

The consolidated financial statements of Baden Technologies Inc. ("the Company") as at March 31, 2007 and 2006 have been compiled by management and approved by the Company's Audit Committee on May 15, 2007.

Baden Technologies Inc.
Consolidated Balance Sheets

(Unaudited - Prepared by Management)

	March 31, 2007	December 31, 2006
	\$	\$
Assets		
Current assets		
Cash	277,630	100,189
Accounts receivable	842,970	1,113,023
Inventories (note 4)	2,009,715	1,531,273
Prepaid expenses and deposits	35,408	125,696
	<u>3,165,723</u>	<u>2,870,181</u>
Property, plant and equipment (net)	683,166	794,724
Other assets	34,784	21,016
	<u>3,883,673</u>	<u>3,685,921</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Bank loan (note 5)	865,271	1,016,614
Accounts payable and accrued liabilities	1,320,155	1,284,836
Customer deposits	244,327	244,327
Current portion of long term debt	46,504	46,054
Current portion of obligations under capital lease	13,778	13,580
	<u>2,490,035</u>	<u>2,605,411</u>
Long term debt	11,912	23,708
Obligations under capital lease	9,476	12,969
	<u>2,511,423</u>	<u>2,642,088</u>
Shareholders' equity		
Share capital (note 6)	1,767,691	1,767,691
Warrants (note 6)	74,000	74,000
Contributed surplus	73,147	70,114
Deficit	(542,588)	(867,972)
	<u>1,372,250</u>	<u>1,043,833</u>
	<u>3,883,673</u>	<u>3,685,921</u>

Going concern (note 1)

Approved by the Board of Directors

[signed]
Dennis L. Nerland, Director

[signed]
Michael Edwards, Director

Baden Technologies Inc.
Consolidated Statements of Income and Deficit
(Unaudited - Prepared by Management)

	Three Months Ended March 31, 2007 \$	Three Months Ended March 31, 2006 \$
Revenue	3,730,726	1,367,886
Expenses		
Cost of sales	2,756,470	918,358
Selling, general and administrative	608,059	232,646
Amortization	39,795	17,815
Interest on long term debt	643	-
Interest on obligations under capital lease	375	597
	3,405,342	1,169,416
Net income for period	325,384	198,470
Deficit – beginning of period	(867,972)	(1,472,581)
Deficit – end of period	(542,588)	(1,274,111)
Earnings per share		
Basic	0.02	0.01
Diluted	0.02	0.01

Baden Technologies Inc.
Consolidated Statements of Cash Flows

(Unaudited - Prepared by Management)

	Three Months Ended March 31, 2007 \$	Three Months Ended March 31, 2006 \$
Operating activities		
Net income for the period	325,384	198,470
Items not affecting cash		
Amortization	39,795	17,815
Stock-based compensation expense	3,033	-
Gain on sale of assets	(836)	-
	367,376	216,285
Net change in non-cash working capital (<i>note 7</i>)	6,775	298,388
Other assets	(13,768)	(1,615)
	360,383	513,058
Investing activities		
Purchase of property, plant and equipment	(29,694)	(45,303)
Proceeds on sale of property, plant and equipment	12,736	-
	(16,958)	(45,303)
Financing activities		
Issuance of share capital	-	85,000
Bank loan – net	(151,343)	(146,906)
Repayment of long-term debt	(11,346)	-
Repayment of obligations under capital lease	(3,295)	(3,074)
	(165,984)	(64,980)
Increase in cash	177,441	402,775
Cash – beginning of period	100,189	137,195
Cash – end of period	277,630	539,970
Supplemental information		
Interest paid	11,224	8,587

Baden Technologies Inc.
Notes to Consolidated Financial Statements
March 31, 2007 and 2006

(Unaudited - Prepared by Management)

1. Going concern assumption

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has accumulated losses amounting to \$542,588 (2006 - \$1,274,111). Net income was \$325,384 for the three months ended March 31, 2007 (2006 -\$198,470). The Company's ability to continue as a going concern is dependant upon its ability to generate sufficient cash flow to meet its obligations as they come due, to obtain additional financing as may be required, and ultimately to obtain successful operations. However, no assurance can be given at this time as to whether the Company will achieve any of these conditions. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern for a reasonable period of time.

2. Accounting policies

The interim consolidated financial statements for the three months ended March 31, 2007 should be read in conjunction with the audited consolidated financial statements for Baden Technologies Inc. ("Baden" or the "Company") as at December 31, 2006. 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, 2006 statements except for the changes in accounting policies described in note 3. 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.

3. Changes in accounting policies

During the quarter, the Company adopted the following accounting policies:

Accounting Changes

Effective January 1, 2007, the Company adopted the amended Handbook Section 1506 "Accounting Changes". The changes to this Section particularly affect the following:

- An entity would be permitted to change an accounting policy only when it is required by a primary source of GAAP, or when the change results in a more reliable and relevant presentation in the financial statements;
- Changes in accounting policy should be applied retrospectively, except in cases where specific transitional provisions in a primary source of GAAP permit otherwise or where application to comparative information is impractical (the standard provides specific guidance as to what is considered impractical);
- Expanded disclosures about the effects of changes in accounting policy, estimates and errors on the financial statements; and
- Disclosure of new primary sources of GAAP that have been issued but have not yet come into effect and have not yet been adopted by the entity.

The adoption of the amended Section had no affect on the financial statement accounts of the Company.

Baden Technologies Inc.
Notes to Consolidated Financial Statements
March 31, 2007 and 2006

(Unaudited - Prepared by Management)

3. Changes in accounting policies - continued

Financial Instruments – Recognition and Measurement

Effective January 1, 2007 the Company adopted, on a retroactive without restatement basis, the new Handbook Section 3855 “Financial Instruments Recognition and Measurement” which prescribes that all financial instruments within the scope of this standard, including derivatives, be initially measured at fair value (except for certain related party transactions) and included on a company’s balance sheet. Subsequent measurement of financial instruments should be either at their fair value or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. It also specifies when gains and losses as a result of changes in fair value are to be recognized in the income statement. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2006. The adoption of this new requirement did not significantly affect the Company’s consolidated financial statements.

Financial Instruments – Disclosure and Presentation

Effective January 1, 2007, the Company adopted, on a retroactive without restatement basis, reissued Section 3860 of the Handbook as Section 3861, “Financial Instruments - Disclosure and Presentation”, which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The adoption of the new requirement did not affect the Company’s consolidated financial statements.

Comprehensive Income

Effective January 1, 2007, the Company adopted, on a retroactive without restatement basis, the new Handbook Section 1530 “Comprehensive Income” which requires that an enterprise present comprehensive income and its components, in a financial statement that is displayed with the same prominence as other financial statements. This Section introduces a new requirement to present certain gains and losses temporarily outside net income. The adoption of the new requirement did not affect the Company’s consolidated financial statements.

Baden Technologies Inc.
Notes to Consolidated Financial Statements
March 31, 2007 and 2006

(Unaudited - Prepared by Management)

3. Changes in accounting policies - continued

Primary sources of GAAP that have been issued but have not yet come into effect

Effective December 2006, the AcSB issued three new Handbook Sections; Section 3862 "Financial Instruments – Disclosures"; Section 3863 "Financial Instruments – Presentation"; and Section 1535 "Capital Disclosures". These new Sections carry forward unchanged presentation requirements of Section 3861 "Financial Instruments – Disclosure and Presentation"; and converge with the capital disclosure-related amendments to International Accounting Standards. Section 3862 places an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed and also simplifies the disclosures about concentrations of risk, credit risk, liquidity risk and market risk currently found in Section 3861. Additional requirements include: more extensive disclosures about exposures to liquidity; currency and other price risks and an analysis of the sensitivity of net income for possible changes thereto; more specific disclosures about collateral; and details of liabilities that are in default or in breach of their terms and conditions. Proposed Section 3863 carries forward, without change, the presentation-related requirements of Section 3861. Proposed Section 1535 requires the disclosure of: an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. As required, the Company will adopt these new accounting standards for its interim and annual financial statements beginning on January 1, 2008. The Company is in the process of assessing the full impact of these new Sections on its financial statements.

Baden Technologies Inc.
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(Unaudited - Prepared by Management)

4. Inventories

	March 31, 2007	December 31, 2006
	\$	\$
Parts and materials	314,945	421,614
Work in progress	1,694,770	1,109,659
	2,009,715	1,531,273

5. Bank loan

	March 31, 2007	December 31, 2006
	\$	\$
Demand operating 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 maximum authorized limit for the loan is \$600,000, limited to an amount determined by formula applied to certain assets and liabilities.	414,228	443,913
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 and demand by the bank. The maximum authorized limit for the loan is \$900,000, limited to an amount determined by a formula applied to certain assets.	451,043	572,701
	865,271	1,016,614

Baden Technologies Inc.
Notes to Consolidated Financial Statements
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(Unaudited - Prepared by Management)

6. Share capital

Authorized:

Unlimited common shares
 Unlimited preferred shares

Shares issued at March 31, 2007:

	Number	Amount \$
Common shares:		
Balance, beginning and end of period	17,096,051	1,767,691

	Number	Amount \$
Warrants:		
Balance, beginning and end of period	3,700,000	74,000

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 options must be issued with an exercise price not less than the fair market value of the shares at the date of grant. The Board of Directors has reserved a total of 1,300,000 shares for the 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. A summary of the status of the Company's Plan and other options as of March 31, 2007, and changes during the period is presented below:

	Number of options	Weighted average exercise price \$
Outstanding, beginning of period	925,000	0.13
Cancelled	(50,000)	0.52
Outstanding and exercisable, end of period	875,000	0.10

The following summarizes information about stock options outstanding at March 31, 2007:

Exercise price \$	Number outstanding at March 31, 2007	Weighted average remaining contractual life in years
0.10	875,000	3.46

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6. Share capital - continued

Weighted average number of common shares

Earnings per share have been calculated based on the weighted average number of common shares outstanding during the three months ended March 31, 2007 of 17,096,051 (2006 - 16,434,279).

Diluted earnings per share was calculated by increasing the weighted average number of common shares for only those stock options and warrants which were anti-dilutive. The diluted weighted average number of common shares outstanding during the three months ended March 31, 2007 is 20,718,376 (2006 - 18,630,688).

7. Change in non-cash working capital

	Three months ended March 31, 2007 \$	Three months ended March 31, 2006 \$
Accounts receivable	270,053	(427,012)
Inventories	(388,885)	(188,451)
Prepaid expenses and deposits	90,288	(331,264)
Accounts payable and accrued liabilities	35,319	359,266
Customer deposits	-	885,849
	6,775	298,388

8. Related party transactions

During the three month period ended March 31, 2007, the Company purchased office supplies and marketing materials in the amount of \$2,533 (three month period ended March 31, 2006 - \$574) from a company that is controlled by an officer and director of the Company. Legal services in the amount of \$600 (three month period ended March 31, 2006 - \$5,040) 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.

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9. Segmented information

The Company operates within one industry segment and the following geographic segments:

	March 31, 2007			
	Canada	Russia	Other	Total
	\$	\$	\$	\$
Revenue	1,706,386	2,024,340	-	3,730,726
Property, plant and equipment	673,966	9,200	-	683,166

	December 31, 2006			
	Canada	Russia	Other	Total
	\$	\$	\$	\$
Property, plant and equipment	785,524	9,200	-	794,724

	March 31, 2006			
	Canada	Russia	Other	Total
	\$	\$	\$	\$
Revenue	1,174,544	14,811	178,531	1,367,886

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 three months ended March 31, 2007, one customer operating in the Canadian segment and one customer operating in the Russian segment accounted for \$1,095,451 (29.4%) and \$1,935,598 (51.9%) of consolidated revenues, respectively.

For the three months ended March 31, 2006, two customer(s) accounted for \$851,103 (62.2%) of consolidated revenues. These customers operate in the Canadian segment.