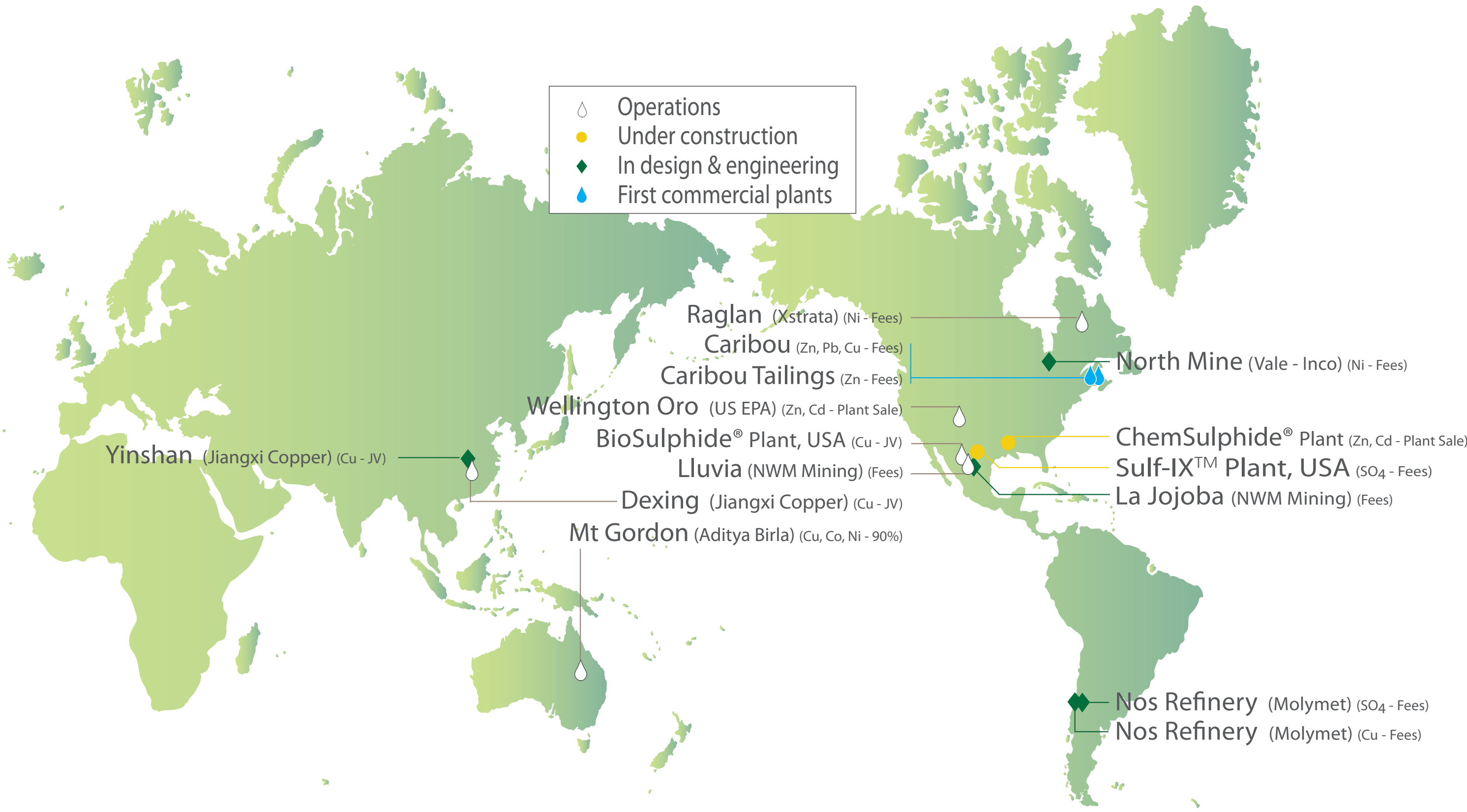
# Sustainable water treatment solutions

BioteQ Environmental Technologies Inc.
2008 Annual Report

# BIOTEQ'S GLOBAL OPERATIONS




## CORPORATE PROFILE

BioteQ is an industrial water treatment company that applies innovative technologies to solve complex water problems created by industrial, resource, and power generation activities. BioteQ's commercially proven technologies remove dissolved metals and sulphate from contaminated water to produce clean water that meets regulatory standards for discharge or re-use, and saleable by-products that can offset the cost of water treatment. The Company earns revenues from water treatment fees, the sale of recovered by-products, and plant sales.

BioteQ's sustainable water treatment solutions enable customers to comply with environmental regulations, reduce environmental liabilities, and save money compared to alternative treatment processes. Customers include the world's leading resource companies, utility operators, and regulators.

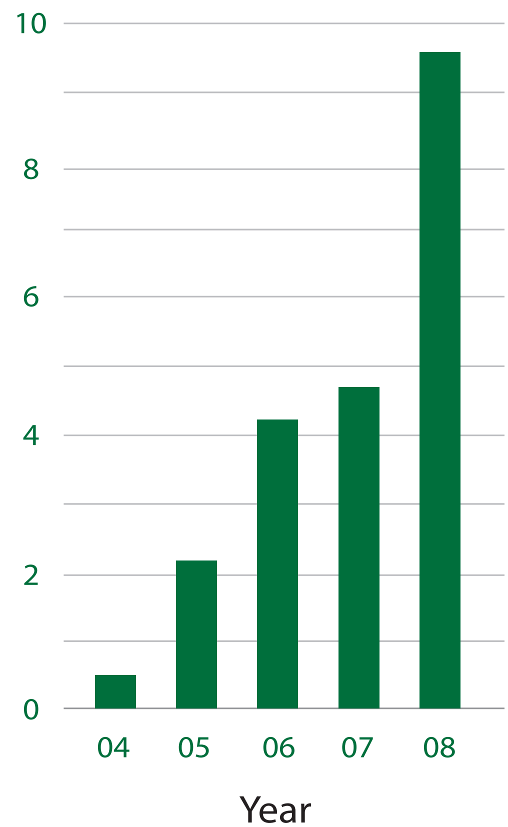
# ACHIEVEMENTS AND GOALS

## 2008 Achievements

- Processed **9.4 billion litres** of contaminated water.
- Removed over **3 million pounds** of metal contaminants from the environment.
- Plants delivered **97% mechanical availability.**
- Commissioned **4 new operations**, increasing BioteQ's installed base to 8 plants in 5 countries:
  - o Dexing, China (Jiangxi Copper Company)
  - o Mt. Gordon, Australia (Aditya Birla)
  - o Lluvia de Oro, Mexico (NWM Mining)
  - o Wellington Oro, Colorado (US EPA, Town of Breckenridge)
- Expanded BioteQ's operating responsibilities at Raglan, taking on operation of the **Spoon** water treatment plant, in addition to the BioteQ plant.
- Successfully applied new **SART technology** for gold mining operations, improving gold yields while removing metal contaminants from the gold leach process.
- Successfully piloted new **Sulf-IX™ technology** to remove sulphate from water, proving that the technology can deliver lower capital and operating costs compared to competing technologies for sulphate removal.
- Signed agreements with **Freeport McMoRan** and with **Molymet** for Sulf-IX™ plants.
- Initiated design and engineering for a second plant with Jiangxi Copper, at the **Yinshan** mine.
- Received **national and international award recognition**, winning the 2008 Globe Award for Environmental Excellence, the BC Export Award, the China Mining Environmental Protection Award, and the Mines & Money Sustainable Development Award.

## Expanded Operating Base

Volume of Water Treated, Billions of litres




## Strategic Goals for 2009

- **Focus on operations**, to ensure reliable and consistent operating results to solve complex environmental issues.
- **Retain** skilled and talented staff.
- **Secure new fee-based contracts** in the resource and power-generation sectors.
- **Maintain a solid customer base** of the world's leading resource companies, utility operators, and regulators.
- **Expand our presence** in key our markets – Canada, the US, Mexico, China, and Chile.
- **Innovate** to develop new solutions to contaminated wastewater problems in existing and new market sectors.
- **Preserve** working capital.

## CEO's MESSAGE

To our Shareholders,

"Water, water everywhere, nor any drop to drink…"

These lines from Samuel Taylor Coleridge's The Rime of the Ancient Mariner are among the most famous and often quoted passages in English poetry. These words ring all too true in the reality of today's world where contamination and climate change are impacting global supplies of water.

Declining water quality and supply shortages are driving industry, regulators, and communities to look carefully at the sustainability of water sources and uses. Innovative water treatment technologies, like those developed and applied by BioteQ Environmental Technologies, play an important role in supplying clean water while meeting strict environmental standards. Sustainability is a core value at BioteQ -- we take industry's contaminated water, and apply technology to produce clean water and saleable by-products that can offset the cost of water treatment.

2008 was a year of expansion for BioteQ. The Company added 4 new industrial water treatment plants to its operating base, bringing the total number of plants built to 8, with operations in 5 countries. This expanded operating base enabled BioteQ to more than double the volume of water treated, from 4.5 billion litres in 2007 to almost 10 billion litres in 2008. The Company's unique technologies continue to benefit the environment. Together, BioteQ's water treatment plants prevented more than 3 million pounds of metal from entering the environment in 2008, while producing clean water that meets water quality standards for re-use or discharge.

To meet the demands of expanded treatment capacity, BioteQ has increased its operating staff, and focused the Company's core activities on ensuring reliable and consistent operations. Once commissioned, our plants collectively delivered 97% mechanical availability, a very high standard that is a credit to our dedicated operators.

BioteQ continued extensive piloting of the new Sulf-IX™ technology for sulphate reduction, proving that the technology is effective and can provide cost savings compared to competing processes. The technology is based on ion-exchange chemistry, using standard resins and low-cost reagents, with lower power consumption than competing technologies. The technology has applications in a range of industries, including mining, power generation, oil & gas, and sewage treatment. During 2008, BioteQ signed agreements with Freeport-McMoRan and Molymet for Sulf-IX™ plants; this technology will be a key focus area for further business development during 2009.

BioteQ introduced a new application of its metal removal technology in 2008, with the successful construction and commissioning of our first SART plant that enhances the project economics of copper-complexed gold mining operations. Cyanide-soluble copper can interfere with the gold leaching process, reducing gold recoveries, increasing leaching costs, and creating an environmental legacy at the mine site.

2001
Get started
- BioteQ becomes a public company.
- BioteQ secures contract for first commercial-scale plant .

2002
Prove the technology
- Initial operation proves the technology can be used successfully on a commercial scale.

2003
Take the technology to market
- BioteQ secures 2 new contracts for plants at Raglan Mine, in northern Canada and at Bisbee Mine, in Arizona.

2004
Become an operating company
- BioteQ commissions the Raglan and Bisbee plants.
- BioteQ treats approximately **one-half billion litres** of contaminated water.

BioteQ's technology addresses these concerns by removing copper from the gold leach solution, and regenerating the gold reagent for recycle to the gold operation. The process improves gold yields, reduces the quantity of leaching reagent required, and removes copper from the environment. Now that the technology has been proven, this market is an area of interest for further business development in 2009.

"We have cash reserves, proven technologies, a market driven by regulation, and seasoned staff with a proven track record."

Although BioteQ's operations have performed well technically, they have not generated the financial results that we expected because of the sharp and rapid downturn in the commodity markets in the fall of 2008. This change in market conditions is shaping our focus for 2009 in several ways:

- First, we are working to preserve our cash reserves and reduce costs at all of our operations. We experienced rapidly rising input costs mid-way through 2008; these costs are now beginning to soften. In addition, we have made cuts to staff and operating overheads at all levels.
- Second, for projects where we earn revenue based on metals recovered, we are working with our customers to modify our operating contracts to a fee-based structure.
- And third, we are working to secure fee-based contracts for new projects and plant sales. We continue to work with resource companies and regulators, and we are also exploring ways to take our technologies to other markets, such as water treatment in the power generation sector, and government infrastructure investments.

Access to clean water is a critical issue for the globe. BioteQ will continue to provide sustainable water treatment solutions. We have cash reserves, proven technologies, a market driven by regulation, and seasoned staff with a proven track record of solving complex water problems.

On behalf of the Board of Directors,

Brad Marchant
CEO

2005
Build operating expertise
- BioteQ secures ISO 14001 certification for environmental compliance at the Raglan plant.
- BioteQ wins bid for Wellington Oro plant, reviewed by US EPA.
- Plants treat **2.3 billion litres** of contaminated water.

2006
Expand customer base
- BioteQ secures new customers: Jiangxi Copper Company, Aditya Birla.
- Plant operating availability increases to >95%.
- Plants generate positive cash flows from operations.
- BioteQ treats **4.2 billion litres**. of contaminated water

2007
Invest in growth
- BioteQ initiates construction of 3 new plants – Dexing, China; Mount Gordon, Australia; and Lluvia de Oro, Mexico.
- BioteQ develops Sulf-IX™ technology for sulphate treatment.
- Plants treat **4.5 billion litres** of contaminated water, and remove **1.4 million pounds** of metals.

2008
Expand the operating base
- BioteQ commissions 4 new plants
- New SART technology for gold mining operations is successfully launched.
- New Sulf-IX™ technology is successfully piloted.
- 6 plants treat **9.4 billion litres** of contaminated water and remove **3 million pounds** of metals .

# MANAGEMENT'S DISCUSSION AND ANALYSIS March 24, 2009

(All figures expressed in Canadian Dollars unless otherwise noted)

The following Management's Discussion and Analysis provides information that management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. Management has prepared this document in conjunction with its broader responsibilities for the accuracy and reliability of the financial statements, the development and maintenance of appropriate information systems and internal controls to ensure that the financial information is complete and reliable. The Audit committee of the Board of Directors, consisting of independent directors, has reviewed this document and all other publicly reported financial information, for integrity, usefulness, reliability and consistency.

This discussion should be read in conjunction with the consolidated financial statements and accompanying notes for the years ended December 31, 2008 and 2007, which were prepared in accordance with Generally Accepted Accounting Principles in Canada ("Canadian GAAP"). Certain statements contained in Management's Discussion and Analysis constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statements were made and readers are advised to consider such forward-looking statements in light of the risks.

Additional information may be found on the Company's website www.bioteq.ca and also on SEDAR at www.sedar.com. The Company's Annual Information Form ("AIF") may also be found on SEDAR.

## Description of Business

BioteQ Environmental Technologies Inc. ("BioteQ") is an industrial process technology company headquartered in Vancouver, British Columbia, Canada. BioteQ has developed technologies for water treatment, sulphate reduction, and lime sludge processing. BioteQ's process plants treat acid and metal contaminated water with concurrent recovery of saleable metals from the water and reduction of total dissolved solids. Water from the process plants can be recycled or discharged to the environment. The Company is listed on the Toronto Stock Exchange (TSX) under the symbol BQE.

### Technologies

BioteQ's technologies are used in industrial wastewater treatment applications. The BioSulphide® Process uses biogenic sulphide to selectively recover metals from acid waste water and can be applied in mining and other industrial sectors. The ChemSulphide® Process is used in place of the BioSulphide® Process where the production of biological sulphide is not warranted. Applications of BioteQ's sulphide technologies include treatment of acid drainage, industrial wastewater and groundwater for the selective recovery of valuable metals to provide a revenue source from the water to off-set the cost of water treatment as well as minimize waste sludge production. Sulphide technologies can be used to replace or augment lime based treatment facilities to reduce or eliminate waste sludge production and the associated long term liabilities of metal-laden sludge. The biological technology that is an integral part of the BioSulphide® Process can be utilized commercially to generate sulphide reagent on demand for other industrial purposes, such as the application of SART technology for copper-gold ore processing in mining.

BioteQ's Sulf-IX™ technology is a recent development using ion-exchange to meet new regulations for the reduction of the sulphate content in wastewater, producing water acceptable for industrial, agricultural and residential re-use.

BioteQ has also developed technology for the conversion of some forms of waste sludge into value-added construction materials, again to minimize the potential long-term liability of sludge products and create a revenue source from the waste products.

### Business Models

BioteQ finances, builds and operates or provides turn-key plants for the treatment of acid mine drainage and other industrial effluents using its commercially proven technology. Typical business models for BioteQ's projects include:

- **Build, Own and Operate** – where BioteQ provides the capital and operating costs for the treatment plant and charges a fee for water treatment and/or retains the metals recovered from the water. After capital payback, the metal revenues may be shared with the property owner.
- **Joint Venture** – where BioteQ shares the capital and operating costs with the property owner, operates the plant, and shares in the process cost benefits and metals recovered.
- **Design and Operate** – where BioteQ provides technology and operations expertise on a fee basis.
- **Plant Sale** – where BioteQ designs, builds and operates the plant on a fee basis.

In all cases BioteQ will provide a process guarantee. Potential revenue streams are recovered by-products, water treatment fees, process license fees, plant sales, and the sale of value-added co-products and treated water.

## Projects

BioteQ has several projects at various stages: operating, construction and development. The following chart summarizes the major projects, including estimates for future projects based on mature operations. Actual results may vary based on the volume and grade of water treated, and site-specific conditions.

### OPERATING PROJECTS (BASED ON 2008 ACTUAL RESULTS)

| COMPANY | PROJECT | BUSINESS MODEL | METAL RECOVERED | 2008 PRODUCTION (BQE SHARE) | CAPITAL COST (BQE SHARE) | OPERATING COST* (2008) (BQE SHARE) | CURRENT STATUS |
|---|---|---|---|---|---|---|---|
| Freeport McMoRan | Bisbee, AZ. | 50/50 JV | copper | 636,000 lb | $3,200,000 | $1,291,000 | Operating since 2004 |
| Xstrata | Raglan, Que. | Build, Own Operate for Fees | nickel | 688,000 lb | $2,000,000 | $401,000 | Operating since 2004. Plant on standby for winter season |
| Jiangxi Copper | Dexing, China | 50/50 JV | copper | 490,000 lb | $1,886,000 | $920,000 | Operating since April, 2008 |
| Aditya Birla | Mt. Gordon, Australia | Build, Own, Operate (90% of metal) | copper cobalt | 701,000 lb | $9,169,000 | $2,179,000 | Copper circuit operating since April, 2008. Plant in temporary shut-down due to force majeure |
| NWM Mining | Lluvia de Oro, Mexico | Build, Own, Operate plus fee | gold copper | 1,025 oz 13,000 lb | $6,443,000 | $2,685,000 (Gold ADR plant only) | SART plant commissioned in December 2008 |
| US EPA | Wellington Oro, CO | Plant sale | zinc, cadmium | Fixed fees | No cost | - | Operating since January 2009 |

*Note: excludes refining costs

### CONSTRUCTION AND DEVELOPMENT PROJECTS (Estimates - full year, at design capacity)

| COMPANY | PROJECT | BUSINESS MODEL | METAL RECOVERED | EST. ANNUAL PRODUCTION (BQE SHARE) | CAPITAL COST (BQE SHARE) | OPERATING COST EST.* (BQE SHARE) | CURRENT STATUS |
|---|---|---|---|---|---|---|---|
| Freeport McMoRan | ChemSulphide® | Plant sale | zinc, cadmium | Fixed fees | No cost | - | BioteQ components built in 2006; commissioning subject to client's schedule |
| Freeport McMoRan | Sulf-IX™ | Plant sale | sulphate | Fixed fees | No cost | - | Construction to commence 2009 |
| Molymet | Nos Refinery, Chile (stage 1 Ca removal) | Build, Own, Operate for Fees | sulphate | 700,000 m3 (water) | To be determined | To be determined | Construction subject to a final construction agreement |
| Jiangxi Copper | Yinshan, China | 50/50 JV | copper | To be determined | To be determined | To be determined | Construction subject to client's schedule |
| Vale Inco | North Mine, ON | Build, Own, Operate | nickel | 850,000 lb | To be determined | To be determined | Construction subject to client's schedule |
| Molymet | Nos Refinery, Chile | Build, Own, Operate | copper | 1,750,000 lb | To be determined | To be determined | Construction subject to client's schedule |
| Xstrata | Raglan - expansion | Treatment Fees | nickel | To be determined | To be determined | To be determined | To be determined |

*Note: excludes refining costs

# Overall Performance

## Three-Year Comparative Information

| $ Cdn | 2008 | 2007 | 2006 |
|---|---|---|---|
| Revenues | 7,762,490 | 4,630,272 | 4,519,728 |
| Plant operating costs | 8,002,945 | 2,281,072 | 2,868,188 |
| Cash flow from plant operations | (240,455) | 2,349,200 | 1,651,540 |
| General and administrative expenses | 2,429,146 | 2,274,739 | 1,981,987 |
| Marketing and development costs | 935,908 | 749,493 | 842,434 |
| Amortization | 845,475 | 395,570 | 414,605 |
| Stock-based compensation/escrow shares | 1,663,500 | 3,930,727 | 429,168 |
| Other (income) expenses - net | (957,459) | (833,969) | (268,063) |
| Loss before income taxes | (5,157,025) | (4,167,360) | (1,748,591) |
| Income tax | 88,124 | - | - |
| Net loss | (5,245,149) | (4,167,360) | (1,748,591) |
| | | | |
| Net loss per share (basic and diluted) | $0.09 | $0.08 | $0.04 |
| Cash flow from (used in) operating activities | (2,736,174) | 191,708 | (852,334) |
| | | | |
| Total assets | 38,863,030 | 42,479,297 | 33,733,391 |
| Total long-term financial liabilities | - | - | - |
| Total liabilities | 2,010,691 | 3,098,124 | 1,391,464 |
| Shareholder's equity | 36,852,339 | 39,381,173 | 32,341,927 |

**2008 highlights:**

- BioteQ expanded its operating base with the **commissioning of 4 new plants** during 2008, including its first plant with the US EPA, bringing the total number of plants built to 8, with operations in 5 countries.
- BioteQ's annual **revenues increased by 67% to $7.8 million**, compared to $4.6 million in 2007. This revenue increase is due to contributions from new operations in China, Australia, and Mexico.
- BioteQ continues to maintain a **cash and short-term investment balance of $9.2 million** and remains **debt free**.
- BioteQ introduced a **new application** of its metal removal technology, with the successful construction and commissioning of a SART plant at the Lluvia de Oro gold mine site in Mexico. The plant has been designed to recover copper from the gold operation's cyanide leach solution, and regenerate cyanide for recycle to the gold recovery operation.
- BioteQ **successfully piloted a new ion-exchange technology** for metal recovery at the Raglan Mine site in Northern Quebec. This technology can reduce operating costs and increase the treatment capacity of BioteQ's metal recovery plants. The Company is now exploring commercial opportunities to deploy the technology.
- BioteQ carried out **detailed design and engineering work for two new sulphate reduction plants**.
- BioteQ continued its **business development activities**, pursuing new opportunities in the metal recovery, SART, and sulphate reduction markets as well as expanding the market sectors where BioteQ is active using its proven technologies.

BioteQ expanded its operating activities during 2008, adding 4 new plants to its operating portfolio. The Company's financial performance reflects results from six operating sites – Bisbee, Raglan, Dexing, Mt. Gordon, Lluvia de Oro, and Wellington Oro – up from three plants in 2007 (including the Caribou site, which BioteQ no longer operates). Together, these plants treated more than 9.4 billion litres of contaminated water in 2008 and removed over 3 million pounds of metal contaminants, more than double the quantities from 2007.

The rapid decline in global commodity markets during the fourth quarter of 2008 significantly impacted BioteQ's financial results, offsetting the strong growth in revenue and positive cash flow from plant operations experienced by the Company over the first three quarters of the year. While annual revenues are up by 67% to $7.8 million for 2008, compared to $4.6 million in 2007, revenues for the fourth quarter softened to $1.3 million. Revenues were impacted by falling commodity prices for all metal-based operations, and lower than expected production at the Lluvia de Oro site.

Although commodity prices fell during the fourth quarter, input costs remained high. This contributed to significantly higher than expected plant operating costs, particularly at the Mt. Gordon site in Australia. Plant operating costs for 2008 were $8 million for all operations, compared to $2.3 million in 2007. This has resulted in negative cash flow from plant operations of $240,000 in 2008, compared to positive cash flow from plant operations of $2.3 million in 2007.

BioteQ posted an overall loss of $5.2 million for 2008. This compares to a net loss of $4.2 million for 2007.

General and administrative costs (G&A) are higher by $154,000 for 2008 compared to 2007, an increase of 7%. This increase in G&A reflects costs for additional staff and travel to support the increased number of operations.

Marketing and development costs are higher by $186,000 for the year due to increased business development activity to secure new contracts, and expanded laboratory research and development activity to enhance existing processes, reduce operating costs, and develop new strategic technology.

Other income items include interest income and foreign exchange gains. Interest income from our cash and short term investments declined in 2008 compared to 2007 as funds were used for construction and operating requirements as well as a decline in market interest rates. The decline was partially offset by interest income from our loan to NWM Mining Corporation. The Company realized minor foreign exchange losses during the year.

Non-cash accounting items continue to impact the overall profitability of the Company. Amortization costs are higher for 2008 compared to 2007 because BioteQ has invested significant capital in new plant assets that are now subject to amortization as they become operational. Amortization for the year rose to $845,000 from $396,000 in 2007. Stock based compensation costs are lower in 2008 compared to 2007, but were still significant at $1,663,500.

The income tax charge in 2008 is a result of taxable profits in China. These taxes cannot offset accumulated tax benefits in other jurisdictions.

Overall in 2008, BioteQ used $2.7 million in cash for operating activities, compared to a positive cash contribution from operations of $192,000 in 2007.

BioteQ has maintained working capital of $10.1 million as of December 31, 2008 with no debt, and a loan receivable from NWM Mining for $4.4 million. This working capital positions BioteQ to maintain its current operations, expand its customer base, develop new markets, and create new technology. Presently, BioteQ has no significant capital commitments scheduled for 2009.

Current economic uncertainty may materially affect future revenues and costs, and annual results are not necessarily indicative of future performance. Changes in commodity prices will impact projects that generate commodity-based revenues.

# Comparison of the Quarters

## Financial data for the last eight quarters (unaudited)

($000'S EXCEPT PER SHARE DETAILS)

| QUARTER ENDED | Dec-08 | Sep-08 | Jun-08 | Mar-08 | Dec-07 | Sept-07 | Jun-07 | Mar-07 |
|---|---|---|---|---|---|---|---|---|
| Total revenues | 1,269 | 4,171 | 1,507 | 815 | 1,137 | 1,304 | 1,072 | 1,117 |
| Plant & other operating expenses | 3,988 | 2,665 | 914 | 436 | 563 | 464 | 598 | 656 |
| Net income before G&A and amortization & other expenses | (2,719) | 1,506 | 593 | 379 | 574 | 840 | 474 | 461 |
| General & administrative | 701 | 615 | 593 | 520 | 608 | 526 | 606 | 534 |
| Marketing & development costs | 198 | 318 | 292 | 128 | 245 | 197 | 160 | 148 |
| Net operating income (loss) | (3,618) | 573 | (292) | (269) | (279) | 117 | (292) | (221) |
| Amortization | 256 | 246 | 242 | 101 | 102 | 97 | 98 | 98 |
| Stock based comp./escrow shares | 470 | 387 | 440 | 366 | 589 | 2,663 | 447 | 232 |
| Other (income) expenses | (284) | (170) | (227) | (276) | (287) | (142) | (171) | (235) |
| Income (loss) before taxes | (4,060) | 110 | (747) | (460) | (683) | (2,501) | (666) | (316) |
| Income taxes | (93) | 181 | - | - | - | - | - | - |
| Net income (loss) | (3,967) | (71) | (747) | (460) | (683) | (2,501) | (666) | (316) |
| Loss per share | $0.07 | $0.00 | $0.01 | $0.01 | $0.01 | $0.05 | $0.01 | $0.01 |

Quarterly revenues can fluctuate based on the number of plants operating in the quarter, variation in the volume and grade of water treated, and variation in commodity prices. BioteQ's plant at Raglan operates seasonally, typically from late spring to fall. BioteQ had revenues from 6 plants during Q4 2008 (Bisbee, Raglan, Dexing, Mt. Gordon, Lluvia, and Wellington Oro). The revenue from four of these plants is based on the quantity of metals recovered at the site. Because of the sharp decline in commodity prices during Q4 2008, revenues in Q4 are lower than Q3, when five plants contributed to revenue. Revenues in Q1 2008 were lower than usual because the only operation active during the quarter was Bisbee. Q4 2007 revenues reflect two operations (Bisbee and Raglan). Revenues up to Q3 2007 include revenues from Caribou; BioteQ is no longer active at that site, as of July 2007.

Plant and other operating expenses are comprised of both fixed and variable costs. Variable costs include the cost of reagent consumables, power, and maintenance. Quarterly costs will vary based on the number of active operations and changes in variable costs. Q4 2008 reflects significantly higher plant and other operating expenses because of an increase in the number of operating plants, increases in reagent costs at several sites, and because BioteQ assumed responsibility during the quarter for operating costs associated with the gold recovery circuit at Lluvia in addition to the water treatment plant.

General and administrative costs increased in 2008 due to increased travel and the addition of new staff to enhance administrative capacity to support operations. Q2 2007 included a one-time cost for stock exchange filing fees.

Marketing and development costs include costs for business development as well as laboratory research and development to support project evaluation and new product development. 2008 marketing and development costs include costs for expanded laboratory activities and business development.

Amortization costs may vary based on the capital assets of the Company. As BioteQ has built and commissioned more plants, this non-cash cost has risen. The increase in amortization for Q2, Q3 and Q4 2008 reflects new plants coming on-line, and now being subject to amortization.

Stock-based compensation costs are non-cash costs that reflect the value of stock options issued to employees, directors, and contractors. The valuation is based on the standard Black-Scholes model, which is affected by price volatility. Q3 2007 includes a one-time charge for re-valuation of escrow shares due to a change in the escrow agreement.

"Other" includes interest income or expense and foreign exchange gains or losses. Interest income is affected by the amount of cash invested and the interest rate. BioteQ has earned interest income from its loan to NWM Mining and from major bank short-term investments of capital raised in late 2006; this capital has been drawn down as the Company builds new plants. Interest expense is affected by the amount of the loan and the interest rate; the Company paid off a small bank loan and debentures as of December 2007. Foreign exchange gains or losses are affected by variation in the currency exchange rates.

Income taxes vary according to the country in which income is earned. Prior to Q3 2008, no income tax was incurred at any of BioteQ's operations; during Q3 and Q4 2008, the Company incurred income tax expenses for its operations in China.

## Operating Results

A summary of the annual operating results by project is shown below:

| ($'000) | REVENUES | | PLANT OPERATING COSTS | | PLANT OPERATING PROFIT | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Bisbee | 1,636 | 2,368 | 1,291 | 1,231 | 345 | 1,137 |
| Raglan | 1,153 | 1,407 | 401 | 408 | 752 | 999 |
| Dexing | 1,625 | - | 920 | - | 705 | - |
| Mt. Gordon | 871 | - | 2,179 | - | (1,308) | - |
| Lluvia de Oro | 1,707 | - | 2,685 | - | (978) | - |
| Caribou | - | 436 | - | 347 | - | 89 |
| Other | 770 | 419 | 527 | 295 | 243 | 124 |
| Total | 7,762 | 4,630 | 8,003 | 2,281 | (241) | $2,349 |

Operating results for Q4 2008 have been significantly impacted by falling commodity prices, rising input costs, and lower than expected production at some of BioteQ's sites. A summary of fourth quarter operating results by project is shown below, followed by a discussion for each project:

| ($'000) | REVENUES | | PLANT OPERATING COSTS | | PLANT OPERATING PROFIT | |
|---|---|---|---|---|---|---|
| | Q4 2008 | Q4 2007 | Q4 2008 | Q4 2007 | Q4 2008 | Q4 2007 |
| Bisbee | 182 | 482 | 392 | 255 | (210) | 227 |
| Raglan | 126 | 374 | 101 | 93 | 25 | 282 |
| Dexing | 353 | - | 370 | - | (17) | - |
| Mt. Gordon | (263) | - | 1,051 | - | (1,314) | - |
| Lluvia de Oro | 753 | - | 2,000 | - | (1,247) | - |
| Caribou | - | - | - | - | - | - |
| Other | 118 | 281 | 74 | 215 | 44 | 65 |
| Total | 1,269 | 1,137 | 3,988 | 563 | (2,847) | 574 |

### The Bisbee Project, Arizona – Joint-venture with Freeport-McMoRan Copper & Gold

BioteQ operates a BioSulphide® plant to treat wastewater at an inactive mine site near Bisbee, Arizona, recovering copper from the drainage of a low-grade stockpile. The project, which has been operating since 2004, is a 50/50 joint venture with Freeport-McMoRan Copper & Gold. The plant was designed and built by BioteQ, and is owned and operated by the joint venture company Copreco LLC. The capital cost of the plant was approximately US$3.2 million, which was paid back within three years of initial operations. The joint venture partners share equally in the ongoing revenues and expenses. BioteQ operates the plant on behalf of the joint venture. Using BioteQ's BioSulphide® Process, the plant produces treated water that is reused at the mine site, and a high-grade copper concentrate, typically containing > 40% copper, which is shipped to a Freeport-McMoRan smelter where it is processed on commercially competitive terms; settlement is based on the average price for the month after shipment. The amount of copper recovered is dependent on the availability of water and the amount of copper and metals dissolved in the water. BioteQ earns revenue from the plant through the sale of its share of recovered copper.

| Bisbee plant operating results (total for the JV) | Q4 2008 | Q4 2007 | 2008 | 2007 |
|---|---|---|---|---|
| Water treated (cubic metres) | 796,870 | 679,379 | 2,898,532 | 2,894,881 |
| Mechanical availability (%) | 99 | 91 | 99 | 97 |
| Copper removed (pounds) | 333,000 | 343,000 | 1,274,000 | 1,421,000 |

The plant operated well during 2008, providing consistent mechanical availability and copper recovery. The volume of water treated is similar to the volume treated in 2007. Revenues from the Bisbee operation were $1,636,000 in 2008, a decline of 31% from 2007 when revenues were $2,368,000. The decline in revenues is due to lower copper prices during 2008 and because of a 10% drop in copper recovered resulting from reduced metal content in the water. Operating costs for the year were $1,291,000, a 5% increase compared to $1,231,000 in 2007.

Revenues in the fourth quarter of 2008 were $182,000, based on the sale of approximately 165,000 pounds of copper at an average net price of $1.11 (CDN) per pound, net of smelter and transportation costs. Revenues for the quarter were down by 62% compared to the same quarter in 2007 because of slightly lower production during the quarter and because of significantly lower copper prices. Operating costs, which rose during Q3, remained high during Q4, primarily due to higher reagent costs. Reagent costs for items like sulphur and acetic acid are typically tied to the price of oil. Reagent costs rose during Q3 due to unusually high oil prices, and remained high for the balance of the year.

Subsequent to year end, BioteQ and Freeport-McMoRan agreed to place the Bisbee operation on furlough as of April 1, 2009, to initiate technical improvements and cost reduction measures that are expected to improve the profitability of the joint venture. A reduced complement of BioteQ staff will remain on site to implement technical changes, including the use of a lower cost electron donor for the bioreactor. BioteQ plans to maintain the bioreactor activity at a level that would allow a rapid ramp-up in production should input costs and revenue meet minimum criteria for operations. The cost of power and consumables is expected to be minimal during the furlough period. BioteQ is responsible for the labour costs associated with BioteQ staff at the joint venture plant while Freeport is responsible for the labour cost associated with Freeport staff. Freeport has agreed to assume site overhead costs for the joint venture during the furlough period, and to initiate work on assessing various options for improving copper extraction from the stockpile. In addition, the joint venture will investigate opportunities to increase the revenue from the high grade copper product recovered. During the furlough period, the stockpile wastewater will be re-circulated back onto the stockpile, which is anticipated to increase the concentration of copper in solution available for treatment when the plant resumes operation.

BioteQ and Freeport have agreed to regularly review the status of the project, and maintain the plant so that operations can be re-initiated quickly when the profitability of the operation is improved. A timeline for start-up has not been established; however, the joint venture will review the project on a quarterly basis.

## The Raglan Project, Quebec – Build-own-operate for Xstrata Nickel

BioteQ operates a seasonal water treatment plant at the Raglan Mine, an active nickel mine in the Arctic region of northern Quebec, owned by Xstrata Nickel. Because of the harsh winter conditions in the Arctic, water is not available for processing until the spring thaw; the plant runs seasonally, typically from late spring to fall. The plant was built in 2004, and uses BioteQ's ChemSulphide® process to remove dissolved nickel from wastewater to produce clean water that meets strict water quality criteria for discharge to the environment. The nickel concentrate produced by the plant is shipped to a refinery with other nickel concentrate produced at the mine. This is a build-own-operate project, where BioteQ has provided the $2 million in capital to build the plant and delivers ongoing operating services in return for a water treatment fee of $1.12 per cubic metre of water treated, plus a capital fee of $31,800 per month until January 2009. The treatment fee has been increased to $1.14 per cubic metre of water treated for the 2009 season and safety and environmental bonuses have been included in the operations contract for 2009.

| Raglan plant operating results | Q4 2008 | Q4 2007 | 2008 | 2007 |
|---|---:|---:|---:|---:|
| Water treated (thousands of cubic metres) | 27,000 | 248,000 | 688,000 | 920,000 |
| Days operated (some partial) | 8 | 44 | 165 | 171 |
| Nickel removed (pounds) | 870 | 9,075 | 19,800 | 27,500 |

Plant operations for the 2008 season commenced in early June, following a dry winter. Due to the lack of available water, the plant processed 25% less water in 2008 than the previous year. The plant earned $1,153,000 in revenues in 2008, down 18% from 2007 revenues of $1,407,000. Revenues include fixed monthly fees for capital and treatment fees based on the volume of water treated. Plant operating costs were $401,000 in 2008, similar to 2007. Reagent costs are not included in plant operating costs as they are supplied by Xstrata.

The Raglan plant completed its operating season in early October, 2008, and was placed in stand-by mode for the winter. The shorter operating season is reflected in the fourth quarter financial results, as the plant generated $126,000 in revenue in Q4 2008, compared to $374,000 in the same quarter of 2007. Operating costs for the quarter were $101,000, slightly higher than the same period in 2007.

BioteQ expanded the scope of operating activities at the Raglan site in 2008, with operating responsibility for the Spoon water treatment plant, based on a "cost-plus" contract; the financial results from this contract are included in "Other Operations". BioteQ and Xstrata are exploring fee-based alternatives for future expansion of water treatment services at the Raglan site.

## The Dexing Project, China – Joint-venture with Jiangxi Copper Company

BioteQ added a new water treatment plant to its operations portfolio in 2008, with a new plant commissioned as of April 1, 2008 at the Dexing Mine, an active copper mine in China. The plant is a 50/50 joint venture project with Jiangxi Copper Company, China's largest copper producer, using BioteQ's ChemSulphide® process to remove dissolved copper from acid mine drainage generated by waste dumps and low grade stockpiles. The high-grade copper concentrate that is removed from the water is shipped to Jiangxi Copper Company's refinery in Guixi City; price is based on the average metal price during the month that the concentrate is shipped, less refining costs. The plant was designed by BioteQ, and is operated by the joint venture company JCC-BioteQ Environmental Technologies Ltd, which is managed jointly where BioteQ is responsible for technical operations and JCC is responsible for local administrative, procurement and government activities. The joint venture partners share equally in the revenues and costs. BioteQ generates revenue from the sale of its share of the recovered copper.

| Dexing plant operating results (total for the JV) | Q4 2008 | Q4 2007 | 2008* | 2007 |
|---|---|---|---|---|
| Water treated (cubic metres) | 1,197,316 | - | 4,449,000 | - |
| Mechanical availability (%) | 97 | - | 97 | - |
| Copper removed (pounds) | 273,000 | - | 981,000 | - |

*Note: 9 months of operations only, as plant was commissioned as of April 1, 2008.

The Dexing plant removed a total of 981,000 pounds of copper in 2008, exceeding its anticipated budget of 880,000 pounds by 11%, and generating $1,625,000 in revenue over its 9 months of operations. Operating costs for the year were $920,000. It is expected that 2009 operating costs will decline as input costs soften globally.

The Dexing plant delivered good mechanical availability and steady copper removal over the fourth quarter. The plant recovered 273,000 pounds of copper in Q4, at a recovery rate of more than 90%. The recovery rate for copper is affected by the amount of iron in the wastewater. BioteQ's share of plant revenue in the fourth quarter was $353,000 from sales of 137,000 pounds of copper at an average net price of $2.58 (CDN) per pound net of refining and transportation costs, with operating costs of $370,000 for the quarter, which include year-end adjustments for taxes and payroll costs.

Jiangxi Copper Company has completed a mine expansion at the Dexing site that is expected to gradually create additional water for treatment during the latter half of 2009, into 2010. The plant is budgeted to recover 1.2 million pounds of copper in 2009. BioteQ and Jiangxi Copper share equally in the project revenues and costs.

## The Mt. Gordon Project, Australia – Build-own-operate for Aditya Birla

BioteQ added another new water treatment plant to its operations portfolio in 2008, with the commissioning of a plant at the Mt. Gordon Mine, an active copper mine in Queensland, Australia. The mine is owned by Aditya Birla, a large metals conglomerate based in India. The plant is designed to treat water from mine drainage generated by waste dumps and low grade stockpiles, removing copper and a nickel/cobalt product using BioteQ's ChemSulphide®

process. The processed water is then evaporated using conventional evaporators to maintain the mine site's water balance and meet the conditions set for Birla Mt. Gordon by the Queensland EPA. The copper concentrate is sold for refining to Aditya Birla at commercially competitive rates; price is based on the average metal price for the fourth month after shipment, less refining and transportation costs. The copper circuit was fully commissioned as of April 1, 2008, and the cobalt/nickel circuit came online in December. This is a build, own, operate project where BioteQ has provided for all capital costs for the plant, C$ 9.1 million, in exchange for 100% of the metals recovered until capital cost plus 30% is repaid; thereafter, BioteQ is entitled to 90% of the metals recovered.

| Mt. Gordon plant operating results | Q4 2008 | Q4 2007 | 2008* | 2007 |
|---|---|---|---|---|
| Water treated (cubic metres) | 437,772 | - | 1,405,216 | - |
| Mechanical availability (%) | 98 | - | 96 | - |
| Copper removed (pounds) | 213,000 | - | 701,000 | - |

*Note: 9 months of operations only, as plant was commissioned as of April 1, 2008.

The Mt. Gordon plant delivered good mechanical availability and a high rate of copper recovery during its 9 months of operations in 2008. Commissioning of the cobalt/nickel circuit was completed in December, and produced 40,565 pounds of cobalt/nickel inventory by year end. The plant removed a total of 701,000 pounds of copper, generating revenue of $871,000 at an average net price of $1.25 (CDN) per pound net of refining and transportation costs. Operating costs at the site were higher than expected, at $2,179,000 for 2008, because of rising reagent and labour costs during the last half of the year.

The Mt. Gordon project recorded negative revenue of $263,000 for the fourth quarter of 2008. This occurred because metal prices fell significantly between the time the metal was shipped to the refinery and the final settlement date for pricing. BioteQ receives and records revenue when the metals are shipped, using a provisional price that is based on the average price at the time of shipment. However, the final revenue received by the Company is based on the average metal price in the fourth month after shipment. Because metal prices fell significantly over the four month period, BioteQ was required to refund a portion of the revenues originally received, resulting in negative revenue for the quarter. This adjustment offset revenue from the sale of 233,000 pounds of copper during the quarter.

Subsequent to the year end, the Mt. Gordon mine site was flooded during an unusual storm event that required the evacuation of all site personnel. BioteQ served notice under force majeure to Aditya Birla to temporarily shut down water treatment operations, pending review of damage to the water treatment plant equipment and inventories. This review remains underway at this time, and the start-date of operations is as yet unknown.

Concurrently, BioteQ has initiated discussion with Aditya Birla to revise the commercial terms of operations to a "cost-plus" fee arrangement for water treatment services, to replace the original commercial agreement that based BioteQ's revenue on metals recovered. The Company is awaiting a response from Aditya Birla.

## Lluvia de Oro, Mexico – Build-own-operate for NWM Mining

With the completion and commissioning of the Lluvia de Oro plant during 2008, at a cost of $6.4 million, BioteQ successfully applied its water treatment technology to a new application for gold mining operations, improving gold yields while removing metal contaminants from the gold extraction process and regenerating and recycling the gold process reagent. The site represents a strategic investment for BioteQ, as it is the Company's first commercial application in the gold mining industry, a market that has future growth potential for copper-complexed gold deposits. For this reason, BioteQ provided extensive support to the project, including loans to the site owner NWM Mining, and site management services.

The original commercial terms established in 2007 with NWM Mining required BioteQ to build, own, and operate the water treatment plant, in exchange for a 30% share of all metals recovered (including gold, silver, and copper) until capital costs plus 30% were recovered, then convert to a treatment fee for each pound of gold extraction reagent regenerated by the BioteQ plant and a share of copper recovered.

In April 2008, these terms were modified when BioteQ agreed to provide a short-term loan of up to $4 million to NWM to assist the gold project to move into production. The loan was secured by the gold project assets, and revised operating terms increased BioteQ's share of net revenues from the project to 50% of recovered metals in the event of loan default. BioteQ would also provide ADR services on a cost-plus fee basis. BioteQ completed construction of the water treatment plant in July 2008, concurrent with the initial gold production at the site.

In October 2008, the Company agreed to manage all operations at the Lluvia site on behalf of NWM Mining, in exchange for a management fee equivalent to all metals recovered at the site, until repayment of BioteQ's capital cost plus 30%, the $4 million loan plus accrued interest, and any additional site development costs incurred by BioteQ. Commissioning of the water treatment plant was completed in December 2008. NWM Mining was unable to meet its debt obligation to BioteQ as of December 2008, putting the loan from BioteQ into default. BioteQ elected not to exercise its security provisions at that time; instead, BioteQ scaled back operations at the site, pending additional investment NWM Mining was working to secure for operating permits and infrastructure for commercial mining operations.

Between July and December 2008, the site had limited operations, producing 1,418 ounces of gold (including 1,025 ounces to BioteQ's account), and 13,000 pounds of saleable copper. The site, including the gold operations and the water treatment plant, generated revenues of $1,707,000 for BioteQ, with operating costs of $2,685,000. All of the operating costs were associated with the gold extraction plant.

Subsequent to year end, BioteQ and NWM agreed to terminate the management agreement, and all ongoing financial and operational obligations associated with the mine site have been assumed by NWM. This enables BioteQ to preserve capital. BioteQ maintains ownership of the SART plant, which is in stand-by mode pending future copper production from heap leach activities. BioteQ maintains a first charge on the project assets of the Lluvia de Oro and La Jojoba sites to secure its investment, including the loan to NWM. BioteQ is currently exploring alternatives with third parties to recover its investment at the site.

## The Caribou Project, New Brunswick

BioteQ built and operated two plants at the Caribou Mine in New Brunswick, which served as the Company's initial commercial demonstration site. As of July 31, 2007 BioteQ is no longer active at this site, and the Company's proprietary technology has been removed. As a result, there are no revenues or expenses from this site in 2008.

## Other Operations

BioteQ is involved in several projects that are based on "cost-plus" contracts for plant equipment or for operating services. During 2008, the Company was engaged in two main contracts of this nature – a plant sale for the Wellington Oro site in Colorado, and an operating contract for a lime treatment plant at the Raglan Mine:

- In 2005, BioteQ won an international bid to provide a water treatment plant for a closed silver-zinc mine site called **Wellington Oro**, located near the town of Breckenridge, Colorado. The site is administered under the U.S. Environmental Protection Agency (US EPA) Superfund program, established to address abandoned hazardous waste sites in the USA. BioteQ's process was selected as the "best available technology" to remove dissolved cadmium and zinc from mine drainage by the US EPA, the Colorado Department of Public Health and Environment, Summit County, and the Town of Breckenridge. The goal of the mine cleanup is to lower the concentration of dissolved metals in the Blue River, to meet Colorado Water Quality Standards and protect the brown trout fishery.

  This project is a plant sale, with BioteQ responsible for design, engineering, procurement, commissioning, and operator training. The plant has been designed to process approximately 300 million litres of water annually. Plant construction was completed during Q3, and commissioning commenced during Q4. The plant treated over 4.7 million litres of water during November and December 2008. Revenues from the project totaled $394,000 in 2008, including $99,000 during Q4.

- In addition to operating a water treatment plant that uses BioteQ's metal removal technology at the **Raglan Mine** for Xstrata, the Company's scope of operating activities expanded at the site to include operation of a lime treatment plant in 2008, based on a "cost-plus" contract. The contract generated revenue of $274,000 during 2008. BioteQ expects to bid for this contract again in 2009 under similar terms.

## Construction Projects

BioteQ has two projects in its construction schedule:

- BioteQ has built a **ChemSulphide® plant** as a component for a water treatment system to be installed at a former refinery site in the US. The plant has been designed to remove zinc and cadmium from groundwater. The BioteQ technology was selected for application at this site because of its ability to meet very strict water quality criteria and because it eliminates the production of sludge, when compared to conventional lime processing. This is a plant sale to Freeport-McMoRan; BioteQ was paid for the plant in 2006. Installation and commissioning is subject to completion of site infrastructure and permitting by the site owner.
- BioteQ has signed an agreement with Freeport-McMoRan to design and build a demonstration plant for sulphate removal, using BioteQ's proprietary **Sulf-IX™** ion-exchange technology. It is expected that construction will start in 2009, subject to Freeport-McMoRan's schedule. Freeport-McMoRan will be responsible for all capital and operating costs.

## Development Projects

BioteQ has several projects in development. As a result of the global slowdown in the commodities markets, BioteQ has experienced project delays by customers. Timing of these projects is subject to customer schedules:

- BioteQ signed a construction and operating agreement in February 2008 with Molibdenos y Metales S.A. (Molymet) for the development of a water treatment plant at Molymet's **Nos Refinery** near Santiago, Chile. This plant will apply BioteQ's new Sulf-IX™ ion exchange technology for final water treatment to remove sulphate from solution, replacing an existing reverse osmosis plant. It is anticipated that the plant will be built in three stages to allow gradual replacement of the existing reverse osmosis technology. The capital cost for all three stages is estimated to be about $8 million, with a plant capacity of 700,000 cubic meters of water annually. BioteQ is responsible for design, construction, and operation of the plant, and will earn revenue based on water treatment fees determined by the cost savings generated compared to the existing reverse osmosis plant. The design report and engineering for the first stage has been completed. Construction is subject to scheduling and final agreement by Molymet.
- BioteQ has signed a development agreement with Molibdenos y Metales S.A. (Molymet), for a second water treatment plant at Molymet's **Nos Refinery** near Santiago, Chile to recover copper from a wastewater stream from their hydrometallurgical molybdenum refining process. The project is subject to a final construction and operating agreement.
- BioteQ initiated the second of six potential projects with Jiangxi Copper Company during 2008, at the **Yinshan Mine** in China, to remove copper and zinc. The design report to define the scale and scope of the project as well as preliminary economic has been completed; the timing of the project is subject to scheduling by Jiangxi Copper Company.
- BioteQ has completed an engineering study for Inco (now Vale Inco) for a water treatment plant to recover nickel from acidic underground mine water at the **North Mine** in Sudbury, Ontario. The project is subject to a final construction and operating agreement.

## Long-Lived Assets

The Company regularly reviews the carrying values of its long-lived assets. In light of current economic conditions, including low base metal prices as well as the Company's operating performance to date, a review was conducted.

The Company tests for recoverability using a two-step process. The first step involves the assessment of the undiscounted estimated future cash flows on a project by project basis compared to the current carrying value of each project. When impairment is indicated by the first step, a second step is carried out to measure the impairment using discounted cash flows to estimate the fair value. In carrying out the review of the Company's long-lived assets, management is also required to make a number of estimates or assumptions. Projected copper prices ranged from $1.50 US/lbs to a long term average of $2.00 US/lbs. For cobalt, projected prices ranged from $20.00 US/lbs to a long term average of $15.00US/lbs. US to Canadian dollar exchange rates ranged from 1.21 to 1.12. Management also performed sensitivity analyses, probability weighted scenarios and considered qualitative factors at each project that could impact future cash flows such as alternative commercial terms with customers, expanded scope of operations, and possible legislated changes to environmental requirements.

Based on the current review, management believes that there are sufficient opportunities at each project to restructure current operating terms, expand the scope of services, improve operating efficiency, and win new contracts in order to recover the current carrying value of long-lived assets. However, it is not possible to determine with any certainty the success and adequacy of these initiatives. Changes in market conditions, reserve estimates and other assumptions used in these estimates may result in future write downs.

## Liquidity and Capital Resources

At December 31, 2008, BioteQ had 66,126,974 (fully diluted-70,947,342) common shares issued and outstanding, compared to 65,483,883 (fully diluted-70,039,535) at December 31, 2007. Additional cash was received during the year from options and warrants which were exercised to issue 643,091 shares, for cash proceeds of $1,052,815. At the current date of March 24, 2009, the number of issued shares remains unchanged (fully diluted-70,838,342). There were 4,820,368 options outstanding to buy the same numbers of common shares. The increase in the number of issued shares in 2008 is due to the exercise of 573,334 options for cash of $930,740 and the exercise of 69,757 warrants for cash of $122,075. No new options were issued subsequent to year-end.

At December 31, 2008, the Company had cash and short-term investments, consisting of major bank paper, of $9,227,473, a decrease of $16,147,792 from December 31, 2007. For the year, this cash along with equity issues noted above of $1,052,815 have funded changes in operating activities of $2,736,174, non-cash working capital items of $979,096, the Company's new construction projects for $9,072,146 and a loan to NWM Mining Corporation of $4,413,191 to expedite completion of the Lluvia de Oro project.

Working capital at the quarter-end was $10,105,965, which does not include the loan and accrued interest to NWM, a decrease from December 31, 2007 by $13,248,696. The change was caused by substantially the same factors as affected cash, noted above. The balance of available funds is largely uncommitted. No new capital projects are currently scheduled for 2009.

Contractual obligations of BioteQ at December 31, 2008 are presented in the following table:

| | | PAYMENTS DUE BY PERIOD | | |
|---|---|---|---|---|
| CONTRACTUAL OBLIGATIONS | TOTAL | LESS THAN 1 YEAR | 1-3 YEARS | AFTER 3 YEARS |
| Operating leases | $125,504 | $125,504 | - | - |
| Purchase obligations | $217,000 | $217,000 | - | - |
| Total contractual obligations | $342,504 | $342,504 | - | - |

In addition, the Company is committed to repayment of Government assistance in the form of a quarterly remittance of 2% of corporate revenues. The maximum possible repayment amounts to $212,441, of which $112,364 has been accrued at December 31, 2008.

Management believes that the current working capital is sufficient to support the Company's operating requirements in the foreseeable future. In the longer term, the Company expects it will continue to grow through developing new projects, which will likely require additional equity or debt financing, depending on project scope and commercial terms. Management believes such funding will be available if its existing projects are proven to be successful, but recognizes the market uncertainty of such arrangements.

## Outlook

Clean water is becoming an increasingly rare commodity as the forces of climate change and contamination take their toll on global fresh water supplies. Adding to the challenge is the fact that, despite the best efforts of some countries to adopt conservation measures, water consumption is growing at double the rate of population growth. In the US and other developed countries, industrial users consume almost 60% of clean water supplies, according to UN Water Development.

Environmentally sound water usage and treatment practices have become an increasingly important driver behind many industrial operating decisions today. As the demand for potable water supplies grow – and available resources shrink – government and industry alike are re-examining their water usage practices and investing in newer technology to improve the level of water recycling and reuse. Legislation continues to impose more stringent requirements, including permitting of water use and water quality standards for effluent discharge into the environment.

Industries that rely heavily on water, such as mining, power generation, and oil & gas, are becoming leaders in adopting technologies that will change the face of water use. This creates new market opportunities for companies like BioteQ that can provide innovative technologies and specialized water treatment expertise to solve complex industrial water problems.

While BioteQ has experienced project delays in recent months as customers adjust their capital plans in response to the global economic changes, we remain optimistic about the Company's future. BioteQ has preserved working capital, enabling the Company to focus on market diversification. BioteQ has seven goals for 2009:

- BioteQ continues to **focus on reducing operating costs and optimizing its existing operations**, to ensure reliable and consistent operating results to solve complex environmental issues.
- **New business development** is a key priority for 2009. BioteQ will continue to maintain a solid customer base of the world's leading resource companies, utility operators, and regulators, and we are working to diversify our customer base to include power generation and oil & gas industries, where BioteQ's existing technologies can be applied.
- BioteQ is working to **secure new fee-based contracts**. Fee-based contracts, like that at Raglan, can provide a steady and predictable revenue stream.
- BioteQ plans to **expand the Company's presence in key markets**, targeting new projects in Canada, the US, Mexico, China, and Chile that are driven by regulation and environmental compliance.
- BioteQ will r**etain skilled and talented staff**. Over the past several years, we have built a strong team of experienced engineers and operators – this human capital is an important asset for future capacity and growth.
- BioteQ continues to **innovate to develop new solutions** to contaminated wastewater problems, in existing and new market sectors. Our engineering staff and operators are water treatment specialists that understand how to successfully commercialize new technologies and take them to market.
- BioteQ will work to **preserve working capital**.

# General

## Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected.

The Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms.

The Company's management has also evaluated the design and operating effectiveness of the Company's internal control over financial reporting as of the end of the period covered by this report. Based on the result of the assessment, the Company's Chief Executive Office and Chief Financial Officer have concluded that the Company's internal controls over financial reporting have been adequately designed. However, the operating effectiveness of controls has not been tested throughout the year and therefore cannot conclude that the controls were effective throughout the entire year.

The Company believes the lack of formal testing has been mitigated by the active involvement of senior management and the board of directors in all the affairs of the Company; open lines of communication within the Company; the present levels of activities and transactions within the Company being readily transparent; and the thorough review of the Company's financial statements by management and the board of directors. The Company has also engaged the services of an independent professional firm to assist in developing a formal testing plan to be executed throughout the current fiscal year. .

## Use of Certain Non-GAAP Financial Measures

Certain financial results presented in this MD&A and the accompanying press release include non-GAAP measures that exclude certain items. Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") exclude certain non-cash items such as stock-based compensation, modification of escrowed shares, and deferred financing cost expenses. Adjusted EBITDA does not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Management has started using this non-GAAP measure to establish operational goals and believes that this disclosure may assist investors in evaluating the results of and analyzing the underlying trends in our business over time. Investors should consider these non-GAAP measures in addition to, not as a substitute for, or as superior to, financial reporting measures prepared in accordance with GAAP.

Reconciliation of GAAP loss and comprehensive loss to adjusted EBITDA:

| Unaudited, in Canadian $'000 | 2008 | 2007 |
|---|---|---|
| Loss & comprehensive loss on GAAP basis | $ (5,245) | $ (4,167) |
| Amortization | 845 | 396 |
| Interest Income | (958) | (1,181) |
| Interest Expense | - | 23 |
| Income Taxes | 88 | - |
| EBITDA | (5,270) | (4,929) |
| Adjustments: | | |
| Stock-based compensation charge | 1,663 | 1,830 |
| Modification of escrowed shares | - | 2,100 |
| Deferred financing costs written-off | - | 33 |
| Adjusted EBITDA | $ (3,607) | $ (966) |

# Critical Accounting Estimates

In preparing financial statements, the Company has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience and current conditions, the Company makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by the Company's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by the Company. The Company's critical accounting estimates apply to the assessment for the impairment of property, plant and equipment and the valuation of other assets and liabilities such as loan receivable.

## Property, plant and equipment and long-lived assets

Expenditures on property, plant and equipment are stated at cost, net of grants and contractual amounts received under feasibility studies. Costs relating to property, plant and equipment in the course of construction are capitalized. Upon commissioning, these costs will be amortized over the useful life of the asset.

The Company evaluates the recoverability of long-lived assets and asset groups whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When such a situation occurs, the estimated undiscounted future cash flows anticipated to be generated during the remaining life of the asset or asset group are compared to its net carrying value. When the net carrying amount of the asset or asset group is less than the undiscounted future cash flows, an impairment loss is recognized to the extent by which the carrying amount of long-lived assets or asset group exceeds its fair value.

Management's estimates of mineral prices, foreign exchange, production levels and operating costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset groups. It is possible that material changes could occur that may adversely affect management's estimates.

## Revenue

Revenue from the Company's water treatment plants varies depending on the Company's agreements with various mining and other companies and can include:

- revenue from managing and operating the plants recognized as the services are performed;
- revenue from concentrate sales are recognized when the title of the concentrate passes to the customer and collection of proceeds is reasonably assured and recorded net of refining costs and transportation fees. Sales are initially recorded at a provisional price based on prevailing market prices. Final, or settlement, metal prices are based on a predetermined and defined quotational period one to four months after the month of shipment. The terms of the contracts result in embedded derivatives because of the timing difference between the provisional price and the final settlement price. These embedded derivatives are adjusted to fair value through revenue each period until the date of final price determination.
- fees from engineering services which are recognized as the services are rendered.

## Stock-based compensation

The Company accounts for stock options using the fair value method calculated using the Black-Scholes option pricing model. Under this method, stock based awards for employees are measured at the fair value of the equity instrument issued and stock-based compensation expense is recorded over the period in which the related employee services are provided. The fair value of stock based awards to non-employees is measured at the earliest of the date at which the services are provided, the date which a performance commitment is reached, or the option grant date if the options are fully vested and non-forfeitable. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus. The effects of forfeitures are accounted for as they occur.

# Changes in Accounting Policies

## Inventories

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants Section 3031, Inventory. This section provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value, and on the cost formulas that are used to assign costs to inventories. The recommendations also clarified that major spare parts are to be included in property, plant and equipment. Adoption of this section did not have any impact on the Company's financial statements.

## Financial Instruments and Capital Disclosures

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants Section 3862, Financial Instruments – Disclosures, section 3863, Financial Instruments – Presentation and section 1535, Capital Disclosures. These new standards establish additional presentation and disclosure requirements including the significance of financial instruments to the Company's position and performance, discussion regarding the nature and extent of risks surrounding the Company's financial instruments, disclosures regarding the Company's objectives, policies and process for managing capital; and what the Company regards as capital. The adoption of these standards did not impact net earnings or financial position.

# Future Accounting Changes

## Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants has issued new accounting recommendations for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (including internally developed intangible assets). These recommendations are effective for the Company beginning January 1, 2009. Goodwill and intangible assets that are not assets as defined by GAAP will be derecognized and charged to the equity at that date. The Company is evaluating the effect of these recommendations on its financial statements.

## Business Combinations and Related Sections

The CICA has issued new accounting recommendations related to business combinations and minority interests effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under GAAP with IFRS. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued new accounting recommendations that provide revised guidance on the preparation of consolidated financial statements and accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. The Company is evaluating the effect of these recommendations on its financial statements.

# Risks and Uncertainties

Companies operating in the process technology sector face many and varied risks. While the company strives to manage such risks to the extent possible and practical, risk management cannot eliminate risk totally. Following are the risk factors which the Company's management believes are most important in the context of the Company's business. It should be noted that this list may not be exhaustive and other risks may apply. An investment in the Company may not be suitable for all investors.

## Dependence on Key Personnel

The Company is substantially dependent upon a number of key employees and consultants. The loss of any one or more of the Company's key employees or consultants could have a material adverse effect on its business.

Additionally, the Company's ability to develop, manufacture and market its products and compete with current and future competitors depends, in large part, on its ability to attract and retain qualified personnel. Competition for qualified personnel in the Company's industry may prove to be intense, and it may have to compete for personnel with companies that have substantially greater financial and other resources than it does. Failure to attract and retain qualified personnel could have a material adverse effect on the Company's business operating results and financial condition.

## Securities of the Company and Dilution

The Company anticipates generating cash flow from all plants built, but not sufficient cash flow to provide for all future financing requirements. It is anticipated that each project built will be financed largely by presently available resources and debt, but some equity may be required. There can be no assurance that such financings will be available if needed or, if available, on terms satisfactory to the Company. The issuance of common shares in the capital of the Company in the future could result in further dilution to the Company's shareholders.

## Competition

Although the Company is not currently aware of any competitors for its metal removal process, there is a possibility that other companies will compete with the Company and such competitors may possess greater financial resources and technical facilities. Increased competition could result in significant price competition, reduced profit margins or loss of market share. The Company may not be able to compete successfully with existing or future competitors and cannot ensure that competitive pressures will not materially and adversely affect its business, operating results and financial condition.

## Uncertain Profitability of Commercial Application

The Company believes there are many sites which can benefit from the Company's processes. The Company has built eight significant commercial plants, one is awaiting installation and commissioning and several more are in the engineering stage. Until the Company has completed these revenue generating plants the Company's success cannot be assured. The Company currently derives its revenue from a limited number of sources (contracts). The loss of any one contract could result in a materially adverse effect on the Company's financial condition.

## Technology Risk

The Company has completed the construction and commissioning of a number of plants. The operating and engineering data from these plants is used in estimates for new projects under evaluation and/or in the design engineering stage. Notwithstanding the foregoing, each new commercial venture undertaken by the Company has the inherent technical risk of any continuous biological and/or chemical process, which could include the loss of the biological feedstock.

## Intellectual Property Protection

The Company cannot provide any assurance that any further intellectual property applications will be approved. Even if they are approved, such patents, trademarks or other intellectual property registrations may be successfully challenged by others or invalidated. The success of the Company and its ability to compete are substantially dependent on its internally developed technologies and processes which the Company will need to protect through a combination of patent, copyright, trade secret and trademark law.

The trademark, copyright and trade secret positions of the Company's business are uncertain and involve complex and evolving legal and factual questions. In addition, there can be no assurance that competitors will not seek to apply for and obtain trademarks and trade names that will prevent, limit or interfere with the Company's BioSulphide®, ChemSulphide®, or Sulf-IX™ processes. Litigation or regulatory proceedings, which could result in substantial cost and uncertainty to the Company, may also be necessary to enforce the intellectual property rights of the Company or to determine the scope and validity of other parties' proprietary rights. There can be no assurance that the Company will have the financial resources to defend its patents, trademarks and copyrights from infringement or claims of invalidity.

The patent positions of emerging companies can be highly uncertain and involve complex legal and factual questions. Thus, there can be no assurance that any patent applications made by or on behalf of the Company will result in the issuance of patents, that the Company will develop additional proprietary products that are patentable, that any patents issued or licensed to the Company will provide the Company with any competitive advantages or will not be challenged by any third parties, that the patents of others will not impede the ability of the Company to do business or that third parties will not be able to circumvent the patents assigned or licensed to the Company. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or, if patents are issued and licensed to the Company, design around the patented product developed for the benefit of the Company.

Since patent applications are maintained in secrecy for a period of time after filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that the investors of the patents were the first creators of inventions covered by pending applications, or that it was the first to file patent applications for such inventions. There can be no assurance that the Company's patents, if issued, would be valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

The Company is not currently aware of any claims asserted by third parties that the Company's intellectual property infringes on their intellectual property. However, in the future, a third party may assert a claim that the Company infringes on their intellectual property. If the Company is forced to defend against these claims, which may be with or without any merit or whether they are resolved in favour or against the Company, the Company may face costly litigation and diversion of management's attention and resources. As a result of such a dispute, the Company may have to develop costly non-infringement technology or enter into license agreements which may not be available at favourable terms.

## Access to Proprietary Information

The Company generally controls access to and distribution of its technologies, documentation and other proprietary information. Despite efforts by the Company to protect its proprietary rights from unauthorized use or disclosure, parties may attempt to disclose, obtain or use its solutions or technologies. There can be no assurance that the steps the Company has taken or will be taking will prevent misappropriation of its solutions or technologies, particularly in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in the United States or Canada.

## Commodity Prices

For some of the Company's operations, the Company will be selling recovered metals obtained from treated water to generate revenue. These recovered metals face commodity pricing risks and thus their prices may vary based on world supply and demand. There can be no assurance that the price of metals will maintain at current buying rates.

## Currency Risk

Commodities are priced in United States dollars. Therefore, any devaluation of the United States dollar would adversely affect the Company's future revenues. Further, since a significant portion of the Company's expenses are in Canadian and other currencies, a significant increase in the value of such currencies relative to the United States dollar coupled with unstable or declining base metal prices could have an adverse affect on the Company's results of operations to the extent that sales of base metals are not hedged.

## Environmental Regulation

The Company's business and operations are subject to environmental regulation in various jurisdictions in which it operates. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business and operations.

## Management of Growth

The Company could experience growth that could put a significant strain on each of the Company's managerial, operational and financial resources. The Company must implement and constantly improve its operational and financial systems and expand, train and manage its employee base to manage growth. The Company might also establish additional water treatment facilities which would create additional operational and management complexities. In addition, the Company expects that it's operational and management systems will face increased strain as a result of the expansion of the Company's technologies and services. The Company might not be able to effectively manage the expansion of its operations and systems, and its procedures and controls might not be adequate to support its operations. In addition, management might not be able to make and execute decisions rapidly enough to exploit market opportunities for the expansion of the Company's technologies and services. If the Company is unable to manage its growth effectively, its business, results of operations and financial condition will suffer.

## Conflicts of Interest

Certain of the directors, officers and other members of management of the Company and its subsidiaries serve (and may in the future serve) as directors, officers, promoters and members of management of other companies and therefore it is possible that a conflict may arise between their duties as a director, officer or member of management of the Company or its subsidiaries and their duties as a director, officer, promoter or member of management of such other companies. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the Business Corporations Act (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## Possible Volatility of Share Price

The market price of the Company's common shares could be subject to wide fluctuations in response to, and may be adversely affected by, quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. Broad market fluctuations or any failure of the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of the Company's common shares.

## Lack of Dividends

No dividends have been paid to date on the Company's common shares. The Company anticipates that for the foreseeable future the Company's earnings, if any, will be retained for use in its business and that no cash dividends will be paid on the common shares.

## Possible Loss of Investment

There can be no assurance of the Company's success and, therefore, any investors in securities of the Company could potentially lose their entire investment.

## Dilution

There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future which will result in dilution to the Company's shareholders.

# Management's Report to the Shareholders

The accompanying Consolidated Financial Statements, Management's Discussion and Analysis and all information in the Annual Report have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. The Consolidated Financial Statements were prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the accuracy, integrity and objectivity of the Consolidated Financial Statements and Management's Discussion and Analysis within reasonable limits of materiality and for the consistency of financial data included in the text of the Annual Report with that contained in the consolidated financial system.

To assist management in the discharge of these responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared. The Consolidated Financial Statements have been independently audited by PricewaterhouseCoopers LLP. Their report for 2008 outlines the nature of their audits and expresses their opinion on the Consolidated Financial Statements of the Company.

The Company's Audit Committee is appointed annually by the Board of Directors and is comprised of Directors who are neither employees nor officers of the Company. The Audit Committee meets with management as well as with external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the Consolidated Financial Statements, the independent auditors' report and the Management's Discussion and Analysis. The Audit Committee reports its findings to the Board of Directors for consideration in approving the Consolidated Financial Statements and Management Discussion and Analysis for presentation to the shareholders. The external auditors have direct access to the Audit Committee of the Board of Directors.

The Consolidated Financial Statements and Management's Discussion and Analysis have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 2 of the notes to the Consolidated Financial Statements of the Company.

P. Bradley Marchant
Chief Executive Officer

Paul Kim
Vice President &
Chief Financial Officer

# Auditors' Report to the Shareholders

**To the Shareholders of**
**BioteQ Environmental Technologies Inc.**

We have audited the consolidated balance sheets of BioteQ Environmental Technologies Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for each of the years in the two year period ended December 31, 2008. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

**Chartered Accountants**

Vancouver, BC
March 24, 2009

Consolidated Balance Sheets

As at December 31, 2008 and 2007

| | 2008 $ | 2007 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 3,524,777 | $ 1,758,744 |
| Short-term investments | 5,702,696 | 23,616,521 |
| Trade receivables | 709,362 | 339,217 |
| Receivable from joint venture partners | 1,019 | 153,318 |
| Taxes recoverable | 56,757 | 146,831 |
| Inventory (note 5) | 895,909 | 49,380 |
| Prepaid expenses | 373,858 | 164,594 |
| Other receivables | 852,278 | 224,180 |
| | 12,116,656 | 26,452,785 |
| **Loan receivable** (note 7) | 4,413,191 | - |
| **Property, plant and equipment** (note 8) | 22,170,585 | 15,832,942 |
| **Intangible asset** (note 9) | 162,598 | 193,570 |
| | $ 38,863,030 | $ 42,479,297 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $ 2,010,691 | $ 3,098,124 |
| **Shareholders' Equity** | | |
| **Capital stock, warrants and contributed surplus** (note 11) | 57,757,637 | 55,041,322 |
| **Deficit** | (20,905,298) | (15,660,149) |
| | 36,852,339 | 39,381,173 |
| | $ 38,863,030 | $ 42,479,297 |

**Commitments** (note 17)

**Subsequent Events** (note 18)

Approved by the Board of Directors

P.B. Marchant, Director

G.W. Poling, Director

The accompanying notes are an integral part of these consolidated financial statements

## Consolidated Statement of Operations, Comprehensive Loss and Deficit

For the years ended December 31, 2008 and 2007

| | 2008 $ | 2007 $ |
|---|---|---|
| **Revenue** | $ 7,762,490 | $ 4,630,272 |
| **Operating expenses** | | |
| Plant and other operating costs | 8,002,945 | 2,281,072 |
| General and administrative expenses | 2,429,146 | 2,274,739 |
| Marketing and development costs | 935,908 | 749,493 |
| Operating expenses before amortization and stock-based compensation | 11,367,999 | 5,305,304 |
| Amortization of property, plant and equipment (note 8) | 814,503 | 364,599 |
| Amortization of intangible asset (note 9) | 30,972 | 30,971 |
| Stock-based compensation charge (note 11) | 1,663,500 | 1,830,727 |
| Modification of escrowed shares | - | 2,100,000 |
| **Loss before the under noted** | (6,114,484) | (5,001,329) |
| **Interest income** | 604,385 | 1,180,679 |
| **Other income (expense)** | 353,995 | (22,707) |
| **Deferred financing costs written-off** | - | (32,771) |
| **Foreign exchange loss** | (921) | (291,232) |
| **Loss before income taxes** | (5,157,025) | (4,167,360) |
| **Income taxes** (note 12) | 88,124 | - |
| **Loss and comprehensive loss for the year** | $ (5,245,149) | $ (4,167,360) |
| **Deficit - Beginning of year** | (15,660,149) | (11,492,789) |
| **Deficit - End of year** | (20,905,298) | (15,660,149) |
| **Loss per share** - basic and diluted | $ (0.09) | $ (0.08) |
| **Weighted average number of basic and diluted shares outstanding** | 60,477,101 | 55,010,825 |
| Loss per share and weighted average number of basic and diluted shares outstanding excludes performance based escrow shares | 4,200,000 | 6,300,000 |

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the years ended December 31, 2008 and 2007

| | 2008 $ | 2007 $ |
|---|---|---|
| **Cash flows from (used in) operating activities** | | |
| Loss for the year | $ (5,245,149) | $ (4,167,360) |
| Items not affecting cash: | | |
| Amortization of property, plant and equipment | 814,503 | 364,599 |
| Amortization of intangible asset | 30,972 | 30,971 |
| Deferred financing costs written-off | - | 32,771 |
| Stock based compensation charge | 1,663,500 | 1,830,727 |
| Modification of escrowed shares (note 11) | - | 2,100,000 |
| | (2,736,174) | 191,708 |
| Change in non-cash working capital items (note 13) | (979,096) | 341,383 |
| | (3,715,270) | 533,091 |
| **Cash flows from (used in) financing activities** | | |
| Proceeds from exercise of warrants and options | 1,052,815 | 7,275,879 |
| Repayment of bank loan | - | (398,670) |
| | 1,052,815 | 6,877,209 |
| **Cash flows from (used in) investing activities** | | |
| Purchase of property, plant and equipment | (9,072,146) | (9,234,949) |
| Short-term investments | 17,913,825 | 1,669,325 |
| Increase in loan receivable | (4,413,191) | - |
| | 4,428,488 | (7,565,624) |
| **Increase (decrease) in cash and cash equivalents** | 1,766,033 | (155,324) |
| **Cash and cash equivalents - Beginning of year** | 1,758,744 | 1,914,068 |
| **Cash and cash equivalents - End of year** | $ 3,524,777 | $ 1,758,744 |
| **Supplemental cash flow information** | | |
| Interest paid | $ - | $ 22,707 |
| Withholding taxes paid and receivable | $ 56,757 | $ 146,831 |
| Income taxes paid | $ 88,124 | $ - |
| **Non-cash operating, financing and investing activities** | | |
| Increase (decrease) in accounts payable and accrued liabilities related to purchase of property, plant and equipment | $ (1,920,000) | $ 1,920,000 |

The accompanying notes are an integral part of these consolidated financial statements

## 1. Company operations

BioteQ Environmental Technologies Inc. ("BioteQ") has acquired and developed processes to treat metal-laden, sulphate-rich waste water streams for acid neutralization and metal recovery. Eight commercial scale plants have been built using its patented BioSulphide® or ChemSulphide® technology. The principal operations of the Company are to build process plants and earn revenues from recovered metals, treatment fees, plant sales and process licenses.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company has curtailed certain operations as a result of the current economic environment, weakness in metal prices and force majeure at one of its operations and has estimated that it will have adequate funds from existing working capital to meet corporate, development, administrative and other obligations for the coming year. However, the Company has not yet realized profitable operations and has relied on non-operational sources of financing to fund its operations. For the year ended December 31, 2008, the Company incurred a loss of $5,245,149, had a net decrease in cash and short term deposits of $16,147,792 and used net cash in operating activities of $3,715,270. The Company's success and recoverability of long-lived assets is dependent upon its ability to achieve or sustain profitable operations at existing sites, secure operating contracts with new customers, and obtain additional funding to accelerate future growth.

## 2. Significant accounting policies

**General accepted accounting principles**
These consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada ("GAAP") and are presented in Canadian dollars.

**Principles of consolidation**
The consolidated financial statements include the accounts of BioteQ and its wholly owned subsidiaries, Biomet Mining Corporation, BioteQ Arizona, Inc., BioteQ Water (Australia) Pty Ltd., Bioteq Water (Chile) SpA and BioteQ Water Mexico S.A. de C.V. (the "Company"). The accounts of the joint ventures in which the Company holds an interest are proportionately consolidated. All intercompany transactions and balances have been eliminated.

**Use of estimates**
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Assessment of the valuation of stock-based compensation, recoverability of long-lived assets and recoverability of the loan receivable are significant areas requiring the use of estimates. Actual results could differ from those estimates.

**Cash and cash equivalents**
Cash consists of unrestricted bank deposits, some of which are interest bearing and are all classified as held-for-trading. Cash equivalents consist of banker's acceptances that are readily convertible to known amounts of cash and are held to their original maturities within 90 days from their date of purchase.

**Short-term investments**
The Company's short-term investments consist of banker's acceptances and are classified as held-to-maturity for accounting purposes and carried on the balance sheets at amortized cost using the effective interest method, plus accrued interest. Investments with maturities of greater than 90 days and less than one year are classified as short-term investments.

**Inventories**
Inventories of concentrate are valued at the lower of average production cost and net realizable value. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services) and related production overheads, but excludes administrative and finance costs.

Supplies inventories are valued at the lower of cost and net replacement cost which approximately net realizable value.

**Property, plant and equipment and long-lived assets**
Expenditures on property, plant and equipment are stated at cost, net of grants and contractual amounts received under feasibility studies. Amortization has been provided for in the financial statements using the following rates and methods:

| | |
|---|---|
| Office equipment | 5 years straight-line |
| Vehicle | 5 years straight-line |
| Pilot plants | 5 years straight-line |
| Water treatment plants | 10 - 20 years straight-line |

Costs relating to property, plant and equipment in the course of construction are capitalized. Upon commissioning, these costs will be amortized over the useful life of the asset.

The Company evaluates the recoverability of long-lived assets and asset groups by plant location whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When such a situation occurs, the estimated undiscounted future cash flows anticipated to be generated during the remaining life of the asset or asset group are compared to its net carrying value. When the net carrying amount of the asset or asset group is less than the undiscounted future cash flows, an impairment loss is recognized to the extent by which the carrying amount of long-lived assets or asset group exceeds its fair value. Management's estimates of mineral prices, foreign exchange, production levels and operating costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset groups. It is possible that material changes could occur that may adversely affect management's estimates.

**Revenue**
Revenue from the Company's water treatment plants varies depending on the Company's agreements with various mining and other companies and can include:

- revenue from managing and operating the plants recognized as the services are performed;
- revenue from concentrate sales is recognized when the title of the concentrate passes to the customer and collection of proceeds is reasonably assured and recorded net of refining costs and transportation fees. Revenue is initially recorded at a provisional price based on prevailing market prices. Final, or settlement, metal prices are based on a predetermined and defined quotational period one to four months after the month of shipment. The terms of the contracts result in embedded derivatives because of the timing difference between the provisional price and the final settlement price. These embedded derivatives are adjusted to fair value through revenue each period until the date of final price determination.
- fees from engineering services are recognized as the services are rendered.

**Government assistance**
Government assistance is recorded when reasonable assurance exists that the Company has complied with the terms and conditions of the approved grant program. Government assistance is either recorded as a reduction of the cost of the applicable property, plant and equipment or credited in the statements of operations as determined by the nature of the assistance. Where assistance is contingently repayable, the repayment of these funds is treated as either an increase in the cost of the asset or an expense, in the year it is incurred, as determined by the original accounting treatment of the assistance.

**Foreign currency translation**
The Company's foreign subsidiaries and joint ventures are considered to be integrated foreign operations. Foreign denominated monetary assets and liabilities of the Canadian and foreign operations are translated into Canadian dollars at the rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities are translated at the exchange rates prevailing when the assets were acquired or the liabilities incurred. Revenues and expenses are translated at the average exchange rate prevailing during the year, except for depreciation and amortization which are translated at the same rates as those used in the translation of the corresponding assets. Foreign exchange gains and losses are included in the determination of net earnings or net loss.

**Loss per share**
Loss per share is calculated using the weighted average number of shares outstanding during the period, excluding performance based escrow shares, and diluted loss per share is calculated to reflect the dilutive effect of exercising outstanding stock options, warrants or equivalents by application of the treasury stock method except when the effect would be anti-dilutive. For the years ended December 31, 2008 and 2007, the Company excluded potential common share equivalents of 1,048,055 and 1,729,868, respectively, from the loss per share calculation as they were considered anti-dilutive.

**Future income taxes**
The Company accounts for income taxes using the liability method of tax allocation. Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases (temporary differences) and for the benefits of loss carry-forwards. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the substantial enactment date. Future income tax assets are evaluated, and if realization is not considered to be more likely than not, a valuation allowance is provided.

**Stock-based compensation**
The Company accounts for stock options using the fair value method calculated using the Black-Scholes option pricing model. Under this method, stock-based awards for employees are measured at the fair value of the equity instrument issued and stock-based compensation expense is recorded over the period in which the related employee services are provided. The fair value of stock-based awards to non-employees is measured at the earliest of the date at which the services are provided, the date which a performance commitment is reached, or the option grant date if the options are fully vested and non-forfeitable. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus. The effects of forfeitures are accounted for as they occur.

**Financial instruments**
The Company classified all financial assets and liabilities as either: held-to-maturity, held-for-trading, loans and receivables, available-for-sale, or other financial liabilities. The initial and subsequent recognition of the financial instrument depends on its initial classification.

The Company has classified its financial instruments as follows:

a) Cash and cash equivalents: the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value.

b) Short-term investments: the Company classified its short-term investments as held-to-maturity which are measured at amortized cost using the effective interest method. The carrying value of short-term investments approximates fair value due to their short-term nature.

c) Accounts receivable: the Company classified its trade receivables, receivable from joint venture partners, other receivables and loan receivable as loans and receivables, which are initially measured at fair value and subsequently at amortized cost using the effective interest method.

d) Accounts payable and accrued liabilities: the Company classified these as other financial liabilities, which are initially measured at fair value and subsequently at amortized cost using the effective interest method.

The Company expenses transaction costs in the period incurred. The impact of this new policy resulted in expensing deferred financing costs amounting to $32,771 in the statement of operations in 2007. Other than this adjustment, the adoption of the new accounting policy had no material effect on the Company.

**New accounting policies**
On January 1, 2008, the Company adopted the following CICA accounting standards:

**a) CICA Handbook Section 3031 – Inventories**

This section replaces section 3030 and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value, and on the cost formulas that are used to assign costs to inventories. The recommendations also clarified that major spare parts are to be included in property, plant and equipment. Adoption of this section did not have any impact on the Company's financial statements.

**b) CICA Handbook Section 1535 – Capital Disclosures**
This section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company is required to disclose qualitative and quantitative information that enables users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital (note 16).

**c) CICA Handbook Section 3862 – Financial Instruments – Disclosures**
This section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks (note 15).

**d) CICA Handbook Section 3863 – Financial Instruments – Presentation**
This Section established standards for presentation of financial instruments and non-financial derivatives.

## 3. Future accounting changes

**Goodwill and Intangible Assets**
The CICA has issued new accounting recommendations for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (including internally developed intangible assets). These recommendations are effective for the Company beginning January 1, 2009. Goodwill and intangible assets that are not assets as defined by GAAP will be derecognized and charged to the equity at that date. The Company is evaluating the effect of these recommendations on its financial statements.

**International Financial Reporting Standards ("IFRS")**
In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The strategic plan outlines the convergence of GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing existing GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**Business Combinations and Related Sections**
The CICA has issued new accounting recommendations related to business combinations and minority interests effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under GAAP with IFRS. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued new accounting recommendations that provide revised guidance on the preparation of consolidated financial statements and accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. The Company is evaluating the effect of these recommendations on its financial statements.

## 4. Agreements

The Company has a number of revenue generating agreements. The most significant are as follows:

**Raglan agreement**
On April 15, 2003, the Company entered into a 10-year agreement to construct and operate a water treatment plant to remove nickel from mine water at the Raglan mine owned by Xstrata Nickel in northern Quebec.

The contract provides for a plant with a design capacity to treat at least 530,000 cubic meters of water per year. Construction of the plant was largely completed in November 2003, but it was not operated until the spring thaw in June 2004. Under the contract, the Company charges a fixed monthly fee which has increased from $24,500 to $31,860 due to the cost of increased capacity requested by the client. In addition, an operating fee is charged of $1.06 per cubic meter of water treated, increasing up to a maximum of 2% per annum. In 2006, the fee was increased to $1.12 per cubic meter. The operating fee was chargeable when the plant reached certain operating criteria, which occurred in July 2004. The fees are subject to certain conditions and performance criteria that must be met by either Xstrata Nickel or by the Company. After 63 months from the plant installation date of November 2003, Xstrata Nickel has the option to purchase the plant at BioteQ's cost, less straight-line depreciation at 5% per annum, in which case the contract would cease and BioteQ would be entitled to an ongoing technology fee. At December 31, 2008, the cost of the plant, including commissioning costs, amounted to $1,987,400 (2007 - $1,985,209) and net book value after accumulated depreciation amounted to $1,497,709 (2007 - $1,594,834).

**Mt Gordon agreement**
In May 2007, BioteQ finalized the full scope of an agreement with Birla Mt Gordon Pty Ltd ("Birla") for the development and operation of a water treatment plant at Birla's Mt Gordon copper mine in Queensland, Australia.

The contract provides for a plant to recover copper, cobalt and nickel from contaminated water at the rate of 250 cubic meters per hour. In addition, BioteQ is to provide an evaporation system to reduce water inventory in Birla's pit by one gigaliter annually and also sufficient capacity in the system to maintain at least a zero discharge water balance at the site. BioteQ will retain the proceeds from all minerals extracted from the water until an amount equivalent to BioteQ's capital cost plus 30% has been recovered. Thereafter, Birla will be entitled to a net profits interest of 10%.

The commissioning of certain parts of the plant commenced in 2007. Full commissioning of the copper circuit and evaporation system and the separate cobalt recovery circuit commenced in 2008. The plant ceased commissioning and commenced operations on April 1, 2008. At December 31, 2008, the cost of the plant, including commissioning costs, amounted to $9,077,456 (December 31, 2007 - $7,403,557 in Construction in Progress) and net book value after accumulated depreciation amounted to $8,736,816. (also see Note 18 - Subsequent events).

**Lluvia agreement**
In February 2007, BioteQ signed an agreement with NWM Mining Corporation (formerly Columbia Metals Corporation) ("NWM") for the construction of a copper recovery and cyanide regeneration plant at NWM's mine site in Sonora, Mexico.

The contract provides for BioteQ to construct a plant to treat the solution from NWM's gold heap leach operation to regenerate cyanide and recover copper, prior to gold recovery by NWM. BioteQ will receive a share of all metal revenues produced at the property until it has recovered an amount equal to its capital cost plus a return of 30% ("Return on Capital"). During this period, each party is responsible for its own operating costs. BioteQ's share of the property's revenues will be based on the amount of capital ultimately contributed by each party in bringing the property into production. This was estimated in the agreement to amount to a split of 66.67% to NWM and 33.33% to BioteQ. After BioteQ has recovered its Return on Capital, BioteQ's revenue will accrue in one of two ways, at BioteQ's option. Either BioteQ will charge a fee of $0.85 per pound of regenerated cyanide and also retain all the copper recovered up to one million pounds per annum, and thereafter on a sliding scale, or it will charge an operating fee calculated as 15% of the operating expenses of its plant.

Commissioning of the plant commenced in 2008 and it was fully commissioned on December 11, 2008. At December 31, 2008, the cost of the plant, including commissioning costs, amounted to $6,280,750 (December 31, 2007 - $1,332,743 in Construction in Progress) and net book value after accumulated depreciation amounted to $6,267,535.

On October 1, 2008, the Company entered into a new agreement with NWM for the operations management of the Lluvia de Oro-Jojoba gold mines. The Company assumed responsibility for all operating activities at the site in exchange for a management fee from NWM. The agreement would be in place until the Company had recovered all related operating and development costs, original capital investment plus 30% and loans to NWM. As of October 1, 2008, the results of all operations of the site are reflected as part of the Company's consolidated results. In March 2009, the Company announced the termination of this management contract with NWM (also see Note 18 - Subsequent events and Note 7 – Loan receivable).

## 5. Inventory

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Inventory of chemicals and spare parts | 269,013 | 25,380 |
| Inventory of metal concentrate | 950,451 | 24,000 |
| | 1,219,464 | 49,380 |
| Writedown of metal concentrate | (323,555) | - |
| | 895,909 | 49,380 |

The cost of inventories recognized as expense and included in "plant and other operating costs" for year ended December 31, 2008 amounted to $7,041,054 (December 31, 2007 - $1,230,971). Non-inventory items recorded in plant and other operating costs include items such as labour, supplies and travel. A provision for the inventory of metal concentrate was recorded for the Mt. Gordon operations to reflect the inventory of concentrates at net realizable value (also see Note 18 - Subsequent events).

## 6. Interest in Joint Ventures

**Bisbee agreement**

During 2003, the Company signed agreements with Freeport-McMoRan Copper & Gold Inc. ("FMI") (formerly Phelps Dodge Corporation) for the construction and operation of a 50:50 joint venture water processing project at FMI's Bisbee property in southern Arizona. The plant recovers copper from a low-grade waste water stream. The plant was constructed by BioteQ and commissioning completed in August 2004. The plant has been operational from that date, with one half of revenues and costs being recorded in the statements of operations. The 50% interest in the joint venture in the consolidated financial statements is as follows (also see Note 18 - Subsequent events):

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| **Consolidated balance sheets** | | |
| Current assets | 30,700 | 24,000 |
| Long-term assets | 1,638,000 | 1,775,000 |
| Current liabilities | - | 7,000 |
| | | |
| **Consolidated statements of operations** | | |
| Revenue | 1,636,100 | 2,368,000 |
| Operating income | 345,200 | 1,137,000 |
| Net income | 203,700 | 981,000 |
| | | |
| **Consolidated statements of cash flows** | | |
| Operating activities | 348,900 | 1,159,000 |
| Investing activities | (4,500) | - |
| Financing activities | (344,400) | (1,159,000) |

**Dexing agreement**

During 2006, BioteQ signed a definitive joint venture agreement with Jiangxi Copper Corporation ("JCC") for the operation of a water treatment facility located at JCC's Dexing mine in Jiangxi Province, China. The joint venture agreement which forms an equal share joint venture company between BioteQ and JCC is called JCC-BioteQ Environmental Technologies Co. Ltd., builds and operates water treatment plants using BioteQ's technology. The agreement includes a license contract whereby BioteQ will provide its patented technology on a royalty-free basis to the joint venture company for use at the Dexing project as well as five additional sites owned and operated by JCC. The plant ceased commissioning and commenced operations on April 1, 2008.

The cost of the plant, including BioteQ's engineering and site costs, in Water Treatment Plants at December 31, 2008 amounted to $1,845,361 (December 31, 2007- $1,631,625 in Construction in Progress) and net book value after accumulated depreciation amounted to $1,780,002.

BioteQ's 50% of the joint venture in the consolidated financial statements is as follows:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| **Consolidated balance sheets** | | |
| Current assets | 1,966,000 | 1,000,000 |
| Long-term assets | 1,246,000 | 1,183,000 |
| Current liabilities | 608,000 | 355,000 |
| | | |
| **Consolidated statements of operations** | | |
| Revenue | 1,625,000 | - |
| Expenses, exchange gain | 720,000 | (96,000) |
| Net income | 816,000 | (96,000) |
| | | |
| **Consolidated statements of cash flows** | | |
| Operating activities | 1,033,000 | (741,000) |
| Investing activities | (77,000) | (1,183,000) |
| Financing activities | (99,000) | 1,961,000 |

## 7. Loan receivable

On April 2, 2008, BioteQ agreed to provide $3 million in debt financing to NWM to bring the Lluvia-Jojoba gold and copper mine into production, to coincide with the completion of BioteQ's water treatment plant. There was an extension option for a further $1 million which could be used to finance property payments. The loan has a maximum term of one year and if unpaid will result in an additional share of all net revenues to BioteQ until all loans are repaid. The loans are secured on the assets of the project. The loan bears an interest rate of 12% per annum calculated monthly and 2% per month on amounts used for working capital requirements. Loan amounts are due within one year of issuance and working capital requirements are due six months from issuance.

At December 31, 2008, the total amount advanced under the agreement is $4,413,191, including accrued interest of $351,239. NWM has failed to meet their first repayment obligation and are in default under the terms of the agreement. Subsequent to year end, the Company entered into negotiations with NWM to restructure the repayment terms of the loan and are exploring alternative arrangements with third parties (also see note 18 – Subsequent events).

## 8. Property, plant and equipment

| | | | **2008** |
|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net** |
| | **$** | **$** | **$** |
| Pilot plants | 372,113 | 357,447 | 14,666 |
| Office equipment | 266,999 | 156,541 | 110,458 |
| Vehicles | 162,464 | 44,837 | 117,627 |
| Water treatment plants - net | 22,694,903 | 1,925,937 | 20,768,966 |
| Construction in progress | 1,158,868 | - | 1,158,868 |
| | 24,655,347 | 2,484,762 | 22,170,585 |

| | | | **2007** |
|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net** |
| | **$** | **$** | **$** |
| Pilot plants | 372,113 | 353,263 | 18,850 |
| Office equipment | 184,404 | 114,993 | 69,411 |
| Vehicles | 137,795 | 14,811 | 122,984 |
| Water treatment plants - net | 5,484,593 | 1,187,026 | 4,297,567 |
| Construction in progress | 11,324,130 | - | 11,324,130 |
| | 17,503,035 | 1,670,093 | 15,832,942 |

To date, the Company has received $258,537 from third parties and $22,764 in investment tax credits which are offset against the cost of the pilot plants. Government assistance of $221,414 has been offset against the cost of the water treatment plant originally at the Caribou mine and $73,469 has been repaid subsequently and charged back to the plant costs.

Amortization expense for the year ended December 31, 2008 amounted to $814,503 (2007 - $364,599).

On April 1 2008, both the Dexing and Mt Gordon plants were commissioned and amortization of plant assets commenced. On December 11, 2008, the Lluvia SART plant was commissioned and amortization of plant assets commenced.

## 9. Intangible asset

| | Cost<br>$ | Accumulated amortization<br>$ | Net<br>$ |
|---|---|---|---|
| Intellectual property | | | |
| December 31, 2008 | 247,770 | 85,172 | 162,598 |
| December 31, 2007 | 247,770 | 54,200 | 193,570 |

BioteQ had a continuing obligation to pay royalties under a cooperative development agreement which expired on June 2, 2004. The agreement was replaced in March 2006 with a new marketing and royalty agreement under which BioteQ has paid a one time lump sum of $247,770 for the use of certain technology. The one time payment allows BioteQ to build one plant each year until 2014 using this technology. The payment has been capitalized as an intangible asset, and will be amortized over 8 years.

## 10. Long-lived assets and measurement uncertainty

The Company regularly reviews the carrying values of its long-lived assets. In light of current economic conditions, including low base metal prices as well as the Company's operating performance to date, a review was conducted for each of the Company's operating plants experiencing possible impairment conditions. The Company tests for recoverability using a two-step process. The first step involves the assessment of the probability weighted undiscounted estimated future cash flows on a project by project basis compared to the current carrying value of each project. When impairment is indicated by the first step, a second step is carried out to measure the impairment using discounted cash flows to estimate the fair value.

The following is a summary of the assumptions and approaches used in reviewing the carrying values of the following plants:

- Mt. Gordon, Australia: Future operations would include a combination of revenues from metals recovered and fee arrangement for water treatment services. Assumptions for copper prices ranged from $1.50US/lbs to $2.00US/lbs and Canadian to Australian dollar rates FX rates ranged from 1.21 to 1.12 over a 20 year estimated useful life of the plant.
- Bisbee, US (FMI Joint Venture): Future operations would include revenues from metals recovered and proposed cost savings and efficiency improvements at the site. Assumptions for copper prices ranged from $1.50US/lbs to $2.00US/lbs and US to Canadian dollar rates FX rates ranged from 1.18 to 1.12 over an 11 year estimated useful life of the plant.
- Dexing, China (JCC Joint Venture): Future operations would include revenues from metals recovered at the current capacity and cost structure. Assumptions for copper prices ranged from $1.50US/lbs to $2.00US/lbs and US to Canadian dollar rates FX rates ranged from 1.18 to 1.12 over a 20 year estimated useful life of the plant.
- Lluvia, Mexico: A combination of probability weighted cash flows from operations. Assumptions for copper prices ranged from $1.50US/lbs to $2.00US/lbs over an estimated five year project period.

Based on the current review, management believes that there are sufficient opportunities at each project to restructure current operating terms, expand the scope of services, improve operating efficiency, and enter into new contracts in order to recover the current carrying value of long-lived assets. However, it is not possible to determine with any certainty the success and adequacy of these initiatives. Changes in market conditions, reserve estimates and other assumptions used in these estimates may result in future write downs.

## 11. Capital stock, warrants and contributed surplus

Authorized

Unlimited common shares without par value

Issued and outstanding

| | Common shares | | Warrants | Contributed surplus | |
|---|---|---|---|---|---|
| | Number of Shares | Amount $ | Amount $ | Amount $ | Total $ |
| Balance - December 31, 2006 | 59,770,025 | 40,939,344 | 2,045,488 | 849,884 | 43,834,716 |
| Stock-based compensation | - | - | - | 1,830,727 | 1,830,727 |
| Modification of escrow shares | | 210,000 | | 1,890,000 | 2,100,000 |
| Exercise of warrants | 4,380,829 | 6,536,479 | (609,473) | - | 5,927,006 |
| Exercise of options | 1,333,029 | 1,872,449 | - | (523,576) | 1,348,873 |
| Balance - December 31, 2007 | 65,483,883 | 49,558,272 | 1,436,015 | 4,047,035 | 55,041,322 |
| Stock-based compensation | - | - | - | 1,663,500 | 1,663,500 |
| Exercise of warrants | 69,757 | 146,114 | (24,039) | - | 122,075 |
| Expiry of warrants | - | - | (1,411,976) | 1,411,976 | - |
| Exercise of options | 573,334 | 1,385,020 | - | (454,280) | 930,740 |
| Balance - December 31, 2008 | 66,126,974 | 51,089,406 | - | 6,668,231 | 57,757,637 |

On December 7, 2006, the Company completed a short-form prospectus financing at $1.75 per share for gross proceeds of $19,999,999. Issue costs were $2,103,263, of which $393,801 was settled with the issue of 1,142,857 warrants and $87,500 was settled with the issue of 50,000 common shares.

### a) Stock options

The Company has a stock option plan available to directors, employees and consultants. Under the plan, the Company may grant stock options to purchase shares up to 10% of the Company's issued and outstanding share capital from time to time, and at December 31, 2008, 6,612,697 options are available for issue, of which 4,820,368 have been issued. Options vest at the rate of 33% every six months from award and have a maximum term of five years from the date of the grant. A summary of the change in the Company's stock option plan for the year is as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Number | Weighted average exercise price $ | Number | Weighted average exercise price $ |
| Outstanding - January 1 | 4,398,701 | 2.49 | 3,927,365 | 1.34 |
| Options exercised | (573,334) | 1.62 | (1,333,029) | 1.01 |
| Options granted | 1,170,000 | 3.00 | 1,846,165 | 3.86 |
| Options forfeited | (174,999) | 4.62 | (41,800) | 2.23 |
| Outstanding – December 31 | 4,820,368 | 2.59 | 4,398,701 | 2.49 |
| Exercisable at December 31 | 3,202,713 | 2.22 | 2,472,292 | 1.52 |
| Available for future grant pursuant to Company's stock option plan at December 31 | 1,792,329 | | 2,149,687 | |

The following table summarizes information about common share options outstanding at December 31:

| | Range of exercise prices $ | Number outstanding at December 31 | Weighted average remaining contractual life (years) | Weighted Average exercise price $ |
|---|---|---|---|---|
| 2008 | 0.51 - 1.00 | 191,533 | 1.5 | 0.91 |
| | 1.01 - 1.50 | 666,667 | 2.0 | 1.00 |
| | 1.51 - 2.00 | 1,347,668 | 2.5 | 1.68 |
| | 2.01 - 2.50 | 101,534 | 3.0 | 2.31 |
| | 3.01 - 3.50 | 1,170,000 | 4.6 | 3.00 |
| | 4.01 - 4.50 | 1,342,966 | 3.6 | 4.20 |
| | | 4,820,368 | 2.8 | 2.59 |
| 2007 | 0.51 - 1.00 | 288,533 | 1.4 | 0.84 |
| | 1.01 - 1.50 | 683,334 | 3.3 | 1.34 |
| | 1.51 - 2.00 | 1,633,669 | 3.5 | 1.72 |
| | 2.01 - 2.50 | 275,200 | 4.1 | 2.33 |
| | 4.01 - 4.50 | 1,517,965 | 4.6 | 4.20 |
| | | 4,398,701 | 3.8 | 2.49 |

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | 2008 | 2007 |
|---|---|---|
| Expected dividend yield | - | - |
| Expected stock price volatility | 37% | 36% - 42% |
| Risk-free interest rates | 2.75% - 3.00% | 4.15% - 4.75% |
| Expected life of options (years) | 3 | 3 |
| Forfeiture rate | - | 7.40% |

During the year, the Company changed its method for accounting for stock option forfeitures and will recognize forfeitures as they occur for future grants. The impact of the change is not material to warrant a retroactive adjustment.

The weighted average fair value and weighted average exercise price of options granted in the periods indicated were as follows:

| | Weighted average fair value $ | Weighted average exercise price $ |
|---|---|---|
| Year to December 31, 2008 | 0.86 | 3.00 |
| Year to December 31, 2007 | 1.19 | 3.86 |

Of the total stock-based compensation charge, which amounted to $1,663,500 (2007 - $1,830,727) for the year, $61,700 (2007 - $412,673) relates to stock options granted to non-employees.

**b) Warrants**

As at the December 31, 2008, the following warrants were outstanding:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Number | Weighted average exercise price $ | Number | Weighted average exercise price $ |
| Outstanding - January 1 | 156,951 | 1.75 | 4,537,781 | 1.37 |
| Issued | - | - | - | - |
| Exercised | (69,757) | 1.75 | (4,380,829) | 1.35 |
| Expired | (87,194) | (1.75) | (1) | - |
| Outstanding – December 31 | - | - | 156,951 | 1.75 |

On December 7, 2006, the Company issued the agent for a prospectus financing, common share purchase warrants to buy 1,142,857 shares at a price of $1.75 for two years from the issue date. The Company has treated these costs as share issue costs based on their fair value. The fair value of the warrants granted was estimated on the date of grant using Black-Scholes option pricing model with the same assumptions as used for stock options granted during the year, except that the estimated useful life of warrants was two years.

**c) Escrow shares**

At December 31, 2008, the common shares issued include 4,200,000 (2007 - 6,300,000) performance shares which were to be released from escrow based upon the cash flow performance of the Company determined annually in accordance with the policies of the Toronto Venture Exchange. Any performance shares not released within 10 years from issuance on December 20, 2000 would be cancelled and returned to the Company's treasury. At the Company's annual general meeting on April 23, 2007, the shareholders approved a change in the escrow arrangement to a time release method. The time release formula would allow release of the escrow shares over a period of 36 months, on the basis of 10% of the shares on the date specified in the news release announcing the conversion, and 30% of the original number of the escrow shares every 12 months thereafter. The three time releases of 30% are also subject to the Company building and operating a total of three new water treatment plants in each period of 12 months. The new plants are cumulative in qualifying for each release of 30%.

The change in the escrow arrangement was approved by all parties to the original escrow contract and represents a modification of the escrowed shares, which has resulted in additional stock-based compensation expense of $2,100,000 during 2007. The first release of 10% (700,000 performance shares) took place in October 2007.

During the year, the Board of Directors approved the release of an additional 2,100,000 of escrowed shares.

**d) Option agreement**

In June 2007, the Company entered into an option agreement to purchase an engineering and fabricating company for 1,000,000 shares of BioteQ and $500,000 in cash, at the sole option of BioteQ. The agreement has a term of three years from the date of the agreement, with a possible extension of two years for additional consideration of 500,000 shares of BioteQ for each year extended. There was nominal cost for the option. In order for the option to be exercised, BioteQ's shares are required to be trading for at least $3.00 at the exercise date.

## 12. Income taxes

As at December 31, 2008, the Company has approximately $919,000 of research and development expenditures available for unlimited carry-forward, and $86,000 of investment tax credits, expiring 2008 to 2010, all of which may be used to reduce future Canadian income taxes otherwise payable.

The Company has accumulated losses of approximately $12,434,000 for Canadian income tax purposes which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

| | $ |
|---|---|
| 2009 | 899,000 |
| 2010 | 1,310,000 |
| 2014 | 1,439,000 |
| 2015 | 2,284,000 |
| 2026 | 2,416,000 |
| 2027 | 1,648,000 |
| 2028 | 2,438,000 |
| | 12,434,000 |

In addition, BioteQ has available U.S. tax losses from 2005 of $790,000 from its U.S. branch operations. These losses can be carried forward for 20 years from the year incurred, to offset against future U.S. taxable income.

As at December 31, 2008, the Company's future tax assets and liabilities were as follows:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Property, plant, and equipment | 439,000 | (77,000) |
| Financing costs | 194,000 | 335,000 |
| Research and development expense carry-forwards | 295,000 | 304,000 |
| Non-capital loss carry forwards | 4,236,000 | 3,369,000 |
| | 5,164,000 | 3,931,000 |
| Valuation allowance | (5,164,000) | (3,931,000) |
| Total future tax assets | - | - |

No income tax benefits related to the future tax assets have been recognized in the accounts as their realization does not meet the requirements of "more likely than not" under the liability method of tax allocation.

The reconciliation of income tax attributable to operations computed at the statutory tax rates to income tax expense (recovery), using a 31% (2007 - 34.12%) statutory tax rate, for the year ended December 31 is as follows:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Income tax recovery at statutory rates | (1,599,000) | (1,422,000) |
| Change in valuation allowance | 1,232,000 | (537,000) |
| Non-deducible expenses | 522,000 | 1,345,000 |
| Tax rate differences | 229,000 | 681,000 |
| Other | (296,000) | (67,000) |
| | 88,000 | - |

## 13. Change in non-cash working capital items

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Decrease (increase) in trade receivables | (370,145) | 182,056 |
| Decrease (increase) in receivable from joint venture partners | 152,299 | (88,528) |
| Decrease in taxes receivable | 90,074 | 39,616 |
| Decrease (increase) in inventory | (846,529) | 202,272 |
| Increase in prepaid expenses | (209,264) | (44,348) |
| Increase in other receivables | (628,098) | (135,016) |
| Increase in accounts payable and accrued liabilities | 832,567 | 185,331 |
| | (979,096) | 341,383 |

## 14. Segmented information

The Company currently has one operating segment. Geographic disclosures are as follows:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Revenue | | |
| Canada | 1,494,689 | 1,842,754 |
| U.S. | 2,064,404 | 2,782,718 |
| Australia | 871,391 | 4,800 |
| China | 1,624,782 | - |
| Mexico | 1,707,224 | - |
| | 7,762,490 | 4,630,272 |
| Property, plant and equipment | | |
| Canada | 2,183,507 | 2,225,949 |
| U.S. | 2,938,037 | 3,124,105 |
| China | 1,813,219 | 1,663,657 |
| Australia | 8,806,544 | 7,486,488 |
| Mexico | 6,429,278 | 1,332,743 |
| | 22,170,585 | 15,832,942 |

Revenues were derived from customers that individually accounted for greater than 10% of total revenues, as follows:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Customer A | 1,494,689 | 1,407,105 |
| Customer B | 1,636,102 | 2,368,296 |
| Customer C | 1,691,361 | - |
| Customer D | 1,624,782 | - |
| Customer E | 871,391 | - |
| | 7,318,325 | 3,775,401 |

## 15. Financial instruments

Under GAAP, financial instruments are classified into one of the following categories: held for trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Held for trading (cash and cash equivalents) | 3,524,777 | 1,758,744 |
| Held to Maturity (short-term investments) | 5,702,696 | 23,616,521 |
| Loans and receivables | 5,975,850 | 716,715 |
| Other financial liabilities | 2,010,691 | 3,098,124 |

Interest income and other gains and losses from "held for trading" and "held to maturity" financial assets are recognized in interest income. Interest income, expense and gains and losses from loans, receivables and other financial liabilities are recognized in other income (expense). The following table summarizes interest income and expense under the effective interest method for the year ended December 31, 2008:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Interest income (expense) from: | | |
| Held for trading (cash and cash equivalents) | 61,527 | 79,899 |
| Held to maturity (short-term investments) | 542,858 | 1,100,780 |
| Loans and receivables | 353,995 | - |
| Other financial liabilities | - | (22,707) |

**Fair Value**
Cash and cash equivalents, short-term investments, trade receivable, receivable from joint venture partners, other assets and accounts payable and accrued liabilities are short term financial instruments whose fair value approximated the carrying amount given that they will mature shortly.

The loan receivable (note 7) was issued at fixed interest rates comparable to prevailing rates for similar instruments. As of December 31, 2008, NWM was in default of the terms of the loan. The Company has not exercised its security over the loan. The Company has estimated the fair value of the security underlying the loan receivable based on (1) applying an estimated value or reserve multiple for comparable companies to the estimated reserves of the Lluvia de Oro site which was provided as security for the loan receivable; and (2) estimating the fair value of the security provided on the loan receivable based on the market capitalization of NWM as at December 31, 2008. As a result, the Company has determined that the fair value of the collateral is in excess of the carrying value of this loan and no impairment is required.

**Measurement Uncertainty**
The Company recognizes revenues on sales of recovered metals at a provisional price for the metals at the time of shipment. All sales that have not been settled at the reporting period have been recognized at market prices at the balance sheet date. Actual settlement prices are based on market prices of metals one to four months after shipment. Future changes in market prices could require a material change in recognized amounts in future periods.

**Risks**
The Company's activities expose it to various risks, including credit risk, market risks such as foreign exchange risk and interest rate risk, and liquidity risk. The Company's risk management activities are designed to mitigating possible adverse effects on the Company's performance, having regard for the size and scope of the Company's operations, with a primary focus on preservation of capital. Risk management activities are

managed by the finance and accounting department. The Company's risk management policies and procedures have not changed from 2007.

**a) Interest rate risk**
Short-term investments are invested in separate investments with varying maturities exposing the Company to interest rate risk on these financial instruments. All short-term investments have remaining maturities of less than one year. The recognized interest income of the Company's short-term investments for the year ended December 31, 2008 was $542,858. It is estimated that net income (loss) will fluctuate by $56,900 per annum, for every 1% change in the prevailing rates of interest.

The loan receivable (note 7) was issued at fixed interest rates and the Company is not exposed to interest rate fluctuations on the loan.

**b) Credit Risk**
The Company is exposed to credit risk in its cash and cash equivalents, short-term investments, trade receivable, loans and other receivables. As the Company does not utilize credit derivatives or similar instruments, the maximum exposure to credit risk is the full carrying value of the financial instrument. The Company minimizes the credit risk of cash and cash equivalents and short-term investments by depositing only with reputable financial institutions and limiting the term to maturity to less than one year.

Credit risk on trade receivable and other loan receivables are minimized by performing credit reviews, on-going credit evaluation and account monitoring procedures. All of the Company's receivables have been reviewed for indicators of impairment. At December 31, 2008, the allowance for doubtful accounts balance of $nil (2007 - $nil). In addition, we recorded a bad debt expense of $nil during the year ended December 31, 2008 (2007 - $nil). Of the Company's receivables, there are no overdue balances and collection is reasonably assured. The definition of items that are past due is determined by reference to terms agreed with individual customers. No trade receivable have been challenged by the respective customers and the Company continues to conduct business with them on an on-going basis. Accordingly, management has no reason to believe that the balance is not fully collectible.

As of December 31, 2008, the loan receivable balance (note 7) of $4,413,191 accounted for 73% of all receivable balances. This balance is secured by the assets of the Lluvia de Oro Mine. The Company has estimated the fair value of the collateral to be in excess of the loan receivable.

As of December 31, 2008, there were tax related recoverables of $907,804 accounted for 56% of all trade receivable. Of this balance, $751,442 related to Mexican IVA tax (GST), which is being paid on construction work on a new project in Mexico. The Company has no reason to believe that these balances will not be collected.

**c) Foreign Currency Risk**
There is a risk to the Company's earnings that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company's financial results are reported in Canadian dollars. The Company does not hedge foreign exchange risks.

The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to that of the United States dollar, because the Company's revenues are largely derived from the sale of commodities which are priced in U.S. dollars. In addition, and to a lesser extent the Company is exposed to currency fluctuations related to operating costs and any construction costs in the local currencies where its plants are being built. Presently, currencies affected would be the Australian dollar, Chinese Renminbi and Mexican Pesos. If the Canadian dollar depreciated by one cent against the US dollar at December 31, 2008, with all other variables held constant, the impact of the foreign currency change on the US denominated financial instruments would lead to additional after tax net income (loss) of $3,000. If the Canadian dollar depreciated by 1% against the other currencies mentioned above, with all other variables held constant, the impact of the foreign currency change on the other foreign financial instruments would lead to additional after tax net income (loss) of $20,000. For the year ended December 31, 2008, the Company reported a foreign exchange loss of $921 (2007 - $291,232).

**d) Liquidity Risk**
Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents and short-term investments. The ability to do this relies on the Company collecting its trade receivable in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs. At December 31, 2008, the Company's accounts payable and accrued liabilities were $2,010,691, which falls due for payment within twelve months of the balance sheet date.

**e) Commodity Price Risk**
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. The Company does not have any hedging or other commodity based risks respecting its operations.

## 16. Capital management

In the management of capital, the Company includes shareholders equity, excluding accumulated other comprehensive income. The Company manages its capital to ensure that financial flexibility is present to increase shareholder value through organic growth and selective acquisitions as well as allow the Company to respond to changes in economic and/or marketplace conditions.

Considering the early stage of development of the Company, it has not utilized debt financing to any significant degree and currently has no outstanding debt or facilities, and there are no externally imposed capital requirements. In order to maintain or adjust its capital structure the Company may issue new shares, purchase shares for cancellation pursuant to a normal course issuer bid, raise debt or refinance existing debt with different characteristics. There were no changes in the Company's approach to capital management during the period.

## 17. Commitments

The Company has commitments of $125,500 under operating leases for office and laboratory premises.

The Company is committed to repayment of government assistance in the form of a quarterly 2% royalty on corporate gross revenues. The maximum amount remaining to be paid is $212,441 of which $112,364 has been accrued at December 31, 2008.

The Company has committed approximately $217,000 on a purchase contract for chemicals.

## 18. Subsequent events

a) In January 2009, the Mt. Gordon mine site in Queensland, Australia experienced heavy rainfall that flooded the site and led to suspension of all mining and water treatment activities. The Company has suffered damages to equipment and inventory but cannot confirm the extent of the damage until conditions at the site improve and personnel can access the impacted areas. The Company has served notice to its customer temporarily shutting down operations under the force majeure clause of its agreement. The Company expects that any loss or damage to equipment and inventory will be replaced under its existing property insurance policy.

b) In March 2009, the Company announced the termination of its management contract with NWM entered into on October 1, 2008. The cancellation of the management contract returns all mining activities and financial responsibility back to NWM. The Company continues to own its plant at the site.

c) In March 2009, the Company and FMI agreed to place the Bisbee operation on furlough as of April 1, 2009. During this time, the Company and FMI will initiate technical improvements and cost reduction measures that are expected to improve the profitability of the joint venture. A timeline for start-up has not been established. The status of the project will be regularly reviewed on a quarterly basis and the plant will be maintained so that operations can be re-initiated quickly when the profitability of the operation is improved.

# CORPORATE INFORMATION

## Directors

George W. Poling [1,4]
Chairman of the Board of Directors of the Company
Independent Consultant and Professor Emeritus
University of British Columbia
Vancouver, British Columbia

C. Bruce Burton [1,3]
Independent Consultant
Toronto, Ontario

Kelvin P.M. Dushnisky [1,2,3]
Executive Vice-President, Corporate Affairs
Barrick Gold Corporation
Toronto, Ontario

P. Bradley Marchant [4]
CEO of the Company
Vancouver, British Columbia

Clement A. Pelletier [2,4]
President & CEO
Rescan Environmental Services Ltd.
Vancouver, British Columbia

Kenneth F. Williamson [2,3]
Independent Consultant
Dwight, Ontario

1 – member, Audit Committee
2 – member, Compensation Committee
3 – member, Corporate Governance Committee
4 – member, Technical Committee

## Officers

P. Bradley Marchant
CEO

David Kratochvil
President & COO

Richard W. Lawrence
Vice President

Paul Kim
Vice President & CFO

Tanja McQueen
Vice President

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## Investor Relations

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## Legal Counsel

McCullough O'Connor Irwin
Vancouver, British Columbia

## Auditors

PricewaterhouseCoopers
Vancouver, British Columbia

## Banker

HSBC Bank Canada
Vancouver, British Columbia

## Transfer Agent

Computershare
Vancouver, British Columbia

## Stock Exchange

Toronto Stock Exchange (TSX)
Symbol: BQE

## Annual Meeting

9 am, May 4, 2009
The Conference Centre
Second Floor
888 Dunsmuir St.
Vancouver, British Columbia

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