Total Expense Category		% of Total Expense Category	
	2006	2005	2006	2005
Salaries, wages, and remuneration	90,118	44	91,028	36
Marketing and advertising	38,173	19	8,415	3
Insurance	27,080	13	25,441	10
Rent and occupancy	25,642	12	16,508	7
Vehicles, equipment	20,649	10	19,601	8
Other	3,439	2	37,309	15
Compensation (stock options)	-	-	51,896	21
	\$205,101	100	\$250,198	100

2. Selected Annual Information

	Year ended		
	Dec 31, 2005	Dec 31, 2004	Dec 31, 2003
Total Revenues	1,361,648	1,472,588	3,675,112
Total Assets	1,223,063	1,034,024	2,253,064
Income (Loss) before discontinued operations and extraordinary items	(625,822)	(672,716)	(401,417)
Income (Loss) before discontinued operations and extraordinary items, per share, basic	(0.05)	(0.05)	(0.03)
Income (Loss) before discontinued operations and extraordinary items, per share, diluted	(0.05)	(0.05)	(0.03)
Net Income (Loss)	(625,822)	(672,716)	(401,417)
Net Income (Loss), per share, basic	(0.05)	(0.05)	(0.03)
Net Income (Loss), per share, fully diluted	(0.05)	(0.05)	(0.03)
Total long-term financial liabilities	26,621	15,346	-
Cash dividends declared per-share for each class of share	Nil	Nil	Nil
Shares outstanding (weighted average, basic)	13,056,501	13,056,501	13,056,501
Shares outstanding (weighted average, diluted)	13,056,501	13,056,501	13,056,501

3. Results of Operations

The Company recorded significant revenue gains for the third quarter of 2006. As with the first and second quarters of 2006, revenue for the third quarter of 2006 exceeded revenue for the entire fiscal year 2005. There is also contracted but unrealized revenue of at least CAD2,200,000 to be realized in the fourth quarter of 2006.

Baden maintains its commitment to its shareholders by maintaining operational efficiency and strong cost controls during periods of reduced market activity. The Company also maintains a strong personal sales presence in its markets, both through its senior management team's client visits and through its agents.

The Company also maintains public liability insurance, work-in-progress and inventory insurance, and foreign liability insurance. In all areas of our operations, Baden attempts to protect both its shareholders and its valued employees.

In terms of mitigating payment risk from foreign clients, Baden (through its subsidiary FSI International) has developed a strong working relationship with the Canadian Commercial Corporation (“CCC”) and the Export Development Corporation (“EDC”). Both government agencies provide project-specific work-in-progress financing for many of FSI’s foreign export contracts. EDC also supplies various forms of export insurance for FSI transactions.

FSI has never encountered problems related to non-payment or bad debts from foreign clients.

Many of the Company’s products are fabricated using steel. Since mid-2003, the cost of steel has risen sharply. The Company has seen its input costs rise by approximately 15% for imported steel filtration vessels, and by approximately 20% for raw steel used in fabrication of various products. Supply has not posed a problem. The Company has been able to order most materials on an “as-needed” basis, minimizing the amount of inventories carried. Additionally, the Company has been able to pass on increased input costs to its clients without negatively impacting sales volume.

4. Summary of Quarterly Results

	Three months ended							
	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006	Sep 30, 2005	Jun 30, 2005	Mar 31, 2005	Dec 31, 2004	Sep 30, 2004
Total Revenues	2,924,035	2,787,815	1,367,886	320,715	465,515	334,703	305,497	361,054
Income (Loss) before interest, taxes, depreciation, amortization, and extraordinary items	276,471	499,798	216,882	(99,595)	(12,690)	(79,341)	(244,883)	(95,011)
Net Income (Loss)	224,727	464,274	198,470	(173,075)	(32,604)	(99,256)	(272,118)	(118,295)
Net Income (Loss) (per share, basic)	0.016	0.027	0.013	(0.010)	(0.001)	(0.006)	(0.021)	(0.009)
Net Income (Loss) (per share, diluted)	0.014	0.024	0.012	(0.010)	(0.001)	(0.006)	(0.021)	(0.009)
Shares outstanding (weighted average, basic)	16,996,501	16,996,501	16,434,279	13,056,501	13,056,501	13,056,501	13,056,501	13,056,501
Shares outstanding (weighted average, diluted)	19,836,049	19,320,434	18,630,688	13,056,501	13,056,501	13,056,501	13,056,501	13,056,501

5. Liquidity

Working capital as at September 30, 2006 increased by \$773,750 to \$656,214 from deficiency of \$117,536 at December 31, 2005. This increase is due primarily to the operating profit for the period. The increase in working capital means the Company is able to meet both its short-term and long-term operating activities.

Current ratio (current assets divided by current liabilities) as at September 30, 2006 is 1.36 (0.87 at December 31, 2005). The majority of Baden's liabilities are in the form of current operating debts and accounts payable. The Company currently has minimal long-term debt (\$45,350 at September 30, 2006 and \$26,621 at December 31, 2005) consisting entirely of capital leases on certain office equipment and operating equipment.

Accounts payable increased significantly (\$1,257,903 – September 30, 2006 compared to \$299,862 – December 31, 2005) due to the increase in turnover.

Any growth strategies will be funded on an as-needed, project-financing basis. All domestic sales are conducted on a maximum Net-30 payment cycle. The Company currently has no requirements for extended inventories for clients.

The Company has arranged a demand operating loan with HSBC Bank Canada. The loan bears interest at prime plus 1.5% and is secured by a general security agreement in favour of the bank creating a floating second charge over all present and after acquired property of the Company, and an assignment of insurance on the life of the President. The maximum authorized limit for the operating loan is \$300,000, limited to an amount determined by formula applied to certain assets and liabilities. At September 30, 2006 the balance outstanding on the operating loan is \$264,310 (December 31, 2005 - \$300,969).

At September 30, 2006, the Company had unsecured customer deposits in the amount of \$238,024 (\$115,231 – December 31, 2005). These deposits related to two project currently being fabricated, and it is expected they will be applied against receivables in the fourth quarter of 2006.

The Company had arranged a project financing loan with HSBC Bank Canada. The loan was established to fund work-in-progress activity related to the Brine Plant contract described in Section 1. The loan bore interest at prime plus 1.5% and was secured by a general security agreement in favour of the bank creating a floating second charge over all present and after acquired property of the Company, and an assignment of insurance on the life of the President. The loan was completely discharged during the period.

6. Other Information

Additional information related to the Company is available on SEDAR at www.sedar.com

7. Transactions with Related Parties

During the third quarter, the Company purchased office supplies and printed marketing materials in the amount of \$625 (2005 - \$142) from a Company controlled by a director and officer of the Company. During the same period, legal services in the amount of \$2,605 (2005 - \$370) were purchased from a partnership deemed to be a related party by virtue of a director's ability to exercise significant influence over the partnership. These transactions are in the normal course of operations and are recorded at their exchange amounts, which management considers to be fair market value.

8. Summary of securities as at the end of the reporting period:

- a. Authorized:
 - unlimited common shares, no nominal or par value
 - unlimited preferred shares

b. Issued:

Type of Security	Number of Shares	Amount (Cdn\$)
Common shares	16,996,501	1,755,691
Preferred shares	Nil	Nil

c. Options, warrants and convertible securities outstanding:

Type of Security	Number	Exercise Price (Cdn\$)	Vesting Date	Expiry Date
Stock options	40,000	0.10	May 11, 2005	May 11, 2010
Stock options	875,000	0.10	September 20, 2005	September 20, 2010
Stock options	12,500	0.40	February 10, 2007	February 10, 2009
Stock options	7,500	0.40	July 10, 2007	July 10, 2009
Stock options	5,000	0.60	July 10, 2007	July 10, 2009
Stock options	12,500	0.60	January 10, 2008	January 10, 2010
Stock options	12,500	0.60	July 10, 2008	July 10, 2010
	<u>965,000</u>	<u>0.13</u>		
			<u>Issue Date</u>	<u>Expiry Date</u>
Warrants	3,800,000	0.10	December 12, 2005	December 12, 2007

d. There are no shares escrowed as at September 30, 2006.

9. List of officers and directors:

Name	Position
Richard Ball	Director, President and Chief Executive Officer
Ian R. Ball	Director and Chief Financial Officer
Michael Edwards	Director
Dennis L. Nerland	Director and Secretary
Gerald Olson	Director