

BioteQ Environmental Technologies Inc.

Consolidated Financial Statements

For the year ended December 31, 2015 and 2014

INDEPENDENT AUDITORS' 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, 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditors' 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(b) in the consolidated financial statements which states that BioteQ Environmental Technologies Inc. incurred significant loss from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 2(b), indicates the existence of a material uncertainty that may cast significant doubt about the ability of BioteQ Environmental Technologies Inc. to continue as a going concern.

Other Matter

The consolidated financial statements of BioteQ Environmental Technologies Inc. and its subsidiaries as at and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements in their report date March 26, 2015.

April 19, 2016
Vancouver, BC


Chartered Professional Accountants

BioteQ Environmental Technologies Inc.

Consolidated Statements of Financial Position

As at December 31, 2015 and 2014

		December 31 2015 \$	December 31 2014 \$
	note		
Assets			
Current assets			
Cash and cash equivalents		1,408,890	915,681
Short-term investments		-	373,991
Trade and other receivables	6	568,204	847,077
Receivable from joint venture	7	116,165	228,201
Inventory and work in progress	8	61,455	25,472
Prepaid and other deposits		130,122	143,380
Total current assets		2,284,836	2,533,802
Non-current assets			
Plant and equipment	9	432,526	603,168
Investment in joint venture	10	4,708,976	5,033,483
Deposits		24,601	24,601
Total non-current assets		5,166,103	5,661,252
Total assets		7,450,939	8,195,054
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	7, 11	929,579	935,867
Income taxes payable	20	152,550	152,740
Deferred revenues		254,100	51,323
Deferred benefits	12	65,954	133,089
Current portion deferred lease inducement		11,430	11,430
Total current liabilities		1,413,613	1,284,449
Non-current liabilities			
Deferred lease inducement		8,572	20,002
Total liabilities		1,422,185	1,304,451
Shareholders' Equity			
Capital stock and warrants	12, 14	54,719,814	56,253,254
Contributed surplus		10,033,768	8,446,809
Accumulated other comprehensive income (loss)		456,982	(59,930)
Accumulated deficit		(59,181,810)	(57,749,530)
Total shareholders' equity		6,028,754	6,890,603
Total liabilities and shareholders' equity		7,450,939	8,195,054
Going concern (note 2(b))			
Commitments (note 21)			

Approved and authorized by the Board of Directors

Signed "Peter Gleeson"

Peter Gleeson, Director

Signed "David Kratochvil"

David Kratochvil, Director

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

BioteQ Environmental Technologies Inc.
Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2015 and 2014

		Year ended December 31	
		2015	2014
		\$	\$
	note		
Revenue		3,647,029	3,621,952
Plant and other operating costs (excluding depreciation)	15	2,333,308	1,930,605
Operating margin before depreciation		1,313,721	1,691,347
General and administration	15	2,031,307	2,496,985
Sales and development	15	1,176,928	1,455,567
Stock-based compensation (recovery) expense	12	(19,218)	41,286
Depreciation of plant and equipment	9	220,723	224,078
Amortization of intangible asset		-	7,738
Share of results of equity accounted joint venture	10	(189,378)	(701,149)
Loss from operations and joint venture		(1,906,641)	(1,833,158)
Finance income, net		13,479	13,563
Foreign exchange gain		258,659	56,829
Other income, net	18	344,868	200,400
Loss before income taxes		(1,289,635)	(1,562,366)
Income tax expense	20	(142,645)	(87,556)
Net loss for the year		(1,432,280)	(1,649,922)
Other comprehensive income			
<i>Items that will be reclassified subsequently to loss</i>			
Translation gain on foreign operations		516,912	398,144
Other comprehensive income for the year		516,912	398,144
Comprehensive loss for the year		(915,368)	(1,251,778)
Net loss per share			
Basic and diluted		(0.02)	(0.02)
Weighted average number of shares outstanding			
Basic and diluted		93,966,672	92,388,589

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

BioteQ Environmental Technologies Inc.

Consolidated Statements of Changes in Equity
For the years ended December 31, 2015 and 2014

		Year ended December 31 Number of Shares	2015 \$	Year ended December 31 Number of Shares	2014 \$
	note				
Capital stock					
Balance, beginning of the year		93,966,672	54,719,814	69,966,672	53,755,999
Issued in rights offering, net of financing costs of \$236,185		-	-	24,000,000	963,815
Balance, end of the year		93,966,672	54,719,814	93,966,672	54,719,814
Warrants					
Balance, beginning of the year			1,533,440		1,513,417
Issued for financing costs in rights offering	14		-		20,023
Expired warrants	14		(1,533,440)		-
Balance, end of the year			-		1,533,440
Contributed surplus					
Balance, beginning of the year			8,446,809		8,385,196
Share-based payments	12		42,524		81,636
Warrants issued for financing costs in rights offering	14		-		(20,023)
Expired warrants	14		1,533,440		-
Settlement of convertible loan	13		10,995		-
Balance, end of the year			10,033,768		8,446,809
Accumulated other comprehensive income (loss)					
Balance, beginning of the year			(59,930)		(458,074)
Other comprehensive income for the year			516,912		398,144
Balance, end of the year			456,982		(59,930)
Accumulated deficit					
Balance, beginning of the year			(57,749,530)		(56,099,608)
Net loss for the year			(1,432,280)		(1,649,922)
Balance, end of the year			(59,181,810)		(57,749,530)
Total shareholders' equity					
Balance, beginning of the year			6,890,603		7,096,930
Share-based payments			42,524		81,636
Issued in rights offering, net of financing costs			-		963,815
Settlement of convertible loan			10,995		-
Net loss for the year			(1,432,280)		(1,649,922)
Other comprehensive income for the year			516,912		398,144
Balance, end of the year			6,028,754		6,890,603

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

BioteQ Environmental Technologies Inc.

Consolidated Statements of Cash Flow

For the years ended December 31, 2015 and 2014

		Year ended December 31	
		2015	2014
		\$	\$
	note		
Operating activities			
Net loss for the year		(1,432,280)	(1,649,922)
Items not affecting cash			
Income tax expense		142,645	87,556
Net gain from legal settlement	18	-	(49,918)
Bad debt (recovery) expense	18	(67,848)	556,451
Share of results of equity accounted joint venture	10	(189,378)	(701,149)
Gain on settlement of convertible loan	18	(8,911)	-
Interest income		(13,479)	(13,563)
Gain on disposal of equipment	18	-	(6,933)
Depreciation of plant and equipment	9	220,723	224,078
Amortization of intangible asset		-	7,738
Amortization of deferred lease inducement		(11,430)	(11,430)
Net foreign exchange gain		(215,849)	(19,012)
(Recovery) expense recognized in respect of stock-based compensation	12	(19,218)	41,286
		(1,595,025)	(1,534,818)
Change in non-cash working capital items	21	655,909	105,016
Cash used in operations		(939,116)	(1,429,802)
Income taxes paid	20	(142,645)	(87,556)
Net cash used in operating activities		(1,081,761)	(1,517,358)
Investing activities			
Purchase of plant and equipment	9	(50,804)	(58,320)
Proceeds from disposal of equipment	9	800	4,492
Net distribution received from joint venture	10	1,195,917	660,767
Purchase of short-term investments		-	(373,991)
Proceeds from sale of short-term investments		373,991	-
Interest received		89,180	12,634
Net cash provided by investing activities		1,609,084	245,582
Financing activities			
Financing initiation costs	13	(7,302)	-
Interest paid	13	(46,500)	-
Net proceeds from rights offering		-	1,015,635
Net cash (used in) provided by financing activities		(53,802)	1,015,635
Effect of exchange rate changes on cash and cash equivalents		19,688	(21,155)
Increase (decrease) in cash and cash equivalents		493,209	(277,296)
Cash and cash equivalents, beginning of the year		915,681	1,192,977
Cash and cash equivalents, end of the year		1,408,890	915,681

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

BioteQ Environmental Technologies Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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 TSX Venture Exchange under the symbol BQE. The address of its registered office is Suite 1000 - 1050 West Pender Street, Vancouver, BC.

2. BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective as of December 31, 2015.

The Company's Board of Directors approved these consolidated financial statements on April 19, 2016.

b. Going concern assumption

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, 2015, the Company incurred a net loss of \$1,432,280 (2014 – \$1,649,922) and used net cash in operating activities of \$1,081,761 (2014 – \$1,517,358). The Company was able to complete a cash dividend from its joint venture for net proceeds of \$1,195,917 which contributed to a net increase in cash and short-term investments of \$119,218 (2014 – increase of \$96,695). The Company had a working capital position of \$871,223 (2014 – \$1,249,353) and a cumulative deficit of \$59,181,810 (2014 – 57,749,530) as at December 31, 2015.

Currently, based on its planned expenditures and expected cash flows, the Company will need to secure new sources of working capital to continue operations beyond approximately one quarter. Management's plan is to actively work with the Company's Board to secure sources of funds, including possible equity and debt financing options, while at the same time focus on increasing revenue and exercise careful cost control to sustain operations. If necessary, the Company will curtail discretionary spending. The Board believes that there is a reasonable expectation that the Company will be successful in obtaining the necessary financing resolution to address its working capital needs and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing these consolidated financial statements.

The continuation of the Company as a going concern is dependent upon its ability to raise additional financing and ultimately attain and maintain profitable operations. This assumes that the Company is able to successfully obtain financing to fund its working capital needs, continue successful operations at its Raglan and Dexing joint venture operations, maintain or further decrease operating expenses, successfully repatriate funds from its Dexing joint venture, and secures and completes new sales contracts.

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. Accordingly, there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustment to the recoverability and classification on recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the financial statements could be required.

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c. Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis except for deferred share units and restricted share units, which are measured at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies as set out below have been consistently applied to all periods presented in these consolidated financial statements, unless otherwise stated. The Company did not adopt any new accounting standard changes or amendments effective January 1, 2015 that had a material impact on these consolidated financial statements. Certain prior year comparative figures have been reclassified to comply with current year's presentation.

a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company, 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	Ownership interest as at Dec. 31, 2015	Ownership interest as at Dec. 31, 2014
Biomet Mining Corporation	Subsidiary	Consolidated	Canada	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%
BioteQ (Shanghai) Water Treatment Technologies Co. Ltd.	Subsidiary	Consolidated	China	100%	0%
JCC-BioteQ Environmental Technologies Co. Ltd.	Joint venture	Equity	China	50%	50%

i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

ii) 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. 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. If the joint venture subsequently reports profit, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

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.

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b) Foreign currency translation

i) 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 the Company'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.

ii) 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.

c) Cash and cash equivalents

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

d) Short-term investments

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

e) 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

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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 completed at the statement of financial position date. This amount includes both direct materials and direct labour costs.

f) Plant and equipment

i) Recognition and measurement

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed plant and equipment includes the costs of materials, costs directly attributable to bringing the assets to a working condition for their intended use such as labor, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Self-constructed assets are classified to the appropriate categories of plant and equipment and subject to depreciation when ready for their intended use. If significant components of a plant or equipment have different useful lives, then they are accounted for as separate items (major components) of plant and equipment.

ii) Subsequent measurement

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.

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.

iii) Depreciation

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost net of their residual values, over the shorter of their estimated useful lives and the contract life. Depreciation commences when the asset is fully constructed and available for use. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate. Depreciation categories and useful lives for items included in plant and equipment are as follows:

Asset	Estimated useful life
Computer equipment	3 years
Office and lab equipment	5 years
Pilot plants	3 to 5 years
Water treatment plants	Shorter of contract life or 10 to 20 years

g) Financial Instruments

i) Fair 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

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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.

ii) 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.

iii) Non-derivative financial assets – measurement

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. No financial asset was designated as FVTPL or as available for sale as at December 31, 2015 and 2014.

iv) Non-derivative financial liabilities – measurement

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.

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The Company has classified the provisions related to the Company's Deferred Share Units ("DSU") and Restricted Share Units ("RSU") as at FVTPL.

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.

v) *Share capital*

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

h) **Impairment**

i) *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.

ii) *Non-derivative 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

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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.

iii) Equity-accounted investment in joint venture

An equity accounted investment in joint venture is reviewed for indication of impairment at each financial position date. 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. 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.

i) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of past exploration, development or production events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions do not include any additional obligations which are expected to arise from future disturbance.

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. For the year ended December 31, 2015 and 2014, the Company did not record any decommissioning obligation or rehabilitation costs.

j) Revenue Recognition

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.

i) 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.

ii) Engineering and lab services

The above criteria are generally met as services are performed. Engineering services include plant design, construction, piloting, commissioning and operations. 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 engineering and lab services by either the percentage of completion or completed contract method depending on the specific circumstances of the individual contracts.

iii) Metal recovery revenue

The above criteria are generally met when the title of the metal concentrate passes to the customer. Revenue from metal recovery is recorded at the fair value, based on prevailing market prices adjusted in accordance with agreed terms.

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k) 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 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 deferred and recognized in the statement of profit or loss on a systematic basis in the periods in which the intended expenses are recognized.

l) Employee benefits

i) 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.

ii) Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which the related service is provided by the employees.

iii) 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.

m) Share-based payment

The Company maintains a RSU plan and a DSU plan for employees, and a stock option plan for employees and directors.

Cash-settled share-based payments, which include RSUs and DSU, are measured initially at the fair value and such liabilities are recognized as an obligation at the grant date. 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.

Equity-settled share-based payments, which include the stock option plan, are measured at the fair value of the equity instruments at the grant date. Fair value is measured using the Black-Scholes pricing model. 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 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.

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n) Income tax

The Company follows the asset and liability method of accounting for income taxes. 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. Income tax comprises of two components: current and deferred.

i) 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.

ii) Deferred tax

Under the asset and liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. 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.

o) Earnings (loss) per share

Basic earnings (loss) per share 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 earnings (loss) per share is calculated using the treasury stock method 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.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. 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.

Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

a) Critical judgements

Critical judgements that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statement are limited to management's assessment of the Company's ability to continue as a going concern (note 2(b)).

b) Key sources of estimation uncertainty and assumptions

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 reported amounts of assets and liabilities, income and expenses within the next fiscal year.

i) Revenue recognition

Revenue from engineering and lab services are recognized using percentage-of-completion method, which requires judgment relative to assessing risks, estimating contract revenue and expenses, and making assumptions for schedule and technical issues. Depending on the services provided and on the contract terms, many variables are used in assessing the revenue from the percentage completed at the reporting date.

ii) Asset impairment

Determining the amount of asset 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. 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 risk specific to the asset. In assessing fair value less costs to sell, the price that would be received on the sale of an asset in an orderly transaction between market participants at the measurement date is estimated. Many of factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company's long term assets such as plant and equipment or investment in joint venture. For example, the copper price could be lower than projected due to economic, industry or competitive factors, or the discount rate used in the value in use model could increase due to change in market interest rate.

iii) Convertible loan

The calculation of the fair value of the debt component of the convertible loan issued during the year requires using an interest rate that the Company would have had to pay had the loan been obtained without a conversion feature. As the Company has not entered into a conventional loan in the past, such interest rate requires management's estimate by reference to loan interest paid by comparable companies in the similar sector. The Company estimates 20% being the reasonable interest rate a comparable company in technology sector would likely pay in obtaining loans.

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5. RECENT ACCOUNTING PRONOUNCEMENT

The following is an over view of accounting standard changes that the Company will be required to adopt in future years. The Company is still in the process of assessing the impact on the financial statements of these new standards:

IFRS 9 Financial instruments

On July 24, 2014, the IASB issued the complete IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 introduces new requirements for the classification and measurements of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. It also includes a new general hedge accounting standard which aligns hedge accounting ore closely with risk management. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company has not yet determined the effect of adoption of IFRS 9 on its consolidated financial statements.

IFRS 15 Revenues from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). 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 effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted. The Company has not yet determined the effect of adoption of IFRS 15 on its consolidated financial statements.

IFRS 16 Leases

On January 6, 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard replaces IAS 17 *Leases*. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Company has not yet determined the effect of adoption of IFRS 16 on its consolidated financial statements.

6. TRADE AND OTHER RECEIVABLES

	Dec. 31, 2015	Dec. 31, 2014
	\$	\$
Trade receivables	390,216	546,145
Unbilled receivables	173,693	299,966
Other	4,295	966
	<u>568,204</u>	<u>847,077</u>

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7. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties of the Company:

- a) As at December 31, 2015, the Company had a receivable balance of \$116,165 (2014 - \$228,201) from the Dexing joint venture, arising mainly from joint venture investments and sale transactions. The receivables are unsecured in nature and bear no interest. No provisions are held against such receivables. There was no sale of goods and services with the Dexing joint venture (2014 - \$85,691) during the year ended December 31, 2015. Sales and other transactions are recorded at the exchange amount agreed by both parties.
- b) In February 2014, the Company entered into a contract for approximately 23 months with a company owned by a director, to procure management consulting services. For the year ended December 31, 2015, the services received amounted to \$120,000 (2014 - \$110,000) and as of December 31, 2015, the Company has \$160,000 included in trade payable and accrued liabilities (December 31, 2014 – \$110,000).
- c) On June 9 2015, the Company entered into a six-month, unsecured, 12% interest bearing convertible loan agreements with six lenders totalling to \$775,000 (note 13). The six lenders include directors, management and shareholders of the Company. At the year ended December 31, 2015, there was no outstanding balance on these loans. (note 13)

8. INVENTORY AND WORK IN PROGRESS

	Dec. 31, 2015	Dec. 31, 2014
	\$	\$
Work in progress	40,248	-
Inventory of chemicals and spare parts	21,207	25,472
	61,455	25,472

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 (2014 – \$nil).

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9. PLANT AND EQUIPMENT

	Water treatment plants \$	Pilot plants \$	Construction in progress \$	Other ¹ \$	Total \$
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
As at Dec. 31, 2015					
Opening net book value	100,509	434,456	-	68,203	603,168
Additions	50,254	-	-	550	50,804
Disposals	-	(800)	-	-	(800)
Depreciation	(64,407)	(116,487)	-	(39,829)	(220,723)
Foreign exchange translation	-	-	-	77	77
Closing net book value	86,356	317,169	-	29,001	432,526
As at Dec. 31, 2015					
Cost	2,105,132	580,593	-	517,833	3,203,558
Accumulated depreciation	(2,018,776)	(263,424)	-	(488,832)	(2,771,032)
Closing net book value	86,356	317,169	-	29,001	432,526

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

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10. INVESTMENT IN JOINT VENTURE

Investment in joint venture is comprised of:

	Dexing joint venture \$
Balance, January 1, 2014	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
Share of comprehensive income	871,409
Contributions made	229,284
Distributions received	(1,425,200)
Balance, December 31, 2015	4,708,976

The Company's share of net earnings in the Dexing joint venture for the years ended December 31, 2015 were \$189,377 (2014 – 701,149)

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 five potential additional sites owned and operated by JCC. The first plant commenced operations on April 1, 2008.

During 2014, the joint venture partners completed the construction and commissioning of a new water treatment plant at JCC's Yinshan mine site and a second copper recovery plant 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).

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 on the date of sale at the adjusted fair market price of the metal based on applicable terms, 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. During 2015, the Company received a gross cash distribution of \$1,425,200 (CNY 10,000,000) (2014 -\$860,500 (CNY 5,000,000)).

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

Statement of financial position

	Dec. 31, 2015	Dec. 31, 2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	588,406	670,539
Short-term investments	92,699	233,625
Trade and other receivables	112,817	394,384
Taxes recoverable	80,147	-
Inventory	438,052	151,473
Prepaid expenses	522	458
	<u>1,312,643</u>	<u>1,450,479</u>
Non-current assets		
Plant and equipment	<u>5,351,657</u>	<u>4,845,936</u>
Total assets	<u>6,664,300</u>	<u>6,296,415</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,955,324	1,220,419
Current income tax payable	-	42,513
	<u>1,955,324</u>	<u>1,262,932</u>
Total liabilities	<u>1,955,324</u>	<u>1,262,932</u>
Partner's Equity		
Joint venture partner equity	3,381,104	3,151,820
Accumulated other comprehensive income	1,902,126	1,220,094
Retained earnings	(574,254)	661,569
Total partner's equity	<u>4,708,976</u>	<u>5,033,483</u>
Total liabilities and partner's equity	<u>6,664,300</u>	<u>6,296,415</u>

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Statements of operations and comprehensive income

	2015	2014
	\$	\$
Revenue	4,301,770	3,568,203
Plant and other operating costs (excluding depreciation)	3,462,898	2,334,286
	838,872	1,233,917
General and administration	184,339	126,248
Depreciation of plant and equipment	482,547	275,205
Income from operations	171,986	832,464
Finance (expense) income	(840)	31,880
Foreign exchange income (loss)	12,542	(8,068)
Other income	-	25,225
Income before income taxes	183,688	881,501
Current income tax recovery (expense)	5,689	(180,352)
Net income for the year	189,377	701,149
Other comprehensive income		
Translation gain on foreign operation	682,032	428,352
Comprehensive income for the year	871,409	1,129,501

The Deking joint venture derives its revenue from recovered copper sales, which is subject to risks that are beyond the control of the joint venture. The copper recovery rate is dependent on the rainfall in the region and the grade of copper in the water treated, while the revenue is exposed to the world commodity price risk.

11. TRADE PAYABLE AND ACCRUED LIABILITIES

	Dec. 31, 2015	Dec. 31, 2014
	\$	\$
Trade payable and accruals	446,660	507,237
Payroll liability	413,605	384,659
Value added tax payable	69,314	43,971
	929,579	935,867

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12. SHARE-BASED PAYMENTS

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

	Dec. 31, 2015	Dec. 31, 2014
	\$	\$
Stock options (i)	42,524	81,636
Deferred share units (ii)	(60,193)	(13,843)
Restricted share units (iii)	(1,549)	(26,507)
	(19,218)	41,286

a) 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:

	2015		2014	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	\$		\$	
Outstanding at January 1	0.21	6,068,333	0.37	4,189,999
Granted	-	-	0.07	2,800,000
Forfeited	0.11	(108,334)	0.23	(83,334)
Expired	0.75	(716,666)	0.49	(838,332)
Outstanding at December 31	0.14	5,243,333	0.21	6,068,333
Exercisable at end of year	0.07	3,332,222	0.38	2,564,441

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 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 have a term of 5 years from the date of grant and vest over three years with one-third vesting each year on the anniversary of 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%.

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Exercise price range \$	Weighted average remaining life (months)	2015 number of outstanding share options
0.07 to 0.15	37	3,133,333
0.17 to 0.30	16	2,110,000
0.07 to 0.30	28	5,243,333

b) 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, 2014	532,786
Granted	2,850,468
Redeemed	(196,094)
Balance, December 31, 2014	3,187,160
Granted	93,958
Redeemed	(366,043)
Balance, December 31, 2015	2,915,075

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. During the year ended December 31, 2015, there were no salaries (2014 – \$41,338) covered under the arrangement were included in the stock-based compensation expense. The arrangement expired as of December 31, 2014.

During 2015, the Company recorded fair value adjustment as recovery of (\$60,193) (2014 – (\$58,939)) as stock-based compensation expense related to the DSUs.

c) 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. RSU granted are accounted for and fair valued using the same methodology as DSUs.

BioteQ Environmental Technologies Inc.

Notes to the Consolidated Financial Statements
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The following table presents the changes to the RSU plan:

	Number of units
Balance, January 1, 2014	434,332
Redeemed	(351,491)
Balance, December 31, 2014	82,841
Redeemed	-
Balance, December 31, 2015	82,841

The RSUs outstanding at the end of 2015 remain unvested as at December 31, 2015 (December 31, 2014 – 82,841). During 2015, the Company recorded fair value adjustment as recovery of \$1,549 (2014 – \$26,507) as stock-based compensation expense related to the RSUs.

13. CONVERTIBLE LOAN

On June 9, 2015, the Company entered into six-month, unsecured, convertible loan agreements (the “Loans”) with six lenders. Under the Loan agreements, the Loans bear interest rate of 12% per annum, with a principle of \$775,000. The Loans are due for repayment 6 months from the issuance date at their nominal value of \$775,000 plus interest or conversion into common shares of the Company at the holder’s option with the conversion price of \$0.03 per share. The Company may elect to repay any portion of the principle prior to the maturity date subject to a minimum interest payment of 6%.

The fair value of the liability component, all included as a liability in convertible loan, is calculated using a market interest rate for comparable companies of 20% for an equivalent, non-convertible, loan at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders’ equity as an equity component of the convertible loan. Transaction costs associated with issuing the convertible loan are allocated to the liability and equity components in its allocated proportion.

The carrying amount of the liability component of the convertible loan is derived as follows:

	Dec. 31, 2015	Dec. 31, 2014
	\$	\$
Face value of convertible loan issued on June 9, 2015	775,000	-
Transaction cost	(7,303)	-
Equity conversion component on initial recognition	(30,712)	-
Liability component on initial recognition	736,985	-
Accumulated amortisation of interest expense	27,208	-
Gain on settlement	(8,911)	-
Equity conversion component on settlement	30,712	-
Equity settlement to contributed surplus	(10,994)	-
Repayment of convertible loan	(775,000)	-
Liability component balance as at period end	-	-

During the year ended December 31, 2015, the Company recorded interest expense relating to the Loans of \$73,708 (2014 - \$nil).

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Notes to the Consolidated Financial Statements
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14. 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. These warrants with a relative fair value basis of \$1,513,417 expired on January 21, 2015 and are allocated to a contributed surplus.

In January 2014, the Company completed a Shareholders Rights Offering (the "Offering"). For the Offering, 24,000,000 common shares were issued for proceeds of \$963,815, net of financing costs of \$236,185. As a part of the financing costs, the Company issued 685,714 warrants with an exercise price of \$0.07, which are fair valued at \$20,023. These warrants expired on December 10, 2015 and are allocated to a contributed surplus.

As at December 31, 2015, the Company has 93,966,672 (December 31, 2014 – 93,966,672) common shares outstanding and no (December 31, 2014 – 4,322,078) warrants outstanding.

15. EXPENSES BY NATURE

	2015 \$	2014 \$
Plant and other operating costs		
Employee benefits	1,416,021	1,210,359
Raw materials and consumables used	156,544	248,730
Consulting and contractor expenses	469,624	307,854
Equipment rental expenses	129,603	57,571
Other expenses	161,516	106,091
	<u>2,333,308</u>	<u>1,930,605</u>
General and administration		
Employee benefits	758,716	1,129,989
Director fees	185,600	175,400
Consulting and contractor expenses	476,660	589,403
Rental expenses	294,927	293,055
Insurance expenses	164,120	141,590
Other expenses	151,284	167,548
	<u>2,031,307</u>	<u>2,496,985</u>
Sales and development		
Employee benefits	908,925	1,245,920
Consulting and contractor expenses	66,705	32,396
Rental expenses	79,897	82,405
Other expenses	121,401	94,846
	<u>1,176,928</u>	<u>1,455,567</u>

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16. IMPAIRMENT

In accordance with the Company's accounting policies, the recoverable amount of an asset is estimated when an indication of impairment exists. Indicators of impairment existed for our investment in the Dexing joint venture.

To determine the recoverable value of Dexing joint venture, a five-year discounted cash flow analysis was prepared in accordance with IAS 36 utilizing the Value-In-Use (VIU) valuation method. The key assumptions applied in the analysis include:

- a) Copper prices estimated using current price in the initial year, which is gradually escalated over the next three years, reaching a long-term price in 2020 of US\$3.00 per pound, adjusted for premium market prices in China;
- b) Copper volume projected to be consistent with prior plant performance and planned improvements in future years;
- c) Discount rate of 20.5%;
- d) Terminal growth rate of 0%; and
- e) Exchange rates estimated using current rate at December 31, 2015.

As at December 31, 2015, the estimated recoverable amount of our investment in Dexing joint venture exceeded its carrying value and accordingly no impairment charges were recorded.

17. 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:

	2015	2014
	\$	\$
Salaries, fees and short-term benefits	787,889	863,224
Termination benefits	84,525	470,899
Share-based payments	50,899	112,665
	<u>923,313</u>	<u>1,446,788</u>

Included in the trade payable and accrued liabilities as at December 31, 2015 is \$230,043 (2014 – \$114,630) of salaries, director fees, and termination benefits, with payment commitments in 2016.

18. OTHER INCOME

The other income (expense) is comprised as follows:

	2015	2014
	\$	\$
Recovery (write-off) of value added tax receivable in Mexico (a)	268,109	(478,278)
Recovery (write-off) of trade receivable	67,848	(78,173)
Gain on settlement of convertible loan	8,911	-
Gain from legal settlement	-	49,918
Gain on disposal of equipment	-	6,933
Recovery of NWM settlement (b)	-	700,000
	<u>344,868</u>	<u>200,400</u>

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Notes to the Consolidated Financial Statements
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a) Value added tax ("VAT") receivable in Mexico

In 2015, the Company recovered \$408,732 in VAT receivable from the Mexican government, which \$478,278 were written off in 2014. To assist in the recovery of this balance, the Company paid professional fees of \$140,623, which have been applied against the recovered amount. Also in 2015, the Company received interest income of \$80,102 related to this outstanding balance. Any additional VAT amounts collected in the future will be recorded as a recovery of bad debt in the period received.

b) NWM settlement

In 2014, the Company recorded \$700,000 as bad debt recovery from the Lluvia de Oro water treatment plant settlement agreement with NWM Mining Corporation.

19. GOVERNMENT ASSISTANCE

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. As of December 31, 2015, the Company claimed \$48,589 (2014 - \$170,441) under IRAP and received \$68,834 (2014 - \$172,943). As of December 31, 2015, the Company has claimed the 100% of the amount granted by NSERC.

20. INCOME TAXES

	2015 \$	2014 \$
Current tax:		
Current tax on profits for the year	142,645	87,556
Income tax expense	142,645	87,556

The statutory tax rate to income tax expense was 26% (2014 – 26%) for the year-ended December 31, 2015. 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:

	2015 \$	2014 \$
Income tax recovery at statutory rates	(335,305)	(428,980)
Tax assets for which no deferred income tax was recognized	(2,686,428)	1,207,062
Adjustment in relation to prior period	2,592,446	376,135
Non-deductible expenses	207,449	86,633
Tax rate differences	(9,597)	(27,619)
Tax effect on forgiveness of intercompany debt	(2,317)	(1,969,442)
Withholding tax	142,645	87,500
Other	233,752	756,267
Income tax expense	142,645	87,556

As at December 31, 2015, the Company has approximately \$86,000 (2014 - \$86,000) of investment tax credits, expiring between 2018 and 2020, all of which may be used to reduce future Canadian income taxes that are otherwise payable.

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The Company has accumulated loss of \$22,754,627 (2014 - \$23,720,692) for Canadian income tax purposes which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

	\$
2026	2,387,340
2027	1,628,919
2028	1,951,879
2029	2,372,749
2030	965,964
2031	3,007,451
2032	3,735,949
2033	3,403,636
2034	2,414,568
2035	886,172
	<u>22,754,627</u>

In addition, the Company has available tax losses in other jurisdictions that total \$2,636,928 (2014 - \$9,799,999). Of these, \$299,756 will expire in 2016 upon dissolution of foreign subsidiaries. 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 deferred tax assets that have not been recognized are as follows:

	2015 \$	2014 \$
Plant and equipment	2,967,425	2,840,346
Investment in JV	284,680	1,035,491
Share issuance costs	24,984	34,720
ITC credit	64,257	64,257
Non-capital losses carry-forwards	7,355,196	9,119,747
Capital losses carry-forwards	1,933,888	2,091,671
Other	(31,156)	48,464
	<u>12,599,274</u>	<u>15,234,696</u>
Deferred tax assets not recognized	<u>(12,599,274)</u>	<u>(15,234,696)</u>
Total deferred tax assets	<u>-</u>	<u>-</u>

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.

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21. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information (included within operating activities) is as follows:

	2015	2014
	\$	\$
Change in non-cash working capital items		
Decrease in trade and other receivables and receivable from joint venture	484,997	142,017
(Increase) in inventory	(32,060)	(225,574)
Decrease in other asset	13,374	14,626
(Decrease) increase in trade payable and accrued liabilities	(4,378)	174,876
Increase in deferred revenue	203,320	50,563
Decrease in other liabilities	(9,344)	(51,492)
Change in non-cash working capital items	655,909	105,016

22. COMMITMENTS

The Company has commitments of \$555,666 under operating leases for office and laboratory premises and for office equipment, as follows:

	\$
2016	341,496
2017	214,170
	555,666

23. SEGMENTED INFORMATION

The Company has one operating segment, being principally to build process plants and earn revenues from metal recovery, treatment fees, engineering & lab services, and plant sales.

a) Segment revenue

The Company's sources of revenue are as follows:

	2015	2014
	\$	\$
Treatment fees	1,677,503	1,676,511
Engineering & lab services	1,969,526	1,945,441
	3,647,029	3,621,952

BioteQ Environmental Technologies Inc.

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b) Geographic information

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

	2015	2014
	\$	\$
Revenue		
Canada	3,416,180	2,975,188
Chile	223,922	558,970
Other	6,927	87,794
	<u>3,647,029</u>	<u>3,621,952</u>
	Dec. 31, 2015	Dec. 31, 2014
	\$	\$
Plant and equipment		
Canada	431,267	599,894
Chile	1,259	3,274
	<u>432,526</u>	<u>603,168</u>
	Dec. 31, 2015	Dec. 31, 2014
	\$	\$
Investment in joint venture		
China	<u>4,708,976</u>	<u>4,941,118</u>

c) Information about major customers

The following table presents revenue to individual customers exceeding 10% of annual revenue for the following periods. The following customers represent 93% (2014 – 77%) of the Company's total revenue for the year ended December 31, 2015.

	2015	2014
	\$	\$
Customer A	1,677,502	1,834,111
Customer G	1,074,671	-
Customer K	630,097	951,803
	<u>3,382,270</u>	<u>2,785,914</u>

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24. 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.

25. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to various risks, including credit risk, market risks such as foreign currency risk, liquidity risk, and commodity price 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 and its finance and accounting department. The Company's risk management policies and procedures have not changed from 2014.

a) Credit risk

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

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

	Dec. 31, 2015	Dec. 31, 2014
	\$	\$
Cash and cash equivalents	1,408,890	915,681
Short-term investments	-	373,991
Trade and other receivables	568,204	847,077
Receivable from joint venture	116,165	228,201
	<u>2,093,259</u>	<u>2,364,950</u>

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 \$12,600 at December 31, 2015 (December 31, 2014 - \$82,268).

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The aging of accounts receivable is as follows:

	Dec. 31, 2015			Dec. 31, 2014	
	0-30 days	31-60 days	Over 60 days	Total	Total
	\$	\$	\$	\$	\$
Trade and other receivables	250,145	304,037	14,022	568,204	847,077
Receivable from joint venture	-	-	116,165	116,165	228,201
	250,145	304,037	130,187	684,369	1,075,278

The Company recorded bad debt recovery of \$335,957 during the year ended December 31, 2015 (2014 – expense of \$556,451), of which \$268,109 is related to the VAT recovery in Mexico (note 18). 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) Currency 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:

i) 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.

ii) 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 venture, 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, 2015				
	US dollar	Mexican pesos	Australian dollar	Chilean peso	Chinese renminbi
Cash and cash equivalents	149,986	7,339	1,217	17,031	-
Trade and other receivables and Receivables from joint venture	116,985	-	-	39,100	27,257
Trade and other payables	(5,687)	(4,412)	-	(149,858)	-
Gross balance sheet exposure	261,284	2,927	1,217	(93,727)	27,257

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	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	-	-	112,648	228,201
Trade and other payables	(4,195)	(6,653)	-	(119,762)	-
Gross balance sheet exposure	73,395	(4,928)	40,675	383,249	228,201

iii) Translation 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 its financial instruments presented by the amounts shown below.

	2015 \$	2014 \$
US dollar	26,128	7,340
Mexican peso	293	(493)
Australian dollar	122	4,068
Chilean peso	(9,373)	38,325
Chinese renminbi	2,726	22,820
	19,896	72,060

c) 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 cash equivalents. 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 2015 \$	Dec. 31 2014 \$
Trade payable and other payables	1,082,129	1,084,849
Deferred benefits	65,954	136,847
	1,148,083	1,221,696

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 2). 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 24).

BioteQ Environmental Technologies Inc.

Notes to the Consolidated Financial Statements
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d) Price risk

The Company's earnings and financial condition are subject to price risk due to fluctuations of the following:

i) Commodity price risk

The profitability of the Company's investment in joint venture will be significantly affected by changes in the commodity price of copper. Copper prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for copper, the level of interest rates, the rate of inflation, investment decisions by large holders of copper, including governmental reserves, and the stability of exchange rates can all cause significant fluctuations in copper prices. A 10% change in copper prices would impact the Company's net earnings before taxes and other comprehensive income before taxes by \$430,177 in 2015 (2014 - \$356,820).

ii) Common stock 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 \$7,288 in 2015 (2014 - \$13,354).

26. Fair Value Measurement

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:

	Category	Dec. 31, 2015 \$	Dec. 31, 2014 \$
Financial assets			
Cash and cash equivalents	Loan and receivables at amortized cost	1,408,890	915,681
Trade and other receivables	Loan and receivables at amortized cost	568,204	847,077
Receivable from joint venture	Loan and receivables at amortized cost	116,165	228,201
Short-term investments	Loan and receivables at amortized cost	-	373,991
Financial liabilities			
Trade payable and other payables	Financial liabilities at amortized cost	1,082,129	1,084,849
Deferred benefits	Financial instruments at FVTPL	65,954	136,847

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 3(g). 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, 2015 and 2014. 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.

Management's Discussion and Analysis

(All figures expressed in Canadian dollars unless otherwise noted)

April 19, 2016

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 2015 Management's Discussion and Analysis ("MD&A") should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2015, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Users should consider the disclosures in note 2(b) titled "Going concern assumption" of the audited consolidated financial statements for the year ended December 31, 2015 and the sections "2015 Commentary and 2016 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 TSX Venture Exchange 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 do not have any standardized meaning prescribed by GAAP and are therefore likely to be comparable to similar non-GAAP financial measures presented 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

Under the IFRS, the revenue and operating costs associated with our proportionate share of activities in our joint venture are netted and disclosed as a single line item on our consolidated statements of loss and comprehensive loss. Also, our share of assets, liabilities and equity in the joint venture are presented as a net investment on our consolidated statement of financial position.

To provide additional insight into our underlying results, certain statements in this MD&A disclose the effective portion of results that we would have reported if our joint venture results had been proportionately integrated into our results and referred to as BioteQ's proportional share ("Proportional"). All proportional financial measures disclosed in this MD&A are non-GAAP measures. 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, 2015 and 2014 are as follows:

(in \$'000s)

	2015	2014
	\$	\$
Reported revenues under GAAP	3,647	3,622
Add: share of revenues from Dexing Joint Venture:		
Reported revenues	4,302	3,568
add: Sales and administrative costs previously included in revenue	731	653
Proportional Revenue for the year	8,680	7,843

Adjusted EBITDA

Adjusted EBITDA is derived as follows:

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

	2015	2014
	\$	\$
GAAP: Net loss	(1,433)	(1,650)
less: interest income	(12)	(46)
add: taxes	137	268
add: depreciation and amortization	704	507
EBITDA	(604)	(921)
add: stock-based compensation	(19)	41
less: net foreign exchange gain	(272)	(49)
Adjusted EBITDA	(895)	(929)

2015 OVERVIEW

During 2015, 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 21 million cubic metres of water and removed 3.1 million pounds of metals from the environment. We also completed a pilot operation to demonstrate the capabilities of our new Selen-IX technology.

We also continued to make 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 \$3.6 million in 2014;
- Proportional revenues for the year were \$8.7 million compared to \$7.8 million in 2014, an increase of 12% year over year;
- Net loss as reported under GAAP was \$1.4 million compared to \$1.6 million in 2014;
- Adjusted loss before interest, tax, depreciation and amortization ("adjusted EBITDA") for the year was \$895,000 compared to a loss of \$929,000 in 2014;
- Cash and cash equivalents and short term investments reported under GAAP was \$1.4 million compared to \$1.3 million at the end of 2014; and

- Proportional cash and cash equivalents and short term investments which includes our share held in joint ventures, was \$2.1 million compared to \$2.2 million at the end of 2014.

Water Treatment Operations:

- We successfully completed our 12th operating season at the Raglan mine site. During the year, we treated and discharged a total of 1.1 million cubic metres of water; similar to the volume we treated and discharged in 2014;
- Our joint venture in China with partner Jiangxi Copper Company (“JCC”), operated three plants during the year. Two of the plants are located on the Dexing mine site as well as a plant on the Yinshan mine site. Both mine sites are owned by JCC. The joint venture treated a total of 20 million cubic metres of water and recovered 3.1 million pounds of copper from all three sites during the year.
 - i) The original water treatment operation at the Dexing mine site treated 8.1 million cubic metres of water and recovered a total of 1.7 million pounds of copper compared to 2014 when we treated 8.1 million cubic metres of water and recovered 2.1 million pounds of copper.
 - ii) The second copper recovery plant at JCC’s Dexing mine also had a full year of operation and it treated 8.7 million cubic metres of water and recovered a total of 870,000 pounds of copper compared to 2014 when we started operation in August and treated 2.1 million cubic metres of wastewater and recovered 270,000 pounds of copper.
 - iii) The water treatment plant at JCC’s Yinshan mine site treated 3.2 million cubic metres of water and recovered a total of 594,000 pounds of copper compared to 2014 when we started operation in June and treated 1.2 million cubic metres of wastewater and recovered 240,000 pounds of copper.

Sales and New Technology Development:

The following is an update on key sales opportunities completed in 2015:

Seabridge Gold - Selen-IX™ Pilot Project

During the year, we concluded our Selen-IX™ pilot testing contract with Seabridge Gold, a Canadian mining company, which originally commenced in mid-2014. The pilot testing results are 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 m³/day of wastewater.

New Selen-IX™ Pilot Project

During the year, we entered into a contract with a Canadian mining company to complete a pilot scale demonstration and evaluation of our Selen-IX™ technology to remove selenium from mine impacted water to less than 1 part per billion. In early 2016, we completed our field operations and provided final results to the customer. The total value and length of the pilot project was comparable to our past Selen-IX™ pilot projects.

These Selen-IX™ pilot projects builds upon the previous pilot we completed in 2013 with Teck Resources. It demonstrates the increasing need for mining companies to manage selenium concentrations in their mine water and the capabilities of our solution.

We are awaiting decisions from both customers on their future plans for water treatment at these sites. These decisions will be impacted by the companies’ overall mine plans, regulatory and permitting requirements, and markets conditions to meet financing needs and the long term project economics.

Other Items:

- During 2015, the Company recovered \$408,732 value-added tax (“VAT”) receivable and paid related professional fees paid of \$140,623. We continue to pursue the remaining outstanding balance of approximately \$70,000 but the timing and amount of recovery is uncertain.
- The Continued Listings Committee of the Toronto Stock Exchange (“TSX”) decided to delist the Company’s common shares effective November 12, 2015. The delisting was imposed for failure by BioteQ to meet the continued listing requirements of the TSX. Subsequently, our shares began trading on the TSX Venture Exchange (the “TSXV”).

2015 COMMENTARY AND 2016 OUTLOOK

At the beginning of 2015, we provided financial estimates for our full year results. The following is commentary on our year end results against these estimates.

We anticipated our Proportional Revenues to be in the range of \$8.0 million to \$8.5 million for the year. Our actual results exceeded our estimate at \$8.7 million. The increase was driven by a combination of slightly higher recurring revenue from our existing operations and additional revenue from our Selen-IX™ pilot projects.

For Adjusted EBITDA, we estimated our loss to be in the range of \$400,000 to \$700,000. We ended 2015 with an Adjusted EBITDA loss of \$884,000. This loss was slightly higher than expected but an improvement over our results for 2014. The higher than expected loss was largely attributable to the rapid decline in copper prices throughout the year which directly impacted the profitability of our plants in our Chinese joint venture.

We ended 2015 with \$1.4 million in cash outside of our China joint venture. Although the joint venture continues to be cash flow positive, low copper prices have reduced the rate at which cash accumulates in the joint venture account and, it will likely take 2-3 quarters of operations before any significant funds are available for repatriation to our Canadian parent entity.

We have been growing our project pipeline slowly but steadily since early 2014 and this effort has started to translate into new contracts. While many of these contracts are relatively small in monetary value, they represent initial stages of longer term projects where BioteQ can expect to generate significantly more revenue as the projects advance through the development stages.

So far in 2016, we have won contracts to provide design, construction, and commissioning services for a water treatment plant at the Silvertip project in northern BC, laboratory scale testing of Selen-IX™ on a wastewater stream at an active mineral processing operation in Northern Saskatchewan, water management consulting services for a mine site in Mongolia, and preliminary technical and economic assessments of water treatment requirements at two sites in Mexico. We have also completed our detailed technical and economic assessment of a new treatment plant to be installed at an active smelter in China. The proposed new treatment plant is currently undergoing environmental permitting and BioteQ is working closely with a potential new partner on forming a joint venture to deliver the treatment plant for the smelter under a Build-Own-Operate business model following the environmental approval.

Although these projects provide significant opportunities for future one-time and recurring revenues, the short term cash flow potential is limited. As a result, since the end of 2015, our working capital level has declined and it is very likely that we will need to secure new sources of working capital in the form of debt or equity investments in the next quarter.

From the historical perspective, although the company has not achieved profitability yet, the trend in our financial results since 2014 when the last equity financing was put in place shows significant improvement. These improvements were achieved during the time of a major decline in mining activity and commodity prices which directly reduced the cash flow from our China operations, and negatively impact prospects for new projects in the mining industry which we serve. Whether and when the Company can attain profitability and positive cash flows is uncertain. However, the Company's management team has worked tirelessly on positioning the Company for success by getting the Company involved in early stages of new projects, strengthening our technical team, and advancing the development and commercialization of new products including our Sulf-IX and Selen-IX processes.

Management and our Board of Directors are actively exploring potential financing options to ensure continuing operations of our business to generate future cash flows for the Company. However, 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.

COMPARATIVE INFORMATION

(in \$'000 except for per share amounts)

	2015	2014	2013
	\$	\$	\$
Revenues	3,647	3,622	4,066
less: Plant and other operating costs (excluding depreciation)	2,333	1,931	2,371
	1,314	1,691	1,695
General and administration	2,031	2,497	3,473
Sales and development	1,177	1,456	1,856
Share of results of equity accounted joint ventures	(189)	(701)	1,057
Impairment of investment in joint venture	-	-	1,463
	(1,705)	(1,561)	(6,154)
Depreciation and amortization	221	232	746
Stock-based compensation	(19)	41	199
Loss before other income (expenses)	(1,907)	(1,834)	(7,099)
Other income – net	281	71	111
Net gain from legal settlement	-	50	-
Bad debt recovery (expense)	336	(556)	-
Recovery of NWM settlement	-	700	400
Gain on disposal of capital assets	-	7	239
Income tax	(143)	(88)	(78)
Net loss for the year	(1,433)	(1,650)	(6,427)
Translation gain on foreign operations	517	398	640
Comprehensive (loss) for the year	(916)	(1,252)	(5,787)
Net loss per share (basic and diluted)	(0.02)	(0.02)	(0.09)
Proportional Revenues ¹	8,680	7,843	7,610
Adjusted EBITDA ¹	(895)	(929)	(2,304)

at December 31

	2015	2014	2013
Working capital	871	1,249	1,786
Total assets	7,451	8,195	8,326
Total long term liabilities	9	20	66
Shareholders' equity	6,029	6,891	7,097

Notes:

1. See Non-GAAP measures

COMPARISON OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2015 TO DECEMBER 31, 2014

The following is a summary of selected financial results for the year ending December 31, 2015.

Revenue

In 2015, revenue was \$3.6 million, similar to 2014. Proportional Revenue was \$8.7 million compared to \$7.8 million in 2014. The change in revenue and Proportional Revenue from each revenue source is shown in the table below:

(in \$'000s)

Revenue Source	2015		2014		Total Revenue %
	\$	% of total	\$	% of total	Change
Treatment fees	1,677	19%	1,677	21%	0%
Engineering and lab services	1,970	23%	1,945	25%	1%
Total revenue	3,647	42%	3,622	46%	1%
Metal recovery – share of joint venture results	5,033	58%	4,221	54%	19%
Total Proportional Revenue	8,680	100%	7,843	100%	11%

Treatment fee revenue for the Raglan site in 2015 was consistent with the 2014 season. The volume of water treated remained the same at 1.1 million cubic metres in 2015 and 2014. The seasonal operation treated water for 15 more days in 2015 compared to 2014.

The marginal 1% increase from last year's engineering and lab services revenue due to maintaining a similar value of projects in pilot campaigns, engineering and lab services as 2014.

Revenue from metal recovery operations, which are from the joint venture in China, increased by \$812,000 from 2014. The total pounds of copper recovered increased 552,000 pounds over the prior year due to a full year operations of two new plants. The decline in average annual copper prices year over year partially offset the increase in overall volume. The average LME annual price of copper in 2015 was USD \$2.50/lb. In 2014, the average annual price of copper was USD \$3.11/lb.

Plant and other operating costs (excluding depreciation)

Total plant and other operating costs (excluding depreciation) were \$2.3 million compared to \$1.9 million in 2014, an increase of \$400,000. The increase is mainly due to the increase in cost to complete the pilot campaigns and other engineering and lab projects in 2015. Each individual project will require different levels of costs depending on specific mine conditions and treatment requirements. Projects in 2015 required higher costs to meet the project's scope and requirements.

Our share of total plant and other operating costs (excluding depreciation) in the China venture also increased from \$2.3 million in 2014 to \$3.5 million in 2015. The increase in cost was driven by higher volumes of water treated and copper recovered over the prior year as well as the impact of foreign exchange rates between the Chinese renminbi and Canadian dollar.

Expenses and other income

In 2015, general and administration expenses were \$2.0 million compared to \$2.5 million in the prior year. The decrease of \$466,000 in general and administration costs are mainly the net savings from the restructuring expenses in 2014.

Sales and development costs in 2015 were \$1.2 million compared to \$1.5 million in 2014. The decrease of \$279,000 is largely due to the reduced head count resulting in lower salaries and benefits in sales and development from 2014.

Total depreciation and amortization expenses were \$221,000 in 2015 compared to \$232,000 in 2014. The decrease of \$10,000 is mainly due to our intangible asset being fully amortized in Q1 2015.

Stock-based compensation were a recovery of \$19,000 compared to charge of \$41,000 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 \$259,000 compared to \$57,000 in 2014. The foreign exchange gain includes an elimination of \$173,000 translation loss from the Bisbee joint venture, which is was dissolved during the year. The remaining gain 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 2015, the Company recovered \$408,732 in VAT receivable from the Mexican government, which \$478,278 were written off in 2014. To assist in the recovery of this balance, the Company paid professional fees of \$140,623, which have been applied against the recovered amount. Also in 2015, the Company received interest income of \$80,102 related to this outstanding balance. Any additional VAT amounts collected in the future will be recorded as a recovery of bad debt in the period received.

Also included in the bad debt recovery in 2015, the Company recovered from its customers a net receivable in the amount of \$67,848 compared to the expense of \$78,173 recognized in 2014.

In June 2015, the Company entered into a six-month, unsecured, convertible loan agreements (the “Loans”) with six lenders with a principle of \$775,000. The Loans has been fully repaid to all lenders in November 2015.

In 2015, income tax expense was \$143,000 compared to \$88,000 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 \$1.4 million or \$0.02 per share, compared to a loss of \$1.6 million in 2014, or a loss of \$0.02 per share.

Cash used in operating activities, after changes in working capital, was \$1.1 million compared \$1.5 million in 2014; a 27% decrease year over year.

Adjusted EBITDA was (\$895,000) compared to (\$929,000) million in 2014; a 4% loss decrease over 2014.

COMPARISON OF QUARTERS

Financial data for the last eight quarters

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

Quarters ended	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenues	1,229	1,620	286	512	1,049	1,722	697	154
Plant and other operating costs (excluding depreciation)	813	740	280	500	632	684	463	151
	416	880	6	12	417	1,038	234	3
General and administration	577	472	456	526	368	463	563	1,103
Sales and development	278	248	358	293	357	236	337	526
Stock-based compensation	(1)	1	(19)	-	5	22	(27)	42
Depreciation and amortization	57	57	52	55	58	56	55	63
Share of results of equity accounted joint ventures	392	(55)	(446)	(80)	245	(499)	(478)	30
(Loss) income from operations and joint ventures	(887)	157	(395)	(782)	(617)	760	(216)	(1,761)
Other income (expenses)	206	6	6	63	18	56	(12)	16
Net gain from legal settlement	-	-	-	-	-	50	-	-
Bad debt recovery (expense)	68	116	83	69	(78)	-	-	(478)
Recovery of NWM settlement	-	-	-	-	-	300	300	100
Income tax expense	(143)	-	-	-	-	-	(88)	-
Net (loss) income	(756)	279	(306)	(650)	(677)	1,166	(16)	(2,123)
Translation (loss) gain	(174)	287	(90)	494	20	265	(61)	174
Comprehensive (loss) income	(930)	566	(396)	(156)	(657)	1,431	(77)	(1,949)

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 Dexion 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 2015 results

Below is a summary of revenue for Q4 2015 and Q4 2014:

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

Revenue Source	Q4 2015 \$	% of total	Q4 2014 \$	% of total	Total Revenue % Change
Treatment fees	463	26%	413	20%	12%
Engineering and lab services	766	42%	636	30%	20%
Total revenue	1,229	68%	1,049	50%	17%
Metal recovery – share of joint venture results	578	32%	1,067	50%	(46%)
Total Proportional Revenue	1,807	100%	2,116	100%	(15%)

Total revenues for Q4 2015 increased 17% over the prior year's quarter. Treatment fee revenue increased by 12% due to the increase in water treated in Q4 as Raglan's 2015 season lasted 9 days longer than the prior year. Engineering and lab services fees increased by 20% from Q4 2015 over last year's quarter. The revenue from engineering and lab services include design, construction, commissioning and pilot operations, which are generally one-time in nature and have varying contract values.

In 2015, total Proportional Revenue for Q4 decreased 15% over the prior year's quarter. Metal recovery revenue decreased by 46% due to the 39% decrease in copper recovered and 26% decrease in copper price. In the quarter, our share of recovered copper was 196,000 pounds compared to 317,000 pounds in 2014. The fourth quarter is typically our lowest quarter for copper production due to a three-week annual maintenance shutdown at the Dexion site.

General and administration costs during the quarter increased by \$209,000 over the prior year. The increase in general and administration costs are mainly the result of severance costs in Q4 2015 of \$105,000 and other slight increases in public company fees, consulting and professional services costs.

Overall net loss for the quarter was \$756,000 compared to a loss of \$677,000 in 2015.

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 Dexion 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.

In 2014, the joint venture completed construction and commissioning of two new water treatment plants: in June, at JCC's Yinshan Mine site, and a second water treatment plant at the Dexion 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 Co. 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 when 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):

	Q4	Q4	YTD Dec. 31	YTD Dec. 31
	2015	2014	2015	2014
Plant operating results				
Water treated (cubic metres)	1,838,000	1,543,000	8,066,000	8,143,000
Copper produced (pounds)	217,000	347,000	1,663,000	2,064,000

Dexing 2 (commenced operations in August 2014)

	Q4	Q4	YTD Dec. 31	YTD Dec. 31
	2015	2014	2015	2014
Plant operating results				
Water treated (cubic metres)	1,847,520	1,632,000	8,670,000	2,079,000
Copper produced (pounds)	134,169	230,000	870,000	270,000

Yinshan (commenced operations in June 2014)

	Q4	Q4	YTD Dec. 31	YTD Dec. 31
	2015	2014	2015	2014
Plant operating results				
Water treated (cubic metres)	762,000	295,000	3,156,000	1,195,000
Copper produced (pounds)	41,000	57,000	594,000	240,000

The two Dexing plants treat 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.

During 2015, operations at both Dexing plants performed in line with expectations in terms of mechanical availability and process performance. However, due to higher volumes of water treated combined with a lower copper grade in the feed water, operating costs have increased over the prior year. Changes in water volume and feed grade are largely the result of environmental conditions beyond the control of the joint venture and will fluctuate from period to period.

Operations at Yinshan are continuing to be optimized to improve overall performance and profitability. JCC is continuing to complete 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 2017.

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	Q4	YTD Dec. 31	YTD Dec. 31
	2015	2014	2015	2014
Water treated (cubic metres)	360,000	319,000	1,118,000	1,135,000
Days operated (some partial)	62	53	181	166

In 2015, we successfully completed our 12th operating season at the site. During the year, we treated and discharged a total of 1.1 million cubic metres of water, which is similar to 2014. The 2015 season was the third highest volume of water we have treated at the site since we began operations in 2004. 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") and was dissolved during Q2 2015.

Technology Development, Engineering and Pilot Projects

Seabridge Gold - Selen-IX™ Pilot Project

During the year, we concluded our Selen-IX™ pilot testing contract with Seabridge Gold, a Canadian mining company, which originally commenced in mid-2014. The pilot testing results are 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 m³/day of wastewater.

New Selen-IX™ Pilot Project

During the year, we entered into a contract with a Canadian mining company to complete a pilot scale demonstration and evaluation of our Selen-IX™ technology to remove selenium from mine impacted water to less than 1 part per billion. In early 2016, we completed our field operations and provided final results to the customer. The total value and length of the pilot project was comparable to our past Selen-IX™ pilot projects.

We are awaiting decisions from both customers on their future plans for water treatment at these sites. These decisions will be impacted by the companies' overall mine plans, regulatory and permitting requirements, and markets conditions to meet financing needs and the long term project economics.

These Selen-IX™ pilot projects builds upon the previous pilot we completed in 2013 with Teck Resources. It demonstrates the increasing need for mining companies to manage selenium concentrations in their mine water and the capabilities of our solution.

Design, Construction, and Commissioning Services

We have entered into a contract to provide design, construction and commissioning services for a water treatment plant at the Silvertip project in northern BC. The design has been completed and construction and commissioning is currently in progress and expected to be completed by the end of Q2 2016. We are discussing additional services with the customer to include future operating support if required.

Lab Testing Contracts

We have recently started contracts with customers in Canada and Latin America to perform lab scale testing of our technologies at various mine sites. These tests will allow the customers to assess our technologies and provide high level cost estimates for a possible full scale plant. If results prove favorable, it may lead to additional services including pilot scale testing, design, construction, and operation of a full scale plant in the future.

Zinc and Copper Recovery – Joint Venture

We have also completed our detailed technical and economic assessment of a new treatment plant to be installed at an active smelter in China. The proposed new treatment plant is currently undergoing environmental permitting and BioteQ is working closely with a potential new partner on forming a joint venture to deliver the treatment plant for the smelter under a Build-Own-Operate business model following the environmental approval.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015, BioteQ had 93,966,672 common shares issued and outstanding (December 31, 2014 – 93,966,672), 5,243,333 stock options outstanding (December 31, 2014 - 6,068,333) and no warrants outstanding (December 31, 2014 – 4,322,078).

As of April 19, 2016 the number of common shares issued and outstanding remain unchanged from December 31, 2015; 5,243,333 stock options are issued and outstanding; and number of warrants issued and outstanding remain unchanged from December 31, 2015.

At December 31, 2015, the Company had cash and cash equivalents of \$1,408,890 and no short-term investments, which is an increase of \$119,218 in cash and cash equivalents and short-term investments from December 31, 2014. The cash and cash equivalents and short-term investments funded operating activities of \$1,081,761 and net capital asset purchases of \$50,804.

Working capital at the end of the year was \$871,223, a decrease of \$378,130 from December 31, 2014. BioteQ's significant working capital items include trade and other receivables of \$568,204 (\$847,077 at December 31, 2014) and trade payable and accrued liabilities of \$929,579 (\$935,867 at December 31, 2014).

The Company has \$555,666 under operating leases for office and laboratory premises and for office equipment.

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.

As disclosed in note 2(b) of our audited consolidated financial statements for the year ended December 31, 2015 and in the "2015 COMMENTARY AND 2016 OUTLOOK" section of this MD&A, the Company believes that it has sufficient working capital resources for approximately one quarter. Beyond this point, we will need to secure new sources of working capital to continue operations. Potential sources of new working capital include new sales projects or non-operational sources such as debt or equity investments.

Management's current plan is to actively work with the Company's Board to secure sources of funds, including possible equity and debt financing options, while at the same time focus on increasing revenue and exercise careful cost control to sustain operations. If necessary, the Company will curtail discretionary spending. The Board believes that there is a reasonable expectation that the Company will be successful in obtaining the necessary financing resolution to address its working capital needs and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing these consolidated financial statements.

The continuation of the Company as a going concern is dependent upon its ability to raise additional financing and ultimately attain and maintain profitable operations. This assumes that the Company is able to successfully obtain financing to fund its working capital needs, continue successful operations at its Raglan and Dexing joint venture operations, maintain or further decrease operating expenses, successfully repatriate funds from its Dexing joint venture, and secures and completes new sales contracts.

Historically, we have not yet realized profitable operations and relied on non-operational sources of financing to fund our 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. Accordingly, there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. Our consolidated financial statements do not include adjustment to the recoverability and classification on recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to our consolidated financial statements could be required.

RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties of the Company:

- a) As at December 31, 2015, the Company had a receivable balance of \$116,165 (2014 - \$228,201) from the Dexing joint venture, arising mainly from joint venture investments and sale transactions. The receivables are unsecured in nature and bear no interest. No provisions are held against such receivables. There was no sale of goods and services with the Dexing joint venture (2014 - \$85,691) during the year ended December 31, 2015. Sales and other transactions are recorded at the exchange amount agreed by both parties.
- b) In February 2014, the Company entered into a contract for approximately 23 months with a company owned by a director, to procure management consulting services. For the year ended December 31, 2015, the services received amounted to \$120,000 (2014 - \$110,000) and as of December 31, 2015, the Company has \$160,000 included in trade payable and accrued liabilities (December 31, 2014 – \$110,000).
- c) On June 9 2015, the Company entered into a six-month, unsecured, 12% interest bearing convertible loan agreements with six lenders totalling to \$775,000 (note 13). The six lenders include directors, management and shareholders of the Company. At the year ended December 31, 2015, there was no outstanding balance on these loans.
- d) Key management compensation includes the Company's directors and members of the Executive. Included in the trade payable and accrued liabilities as at December 31, 2015 is \$230,043 (2014 – \$114,630) of salaries, director fees, and termination benefits, with payment commitments in 2016. Compensation awarded to key management includes:

	2015	2014
	\$	\$
Salaries, fees and short-term benefits	787,889	863,224
Termination benefits	84,525	470,899
Share-based payments	50,899	112,665
	923,313	1,446,788

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. 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.

Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

a) Critical judgements

Critical judgements that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statement are limited to management's assessment of the Company's ability to continue as a going concern (note 2(b)).

b) Key sources of estimation uncertainty and assumptions

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 reported amounts of assets and liabilities, income and expenses within the next fiscal year.

Revenue recognition

Revenue from engineering and lab services are recognized using percentage-of-completion method, which requires judgment relative to assessing risks, estimating contract revenue and expenses, and making assumptions for schedule and technical issues. Depending on the services provided and on the contract terms, many variables are used in assessing the revenue from the percentage completed at the reporting date.

Asset impairment

Determining the amount of asset 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. 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 risk specific to the asset. In assessing fair value less costs to sell, the price that would be received on the sale of an asset in an orderly transaction between market participants at the measurement date is estimated. Many of factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company's long term assets such as plant and equipment or investment in joint venture. For example, the copper price could be lower than projected due to economic, industry or competitive factors, or the discount rate used in the value in use model could increase due to change in market interest rate.

Convertible loan

The calculation of the fair value of the debt component of the convertible loan issued during the year requires using an interest rate that the Company would have had to pay had the loan been obtained without a conversion feature. As the Company has not entered into a conventional loan in the past, such interest rate requires management's estimate by reference to loan interest paid by comparable companies in the similar sector. The Company estimates 20% being the reasonable interest rate a comparable company in technology sector would likely pay in obtaining loans.

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, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Recent Accounting Pronouncement

The following is an over view of accounting standard changes that the Company will be required to adopt in future years. The Company is still in the process of assessing the impact on the financial statements of these new standards:

IFRS 9 Financial instruments

On July 24, 2014, the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 introduces new requirements for the classification and measurements of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. It also includes a new general hedge accounting standard which aligns hedge accounting ore closely with risk management. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company has not yet determined the effect of adoption of IFRS 9 on its consolidated financial statements.

IFRS 15 Revenues from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). 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 effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted. The Company has not yet determined the effect of adoption of IFRS 15 on its consolidated financial statements.

IFRS 16 Leases

On January 6, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard replaces IAS 17 Leases. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Company has not yet determined the effect of adoption of IFRS 16 on its consolidated financial statements.

RISKS AND UNCERTAINTIES

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

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 17 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 2(b) of our audited consolidated financial statements for the year ended December 31, 2015 and in the "2015 COMMENTARY AND 2016 OUTLOOK" section of this MD&A, the Company believes that it has sufficient working capital resources for approximately one quarter. Beyond this point, we will need to secure new sources of working capital to continue operations.

Management's plan is to actively work with the Company's Board to secure sources of funds, including possible equity and debt financing options, while at the same time focus on increasing revenue and exercise careful cost control to sustain operations. If necessary, the Company will curtail discretionary spending. The Board believes that there is a reasonable expectation that the Company will be successful in obtaining the necessary financing resolution to address its working capital needs and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing these consolidated financial statements.

The continuation of the Company as a going concern is dependent upon its ability to raise additional financing and ultimately attain and maintain profitable operations. This assumes that the Company is able to successfully obtain financing to fund its working capital needs, continue successful operations at its Raglan and Dexing joint venture operations, maintain or further decrease operating expenses, successfully repatriate funds from its Dexing joint venture, and secures and completes new sales contracts.

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. Accordingly, there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustment to the recoverability and classification on recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the consolidated 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 favor 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 favorable 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.