

National Instrument 51-102 Notice

The consolidated financial statements of Baden Technologies Inc. ("the Company") as at September 30, 2006 have been compiled by management and approved by the Company's Audit Committee on November 2, 2006.

These financial statements have not been reviewed or audited on behalf of the shareholders by the Company's independent external auditors, RSM Richter (Calgary) LLP.

Baden Technologies Inc.
Consolidated Statement of Operations and Deficit

(Unaudited - Prepared by Management)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Revenue	\$ 2,924,035	\$ 320,715	\$ 7,079,736	\$ 1,120,933
Expenses				
Cost of sales	2,442,463	222,008	5,088,293	731,443
Selling, general and administrative	205,101	244,490	998,288	622,966
Amortization	34,566	21,011	75,312	59,702
Interest on long term debt	17,062	5,708	29,114	10,046
Interest on obligations under capital lease	116	573	1,258	1,711
	2,699,308	493,790	6,192,265	1,425,868
Net income (loss) for period	224,727	(173,075)	887,471	(304,935)
Deficit – beginning of period	(809,837)	(978,619)	(1,472,581)	(846,759)
Deficit – end of period	\$ (585,110)	\$ (1,151,694)	\$ (585,110)	\$ (1,151,694)
Earnings (loss) per share				
Basic	\$ 0.01	\$ (0.01)	\$ 0.05	\$ (0.02)
Diluted	\$ 0.01	\$ (0.01)	\$ 0.04	\$ (0.02)

See accompanying notes.

Baden Technologies Inc.

Consolidated Statement of Cash Flows

(Unaudited - Prepared by Management)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Operating activities				
Net income (loss) for the period	\$ 224,727	\$ (173,075)	\$ 887,471	\$ (304,935)
Items not affecting cash				
Gain on sale of asset	—	(3,980)	—	(13,279)
Stock based compensation	2,341	51,896	2,341	54,852
Amortization	34,566	21,011	75,312	59,702
	261,634	(104,148)	965,124	(203,660)
Change in non-cash working capital (<i>Note 5</i>)	925,563	(104,301)	(143,828)	(287,301)
Other assets	(16,397)	104,499	(17,120)	104,499
	1,170,800	(103,950)	804,176	(386,462)
Investing activities				
Purchase of property, plant and equipment	(79,622)	(19,267)	(291,983)	(20,356)
Proceeds on sale of property, plant and equipment	—	4,650	—	25,650
	(79,622)	(14,617)	(291,983)	5,294
Financing activities				
Issuance of share capital	—	—	99,000	—
Bank loan - net	(568,573)	116,094	(180,679)	371,443
Proceeds of long term debt	—	—	92,125	—
Repayment of long term debt	(11,127)	—	(11,127)	—
Repayment of obligations under capital lease	(9,586)	(1,952)	(15,787)	(4,719)
	(589,286)	114,142	(16,468)	366,724
Increase (decrease) in cash	501,892	(4,425)	495,725	(14,444)
Cash – beginning of period	131,028	53,144	137,195	63,163
Cash – end of period	\$ 632,920	\$ 48,719	\$ 632,920	\$ 48,719
Supplemental information				
Interest paid on long term debt	\$ 17,062	\$ 5,708	\$ 29,114	\$ 10,046
Interest paid on obligations under capital lease	\$ 116	\$ 573	\$ 1,258	\$ 1,711

See accompanying notes.

Baden Technologies Inc.
Notes to Consolidated Financial Statements
September 30, 2006

(Unaudited – Prepared by Management)

1. Accounting policies

The interim consolidated financial statements for the nine months ended September 30, 2006 should be read in conjunction with the audited consolidated financial statements for Baden Technologies Inc. ("Baden" or the "Company") as at December 31, 2005. These interim consolidated financial statements are presented following the same accounting policies and methods of computation that were used in the audited consolidated financial statements of Baden for the year ended December 31, 2005. Notes to these interim consolidated financial statements are provided in compliance with regulatory disclosure requirements. Disclosures that are normally required in the notes to the annual consolidated financial statements have been condensed or omitted in the notes to these interim consolidated financial statements.

2. Inventories

	September 30, 2006	December 31, 2005
Parts and materials	\$ 545,764	\$ 206,408
Work in progress	654,306	201,510
	\$ 1,200,070	\$ 407,918

3. Bank loan

	September 30, 2006	December 31, 2005
Demand operating loan with HSBC Bank Canada bears interest at prime plus 1.25% and is secured by a general security agreement in favour of the bank creating a floating first 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 loan is \$300,000, limited to an amount determined by formula applied to certain assets and liabilities.	\$ 264,310	\$ 300,969

Demand project financing loan with HSBC Bank Canada bears interest at prime plus 1.5% and is secured by a general security agreement in favour of the bank creating a floating first charge over all present and after acquired property of the Company and an assignment of insurance on the life of the President. The project financing loan is to be used for a specific foreign project and is due at the earlier of the date of receipt of proceeds on the project or December 11, 2006. The maximum authorized limit for the loan is \$1,000,000, limited to an amount determined by a formula applied to certain assets.	-	144,020
	\$ 264,310	\$ 444,989

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4. Share capital

Authorized:

Unlimited common shares
 Unlimited preferred shares

Shares issued at September 30, 2006:

	Number		Amount
Common shares:			
Balance – December 31, 2005	13,056,501	\$	1,620,026
Issued for cash	3,800,000		114,000
Issued on exercise of stock options	140,000		21,665
Balance – September 30, 2006	16,996,501	\$	1,755,691

Warrants:

	Number		Amount
Balance – December 31, 2005	–	\$	–
Issued for cash	3,800,000		76,000
Balance – September 30, 2006	3,800,000	\$	76,000

In January 2006, the Company issued 3,800,000 units to directors of the Company at \$0.05 per unit for total cash proceeds of \$190,000 on a private placement basis. Each unit consists of one common share and one warrant. Each warrant will entitle the holder to acquire one common share at an exercise price of \$0.10 per common share at any time on or before December 21, 2007. Management has allocated \$0.02 per unit to warrants and \$0.03 per unit to common shares.

In June 2006, a director of the Company exercised 140,000 options resulting in an increase in share capital of \$21,665. This was comprised of cash received of \$14,000 and the reclassification of \$7,665 from contributed surplus.

Stock options

The Company maintains a stock option plan (the "Plan") for directors and certain officers, employees and consultants of the Company. Each option entitles the holder to acquire one share of the Company. The Board of Directors has reserved a total of ten percent (10%) of the issued and outstanding common shares of the Company for issuance of stock options. Stock options granted under the Plan may not be outstanding for a period of more than five years and the exercise price must be paid in full upon exercise of the option.

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4. Share capital (cont'd)

On August 10, 2006, the Company issued 50,000 options to a consulting company to purchase 20,000 common shares at \$0.40 per share and 30,000 common shares at \$0.60 per share. The options vest between February 10, 2007 and July 10, 2008 and expire between February 10, 2009 and January 10, 2011. The Company recorded non-cash stock option compensation costs in the amount of \$2,341 with a corresponding addition to contributed surplus. The fair value of share options was estimated using the Black-Scholes option-pricing model with the following assumptions: dividend yield (nil), expected volatility (199%), risk-free interest rate (4%), and weighted average life of between 2.5 and 4.4 years.

# of Shares	Exercise Price (\$)	Vesting Date	Expiry Date	Weighted Average Life (years)
12,500	0.40	February 10, 2007	February 10, 2009	2.5
7,500	0.40	July 10, 2007	July 10, 2009	2.9
5,000	0.60	July 10, 2007	July 10, 2009	2.9
12,500	0.60	January 10, 2008	January 10, 2010	3.4
12,500	0.60	July 10, 2008	January 10, 2011	4.4
50,000				

The following is a continuity of stock options outstanding for which shares have been reserved:

	Number of options	Weighted average exercise price
Outstanding and exercisable – December 31, 2006	1,205,000	\$ 0.13
Granted	50,000	0.52
Exercised	(140,000)	0.10
Expired	(150,000)	0.30
Outstanding – September 30, 2006	965,000	0.13
Exercisable – September 30, 2006	915,000	\$ 0.11

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4. Share capital (cont'd)

The following summarizes information about stock options outstanding at September 30, 2006:

Exercise price	Number outstanding at September 30, 2006	Weighted average remaining contractual life in years
\$ 0.10	875,000	3.96
\$ 0.40	60,000	0.96
\$ 0.60	30,000	3.61
	965,000	

Contributed surplus

	September 30, 2006	December 31, 2005
Balance, beginning of period	\$ 71,296	\$ 14,962
Stock-based compensation	2,341	56,334
Reclassification to share capital on exercise of stock options	(7,665)	–
Balance, end of period	\$ 65,972	\$ 71,296

5. Change in non-cash working capital

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Accounts receivable	\$ 1,270,979	\$ 27,424	\$ (406,032)	\$ (68,428)
Inventories	(95,447)	(82,283)	(792,152)	(183,331)
Prepaid expenses and deposits	63,540	(30,240)	(26,477)	(4,515)
Accounts payable and accrued liabilities	4,609	(19,202)	958,040	(31,027)
Customer deposits	(318,118)	–	122,793	–
	\$ 925,563	\$ (104,301)	\$ (143,828)	\$ (287,301)

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6. Related party transactions

During the nine month period ended September 30, 2006, the Company purchased office supplies and marketing materials in the amount of \$1,199 (nine month period ended September 30, 2005 - \$772) from a company that is controlled by an officer and director of the Company. Legal services in the amount of \$2,605 (nine month period ended September 30, 2005 - \$6,346) 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 measured at their exchange amounts, which in management's opinion approximate fair value.

7. Segmented information

The Company operates in three geographic segments within one industry segment. The Company designs and constructs fluid treatment, processing and handling systems for general industrial purposes in Canada, United Arab Emirates and Russia. The amounts related to each segment are as follows:

Nine months ended September 30, 2006

	Canada	United Arab Emirates	Russia	Total
Revenue	\$ 3,235,163	\$ 178,531	\$ 3,666,042	\$ 7,079,736
Property, plant and equipment	\$ 668,509	\$ –	\$ 9,200	\$ 677,709

Year ended December 31, 2005

	Canada	United Arab Emirates	Russia	Total
Property, plant and equipment	\$ 451,838	\$ –	\$ 9,200	\$ 461,038

Nine months ended September 30, 2005

	Canada	United Arab Emirates	Russia	Total
Revenue	\$ 1,088,851	\$ –	\$ 32,082	\$ 1,120,933

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7. Segmented information (cont'd)

The Company derives significant revenue from large projects and therefore, revenues from individual customers can exceed 10% of total revenues for the period. For the nine months ended September 30, 2006, three customers accounted for \$5,939,962 (83.9%) of consolidated revenues, of which \$3,651,231 (51.6% of consolidated revenues) was earned from a customer operating in the Russian segment. The other two customers operate in the Canadian segment and accounted for \$1,242,166 (17.5%) and \$1,046,566 (14.8%) of consolidated revenues.

For the nine months ended September 30, 2005, one customer accounted for \$160,477 (14.3%) of consolidated revenues. This customer operates in the Canadian segment.