BIOTEQ
ENVIRONMENTAL TECHNOLOGIES INC.

2014 ANNUAL REPORT

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Company Profile

BioteQ Environmental Technologies is a service provider that specializes in treating mining wastewater and specific hydrometallurgical streams with the focus on reducing Life Cycle Costs (LCC) while achieving compliance and introducing sustainability into water management. Our treatment solutions minimize waste, recover value from waste where possible and maximize water recovery. We have extensive expertise and operations experience in sulphide precipitation, ion exchange, alkali/lime neutralization and SART process technologies.

Our objective is to develop long-standing partnerships with our customers by helping them manage the technical and technology risks with implementing new processes and operating water treatment plants. We do this by supplying our know-how and where applicable, our patented process technologies using a variety of services supply models. Under these models, BioteQ takes on the responsibility for plant operations, provides plant performance guarantees and assures fixed operating costs for a period of time. In return, the customer receives cost certainty, risk reduction by paying only when the plant meets performance and plant management by process experts and experienced operators. With projects where BioteQ does not operate, we can provide on-going technical support to ensure continued optimal plant operations.

Since 2001, BioteQ has designed and commissioned 17 water treatment plants and currently provides operating services to six plants under long-term contract. With headquarters and a laboratory in Vancouver, Canada and offices in Santiago, Chile and Dexing, China, BioteQ has the capability to offer a full scope of services, from lab and pilot testing, engineering design and procurement, commissioning, plant operations, on-going technical support and plant optimization.

Over the past decade, BioteQ has provided water treatment services to Glencore Canada, Kinross Gold, Teck Corporation, Freeport-McMoRan, Jiangxi Copper Company, Koza Gold and the US EPA.

Water Treatment Solutions

As a service provider specializing in mine water treatment, we offer an array of solutions to help mining companies achieve compliance with their projects.

SERVICES

Lab Testing
Verify process applicability and optimal performance specifications.

Pilot Demonstration
On-site field testing and process demonstration for sulphate and selenium removal.

Engineering Design & Procurement
Detailed process design, equipment specifications and plant automation.

Commissioning
All tasks to bring new treatment plant to reach performance targets.

Operations
Labour required for plant operations, technical supervision, reporting and preventative maintenance.

Ongoing Technical Support
Control system monitoring, remote monitoring, data analysis, troubleshooting, operator training and 24/7 on-call remote assistance.

Plant Optimization
Reducing costs and optimizing performance of existing plants.

TECHNOLOGIES

Metal Recovery & Removal

BioSulphide® and **ChemSulphide®** *(patented)*
Sulphide precipitation processes using biological or chemical sources of sulphide to selectively precipitate dissolved metals from wastewater.

SART
Developed by SGS Lakefield and Teck Corporation to remove the metallurgical interference of cyanide-soluble metals in gold extraction.

Met-IX™
Selective ion exchange process treating mine water containing very low levels of dissolved metals that must be lowered further to meet stringent discharge limits.

Sulphate Removal

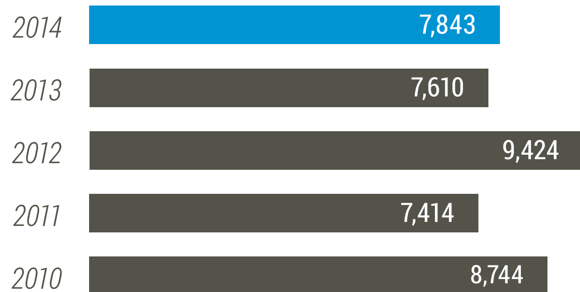
Sulf-IX™ and **Sulf-IXC™** *(patented)*
Ion exchange processes using resins to selectively remove sulphate and hardness from wastewater, producing effluent compliant with sulphate discharge limits and a solid gypsum by-product.

Selenium Removal

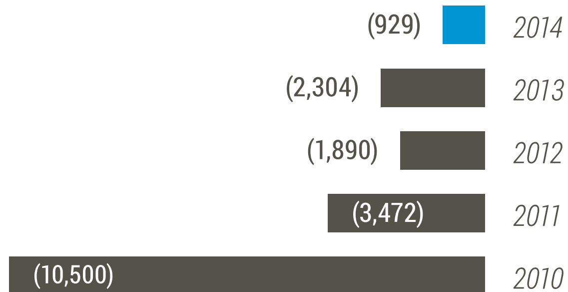
Selen-IX™ *(patent pending)*
Active ion exchange based solution combined with electrochemical reduction of selenate to selenium to remove selenium from mine water.

Key Metrics

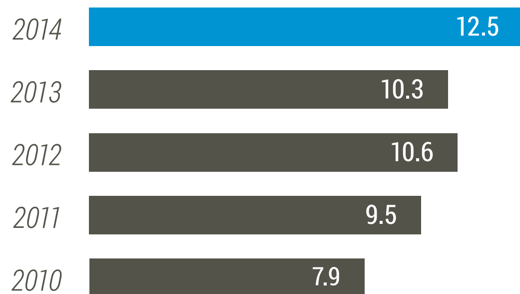
PROPORTIONAL REVENUES ($ '000)



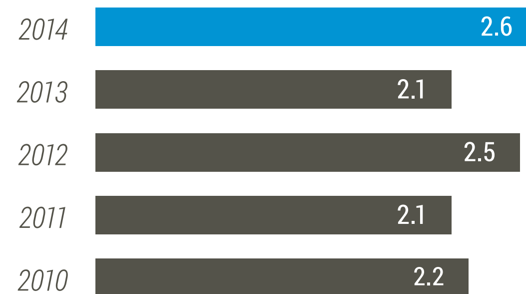
ADJUSTED EBIDTA ($ '000)



WATER TREATED (billion L)



METALS RECOVERED FROM WASTE (million lbs)



CEO Message

In many respects, 2014 was a year of change. With my return to the company as President and Interim CEO, and the appointment of Peter Gleeson as Executive Chairman, the company's strategic direction shifted away from BioteQ being an equipment vendor to that of a service provider with a focus on services that will drive recurring revenue generation.

During the year, internal restructuring dramatically reduced overhead costs while legal disputes that drew significantly on cash and internal resources for years were finally settled. Our new strategic direction necessitated changes in customer and partner messaging while leveraging existing key differentiators for the mine water treatment market that include: our unique water treatment expertise complemented by a suite of patented technologies; 17 commercial installations around the world; the capacity to customize water treatment solutions; and active development of new technologies to address new challenges facing the mining industry.

The company's value proposition under the new business direction can be summarized as:

1. Ability to reduce water treatment Life Cycle Costs with commercially proven or new technologies that minimize waste residue generation, disposal costs, and/or recover value from waste;
2. Capacity and flexibility to customize treatment solutions based on site specific requirements and/or integrate BioteQ's technologies and expertise with conventional treatment systems; and
3. Effective management and mitigation of risks associated with adopting new technologies whereby BioteQ provides commissioning, operating services and guarantees process performance, and/or becomes a technology partner working closely with customers to advance the commercialization of new technologies in a cost effective manner.

OUR PROGRESS IN 2014

- Successful commissioning of two new water treatment plants in China. As more mine water at Jiangxi Copper Company (JCC) sites require treatment, these plants will increase the amount of copper recovered and grow recurring revenues steadily over a number of years;
- Settlement of the legal dispute with Aditya Birla related to the Mount Gordon project removed uncertainty about the outcome of a trial, put a stop to internal resources being consumed by the dispute and eliminated future legal expenses;
- Recovery of all remaining payments owed to us by NWM Mining related to the Lluvia de Oro project;
- Turning the provisional US patent application of our new selenium removal technology into PCT filing providing us with IP protection in 148 countries worldwide;
- Securing a $1.4 million contract with Seabridge Gold for a continuous field pilot testing of our new Selen-IX™ selenium removal process;
- Touring over 50 representatives from the mining industry and Canadian federal and provincial regulatory agencies to our selenium pilot plant during operations—all of whom recognized the potential advantages of Selen-IX™ over currently available selenium removal systems;
- Securing a contract for detailed process engineering of our BioSulphide® process to remove arsenic from smelter wastewater in Chile that helped our partner EcoMetales advance the project into the final environmental permitting stage;
- Establishing new relationships with consultants, engineering firms and industry associations to increase awareness of our water treatment solutions, business strategy and expand sales channels;
- Engaging with potential strategic partners that can help accelerate our technology development and support expanded sales efforts.

FEEDBACK FROM CUSTOMERS

We have spent considerable effort during the year to rebuild our sales and project pipeline, and in the process deliver our message to potential new channels. Key feedback we have received include:

- Advantages and value created by our sulphate and selenium removal technologies are real and can be significant based on preliminary technical assessments completed by customers themselves using results from Selen-IX™ piloting and Sulf-IX™ industrial scale demonstration;
- BioteQ's new selenium removal technology may, in some cases, be the only technology that can meet stringent selenium discharge targets;
- Demand for specialized water treatment expertise in the mining sector is growing;
- Customers accept, and in many cases, prefer a commercial framework where process performance guarantees are linked to the ongoing operating services we provide, and our compensation is derived from the volume of water processed and/or mass of contaminant removed;
- BioteQ's business model for plant operations needs to be more flexible allowing for our services to meet customer needs and expectation, particularly in situations where the wastewater flow is small making the plant staffing by BioteQ's operators impractical or cost prohibitive, and/or where the customer is unable to outsource the operation of treatment plants but would like BioteQ to provide ongoing operations support; and
- Our weak balance sheet represents a hurdle for customer purchasing departments, particularly large international mining companies, whenever a contract dollar value and/or duration exceed thresholds that trigger increased scrutiny.

WHAT TO EXPECT IN 2015

In 2015, we do not expect to be building a new water treatment plant but we expect to be rewarded for our marketing efforts of 2014 by being awarded a number of service contracts for the full suite of services offered by BioteQ that range from technical assessments of water treatment requirements and options, lab and pilot testing, engineering design, and operations support. We also plan on expanding our marketing efforts with regulatory agencies and growing our sales and customer base through new initiatives. The key expectations can be summarized as follows:

- Safe and reliable operation of all our existing treatment plants generating recurring revenue;
- Implementation of cost saving measures in China operations to offset the drop in copper prices;
- Further piloting of Selen-IX™ on new streams with new and existing customers to enhance process knowledge, refine the quantification of Selen-IX™ advantages compared to competing technologies, and establish a better understanding of overall market fit;
- Taking the next step in commercializing Selen-IX™ which will likely involve an industrial scale technology demonstration to reduce the risks associated with process scale-up;
- Final phase of Sulf-IX™ industrial scale demonstration at Freeport-McMoRan's (FMI) mine site in Arizona combined with extensive marketing of Sulf-IX™ as a commercially ready technology that involve tours of the Arizona facility by a host of industry representatives and joint presentations by BioteQ and FMI technical staff;
- Establish new formal business partnerships with suitable partners in North America, Peru and Chile that will enable BioteQ to offer and execute Build-Own-Operate projects in key geographic areas of the mining market; and
- Active engagement with industry associations and regulatory agencies focused on increasing awareness about BioteQ's technologies and services in North and South America.

NEW INITIATIVES

During the year, we will begin investing in and marketing new services to continue building our project based revenue sources while developing potential sales opportunities for future plants.

Plant Optimization

Our recognition that the implementation of new water treatment systems is a lengthy process involving many stages of testing, feasibility assessment, due diligence, permitting, design and construction all before any recurring revenue from plant operation can be generated, has led us to expand our services to help mine operators get the most out of their existing treatment systems. This service should shorten the sales cycle for operations and operations support services and provide revenue stability during economic downturns when mining companies are unlikely to approve significant financial commitments for new systems in contrast to owners of existing systems who are likely to be under pressure to improve performance and/or reduce project costs.

Analytical Services

In recent years, BioteQ completed a large number of lab and pilot plant projects that generated water samples requiring analysis by third-party laboratories. This represented a significant project cost. And as the company focused on removing selenium to ultra-low levels, we found that many commercial laboratories were not equipped to provide specialty services to meet our water analysis requirements. To address these concerns, we will perform a detailed assessment of the feasibility of providing in-house analysis of water samples for our lab and piloting projects and possibly offer specialty analysis services to third-parties, within our existing laboratory. This service complements our existing offerings and may provide us with another source of recurring revenue.

CHALLENGES

Mining Cycles

The decline in commodity prices has resulted in the mining industry curtailing spending which has negatively impacted service providers, including BioteQ. While environmental compliance is an industry priority, regulatory agencies are sensitive to the industry's capacity to pay for major compliance related projects and often provide a compliance schedule that allows mining companies to defer spending for several years.

Enforcement of Environmental Regulations

Although metal recovery projects will continue to represent an important cornerstone of BioteQ's business, the market segment with the greatest potential for future growth will be regulatory driven environmental compliance projects with ultra-low discharge limits for a wide range of metals, selenium and sulphate. While the long-term trend for stricter environmental regulations is clear, the implementation and enforcement of these regulations across the industry is a lengthy process marked by prolonged periods of uncertainty surrounding upcoming new regulations. This impacts decision making by mining companies in the form of deferrals for compliance related expenses until discharge standards are clearly defined. Examples of these include the uncertainty around the sulphate removal limit in Minnesota and Chile, and a new selenium requirement to be included in the Metal Mining Effluent Regulations in Canada. The lack of clarity around new regulations represents a challenge for BioteQ in the short-term for moving projects forward and with technology development.

Balance sheet
The company's balance sheet will continue to be a hurdle for entering into large service contracts, particularly with the larger international mining companies. We need to recognize this limitation and focus on strategies to overcome it. These strategies include establishing credibility with new customers through the quality of work delivered on smaller projects, references and recommendations from existing customers, working with partners with strong balance sheets and introducing these partners to our customers, and taking advantage of funding and financial instruments offered by Canadian government agencies to small technology companies with major export potential.

Overcoming historic perceptions
Although I have worked for BioteQ since its inception, I have not been actively involved in business development until my return to the company in 2014. One of the challenges that I quickly realized the company faced moving forward was the need to clearly communicate our new strategy and business model to the industry. I found some market participants viewed BioteQ purely as a metal recovery play where we were focused on metal recovery projects and wanted to own at least a portion of the recovered metals, while others perceived BioteQ to be a vendor of specialized turn-key packaged treatment plants that use only our own proprietary technologies. In several cases, these erroneous perceptions negatively affected decision making about involving us in new projects. Although we initiated active marketing using our new strategy and business model almost immediately upon my return, the company has been in existence for more than 14 years and there is some degree of inertia in the perception of BioteQ related to historic business models which we need to overcome in order to ensure we are not excluded from future potential projects based on preconceived notions.

LOOKING AHEAD

We feel that the progress made in 2014 has put BioteQ in a position to grow in a focused, sustainable manner. Given the current challenges in the mining industry and BioteQ's balance sheet, this growth will take time and face risks along the way but we are confident that we can continue to establish ourselves as leader in our field and reward our shareholders over time.

David Kratochvil
President & Chief Executive Officer

Newly commissioned ChemSulphide® water treatment plant at Dexing Mine, China

Newly commissioned ChemSulphide® water treatment plant at Yinshan Mine , China

Selen-IX™ mobile pilot plant provides on-site field testing for selenium removal

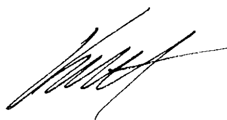
Management's Report to Shareholders

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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") 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 statements.

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 2014 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 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's 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.



Dr. David Kratochvil
President & Chief Executive Officer

Paul Kim
Vice President & Chief Financial Officer

Management's Discussion and Analysis

(All figures expressed in Canadian dollars unless otherwise noted) March 26, 2015

The following Management's Discussion and Analysis provides information that management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. We have prepared this document in conjunction with our broader responsibilities for the accuracy and reliability of the financial statements and 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 2014 Management's Discussion and Analysis ("MD&A") should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2014, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Users should consider the disclosures in note 1 titled "General Information and Going Concern" of the audited consolidated financial statements for the year ended December 31, 2014 and the sections "2014 Commentary and 2015 Outlook" and "Liquidity and Capital Resources" in this MD&A.

All financial information is presented in Canadian dollars unless otherwise noted. Certain statements contained in the MD&A 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.

DESCRIPTION OF BUSINESS

BioteQ Environmental Technologies Inc. ("BioteQ" or the "Company") is a service provider specializing in treating mining wastewater and specific hydrometallurgical streams with focus on reducing Life Cycle Costs while achieving compliance and introducing sustainability into water management. Headquartered in Vancouver, British Columbia, Canada, our treatment solutions minimize waste, recover value from waste where possible and maximize water recovery. We have extensive expertise and operations experience in sulphide precipitation, ion exchange, alkali/lime neutralization and SART process technologies.

BioteQ is listed on the Toronto Stock Exchange ("TSX") under the symbol BQE.

Additional information may be found on our website www.bioteq.ca and also on SEDAR at www.sedar.com.

NON-GAAP MEASURES

We use non-GAAP financial measures to supplement our consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, to enhance investors' and observers' overall understanding of the Company's current financial performance. Non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. In addition, non-GAAP financial measures may be different from non-GAAP financial measures used by other companies. Non-GAAP financial measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

Proportional Revenue and Other Proportional Results

Commencing with our financial year beginning January 1, 2013, we were required to adopt IFRS 11 as our standard for joint venture accounting. The standard requires that we account for our joint ventures, the Bisbee and Dexing projects, using the equity method of accounting. Accordingly:

- The revenue and operating costs associated with our proportionate share of activities in our joint ventures are netted and disclosed as a single line item on our consolidated statements of operations and comprehensive loss; and

- Our share of assets, liabilities and equity in each joint venture are presented as a net investment on our consolidated statement of financial position.

The change in accounting standard does not impact our overall consolidated profitability or cash flow in past or future periods. However, given the mandated accounting treatment, this change means that the Company reports substantially lower revenues than it historically has.

To ensure clarity and comparability with historic results, certain statements in this MD&A are characterized as BioteQ's proportional share ("Proportional"), which means the effective portion of results that we would have reported if each of our joint ventures had been reported in accordance with past accounting standards.

We are providing non-GAAP financial measures which are based on the past accounting standards applied to the Company's annual results prior to January 1, 2013. We believe these disclosures allow comparability of our current financial results to prior years and provide additional insight into our underlying results:

Proportional Revenue

Proportional Revenues for the twelve-month periods ended December 31, 2014, 2013 and 2012 are as follows:

(in $'000s)

	2014	2013	2012
	$	$	$
Reported revenues under GAAP	3,622	4,066	5,263
add: Share of revenue reported in Dexing Joint Venture	4,221	3,077	3,355
add: Share of revenue reported in Bisbee Joint Venture	-	467	806
Proportional Revenue for the year	7,843	7,610	9,424

Adjusted EBITDA

Adjusted EBITDA is derived as follows:

(in $'000s, all amounts include BioteQ's proportionate share of joint venture results)

	2014	2013	2012
	$	$	$
GAAP: Net loss	(1,650)	(6,427)	(3,367)
less: interest income	(46)	(40)	(60)
add: taxes	268	207	465
add: depreciation and amortization	507	1,098	976
EBITDA	(921)	(5,162)	(1,986)
add: stock-based compensation	41	199	130
less: net foreign exchange gain	(49)	(43)	(34)
Adjusted EBITDA	(929)	(5,006)	(1,890)
add: impairment of Bisbee and Dexing IX investments	-	*2,702*	-
Adjusted EBITDA excluding impairment of Bisbee and Dexing IX investments	*(929)*	*(2,304)*	*(1,890)*

2014 OVERVIEW

At the beginning of 2014, shortly after the completion of our rights offering financing, the Board of Directors implemented management changes at BioteQ to begin executing a new commercial strategy to drive future growth and profitability. The changes also resulted in restructuring the Company to reduce operating expenses to manage our declining working capital resources. We believe that our results for 2014 indicate significant progress on both fronts.

We continued to solve challenging water treatment problems for the resource sector with operations and projects in Canada, the U.S., Chile and China. For the year, our operations treated a total of 12.6 million cubic metres of water and removed 2.6 million pounds of metals from the environment.

We also continued to make significant progress in the development of new technologies to expand our portfolio of solutions, particularly in the areas of sulphate and selenium removal.

Annual Financial Results:

- Revenues as reported under GAAP were $3.6 million compared $4.1 million in 2013, a decline of 12% year over year;
- Proportional revenues for the year were $7.8 million compared to $7.6 million in 2013, an increase of 3% year over year;
- Adjusted loss before interest, tax, depreciation and amortization ("adjusted EBITDA") for the year was $929,000 compared to a loss, excluding impairment of Bisbee and Dexing IX investments, of $2.3 million in 2013;
- Net loss as reported under GAAP was $1.6 million compared to $6.4 million in 2013;
- Net loss and adjusted EBITDA include the impact of one-time gains from our legal settlements with Aditya Birla Minerals Inc. ("Birla") of $50,000 and NWM Mining Corporation ("NWM") of $700,000 (see "Other Items" below); and
- Cash and cash equivalents and short term investments, including our share held in joint ventures, was $2.2 million compared to $3.2 million at the end of 2013.

Water Treatment Operations:

- We successfully completed our 11th operating season at the Raglan mine site. During the year, we treated and discharged a total of 1.1 million cubic metres of water compared to 838,000 cubic metres in 2013. The 2014 season was the second highest volume of water we have treated at the site since we began operations in 2004.
- Our joint venture in China with partner Jiangxi Copper Company ("JCC"), operated three plants during the year. In addition to our existing water treatment plant at the Dexing mine site, we completed construction and commissioning of two new copper recovery plants during the year: one at the Yinshan mine site and a second treatment plant at the Dexing mine site. Both mine sites are owned by JCC. The joint venture treated a total of 11.4 million cubic metres of water and recovered 2.6 million pounds of copper from all three sites during the year.
    i) The existing water treatment operation at the Dexing mine site treated 8.1 million cubic metres of water and recovered a total of 2.1 million pounds of copper compared to 2013 when we treated 8.9 million cubic metres of water and recovered 1.8 million pounds of copper.
    ii) The new plant at JCC's Yinshan mine site began operations in early June and treated 1.2 million cubic metres of wastewater and recovered 240,000 pounds of copper.
    iii) A second copper recovery plant at JCC's Dexing mine site began operations in August. The plant treated 2.1 million cubic metres of wastewater and recovered 270,000 pounds of copper.

Sales and New Technology Development:

The following is an update on key opportunities in progress:

Selenium Removal - Selen-IX™

In Q2 2014, we secured a contract with a Canadian gold exploration company, to conduct pilot scale testing of our Selen-IX™ technology for selenium removal utilizing our mobile Selen-IX™ pilot plant that was built in 2013. The pilot testing is being used to demonstrate the capacity of the Selen-IX™ process to meet stringent discharge limits for selenium and provide engineering design data required for evaluating the overall capital and operating costs of a full scale plant that would treat up to 43,000 m^3/day of wastewater. The current value of the contract is now approximately $1.4 million. Piloting is expected to be completed in the first quarter of 2015 and final results will be reviewed with the customer during the second quarter of 2015.

EcoMetales Limited – BioSulphide® Plant Design
In Q2 2014, we secured a technical services contract with our Chilean strategic partner EcoMetales Limited ("ECL") for the detailed process engineering of a smelter effluent treatment plant using our BioSulphide® process. The plant removes arsenic from wastewater originating from a smelter operation in Chile. The objective of the project is to reduce the mass and volume of hazardous waste generated, as well as to improve water re-use from the existing process. Our work on the project is expected to be completed by Q2 2015. Upon completion of the current contract, the client will internally assess the feasibility of the proposed plant.

Consulting Contracts – Latin America
We also completed several small contracts for the supply of technical services to a number of customers and sites across Latin America. The scope of these contracts range from technical feasibility studies to operational reviews, including on-site operations assistance and laboratory testing. While the financial amounts received from these contracts in 2014 were relatively small compared to the total Company's revenue, BioteQ has performed rigorous screening of the sites and customer requirements to ensure a long-term strategic fit with the new business strategy, and as a result, BioteQ is optimistic that these service contracts will prove to be a catalyst for larger contracts in the future.

Other Items:

- In January 2014, we closed a financing under a Share Rights Offering to raise gross proceeds of $1.2 million. Net proceeds, after transaction costs, were approximately $1 million;
- During 2014, NWM Mining made total payments of $700,000 towards the legal settlement we reached with them back in April 2012. All payments under that settlement have now been received;
- In October 2014, a settlement was reached in our litigation with Birla. Under the terms of the settlement, BioteQ paid approximately $73,000 (AUD $75,000) to Birla. Birla took ownership of all demobilization obligations and residual plant equipment currently at their Mt. Gordon mine site. Both parties also agreed to release and withdraw their claims against each other. The settlement agreement involves no admission of liability or violation of law by either party, and bars the parties from pursuing further associated claims in the future; and
- We announced the expansion of our patent portfolio with the issuance of two new patents from the U.S. Patent and Trademark Office for our proprietary nickel sulphide precipitation and sulphate removal processes. We also filed under the Patent Cooperation Treaty ("PCT") for our new Selen-IX™ process.

2014 COMMENTARY AND 2015 OUTLOOK

In mid-2014, we provided financial estimates for our full year results. The following is commentary on our year end results against these estimates and our outlook for 2015.

We anticipated our Proportional Revenues to be in the range of $6.8 million to $7.3 million for the year. Our actual results exceeded our estimate at $7.8 million. The increase was driven by high water volumes treated at our Raglan operation and an increase in the scope of work for the current Selen-IX™ pilot project in late Q4.

In terms of our Adjusted EBITDA estimate, we expected a significant improvement in our loss compared to 2013. We estimated our Adjusted EBITDA loss to be in the range $1 million to $1.5 million. We ended 2014 with an Adjusted EBITDA loss of $929,000. This is a significant improvement from the prior year's loss, excluding impairment of Bisbee and Dexing IX investments, of $2.3 million and reflects the impact of cost control measures implemented throughout the year.

In terms of our outlook for the upcoming year, the mining sector as a whole continues to be challenging. Metal prices continue to be depressed, several mining companies have announced significant reductions in capital expenditures for the year, and external financial resources for new or developing mines are limited. However, we believe that our progress in new technology development and the commercial structure we are proposing to prospective customers is generating increasing interest and awareness in BioteQ beyond our historical sales channels. We have established relationships with decision makers on water treatment projects that include external consultants, engineering firms, and industry associations. We have

also engaged with potential strategic partners that could help accelerate our technology development and can support expanded sales efforts. We feel that our ongoing efforts will put us in a position to capitalize on opportunities as the mining industry begins reinvesting in water treatment projects.

For 2015, based on current copper prices, foreign exchange rates, and project pipeline, we anticipate our Proportional Revenues to be in the range of $8.0 million to $8.5 million. Our Adjusted EBITDA loss is expected to be in the range of $400,000 to $700,000.

In 2014, we made significant progress towards long term profitability by reducing costs, increasing the amount of copper recovered from our Chinese operations, and rebuilding our sales pipeline.

Over the past year, we have made significant reductions to the Company's expenses. The majority of savings was achieved through the reduction in staffing levels which, in management's opinion, is currently down to the minimum level required for ongoing successful and safe operations while providing for some limited revenue growth in the short term. The next largest overhead expense category for the Company are direct costs associated with remaining a publically listed company. We anticipate these costs to be approximately $500,000 for 2015. While management is actively reviewing measures to reduce these costs further, any impact will be limited.

In 2015 and beyond, we will also benefit from a full year of operations at our two new water treatment plants in China. These new plants, along with our existing operations, are expected to provide additional cash flows on a recurring basis. While cash flows from these recurring operations are expected to increase over prior years, they will not be sufficient to solely cover all of the Company's expenditures. We will need to continue generating revenues from new projects and contracts to ensure sufficient cash flows to sustain the Company.

The ability to reach profitability in 2015 and 2016 will depend on the increase in revenue from one time services such as pilot and lab testing, engineering, and/or recurring revenue from new contracts for plant operations or operations support for existing treatment plants outside of BioteQ's current portfolio of plants. Since capital spending has been seriously curtailed across the mining industry, it is unlikely that the Company will reach profitability in the short term through projects that involve the construction of new treatment plants. In 2014, we demonstrated that these revenue sources could be significant but they are also very difficult to predict in terms of timing which gives rise to large fluctuations in the Company's working capital resources. It is for this reason that the Company may need to access non-operational sources of capital that would help provide a buffer in working capital.

While the Company has been successful in securing financing in the past, there is uncertainty whether financing will be available in the future on terms acceptable to the Company. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the financial statements could be required.

COMPARATIVE INFORMATION

(in $'000 except for per share amounts)

	2014	2013	2012
	$	$	$
Revenues	3,622	4,066	5,263
less: Plant and other operating costs (*excluding depreciation*)	1,931	2,371	3,464
	1,691	1,695	1,799
General and administration	2,497	3,473	4,333
Sales and development	1,456	1,856	1,555
Net gain from legal settlement	(50)	-	-
Bad debt expense	556	-	-
Share of results of equity accounted joint ventures	(701)	1,057	(242)
Impairment of investment in joint venture	-	1,463	-
	(2,067)	(6,154)	(3,847)
Depreciation and amortization	232	746	511
Stock-based compensation	41	199	130
Loss before other income (expenses)	(2,340)	(7,099)	(4,488)
Other income – net	71	111	84
Recovery of NWM settlement	700	400	1,227
Gain on disposal of capital assets	7	239	-
Income tax	(88)	(78)	(189)
Net loss for the year	(1,650)	(6,427)	(3,366)
Translation gain (loss) on foreign operations	398	640	(22)
Comprehensive (loss) for the year	(1,252)	(5,787)	(3,388)
Net loss per share (basic and diluted)	(0.02)	(0.09)	(0.05)
Proportional Revenues[1]	7,843	7,610	9,424
Adjusted EBITDA[1]	(929)	(2,304)[2]	(1,890)

	December 31 2014	December 31 2013	December 31 2012
Working capital	1,249	1,786	3,914
Total assets	8,195	8,326	14,578
Total long term liabilities	20	66	127
Shareholders' equity	6,891	7,097	12,747

Notes:

1. *See Non-GAAP measures*
2. *Excluding impairment of Bisbee and Dexing IX investments of ($2,702)*

COMPARISON OF RESULTS FOR THE YEAR ENDED DECEMEBER 31, 2014 TO DECEMEBER 31, 2013

The following is a summary of selected financial results for the year ending December 31, 2014.

Revenue

In 2014, revenue was $3.6 million compared to $4.1 million in 2013. Proportional Revenue was $7.8 million compared to $7.6 million in 2013. The change in revenue and Proportional Revenue from each revenue source is shown in the table below:

(in $'000s)

Revenue Source	2014 $	% of total	2013 $	% of total	Total Revenue % Change
Treatment fees	1,677	21%	1,331	17%	26%
Engineering services and plant sales	1,945	25%	2,735	36%	(29%)
Total revenue	3,622	46%	4,066	53%	(11%)
Metal recovery – share of joint venture results	4,221	54%	3,544	47%	19%
Total Proportional Revenue	7,843	100%	7,610	100%	3%

Treatment fee revenue for the Raglan site in 2014 increased by $346,000 from 2013 due to 31% increase of water treated from 838,000 cubic metres in 2013 to 1.1 million cubic metres in 2014. The seasonal operation treated water for 30 more days in 2014 compared to 2013.

The 29% decrease from last year's engineering services and plant sales revenue was largely due to a technical support contract that ended in July 2013 and was not renewed or replaced by new contracts in the current year.

Revenue from metal recovery operations, which are from the joint ventures at Bisbee and Dexing, increased by $677,000 from 2013 to 2014. The two new copper recovery plants that were commissioned in the Dexing joint venture made up for the copper production lost from the Bisbee joint venture furlough. The decline in average annual copper prices year over year was offset by the stronger USD relative to CAD and by the increase in copper recovery. In 2014, our share of total copper recovered was 1,287,000 pounds compared to 1,049,000 pounds in 2013. The average annual price of copper in 2014 was $3.43/lb (US $3.11/lb). In 2013, the average annual price of copper was $3.42/lb (US $3.32/lb).

Plant and other operating costs (excluding depreciation)

Total plant and other operating costs (excluding depreciation) were $1.9 million compared to $2.4 million in 2013, a decrease of $500,000. The decrease is mainly due to the decrease in engineering services contracts in 2014. . Overall operating gross margin was similar in both years at $1.7 million.

Expenses and other income

In 2014, general and administration expenses were $2.5 million compared to $3.5 million in the prior year. The decrease of $1 million in general and administration costs are mainly the result of lower legal costs by $420,000, reduced consulting and professional services costs and marketing related costs by $348,000 and net savings from restructuring by $186,000.

Sales and development costs in 2014 were $1.5 million compared to $1.9 million in 2013. The decrease of $500,000 is largely due to the reduction in salaries and benefits in sales and development areas from our restructuring earlier in the year and different sales strategy we took on in 2014.

Total depreciation and amortization expenses were $232,000 in 2014 compared to $746,000 in 2013. In Q4 2013, we accelerated the amortization period of certain assets to reflect our updated estimate of their useful lives.

Stock-based compensation charges were $40,000 compared to $199,000 in the prior year. In general, these non-cash charges fluctuate based on the number of securities issued and assumptions on the valuation and expected life of those securities.

We recognized a foreign exchange gain of $57,000 compared to $85,000 in 2013. These gains and losses arise mainly from changes in the value of the US dollar, Australian dollar, Mexican peso, Chilean peso and Chinese yuan renminbi relative to the Canadian dollar.

During 2013, we recognized two impairment charges related to existing water treatment assets in our joint ventures. In September 2013, we impaired the full carrying value of our investment in our Bisbee joint venture for $1.5 million. The water treatment operation was furloughed indefinitely at that time. The Company and its joint venture partner, FMI, agreed to dissolve the joint venture in 2015. Currently the demobilization of the site is in progress and expect the dissolution to complete by Q2 2015. At 2013 year end, we also impaired the carrying value of a plant being commissioned in our Dexing joint venture. Our share of the costs was $1.2 million in the plant. During the course of finalizing commissioning, we encountered a significant operational issue that would negatively impact the long-term performance of the plant. Currently, we are evaluating possible solutions but there is uncertainty as to whether or not a viable solution will be found.

During 2014, the Company recorded a gain of $700,000 (2013 - $400,000) related to a prior legal settlement with NWM Mining. The final payment under the settlement terms agreed in 2012 was received by the end of 2014.

During 2014, the Company provided for the Mexican value-added taxes receivable of $478,278 in full, considering the length of time the receivables have been outstanding and the responses received from the Mexican tax authorities. Subsequent to the end of the year, we received net proceeds of approximately $87,000 of these outstanding refunds and continue to pursue the remaining balance. All future subsequent recoveries will be recognized in the period they are received.

Also included in the bad debt expense in 2014 is a customer receivable in the amount of $78,173. We are continuing to negotiate payment of this balance with the customer. No bad debt expenses were recognized in 2013.

In 2013, we recorded a gain on the sale of asset of $239,000. This related to the sale of a mobile ion exchange plant to Newalta Corporation that was previously jointly owned and developed by both companies.

In 2014, income tax expense was $88,000 compared to $78,000 in the prior year. The income tax charges in both years are the taxes withheld in China for the distributions made by the Dexing joint venture. These taxes cannot offset accumulated tax benefits in other jurisdictions.

Overall performance

Overall net loss for the year was $1.6 million or $0.02 per share, compared to a loss of $6.4 million in 2013, or a loss of $0.09 per share; a 75% decrease in loss year over year.

Cash used in operating activities, after changes in working capital, was $1.5 million compared $3.9 million in 2013; a 62% decrease year over year.

Adjusted EBITDA excluding impairment of Bisbee and Dexing IX investments was ($929,000) compared to ($2.3) million in 2013; a 60% loss decrease over 2013.

COMPARISON OF QUARTERS

Financial data for the last eight quarters

(unaudited, in $'000 except per share amount)

Quarters ended	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
	$	$	$	$	$	$	$	$
Total revenues	1,049	1,722	697	154	1,112	1,234	924	796
Plant and other operating costs (excluding depreciation)	633	684	463	151	575	533	654	608
	416	1,038	234	3	537	701	270	188
General and administration	469	463	455	1,110	710	726	1,067	970
Sales and development	358	235	337	526	410	523	449	474
Stock-based compensation	4	22	(27)	42	104	30	31	35
Depreciation and amortization	58	56	55	63	351	123	127	146
Net gain from legal settlement	-	(50)	-	-	-	-	-	-
Bad debt expense	78	-	-	478	-	-	-	-
Share of results of equity accounted joint ventures	246	(499)	(478)	30	1,407	(33)	(184)	(133)
Impairment of investment in joint venture	-	-	-	-	62	1,401	-	-
(Loss) income from operations and joint ventures	(797)	811	(108)	(2,246)	(2,507)	(2,069)	(1,220)	(1,304)
Other income (expenses)	18	56	(12)	16	41	(37)	253	93
Recovery of NWM settlement	-	300	300	100	-	-	200	200
Income tax recovery (expense)	-	-	(88)	-	2	-	(78)	(2)
Net (loss) income	(779)	1,167	92	(2,130)	(2,464)	(2,106)	(845)	(1,013)
Translation gain (loss)	121	265	(115)	127	237	(150)	406	147
Comprehensive (loss) income	(658)	1,432	(23)	(2,003)	(2,227)	(2,256)	(439)	(866)

Quarterly results 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. Seasonality at each operation also impacts the timing of revenue. Operations at Raglan typically run from May to November of each year. Copper production at Dexing increases between April and September of each year and declines during winter months due to variation in precipitation and annual maintenance needs. Revenue from engineering, design and construction services occur based on the timing of customer requirements.

Summary of Q4 2014 results

Below is a summary of revenue for Q4 2014 and Q4 2013:

(unaudited, in $'000 except per share amount)

Revenue Source	Q4 2014 $	% of total	Q4 2013 $	% of total	Total Revenue % Change
Treatment fees	413	20%	182	12%	127%
Engineering services and plant sales	636	30%	930	64%	(32%)
Total revenue	1,049	50%	1,112	76%	(6%)
Metal recovery – share of joint venture results	1,067	50%	346	24%	208%
Total Proportional Revenue	2,116	100%	1,458	100%	45%

Total revenues for Q4 2014 decreased 6% over the prior year's quarter. Treatment fee revenue increased by 127% as Raglan's 2014 season lasted 19 days longer than the prior year. Engineering services and plant sale fees decreased by 32% year over

year. The revenue from engineering services and plant sales include design, construction, commissioning and pilot operations, which are generally one-time in nature and have varying contract values.

In 2014, total Proportional Revenue for Q4 increased 45% over the prior year's quarter. Metal recovery revenue increased by 208% due to the additions of two new copper recovery plants in Dexing joint venture. In the quarter, our share of recovered copper was 317,000 pounds compared to 125,000 pounds in 2013. The fourth quarter is typically our lowest quarter for copper production due to a three-week annual maintenance shutdown at the Dexing site.

General and administration costs during the quarter decreased by $241,000 over the prior year. The decrease in general and administration costs are mainly the result of lower variable staff compensation expenses, reduced legal costs related to our litigations with Birla and NWM, and reduced consulting and professional services costs.

Overall net loss for the quarter was $779,000 compared to a loss of $2.5 million in 2013.

PROJECT SUMMARY

Joint venture with Jiangxi Copper Company, China

In 2007, BioteQ entered into a 50/50 joint venture arrangement with Jiangxi Copper Company ("JCC"), China's largest copper producer, to evaluate potential water treatment sites utilizing BioteQ's technology.

In April 2008, the joint venture completed construction and commissioning of its first water treatment plant at JCC's Dexing Mine site, an active copper mine in China. The plant utilizes 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 recovered from the water is shipped to JCC's refinery.

During 2014, the joint venture completed construction and commissioning of two new water treatment plants; in June, at JCC's Yinshan Mine site, as well as a second water treatment plant at the Dexing site in August. Both plants also utilize BioteQ's ChemSulphide® process.

All three plants were designed by BioteQ and are operated by the joint venture company JCC-BioteQ Environmental Technologies Ltd. The plants are 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. Revenues are generated through the sale of recovered copper from the plants based on the average metal price during the month that the concentrate is shipped, less refining costs.

Operating results for all three plants during the year were as follows:

Dexing 1 (existing water treatment plant):

Plant operating results	Q4 2014	Q4 2013	YTD Dec. 31 2014	YTD Dec. 31 2013
Water treated (cubic metres)	1,543,000	861,000	8,143,000	8,847,000
Copper produced (pounds)	347,000	249,000	2,064,000	1,831,000

Dexing 2 (commenced operations in August 2014)

Plant operating results	Q4 2014	Q4 2013	YTD Dec. 31 2014	YTD Dec. 31 2013
Water treated (cubic metres)	1,632,000	-	2,079,000	-
Copper produced (pounds)	230,000	-	270,000	-

Yinshan (commenced operations in June 2014)

Plant operating results	Q4 2014	Q4 2013	YTD Dec. 31 2014	YTD Dec. 31 2013
Water treated (cubic metres)	295,000	-	1,195,000	-
Copper produced (pounds)	57,000	-	240,000	-

During 2014, operations at the Dexing 1 performed in line with expectations in terms of mechanical availability and process performance. Although the plant treated fewer cubic metres of water compared to the prior year, copper recovery increased from 1.8 million pounds to 2.1 million in 2014. The increase was a result of higher concentrations of copper in the feed water from the prior year. The concentration of copper in the feed water is largely driven by environmental conditions such as the rate and timing of rainfall and to a lesser extent, overall site water management beyond the scope of the joint venture. These concentrations will fluctuate throughout the year.

The new Dexing 2 plant treats water from the same source at the site and provides excess water treatment capacity in the event of unusually high rainfall. It will also provide additional water treatment capacity to support future mining expansion activities at the site.

Operations at the new Yinshan plant were lower than originally expected. Although the plant has performed in line with expectations in terms of mechanical availability and process performance, JCC is completing water management changes at the site that will improve the volume of water treated and copper recovered from the plant in the future. These changes are now expected to be completed in 2016.

In July 2010, we began construction of new ion exchange plant to recover cobalt and nickel at the Dexing site, applying BioteQ's Met-IX™ technology. Over the course of the project, the plant has experienced problems with construction quality, performance issues with key components, and changes in operating conditions at the site which has delayed completion. Currently, the plant is in a condition that can recover cobalt and nickel as designed. However, a new operational issue has been identified that would lead to longer term performance issues if the problem is not addressed. As a result, commissioning has been further delayed until this matter can be investigated and resolved.

We continue to investigate the current issue and are working towards a long-term solution. For financial reporting purposes, the full carrying value of the plant of approximately $1.2 million was impaired in 2013. However, if the plant is able to begin operations in the future, we will re-evaluate and reverse the impairment as appropriate.

The Raglan Project, Quebec: Build-own-operate for Glencore Canada Corporation

BioteQ operates a seasonal water treatment plant at the Raglan Mine, an active nickel mine in northern Quebec, owned by Glencore. Because of the harsh winter conditions in northern Quebec, 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 provided $2 million in capital to build the plant and provides ongoing operating services in return for a water treatment fee per cubic metre of water treated.

BioteQ's current operating contract with Glencore expires at the end of 2016.

	Q4 2014	Q4 2013	YTD Dec. 31 2014	YTD Dec. 31 2013
Water treated (cubic metres)	319,000	138,000	1,135,000	838,000
Days operated (some partial)	53	34	166	136

In 2014, we successfully completed our 11th operating season at the site. During the year, we treated and discharged a total of 1.1 million cubic metres of water compared to 838,000 cubic metres in 2013. The 2014 season was the second highest

volume of water we have treated at the site since we began operations in 2003. Treatment volumes are largely determined by the level of precipitation and timing of winter conditions in the region. We have also made modifications to the treatment plant and processes to increase the available capacity of our operations. We continue to work with the site management to enhance and improve our services.

BioteQ also maintains operating responsibility for Glencore's Spoon water treatment plant, based on a cost-plus contract. This plant performs lime treatment and acidification of water that is not treated by BioteQ's ChemSulphide® plant.

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

In September 2013 we announced that operations at the Bisbee plant had been suspended. The Bisbee operations was part of a joint venture with Freeport-McMoran Copper & Gold ("FMI"). Unusually high levels of rainfall in the area had necessitated the plant being placed in idle mode. While the plant was in idle mode, it encountered operational and process issues that led to a gas release event. We subsequently conducted an investigation into the root causes of this release. The investigation revealed that a partial blockage in a pipe at the plant and a concurrent failure for a short duration of a seal mechanism led to gas being released.

We evaluated the merits of making required changes to the plant and restarting the operations and expected future cashflows. Based on this evaluation, we decided to furlough the Bisbee plant. Subsequent to the end of the 2014, the joint venture partners reviewed conditions and prospects for operation again and elected to demobilize and dispose of all remaining equipment and supplies. The demobilization is expected to be completed during the second quarter of 2015. The joint venture partners agreed to dissolve the joint venture upon completion of the demobilization.

Technology Development, Engineering and Pilot Projects

Selenium Removal Pilot Demonstration

In Q2 2014, we secured a contract with a Canadian gold exploration company, to conduct pilot scale testing of our Selen-IX™ technology for selenium removal at the client's proposed mine site in northern British Columbia.

Under the terms of the agreement, we have deployed our mobile pilot plant that was built in 2013. The pilot testing is demonstrating the capacity of the Selen-IX™ process to meet stringent discharge limits for selenium and provide engineering design data required for evaluating the overall capital and operating costs of a full scale plant that would treat up to 43,000 m3/day of wastewater.

The current value of the contract is now approximately $1.4 million and the pilot campaign is expected to be completed in Q2 2015.

Patents and Intellectual Property

In 2014, we expanded our patent portfolio with the issuance of two new patents from the U.S. Patent and Trademark Office for the Company's proprietary nickel sulphide precipitation and sulphate removal processes, and our filing of a PCT for the Company's Selen-IX™ process.

Our proprietary nickel sulphide precipitation process, U.S. patent No. 8,747,678 B2, relates to processes to selectively remove nickel from mine impacted waters. BioteQ currently uses the process at its water treatment facility in northern Quebec.

Our proprietary sulphate removal process, U.S. patent No. 8,551,340 B2, relates to processes to selectively remove sulphate from hard water waste streams. This process has been used in various testing and piloting projects to date.

We have also filed application # PCT/CA2014/05096 under the PCT for our Selen-IX™ technology to selectively remove selenium from mine impacted waters and potentially other industrial waste streams. This international filing provides BioteQ with protection for the technology in 148 countries throughout the world and follows the filing of the US provisional patent application in October 2013 which established the invention priority date with the U.S. Patent and Trademark Office. Since the filing of the US provisional application in 2013, the Selen-IX™ technology has been deployed in two pilot scale operations, first with a Canadian metals and mining company in 2013 and currently with another Canadian mining company. The filing of

the PCT application enables BioteQ to engage in commercial promotion of the Selen-IX™ technology worldwide while immediately enjoying the protection of its unique intellectual property under the PCT.

The Mount Gordon Project, Australia: Build-own-operate for Aditya Birla Minerals

In 2008, we completed construction of a water treatment plant at the Mt. Gordon Mine site, a copper mine in Queensland, Australia. The mine is owned by Birla, a large metals conglomerate based in India. We provided for all capital costs and expected to earn revenue from metals recovered.

In January 2009, the Mt. Gordon mine site experienced heavy flooding during a severe rain storm. A portion of BioteQ's plant was damaged and we suspended our operating agreement under the force majeure provisions of the contract. We were unable to come to terms on a new or modified operating agreement with Birla to permanently restart operations.

In 2010, Birla commenced legal action against us alleging that BioteQ had breached and repudiated the agreement. Birla sought unspecified financial damages, interest and costs. We did not believe the allegations had merit and had been vigorously defending our position. In February 2011, we filed legal action against Birla for breach of contract related to water treatment operations at the Mt. Gordon site. We concurrently filed a statement of defense responding to claims for damages made by Birla in 2010.

On October 14, 2014, a settlement was reached in the litigation. Under the terms of the settlement, BioteQ paid $73,000 (AUD 75,000) to Birla. Birla has taken ownership of all demobilization obligations and residual plant equipment currently at its Mt. Gordon mine site. Both parties also agreed to release and withdraw their claims against each other. The settlement agreement involves no admission of liability or violation of law by either party, and bars the parties from pursuing further associated claims in the future. During 2014, the Company has recorded the settlement payment of $73,000 (AUD 75,000) and reversed the demobilization and other liabilities associated with Mt. Gordon mine site previously accrued, realizing a net gain of $49,918 for the period. The Company's Australian subsidiary is being wound up in 2015.

The Lluvia de Oro Project, Mexico: Lease-to-own for NWM Mining Corporation

In April 2012, we negotiated a settlement of our outstanding lawsuit against NWM for unpaid lease payments relating to a treatment plant built at NWM's Mexican mine site. Subsequent to the legal settlement, we negotiated the sale of our plant equipment at the site to NWM. Terms of each transaction are noted below:

a) The legal settlement was for $1.3 million, which included an immediate payment of $200,000, a second payment of $400,000 due in April 2013, and a final payment of $700,000 due in April 2014.
b) The sale of the plant equipment was for a total price of $651,188 (US$650,000) in 2012. The terms of the sale included transfer of all equipment at the site on an as-is basis to NWM with no further obligations or warranties from BioteQ related to the equipment or site.

By the end of 2014, all payments totaling $1.3 million were received.

All settlement payments were recorded as a reversal of impairment in the period when funds were received. Accordingly, the Company recognized an impairment reversal of $700,000 for the year.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2014, BioteQ had 93,966,672 common shares issued and outstanding (December 31, 2013 – 69,966,672), 6,068,333 stock options outstanding (December 31, 2013 - 4,189,999) and 4,322,078 warrants outstanding (December 31, 2013 – 3,636,364).

As of March 26, 2015 the number of common shares issued and outstanding remain unchanged from December 31, 2014; 5,888,333 stock options are issued and outstanding; and 685,714 warrants are outstanding with 3,636,364 warrants expired subsequent to the year-end.

At December 31, 2014, the Company had cash and cash equivalents of $915,681 and short-term investments of $373,991, which is a decrease of $96,695 in cash and cash equivalents and short-term investments from December 31, 2013. The cash

and cash equivalents and short-term investments funded operating activities of $1,517,358 and net capital asset purchases of $58,320.

Working capital at the end of the year was $1,249,353, a decrease of $536,897 from December 31, 2013. BioteQ's significant working capital items include trade and other receivables of $547,111 ($1,093,000 at December 31, 2013) and trade payable and accrued liabilities of $935,867 ($936,995 at December 31, 2013).

Any cash distributions from the Chinese joint venture to BioteQ must be unanimously approved by both partners and comply with Chinese tax and regulatory requirements. Distributions are also subject to Chinese withholding taxes and minimum capital requirements as applicable. Currently, BioteQ and its partner have a standing agreement to distribute excess cash reserves annually. The partners will take into consideration factors such as operating performance of the plants, future capital requirements and working capital flexibility in determining the cash amount to be distributed in a given year.

The Company has $895,386 under operating leases for office and laboratory premises and for office equipment.

During 2014, we implemented several cost reduction measures to reduce our fixed expenditures while pursuing sales opportunities that are consistent with our commercial model going forward. While these initiatives have significantly reduced our operating losses, our working capital resources continue to decline.

As disclosed in note 1 of our audited consolidated financial statements for the year ended December 31, 2014, based on its planned expenditures and expected cash flows, the Company believes that it has sufficient working capital resources over the next 12 months. This assumes that BioteQ is able to continue successful operations at its Raglan and Chinese joint venture operations, market prices for metals and foreign exchange rates remain at current levels, maintains or further decreases operating expenses, successfully repatriates funds from its Chinese joint venture, and secures and completes new sales contracts. Although the Company believes it can manage its working capital through this period, non-operational sources of capital may be required during this period and beyond.

Historically, the Company has not yet realized profitable operations and has relied on non-operational sources of financing to fund its operations. Whether and when the Company can attain profitability and positive cash flows is uncertain. While the Company has been successful in securing financing in the past, there is uncertainty whether financing will be available in the future on terms acceptable to the Company. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the financial statements could be required.

RELATED PARTY TRANSACTIONS

a) The following transactions were carried out with related parties of the Company, which are Bisbee and Dexing joint ventures:

Year-end receivable balances

	Dec. 31, 2014 $	Dec. 31, 2013 $
Bisbee joint venture	-	85,071
Dexing joint venture	228,201	107,140
	228,201	192,211

The receivables from related parties arise mainly from joint venture investments and sale transactions. The receivables are unsecured in nature and bear no interest, no provisions are held against receivables from related parties.

Sales of goods and services

	2014	2013
	$	$
Dexing joint venture	85,691	152,580

The Company did not have any sales transactions with its Bisbee joint venture. Sales and other transactions were recorded at the exchange amount agreed by both parties.

b) In 2014, the Company entered into a contract for approximately 23 months with a director to provide management consulting services. As at December 31, 2014 the services received amounted to $110,000 (2013 - $nil) and the full amount (December 31, 2013 - $ nil) is included in trade payable and accrued liabilities

c) Key management compensation includes the Company's directors and members of the Executive. Compensation awarded to key management includes:

	2014	2013
	$	$
Salaries, fees and short-term benefits	863,224	1,082,072
Termination benefits	470,899	-
Share-based payments	112,665	237,774
	1,446,788	1,319,846

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Company's accounting policies, which are described in note 2, the management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of plant and equipment and investment in joint venture

Impairment of plant and equipment

As disclosed in note 9, during 2013, the Dexing joint venture impaired the carrying amount of a plant under construction and related equipment following an impairment review. Determining the amount of impairment requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use.

The carrying amount of the impaired plant and equipment in Dexing at December 31, 2014 was $nil (December 31, 2013 – $nil) after an impairment loss of $1,239,042 recognized in 2013 (note 9).

Impairment of investment in joint venture

The Company consider if there are indicators of impairment in relation to its equity accounted joint venture operations and considers specifically a significant or prolonged decline in the fair value of copper prices. If copper prices were to fall to 40% of the current price, the Company's investment in joint venture may be subjected to impairment.

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 design and 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. The risk of a significant error is 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. Based on the result of the assessment, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's internal controls over financial reporting have been adequately designed. During the current year, the Company's management implemented a formal testing program on the operating effectiveness of its controls and concluded that they are also effective.

There has been no change in BioteQ's internal controls over financial reporting during the year ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Adoption of Accounting Standards and Pronouncements under IFRS

New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial years beginning on or after January 1, 2014:

Amendments to IAS 36 Impairment of assets

The amendments removed certain disclosures of the recoverable amount of cash generating units which had been included in IAS 36 by the issue of IFRS 13 *Fair value measurement*. The application of the amendments to IAS 36 does not result in any impact on profit or loss and other comprehensive income or the financial position of the Company. The application of the amendment has had no material impact on the disclosures in the Company's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Company is still in the process of assessing the impact on the financial statements of these new standards:

Amendment to IFRS 2 Share-based payment

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Amendment to IFRS 13 Fair value measurement

When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to

clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

The standard is further amended to clarify that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

Amendment to IAS 24 Related party disclosures
The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity. The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

IFRS 9 Financial instruments
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. Where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company does not expect IFRS 9 to have a material impact on the consolidated financial statements and will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

IFRS 15 Revenues from contracts with customers
IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted.

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.

Uncertain Profitability, Funding Needs, Financing Risks and Dilution

The Company believes there are many sites which can benefit from the Company's processes. The Company has designed and/or built 15 plants to date deploying proprietary technologies developed by BioteQ and applying them to meet site specific conditions. However, the Company has been unable to consistently generate sufficient cash flows from these projects to cover ongoing development and administration costs to date.

BioteQ's ability to continue future operations is dependent on the Company's ability to generate positive cash flows from existing water treatment operations and projects currently under construction, securing additional design, engineering, construction and operating contracts, and if required, additional internal cost restructuring and financing in the future. Sources of potential financing include, but are not limited to, a combination of strategic partnerships, joint venture arrangements, project debt finance, issuance of equity and other capital markets alternatives. Management will pursue such additional sources of financing when required and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company and that they will be available on terms which are acceptable to the Company.

The issuance of common shares in the capital of the Company in the future could also result in further dilution to the Company's shareholders. There are also 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.

Going concern
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. As disclosed in note 1 of our audited consolidated financial statements for the year ended December 31, 2014, based on its planned expenditures and expected cash flows, the Company believes that it has sufficient working capital resources over the next 12 months. This assumes that BioteQ is able to continue successful operations at its Raglan and Chinese joint venture operations, market prices for metals and foreign exchange rates remain at current levels, maintains or further decreases operating expenses, successfully repatriates funds from its Chinese joint venture, and secures and completes new sales contracts. Although the Company believes it can manage its working capital through this period, non-operational sources of capital may be required during this period and beyond.

Historically, the Company has not yet realized profitable operations and has relied on non-operational sources of financing to fund its operations. Whether and when the Company can attain profitability and positive cash flows is uncertain. While the Company has been successful in securing financing in the past, there is uncertainty whether financing will be available in the future on terms acceptable to the Company. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the financial statements could be required.

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.

Economic and Project Site Dependence
The Company currently derives its revenue from a limited number of sources (contracts). For certain contracts, the Company has made significant investments in fixed plants that are dependent on conditions at the project site that may be beyond the control of the Company. Changes in site conditions and/or the loss of any one contract could result in a materially adverse effect on the Company's financial condition.

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 price 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 US dollar. Therefore, any devaluation of the US 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 US dollar coupled with unstable or declining base metal prices could have an adverse effect on the Company's results of operations to the extent that sales of base metals are not hedged.

Competition
The Company is aware of and does address existing competitors for metal removal opportunities. There is a possibility that other companies will enter these markets and compete with the Company. Such competitors could 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.

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®, Met-IX™, Sulf-IX™ and Selen-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 Canada or the United States.

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 its 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.

March 26, 2015

Independent Auditor's Report

To the Shareholders of
BioteQ Environmental Technologies Inc.

We have audited the accompanying consolidated financial statements of BioteQ Environmental Technologies Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss and other comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2014 and December 31, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BioteQ Environmental Technologies Inc. and its subsidiaries as at December 31, 2014, and December 31, 2013 and their financial performance and their cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about BioteQ Environmental Technologies Inc.'s ability to continue as a going concern.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

BioteQ Environmental Technologies Inc.
Consolidated Statement of Financial Position
As at December 31, 2014 and 2013

	note	**December 31 2014 $**	December 31 2013 $
Assets			
Current assets			
Cash and cash equivalents		**915,681**	1,192,977
Short-term investments		**373,991**	-
Trade and other receivables	5	**547,111**	1,093,130
Receivable from joint venture	6	**228,201**	192,211
Inventory and work in progress	7	**325,438**	101,774
Prepaid and other deposits		**143,380**	151,689
Deferred financing costs	11, 12	**-**	218,178
Total current assets		**2,533,802**	2,949,959
Non-current assets			
Plant and equipment	8	**603,168**	779,177
Investment in joint venture	9	**5,033,483**	4,564,750
Prepaid and deposits		**24,601**	24,601
Intangible asset		**-**	7,738
Total non-current assets		**5,661,252**	5,376,266
Total assets		**8,195,054**	8,326,225
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	6, 10	**935,867**	936,995
Income taxes payable	18	**152,740**	152,740
Deferred revenue		**51,323**	-
Deferred benefits	11	**133,089**	96,698
Current portion deferred lease inducement		**11,430**	11,430
Total current liabilities		**1,284,449**	1,197,863
Non-current liabilities			
Deferred lease inducement		**20,002**	31,432
Total liabilities		**1,304,451**	1,229,295
Shareholders' Equity			
Capital stock and warrants	11, 12	**56,253,254**	55,269,416
Contributed surplus		**8,446,809**	8,385,196
Accumulated other comprehensive loss		**(59,930)**	(458,074)
Accumulated deficit		**(57,749,530)**	(56,099,608)
Total shareholders' equity		**6,890,603**	7,096,930
Total liabilities and shareholders' equity		**8,195,054**	8,326,225

General information and Going concern (note 1)
Commitments (note 20)
Subsequent events (note 25)

Peter Gleeson, Director

David Kratochvil, Director

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

CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

	note	Year ended December 31 **2014** **$**	2013 $
Revenue		**3,621,952**	4,066,273
Plant and other operating costs (excluding depreciation)	13	**1,930,605**	2,370,620
Operating margin before depreciation		**1,691,347**	1,695,653
General and administration	13	**2,496,985**	3,473,290
Sales and development	13	**1,455,567**	1,856,502
Stock-based compensation	11	**41,286**	199,588
Depreciation of plant and equipment	8	**224,078**	714,930
Amortization of intangible asset		**7,738**	30,972
Net gain from legal settlement		**(49,918)**	-
Bad debt expense	16	**556,451**	-
Share of results of equity accounted joint ventures	9	**(701,149)**	1,057,258
Impairment of investment in joint venture	9	**-**	1,462,607
Loss from operations and joint ventures		**(2,339,691)**	(7,099,494)
Finance income		**13,563**	25,901
Foreign exchange gain		**56,829**	85,269
Gain on disposal of equipment		**6,933**	238,709
Recovery of NWM settlement	15	**700,000**	400,000
Loss before income taxes		**(1,562,366)**	(6,349,615)
Income tax expense	18	**(87,556)**	(77,790)
Net loss for the year		**(1,649,922)**	(6,427,405)
Other comprehensive income			
Items that will be reclassified subsequently to loss			
Translation loss on foreign operation		**(8,080)**	-
Items that will not be reclassified subsequently to loss			
Translation gain on foreign operations		**406,224**	639,537
Other comprehensive income for the year		**398,144**	639,537
Comprehensive loss for the year		**(1,251,778)**	(5,787,868)
Net loss per share			
Basic and diluted		**(0.02)**	(0.09)
Weighted average number of shares outstanding			
Basic and diluted		**92,388,589**	69,966,672

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

BioteQ Environmental Technologies Inc.

Consolidated Statement of Changes in Equity
For the years ended December 31, 2014 and 2013

		Year ended December 31		Year ended December 31	
		Number of Shares	**2014 $**	Number of Shares	2013 $
	note				
Capital stock					
Balance, beginning of the year		**69,966,672**	**53,755,999**	69,966,672	53,755,999
Issued in rights offering, net of financing costs of $236,185	12	**24,000,000**	**963,815**	-	-
Balance, end of the year		**93,966,672**	**54,719,814**	69,966,672	53,755,999
Warrants					
Balance, beginning of the year			**1,513,417**		1,513,417
Issued for financing costs in rights offering	11		**20,023**		-
Balance, end of the year			**1,533,440**		1,513,417
Contributed surplus					
Balance, beginning of the year			**8,385,196**		8,247,007
Share-based payments			**81,636**		118,166
Warrants issued for financing costs in rights offering	11		**(20,023)**		20,023
Balance, end of the year			**8,446,809**		8,385,196
Accumulated other comprehensive loss (income)					
Balance, beginning of the year			**(458,074)**		(1,097,611)
Other comprehensive income for the year			**398,144**		639,537
Balance, end of the year			**(59,930)**		(458,074)
Accumulated deficit					
Balance, beginning of the year			**(56,099,608)**		(49,672,203)
Net loss for the year			**(1,649,922)**		(6,427,405)
Balance, end of the year			**(57,749,530)**		(56,099,608)
Total shareholders' equity					
Balance, beginning of the year			**7,096,930**		12,746,609
Share-based payments			**81,636**		138,189
Issued in rights offering, net of financing costs			**963,815**		-
Net loss for the year			**(1,649,922)**		(6,427,405)
Other comprehensive income for the year			**398,144**		639,537
Balance, end of the year			**6,890,603**		7,096,930

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	note	Year ended December 31 2014 $	2013 $
Operating activities			
Net loss for the year		**(1,649,922)**	(6,427,405)
Items not affecting cash			
Income tax expense		**87,556**	77,790
Net gain from legal settlement		**(49,918)**	-
Bad debt expense	16	**556,451**	-
Share of results of equity accounted joint venture	9	**(701,149)**	1,057,258
Impairment of investment in joint venture		**-**	1,462,607
Interest income		**(13,563)**	(25,901)
Gain on disposal of equipment		**(6,933)**	(238,709)
Depreciation of plant and equipment		**224,078**	714,930
Amortization of intangible asset		**7,738**	30,972
Amortization of deferred lease inducement		**(11,430)**	(11,429)
Net foreign exchange gain		**(19,012)**	(57,836)
Expense recognized in respect of stock-based compensation		**41,286**	199,588
		(1,534,818)	(3,218,135)
Change in non-cash working capital items	19	**105,016**	(531,492)
Cash used in operations		**(1,429,802)**	(3,749,627)
Income taxes paid	18	**(87,556)**	(177,229)
Net cash used in operating activities		**(1,517,358)**	(3,926,856)
Investing activities			
Purchase of plant and equipment		**(58,320)**	(648,918)
Proceeds from disposal of equipment		**4,492**	665,000
Net distributions received from joint ventures		**660,767**	1,214,684
Purchase of short-term investments		**(373,991)**	(1,993,910)
Proceeds from sale of short-term investments		**-**	3,462,299
Interest received		**12,634**	15,586
Net cash provided by investing activities		**245,582**	2,714,741
Financing activities			
Net proceeds from/fees paid for rights offering	11, 12	**1,015,635**	(31,796)
Net cash provided by (used in) financing activities		**1,015,635**	(31,796)
Effect of exchange rate changes on cash and cash equivalents		**(21,155)**	23,996
Decrease in cash and cash equivalents		**(277,296)**	(1,219,915)
Cash and cash equivalents, beginning of the year		**1,192,977**	2,412,892
Cash and cash equivalents, end of the year		**915,681**	1,192,977
Non-cash financing activities			
Warrants issued on financing		20,023	-

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

1. General Information and Going Concern

BioteQ Environmental Technologies Inc. and its subsidiaries (together "BioteQ" or the "Company") is a service provider specializing in treating mining wastewater and specific hydrometallurgical streams while achieving compliance and introducing sustainability into water management. The Company generates its revenues from three main sources: metal recovery, treatment fees, and engineering services and plant sales.

BioteQ is a publicly listed company incorporated and domiciled in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the Toronto Stock Exchange under the symbol BQE. The address of its registered office is Suite 1000 - 1050 West Pender Street, Vancouver, BC.

The Company's Board of Directors approved these consolidated financial statements on March 26, 2015.

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.

For the year-ended December 31, 2014, the Company incurred a net loss of $1,649,922 (2013 – $6,427,405), had a net increase in cash and cash equivalents and short-term investments of $96,695 (2013 – decrease of $2,675,387) and used net cash in operating activities of $1,517,358 (2013 – $3,926,856).

During 2014, the Company implemented several cost reduction measures to reduce fixed expenditures while pursuing sales opportunities consistent with its new commercial model going forward. While these initiatives have significantly reduced its operating losses, the Company's working capital resources continue to decline.

Currently, based on its planned expenditures and expected cash flows, the Company believes that it has sufficient working capital resources over the next 12 months. This assumes that BioteQ is able to continue successful operations at its Raglan and Chinese joint venture operations, market prices for metals and foreign exchange rates remain at current levels, maintains or further decreases operating expenses, successfully repatriates funds from its Chinese joint venture, and secures and completes new sales contracts. Although the Company believes it can manage its working capital through this period, non-operational sources of capital may be required during this period and beyond.

Historically, the Company has not yet realized profitable operations and has relied on non-operational sources of financing to fund its operations. Whether and when the Company can attain profitability and positive cash flows is uncertain. While the Company has been successful in securing financing in the past, there is uncertainty whether financing will be available in the future on terms acceptable to the Company. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the financial statements could be required.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of preparation

The consolidated financial statements the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. These consolidated financial statements incorporate the financial statements and the entities controlled by the Company and the share of net assets and net earnings or loss in entities which the Company is a joint venture partner. The principal subsidiaries and joint ventures of the Company are as follows:

Entity	Ownership type	Method of accounting	Country of incorporation and operation	Interest, Dec. 31, 2014	Interest, Dec. 31, 2013
Biomet Mining Corporation	Subsidiary	Consolidated	Canada	100%	100%
BioteQ Arizona Inc.	Subsidiary	Consolidated	USA	100%	100%
BioteQ Water (Australia) Pty Ltd.	Subsidiary	Consolidated	Australia	100%	100%
BioteQ Water (Chile) SpA	Subsidiary	Consolidated	Chile	100%	100%
BioteQ Water Mexico S.A. de C.V.	Subsidiary	Consolidated	Mexico	100%	100%
Copreco, LLC	Joint venture	Equity	USA	50%	50%
JCC-BioteQ Environmental Technologies Co. Ltd.	Joint venture	Equity	China	50%	50%

The consolidated financial statements have been prepared under the historical cost basis except for deferred share units and restricted share units, as explained in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring their accounting policies into line with the Company's accounting policies.

All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the joint venture. When the Company's share of losses in the joint venture exceeds the Company's interest in that joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

When the Company transacts with a joint venture, profits or losses resulting from the transactions with the joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Company.

The requirements of IAS 39 *Financial instruments: recognition and measurement* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each consolidated entity in BioteQ Environmental Technologies Inc.'s group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars ("CAD"), which is BioteQ's presentation currency.

For the purposes of presenting these consolidated financial statements, entities including joint ventures that have a functional currency different from that of BioteQ Environmental Technologies Inc. ("foreign operations") are translated into CAD as follows:

- Assets and liabilities: at the closing rate at the date of the statement of financial position; and
- Income and expenses: at the average rate for the period (as this is considered a reasonable approximation of actual rates prevailing at the transaction dates).

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

b) Transactions and balances

In preparing the financial statements of each individual BioteQ entity, transactions in currencies other than the entity's functional currency ("foreign currency") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for the exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Cash and cash equivalents

Cash consists of unrestricted bank deposits, some of which are interest-bearing. Cash equivalents consist of term deposits with maturities of less than 91 days and unrestricted security deposits held at the Company's banks which can readily be converted to cash.

Short-term investments

Short-term investments consist of bankers' acceptances with maturities of greater than three months. The investments are carried on the statement of financial position at amortized cost using the effective interest method and include interest accrued at the end of the year.

Inventory and work in progress

Inventory of metal concentrate is 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 and other direct costs (including external services) and related production overheads, but exclude administrative and finance costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Chemicals and spare parts inventories are valued at the lower of cost and net replacement cost, which approximates net realizable value.

Work in progress represents the costs that the Company incurred for projects that are not billed at the statement of financial position date. This amount includes both direct materials and direct labour costs.

Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such plant and equipment are classified to the appropriate categories of plant and equipment when ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The major categories of plant and equipment are depreciated on a straight-line basis as follows:

- Computer equipment 3 years
- Furniture and fixture, and general equipment 5 years
- Pilot plants 3 – 5 years
- Water treatment plants shorter of contract life or 10 – 20 years

The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Financial value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss (“FVTPL”), held-to maturity financial assets, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired.

The Company classifies non-derivative financial liabilities as either financial liabilities at FVTPL or other financial liabilities. Management determines the classification of financial assets and liabilities at initial recognition.

a) Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

b) Non-derivative financial assets – measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received plus any directly

attributable transaction costs, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

The Company's loans and receivables comprise cash and cash equivalents, short-term investments, trade and other receivables, and receivable from joint ventures.

c) Non-derivative financial liabilities – measurement

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and (losses) line item.

The Company has classified the provisions related to the Company's deferred share units as at FVTPL.

Other financial liabilities

Other financial liabilities are initially recognized at the fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments, including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial liability or a shorter period where appropriate, to the net carrying amount on initial recognition.

The Company classifies its trade and other payables as other financial liabilities.

d) Share capital

The Company's ordinary common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

Impairment

a) Tangible and intangible assets other than goodwill

The Company's plant and equipment and intangible asset are reviewed for indications of impairment at each financial position date. Such indications may be based on events or changes in the market environment, or on internal sources of information. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recognized in profit and loss for the period. Impairment losses recorded may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. Where impairment is subsequently reversed, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that it does not exceed the carrying value that would have been determined (net of depreciation) had no impairment loss been recognized in prior periods.

b) Non-derivative financial assets

Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The Company estimates liabilities for statutory, contractual, constructive and legal obligations associated with the decommissioning and restoration of plant and equipment. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value of asset retirement obligations. The Company also evaluates, on a plant by plant basis, the probability of incurring rehabilitation costs in light of specific locations and partners involved.

Revenue

Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. In addition, for the sale of metal concentrates, revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither managerial involvement nor control over the goods. For the sale of services, a further recognition requirement is that the stage of completion of the transaction at the end of the reporting period can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

a) Treatment fees revenue

The above criteria are generally met as services are performed. The Company has agreements with different customers for the operation of water treatment plants. The agreements specify the amount and timing of fees, based on: (i) a fixed labour component; (ii) a variable component per measure of water treated; or (iii) both fixed and variable components.

b) Engineering services and plant sales revenue

The above criteria are generally met as services are performed. Engineering services include plant design, construction, piloting, commissioning and operations. Revenue recognition criteria for the sale of materials and components used in the construction of water treatment plants are generally met upon delivery or installation. Lab services include experiment design, experimental equipment and reagent procurement, test apparatus setup, conducting of experiments, disposals of samples and delivery of final lab reports on the results. The Company recognizes revenue from lab services by either the percentage of completion or completed contract method depending on the specific circumstances of the individual contracts.

c) Metal recovery revenue

The above criteria are generally met when the title of the metal concentrate passes to the customer. 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 quotation period one to four months after the month of shipment.

Government grant

Grants from the governments are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants are recognized as follows:

- Grants relating to costs are deferred and recognized in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.
- Grants relating to plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of profit or loss on a straight line basis over the expected lives of the related assets.
- Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

Employee benefits

a) Bonus plans

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the key performance indicators of the Company. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

b) Defined contribution plans

Obligations to defined contribution plans are expensed as the related service is provided.

c) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates:

- When the Company can no longer withdraw the offer of those benefits; and
- When the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognized in profit or loss for in the period.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxes as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax comprises the expected tax payable or receivable on the taxable profit for the year and any adjustment to tax payable or receivable in respect of previous years. Current tax also includes any tax arising from dividends. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

b) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements, and interests in joint ventures, to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects at the reporting date to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise warrants and stock options granted to employees and officers.

New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial years beginning on or after January 1, 2014:

Amendments to IAS 36 Impairment of assets

The amendments removed certain disclosures of the recoverable amount of cash generating units which had been included in IAS 36 by the issue of IFRS 13 *Fair value measurement*. The application of the amendments to IAS 36 does not result in any impact on profit or loss and other comprehensive income or the financial position of the Company. The application of the amendment has had no material impact on the disclosures in the Company's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Company is still in the process of assessing the impact on the financial statements of these new standards:

Amendment to IFRS 2 Share-based payment

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Amendment to IFRS 13 Fair value measurement

When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

The standard is further amended to clarify that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

Amendment to IAS 24 Related party disclosures

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity. The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. Where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company does not expect IFRS 9 to have a material impact on the consolidated financial statements and will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

IFRS 15 Revenues from contracts with customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted.

3. Critical Accounting Estimates and Judgements

In the application of the Company's accounting policies, which are described in note 2, the management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of plant and equipment and investment in joint venture

Impairment of plant and equipment

As disclosed in note 9, during 2013, the Dexing joint venture impaired the carrying amount of a plant under construction and related equipment following an impairment review. Determining the amount of impairment requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use.

The carrying amount of the impaired plant and equipment in Dexing at December 31, 2014 was $nil (December 31, 2013 – $nil) after an impairment loss of $1,239,042 recognized in 2013 (note 9).

Impairment of investment in joint venture

The Company consider if there are indicators of impairment in relation to its equity accounted joint venture operations and considers specifically a significant or prolonged decline in the fair value of copper prices. If copper prices were to fall to 40% of the current price, the Company's investment in joint venture may be subjected to impairment.

4. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

5. Trade and Other Receivables

	Dec. 31, 2014	Dec. 31, 2013
	$	$
Trade receivables	546,145	624,804
Value added tax receivables (note 16)	-	463,878
Other	966	4,448
	547,111	1,093,130

6. Related Party Transactions

a) The following transactions were carried out with related parties of the Company, which are Bisbee and Dexing joint ventures:

Year-end receivable balances

	Dec. 31, 2014	Dec. 31, 2013
	$	$
Bisbee joint venture	-	85,071
Dexing joint venture	228,201	107,140
	228,201	192,211

The receivables from related parties arise mainly from joint venture investments and sale transactions. The receivables are unsecured in nature and bear no interest, no provisions are held against receivables from related parties.

Sales of goods and services

	2014	2013
	$	$
Dexing joint venture	85,691	152,580

The Company did not have any sales transactions with its Bisbee joint venture. Sales and other transactions were recorded at the exchange amount agreed by both parties.

b) In 2014, the Company entered into a contract for approximately 23 months with a director to provide management consulting services. As at December 31, 2014 the services received amounted to $110,000 (2013 - $nil) and the full amount (December 31, 2013 - $ nil) is included in trade payable and accrued liabilities.

7. Inventory and Work in Progress

	Dec. 31, 2014	Dec. 31, 2013
	$	$
Work in progress	299,966	49,801
Inventory of chemicals and spare parts	25,472	51,973
	325,438	101,774

Inventory is recorded at the net realisable value at year end and prior year. There have been no impairments or write down of inventories during the year and there is no provision for obsolescence (2013 – $nil).

8. Plant and Equipment

	Water treatment plants $	Pilot plants $	Construction in progress $	Other[1] $	Total $
As at Dec. 31, 2013					
Opening net book value	695,329	-	412,952	166,685	1,274,966
Additions	63,262	-	562,975	20,163	646,400
Transferred in (out)	-	975,927	(975,927)	-	-
Disposals	(294)	(425,997)	-	-	(426,291)
Depreciation	(604,345)	(45,784)	-	(64,801)	(714,930)
Foreign exchange translation	-	-	-	(968)	(968)
Closing net book value	153,952	504,146	-	121,079	779,177
As at Dec. 31, 2013					
Cost	2,059,637	542,450	-	507,797	3,109,884
Accumulated depreciation	(1,905,685)	(38,304)	-	(386,718)	(2,330,707)
Closing net book value	153,952	504,146	-	121,079	779,177
As at Dec. 31, 2014					
Opening net book value	153,952	504,146	-	121,079	779,177
Additions	4,483	-	38,943	11,891	55,317
Transferred in (out)	-	38,943	(38,943)	-	-
Disposals	(6,800)	-	-	-	(6,800)
Depreciation	(51,126)	(108,633)	-	(64,319)	(224,078)
Foreign exchange translation	-	-	-	(448)	(448)
Closing net book value	100,509	434,456	-	68,203	603,168
As at Dec. 31, 2014					
Cost	2,054,879	581,393	-	516,847	3,153,119
Accumulated depreciation	(1,954,370)	(146,937)	-	(448,644)	(2,549,951)
Closing net book value	100,509	434,456	-	68,203	603,168

[1]Other comprises of office furniture, lab equipment and computer software and hardware.

9. Investment in Joint Ventures

Investment in joint ventures is comprised of:

	Bisbee joint venture $	Dexing joint venture $
Balance, January 1, 2013	1,501,577	6,145,293
Share of comprehensive loss	(196,052)	(208,771)
Contributions made	246,566	400,516
Distributions received	(89,484)	(1,772,288)
Impairment recognized	(1,462,607)	-
Balance, December 31, 2013	-	4,564,750
Share of comprehensive income	-	1,129,501
Contributions made	-	199,732
Distributions received	-	(860,500)
Balance, December 31, 2014	-	5,033,483

For the years ended December 31, 2014 and 2013, the Company's share of net earnings (loss) in the joint ventures were as follows:

	2014 $	2013 $
Share of net loss in Bisbee	-	(311,817)
Share of net earnings (loss) in Dexing	701,149	(745,441)
Total share of results of equity accounted joint ventures	701,149	(1,057,258)

Bisbee joint venture

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, USA. The plant recovers copper from a low-grade wastewater stream. The plant was constructed by BioteQ and commenced operations in August 2004.

Management applied the concept of "value in use" to estimate future cash flows from the operation to determine the possible impairment loss. The recoverable amount was determined to be $nil as management does not presently expect any future cash flows from the operation due to the uncertainty that exists with regards to a restart of the plant. As a result, the full carrying value of BioteQ's investment in the Bisbee joint venture, $1,462,607, has been recognized as an impairment loss in 2013.

BioteQ's 50% interest in the Bisbee joint venture's financial statements is presented as follows:

Statement of financial position

	Dec. 31, 2014 $	Dec. 31, 2013 $
Assets		
Current assets		
Inventory	-	145,984
Prepaid expenses	-	5,508
	-	151,492
Non-current assets		
Plant and equipment	-	1,311,115
Total assets	-	1,462,607
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	-	-
	-	-
Partner's Equity		
Joint venture partner equity	2,117,422	2,117,422
Accumulated other comprehensive income	172,812	172,812
Accumulated deficit	(2,290,234)	(827,627)
Total partner's equity	-	1,462,607
Total liabilities and partner's equity	-	1,462,607
less: Impairment	-	(1,462,607)
	-	-

Statements of operations and comprehensive loss

	2014 $	2013 $
Revenue	-	466,974
Plant and other operating costs (excluding depreciation)	-	514,781
	-	(47,807)
Depreciation of plant and equipment	-	264,010
Net loss for the year		(311,817)
Other comprehensive income		
Translation gain on foreign operation	-	115,765
Comprehensive loss for the year	-	(196,052)

Dexing joint venture

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. The joint venture builds and operates water treatment plants using BioteQ's technologies. 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 a potential five additional sites owned and operated by JCC. The first plant commenced operations on April 1, 2008.

The Dexing joint venture sells all of the metal concentrate recovered in its operations to the joint venture partner, JCC. All related party sales are recorded at the fair market value of the metal prices on the date of sale, net of transportation and refining costs at standard industry rates.

Any cash distributions from the joint venture to BioteQ must be unanimously approved by both partners and comply with Chinese tax and regulatory requirements. Distributions are also subject to Chinese withholding taxes and minimum capital requirements as applicable. Currently, BioteQ and its partner have a standing agreement to distribute excess cash reserves annually. The partners will take into consideration factors such as operating performance of the plants, future capital requirements and working capital flexibility in determining the cash amount to be distributed in a given year. The Company received its share of cash distribution of $860,500 (CNY 5,000,000) (2013 -$2,981,083 (CNY 17,173,680)).

During 2014, the joint venture partners completed the construction of a new water treatment plant at JCC's Yinshan mine sit and a second copper recovery plant, which is the fourth plant designed by BioteQ at JCC's Dexing mine site, and the plants were commissioned successfully. The revenues from the operation of the new plants are based on copper recovered, identical to the joint venture's first copper recovery facility at JCC's Dexing mine site. The Company's share of the total cost of construction, including accrued amounts, was $2,981,083 (CNY 17,173,680).

July 2010, the joint venture began construction of an ion exchange plant to recover cobalt and nickel at the Dexing site. During the course of the project, an operational issue was identified that would lead to longer term performance issues if not addressed. As a result, commissioning has been delayed until this matter can be investigated and resolved.

Given the uncertainty around the plant, the full carrying value of the plant of $1,239,042 was impaired as at December 31, 2013 and 2014.

BioteQ's 50% interest in the Dexing joint venture's financial statements is presented as follows:

Statement of financial position

	Dec. 31, 2014 $	Dec. 31, 2013 $
Assets		
Current assets		
Cash and cash equivalents	670,539	1,772,173
Short-term investments	233,625	263,550
Trade and other receivables	394,384	204,955
Taxes recoverable	-	30,132
Inventory	151,473	31,108
Prepaid expenses	458	87,708
	1,450,479	2,389,626
Non-current assets		
plant and equipment	4,845,936	3,834,320
Total assets	6,296,415	6,223,946
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,220,419	1,565,200
Current income tax payable	42,513	-
	1,262,932	1,565,200
Non-current liabilities		
Deferred income tax liability	-	93,996
Total liabilities	1,262,932	1,659,196
Partner's Equity		
Joint venture partner equity	3,151,820	2,952,088
Accumulated other comprehensive income	1,220,094	791,742
Retained earnings	661,569	820,920
Total partner's equity	5,033,483	4,564,750
Total liabilities and partner's equity	6,296,415	6,223,946

Statements of operations and comprehensive income (loss)

	2014	2013
	$	$
Revenue	4,220,524	3,076,588
Plant and other operating costs (excluding depreciation)	2,763,102	1,985,869
	1,457,422	1,090,719
General and administration	349,753	444,342
Depreciation of plant and equipment	275,205	87,874
Income from operations	832,464	558,503
Finance income	31,880	14,458
Foreign exchange loss	(8,068)	(41,758)
Other income	25,225	-
Impairment of assets	-	(1,147,359)
Income (loss) before income taxes	881,501	(616,156)
Income tax (expense) recovery		
Current	(180,352)	(181,429)
Deferred	-	52,144
	(180,352)	(129,285)
Net income (loss) for the year	701,149	(745,441)
Other comprehensive income (loss)		
Translation gain on foreign operation	428,352	536,670
Comprehensive income (loss) for the year	1,129,501	(208,771)

The Dexing joint venture derives its revenue from recovered copper sales, which is dependent on conditions that are beyond the control of the joint venture. The copper recovery rate is dependent on the rainfall in the region and the revenue is exposed to the world commodity price risk. Also the new plants will be subject to the inherent technical risk of any continuous chemical process.

10. Trade Payable and Accrued Liabilities

	Dec. 31, 2014	Dec. 31, 2013
	$	$
Trade payable and accruals	507,237	471,098
Payroll liability	384,659	331,699
Accrued plant demobilization costs	-	111,483
Value added tax payable	43,971	22,715
	935,867	936,995

11. Share-based Payments

The Company's recorded stock-based compensation expense (recovery) comprised as follows:

	Dec. 31, 2014	Dec. 31, 2013
	$	$
Stock options (i)	81,636	118,166
Deferred share units (ii)	(13,843)	81,422
Restricted share units (iii)	(26,507)	-
	41,286	199,588

i. Stock options

Under the Company's Stock Option Plan (the "Plan"), the maximum number of shares reserved for exercise of all options granted by the Company may not exceed 10% of the Company's shares issued and outstanding at the time the options are granted. The exercise price of each option granted under the Plan is determined at the discretion of the Board at no less than the five-day volume weighted average share price preceding the grant date. Options granted under the Plan expire no later than the fifth anniversary of the date the options were granted and vesting provisions for issued options are determined at the discretion of the Board although the Company has a practice of having options vest over thirty-six months in equal installments.

Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	$		$	
Outstanding at January 1	0.37	4,189,999	0.89	4,781,666
Granted	0.07	2,800,000	0.15	533,333
Forfeited	0.23	(83,334)	0.41	(215,000)
Expired	0.49	(838,332)	3.00	(910,000)
Outstanding at December 31	0.21	6,068,333	0.37	4,189,999
Exercisable at end of year	0.38	2,564,441	0.50	2,359,997

The Company uses the Black-Scholes option pricing model in determining the fair value of the stock options. The following summary provides information on the grants and inputs to the Black-Scholes model.

On January 2, 2013, the Company granted 533,000 options with an exercise price of $0.15 to the directors of the Company. These options will vest over three years with one-third vesting each year on the anniversary of the grant date and will expire in five years after the grant date. The fair value of these options determined using the Black-Scholes valuation model was $0.07 per option. The significant assumptions in the valuation model were: weighted average share price of $0.15 on the grant date, exercise price as described above, volatility of approximately 70.08%, an expected option life of 3 years and an annual risk-free interest rate of 1.25%.

On April 10, 2014, the Company granted 2,800,000 options with an exercise price of $0.07 to the directors and employees of the Company. These options will vest over three years with one-third vesting each year on the anniversary of the grant date and will expire in five years after the grant date. The fair value of these options determined using the Black-Scholes valuation model was $0.03 per option. The significant assumptions in the valuation model were: weighted average share price of $0.07 on the grant date, exercise price as described above, volatility of approximately 82.10%, an expected option life of 3 years and an annual risk-free interest rate of 1.20%.

Exercise price range $	Weighted average remaining life (months)	2014 number of outstanding share options
0.07 to 0.15	49	3,333,333
0.17 to 0.30	28	2,155,000
0.78	5	400,000
1.21	1	180,000
0.07 to 1.21	37	6,068,333

ii. Deferred share unit

The Company implemented a deferred share unit (“DSU”) plan, effective July 1, 2010, pursuant to which DSUs may be granted to non-employee members of the Board of Directors on an annual basis. During 2013, the DSU Plan was amended to include certain senior managers of the Company, effective from October 1, 2013 to December 31, 2014.

The number of DSUs granted to a participant is calculated by dividing (i) a specified dollar amount of the participant’s compensation amount paid in DSU in lieu of cash, and by (ii) the five-day volume weighted average trading price of the shares of the Company traded through the facilities of the Toronto Stock Exchange on the trading days immediately preceding the date of grant. Dividends paid on the shares of the Company are credited as additional DSUs. Each DSU entitles the holder to receive a cash payment equal to the five-day volume weighted average trading price of the shares preceding the date of redemption. The DSUs vest immediately upon issuance and may only be redeemed within the period beginning on the date a holder ceases to be a participant under the plan and ending on December 31 of the following calendar year.

As the Company is required to settle this award in cash, it records these awards as a liability and a corresponding charge including changes to the fair value to stock-based compensation expense. The DSU is a financial instrument that is fair valued at each reporting date based on the five-day volume weighted average price of the Company’s common shares.

The following table presents the changes to the DSU plan:

	Number of units
Balance, January 1, 2013	564,225
Redeemed	(31,439)
Balance, December 31, 2013	532,786
Granted	2,850,468
Redeemed	(196,094)
Balance, December 31, 2014	3,187,160

In 2013, the Company entered into an arrangement with certain senior managers and the directors to pay a portion of their cash compensation in DSUs. The salaries and board fees of $41,338 (2013 – $131,991) covered under the arrangement were included in the stock-based compensation expense, $3,758 of which was accrued at December 31, 2014 (December 31, 2013 - $131,991).

During 2014, the Company recorded ($58,939) (2013 – ($50,569)) of fair value adjustment as recovery of stock-based compensation expense.

iii. Restricted share units

The Company implemented a restricted share unit (“RSU”) plan, effective August 5, 2010, pursuant to which RSUs may be granted to the officers of the Company. Under this plan, notional RSUs are granted and vested annually over a three-year term in general or otherwise determined by the Board. Upon vesting, RSUs are automatically paid out in the Company’s shares purchased in the open market in a number equal to the number of RSUs held.

The following table presents the changes to the RSU plan:

	Number of units
Balance, January 1, 2013	-
Granted	434,332
Balance, December 31, 2013	434,332
Redeemed	(351,491)
Balance, December 31, 2014	82,841

The RSUs outstanding at the end of 2014 remain unvested as at December 31, 2014 (December 31, 2013 – 434,332). During 2014, the Company recorded ($26,507) (2013 – $nil) of fair value adjustment as recovery of stock-based compensation expense.

Share-based payments to non-employees

In December 2013, the Company announced a plan to raise approximately $1,200,000 through a Shareholders Rights Offering (the “Offering”). In connection with the Offering, the Company entered into a standby purchase agreement with a shareholder of the Company. In consideration for the shareholder agreeing to the standby purchase arrangement, the shareholder is entitled to a cash fee at the closing of the Offering of $48,000 and 685,714 warrants. The number of warrants to be issued equals 4% of the total number of rights to subscribe for common shares to be issued under the terms of the Offering. These warrants expire on December 10, 2015 and are exercisable at an exercise price of $0.07 per common share.

As the aggregate fair value of the standby service that was provided cannot be measured reliably, the fair value of the warrants to be issued was measured using the Black-Scholes valuation model. Based on the valuation, the fair value was determined to be $0.03 per warrant. The significant assumptions in the valuation model were: share price of $0.07 on the grant date, exercise price as described above, volatility of approximately 76%, an expected option life of 2.02 years and an annual risk-free interest rate of 1.11%.

The total standby fee of $68,023 was recorded as deferred financing fees and the portion paid by warrants of $20,023 was included in the contributed surplus as at December 31, 2013.

12. Capital Stock and Warrants

Authorized: unlimited common shares without par value.

On January 22, 2010, the Company entered into an agreement with Newalta Corporation ("Newalta") to pursue joint projects that apply the technology and operating expertise of both companies. In connection with this agreement, Newalta purchased 3,636,364 common shares of the Company, at an issue price of $1.10 per share, for total cash

consideration of $4 million. Each share purchased includes an additional warrant to purchase one common share of the Company at $1.375 per share for one year and $1.65 per share thereafter. The warrants expire after five years. The proceeds of the investment were allocated on a relative fair value basis with $2,486,583 allocated to common shares and $1,513,417 allocated to the warrants. At December 31, 2014 and 2013, none of the above warrants have been exercised.

In 2014, the Company received proceeds of $964,152, net of financing costs of $235,848 from the Offering. In connection with the Offering, the Company issued 24,000,000 common stocks and 685,714 warrants.

The number of warrants to be issued equals 4% of the total number of rights to subscribe for common shares to be issued under the terms of the Offering. These warrants expire on December 10, 2015 and are exercisable at an exercise price of $0.07 per common share.

13. Expenses by Nature

	2014 $	2013 $
Plant and other operating costs		
Employee benefits	1,210,359	1,418,445
Raw materials and consumables used	248,730	185,983
Consulting and contractor expenses	307,854	261,002
Equipment rental expenses	57,571	-
Other expenses	106,091	505,190
	1,930,605	2,370,620
General and administration		
Employee benefits	1,129,989	1,260,017
Director fees	175,400	199,054
Consulting and contractor expenses	589,403	1,183,214
Rental expenses	293,055	271,905
Insurance expenses	141,590	143,796
Other expenses	167,548	415,796
	2,496,985	3,473,290
Sales and development		
Employee benefits	1,245,920	1,367,155
Consulting and contractor expenses	32,396	46,767
Rental expenses	82,405	62,730
Other expenses	94,846	379,850
	1,455,567	1,856,502

14. Compensation of Directors and other Key Management Personnel

Key management compensation includes the Company's directors and members of the Executive. Compensation awarded to key management includes:

	2014	2013
	$	$
Salaries, fees and short-term benefits	863,224	1,082,072
Termination benefits	470,899	-
Share-based payments	112,665	237,774
	1,446,788	1,319,846

Included in the trade payable and accrued liabilities as at December 31, 2014 is $114,630 of termination benefits, with payment commitments in 2015.

15. NWM Settlement

During 2014, the Company recorded $700,000 (2013 - $400,000) as bad debt recovery in the consolidated statement of loss and other comprehensive loss, which was related to the Lluvia de Oro water treatment plant settlement agreement with NWM Mining Corporation ("NWM").

16. Bad Debt

Value-added tax receivable

In 2014, the Company recorded an allowance for value-added tax ("VAT") receivable in Mexico for $478,278 (2013 - $nil). The allowance for uncollectible VAT was estimated by management based upon a number of factors including the length of time the returns have been outstanding and the responses received from tax authorities.

Trade receivable

The Company recorded a net allowance for certain trade receivable account for $78,173 (2013 - $nil) in 2014. The amount was estimated based upon a number of factors including the length of time the invoices have been outstanding and the responses received from the customer.

17. Government Assistance

a) In March 2013, the Company entered into an agreement with the National Science and Engineering Research Council of Canada ("NSERC") under its Industrial Research Assistance Program ("IRAP") to provide funds to assist in testing new applications of wastewater treatment technologies in the mining sector. During the year, the agreement was amended to increase the funding by $70,000 and extending the funding period by 6 months. Under the amended terms, NSERC agrees to reimburse BioteQ for costs incurred on account of the research work to a maximum of $331,750 until September 30, 2015. As of December 31, 2014, the Company claimed $170,441 (2013 - $105,403) under IRAP and received $172,943 (2013 - $68,635). The total amounts to be claimed under this arrangement is $55,906.

b) In June 2013, the Company received an award from the NSERC under Industrial R&D Fellowship ("IRDF"). The NSERC agrees to award BioteQ to a maximum of $60,000 until June 2015. As of December 31, 2014, the Company claimed $20,000 (2013 - $10,000) under IRDF award and received $30,000 (2013 - $nil). The total amounts to be claimed under this arrangement is $30,000. The amounts received have been recorded as a reduction to sales and development expenses.

18. Income Taxes

	2014 $	2013 $
Current tax:		
Current tax on profits for the year	87,556	77,790
Income tax expense	87,556	77,790

The statutory tax rate to income tax expense was 26% (2013 – 25.75%) for the year-ended December 31, 2014. The tax on the Company's losses before tax differs from the amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	2014 $	2013 $
Income tax recovery at statutory rates	(428,980)	(1,635,026)
Tax assets for which no deferred income tax was recognized	1,207,062	(82,582)
Adjustment in relation to prior period	376,135	1,373,441
Non-deductible expenses	86,633	106,542
Impairment of investment in joint venture	-	376,621
Tax rate differences	(27,619)	(414,070)
Share of loss (earnings) of joint ventures	-	272,244
Tax effect on forgiveness of intercompany debt	(1,969,442)	-
Other	843,767	80,620
Income tax expense	87,556	77,790

As at December 31, 2014, the Company has approximately $86,000 (2013 - $86,000) of investment tax credits, expiring betweem 2018 and 2020, all of which may be used to reduce future Canadian income taxes that are otherwise payable.

The Company has accumulated loss of $23,720,692 (2013 - $23,981,710) for Canadian income tax purposes which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

	$
2015	2,065,901
2026	2,416,351
2027	1,628,919
2028	1,951,879
2029	2,372,749
2030	965,964
2031	4,086,003
2032	3,931,298
2033	3,403,636
2034	897,992
	23,720,692

In addition, the Company has available tax losses in other jurisdictions that total $9,799,999 (2013 - $10,757,314). Of

these, $7,633,925 will expire in 2015 upon dissolution of foreign subsidiaries (note 25). The remaining losses can be carried forward to offset against future taxable income in those jurisdictions with expiry periods from 10 years to indefinitely.

The Company's future tax assets are as follows:

Deferred tax assets:

	2014	2013
	$	$
Plant and equipment	2,840,346	2,047,409
Investment in JV	1,035,491	1,316,574
Share issuance costs	34,720	-
ITC credit	64,257	63,640
Non-capital losses carry-forwards	9,119,747	9,479,152
Capital losses carry-forwards	2,091,671	-
Other	48,464	425,301
	15, 234,696	13,332,076
Deferred tax assets not recognized	(15,234,696)	(13,332,076)
Total deferred tax assets	-	-

No income tax benefits related to the deferred tax assets have been recognized in the accounts because of the uncertainty on whether future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

19. Supplemental Cash Flow Information

	2014	2013
Change in non-cash working capital items	$	$
Decrease in trade and other receivables and receivable from joint venture	142,017	72,136
Decrease in other asset	14,626	14,556
(Increase) decrease in inventory	(225,574)	150,811
Increase (decrease) in trade payable and accrued liabilities	174,876	(629,437)
Increase (decrease) in deferred revenue	50,563	(91,970)
Decrease in other liabilities	(51,492)	(47,588)
Change in non-cash working capital items	105,016	(531,492)

20. Commitments

The Company has commitments of $895,386 under operating leases for office and laboratory premises and for office equipment, as follows:

	$
2015	360,666
2016	322,288
2017	212,432
	895,386

21. Segment Reporting

a) Operating segment - the Company has one operating segment, being principally to build process plants and earn revenues from recovered metals, treatment fees, plant sales, engineering fees and process licenses.

b) Products and services - the Company's sources of revenues are as follows:

	2014 $	2013 $
Treatment fees	1,676,511	1,330,612
Engineering services and plant sales	1,945,441	2,735,661
	3,621,952	4,066,273

Geographic information – The Company's revenue, plant and equipment, and investment in joint venture by geographic area are as follows:

	2014 $	2013 $
Revenue		
Canada	2,975,188	2,694,913
U.S.	33,317	371,710
Chile	558,970	806,482
Mexico	27,225	67,500
Other	27,252	125,668
	3,621,952	4,066,273

	Dec. 31, 2014 $	Dec. 31, 2013 $
Plant and equipment		
Canada	599,894	769,765
Chile	3,274	9,412
	603,168	779,177

	Dec. 31, 2014 $	Dec. 31, 2013 $
Investment in joint venture		
China	4,941,118	4,564,750

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

	2014	2013
	$	$
Customer A	1,834,111	1,513,545
Customer E	175,329	1,084,294
Customer F	113,334	752,089
Customer K	951,803	-
	3,074,577	3,349,928

22. Capital Risk Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company 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 financing or refinance existing debt with different characteristics. There were no changes in the Company's approach to capital management during the year.

23. Financial Risk Management

The Company's activities expose it to various risks, including credit risk, market risks such as foreign currency risk, commodity price risk and interest rate risk, and liquidity risk. The Company's risk management activities are designed to mitigate 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 board of directors, finance and accounting department. The Company's risk management policies and procedures have not changed from 2013.

a) Credit risk

Credit risk is the risk of an unexpected loss if a party to the Company's financial instruments falls to meet their contractual obligations. The Company's financial assets are primarily composed of cash and cash equivalents, short-term investments and trade and other receivables. Credit risk is primarily associated with trade and other receivables; however, it also arises on cash and cash equivalents and short-term investments.

The Company's maximum exposure to credit risk is as follows:

	Dec. 31, 2014	Dec. 31, 2013
	$	$
Cash and cash equivalents	915,681	1,192,977
Short-term investments	373,991	-
Trade and other receivables	547,111	1,093,130
Receivable from joint venture	228,201	192,211
	2,064,984	2,478,318

The Company minimizes the credit risk on 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 and other receivables is minimized by performing credit reviews, ongoing credit evaluation and account monitoring procedures. All of the Company's receivables have been reviewed for indicators of impairment. The allowance for doubtful accounts balance was $82,268 at December 31, 2014 (December 31, 2013 - $nil).

The aging of accounts receivable is as follows:

					Dec. 31, 2014	Dec. 31, 2013
	0-30 days	31-60 days	61-90 days	Over 90 days	Total	Total
	$	$	$	$	$	$
Trade receivables and other	267,951	215,353	32,995	30,812	547,111	1,093,130
Receivable from joint venture	-	-	-	228,201	228,201	192,211
	267,917	215,353	32,995	259,013	775,312	1,285,341

The Company recorded bad debt expense of $556,451 during the year ended December 31, 2014 (2013 - $nil), of which $478,238 related to the VAT receivable in Mexico (note 16). 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 receivables have been challenged by the respective customers and the Company continues to conduct business with them on an ongoing basis.

b) Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. When the Company holds short-term investments, historically the investments have been invested in separate investments with varying maturities exposing the Company to interest rate risk on these financial instruments. The Company's exposure to the changes in market interest rate increased in the last three months of 2014, as the Company increase its holdings in short-term investments to $373,991 (2013 - $nil). However, the exposure to interest rate movement is not material.

c) Foreign exchange risk

The Company operates in Canada, the United States, Mexico, Chile, China and Australia. As a result, the Company has foreign currency exposure with respect to items not denominated in Canadian dollars. The three main types of foreign exchange risk for the Company can be categorized as follows:

Transaction exposure

The Company's operations sell mainly services and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

Currency risk exposure

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than Canadian dollar: cash and cash equivalents, trade and other receivable, receivable from joint ventures, trade payable and accrued liabilities, and current income taxes payable. The currencies of the Company's financial instruments and other foreign currency denominated liabilities exposed to currency risk, based on notional amounts, were as follows:

	December 31, 2014				
	US dollar	Mexican pesos	Australian dollar	Chilean peso	Chinese renminbi
Cash and cash equivalents	5,196	1,725	40,675	390,363	-
Trade and other receivables and Receivables from joint venture	72,394	-	-	76,842	228,201
Trade and other payables	(4,195)	(6,653)	-	(119,762)	-
Gross balance sheet exposure	73,395	(4,928)	40,675	347,443	228,201

	December 31, 2013				
	US dollar	Mexican pesos	Australian dollar	Chilean peso	Chinese renminbi
Cash and cash equivalents	36,039	5,472	60,108	605,794	-
Trade and other receivables and Receivables from joint venture	167,436	464,090	1,001	24,416	107,139
Trade and other payables	(15,489)	(36,839)	(145,992)	(104,423)	-
Gross balance sheet exposure	187,986	432,723	(84,883)	525,787	107,139

Translation risk exposure

The Company's functional and reporting currency is Canadian dollars. The Company's operations translate their operating results from the host currency to Canadian dollars. Therefore, exchange rate movements in the U.S. dollar, Australian dollar, Mexican peso, Chilean peso and Chinese renminbi can have a significant impact on the Company's consolidated operating results. A 10% strengthening (weakening) of the Canadian dollar against the following currencies would have decreased (increased) the Company's net loss from the financial instruments presented by the amounts shown below.

	2014 $	2013 $
US dollar	7,340	(18,799)
Mexican peso	(493)	(43,272)
Australian dollar	4,068	8,488
Chilean peso	34,744	(52,579)
Chinese renminbi	22,820	(10,714)
	68,479	(116,876)

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and short-term investments. The ability to do this relies on the Company collecting its trade receivables in a timely manner and maintaining sufficient cash in excess of anticipated needs.

The following are the contractual maturities, and all of which are due within twelve months of the balance sheet date. The amounts presented represent the future undiscounted cash flows:

	Dec. 31 2014	Dec. 31 2013
	$	$
Trade and other payables	1,084,849	1,020,288
RSU and DSU	136,847	166,145
	1,221,696	1,186,433

Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is continuing to review expenditures in order to ensure adequate liquidity (note 1). A period of continuous depression in mining industry, which is the Company's main customer base, may necessitate the Company to seek financing opportunities in accordance to its capital risk management strategy (note 22).

e) Price risk

The Company is subject to price risk for changes in the Company's common stock price per share. The Company has implemented, as part of its long-term incentive plan, the DSU plan that the Company is required to satisfy in cash upon vesting. The Company considers the plan a financial liability and is required to fair value the outstanding liability with the resulting changes included in stock-based compensation expense each period: an increase in share unit award prices would decrease the Company's net earnings. A 10% change in prices would impact the Company's net earnings before taxes and other comprehensive income before taxes by $1,335 in 2014 (2013 - $1,664).

24. Fair Value Management

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

The Company's financial assets and financial liabilities are classified and measured as follows:

	Dec. 31, 2014	Dec. 31, 2013
	$	$
Financial assets		
Loan and receivables at amortized cost		
Cash and cash equivalents	915,681	1,192,977
Short-term investments	373,991	-
Trade and other receivables and receivables from joint venture	775,312	1,285,341
Financial liabilities		
Fair value through profit or loss		
RSU and DSU	136,847	166,145
Financial liabilities at amortized cost		
Trade and other payables	1,084,849	957,744

The carrying values of the financial assets and liabilities presented above approximate their fair values. The Company has not offset financial assets with financial liabilities.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value

as described in note 2. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's DSUs are held at fair value, measured by Level 1 inputs. There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2014 and 2013. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

25. Subsequent Events

Subsequent to the end of the year, the Company has started the dissolution process of BioteQ Arizona Inc. and BioteQ Water (Australia) Pty Ltd as well as the Bisbee joint venture.

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STOCK EXCHANGE

Toronto Stock Exchange (TSX)
Symbol: BQE

1 – Member, Audit Committee
2 – Member, Compensation Committee
3 – Member, Corporate Governance Committee
4 – Member, Environment, Health, Safety & Technology Committee

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