

BacTech Environmental Corporation

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2012

(Unaudited)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, MSCM LLP, has not performed a review of these unaudited condensed consolidated interim financial statements, in accordance with standards established by the Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

BacTech Environmental Corporation
May 29, 2012

BacTech Environmental Corporation
Condensed Consolidated Interim Statements of Financial Position
(expressed in Canadian dollars, unless otherwise stated)

	As at March 31 2012 \$	As at December 31 2011 \$
Assets	(unaudited)	(audited)
Current assets		
Cash	18,318	99,114
Other receivable (<i>note 5</i>)	14,177	30,105
Prepaid expenses	35,377	15,283
	67,872	144,502
Deferred exploration costs (<i>note 7</i>)	359,593	341,259
Equipment (<i>note 8</i>)	1,140	1,415
	428,605	487,176
Equity and Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (<i>note 9</i>)	432,338	381,691
Payable to REBgold Corporation (<i>note 6</i>)	227,504	202,720
	659,842	584,411
Capital and Reserves		
Share capital (<i>note 12</i>)	1,674,768	1,631,624
Contributed surplus reserves	165,719	165,719
Warrant reserve	102,791	72,591
Deficit	(2,174,515)	(1,967,169)
	(231,237)	(97,235)
	428,605	487,176

Nature of Operations and Going Concern (note 1)

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

BacTech Environmental Corporation
Condensed Consolidated Interim Statements of Income (Loss)
and Comprehensive Income (Loss)

(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended March 31 2012	Three months ended March 31, 2011
	\$	\$
Net Revenue	-	-
Expenses		
Operating and administrative costs <i>(note 16)</i>	199,540	230,172
Finance charges <i>(note 17)</i>	7,806	9,798
Property termination payments	-	244,271
	207,346	484,241
Net income (loss) for the period	(207,346)	(484,241)
Basic and diluted income (loss) per share <i>(note 15)</i>	(0.01)	(0.02)
Weighted average number of common shares outstanding	38,947,361	30,474,696
Statement of Comprehensive Income (loss)		
Net income (loss) for the period	(207,346)	(484,241)
Other comprehensive income	-	-
Comprehensive income (loss) for the period	(207,346)	(484,241)

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

BacTech Environmental Corporation
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Share Capital \$	Contributed Surplus Reserve \$	Warrant Reserve \$	Deficit \$	Total Equity \$
Balance December 31, 2010	357,190	25,971	27,866	(557,569)	(146,542)
Common shares issued on exercise of warrants	8,500	-	-	-	8,500
Common shares issued as Property Termination Payment	244,271	-	-	-	244,271
Share based payments	-	13,024	-	-	13,024
Net income (loss) for the period	-	-	-	(484,241)	(484,241)
Balance, March 31, 2011	609,961	38,995	27,866	(1,041,810)	(364,988)
Common shares issued pursuant to private placement	532,500	-	67,500	-	600,000
Common shares issued on exercise of REBgold Corporation warrants	365,187	-	-	-	365,187
Common shares issued on exercise of warrants	43,350	-	-	-	43,350
Fair market value of warrants exercised	5,279	-	(5,279)	-	-
Expired warrants	-	22,587	(22,587)	-	-
Common shares issued on exercise of options	30,000	-	-	-	30,000
Fair market value of options exercised	14,940	(14,940)	-	-	-
Share issue costs	(33,593)	-	5,091	-	(28,502)
Share based payments	-	119,077	-	-	119,077
Future share issuance	64,000	-	-	-	64,000
Net income (loss) for the period	-	-	-	(925,359)	(925,359)
Balance, December 31, 2011	1,631,624	165,719	72,591	(1,967,169)	(97,235)
Common shares issued pursuant to private placement	46,800	-	30,200	-	77,000
Share issue costs	(3,656)	-	-	-	(3,656)
Net income (loss) for the period	-	-	-	(207,346)	(207,346)
Balance, March 31, 2012	1,674,768	165,719	102,791	(2,174,515)	(231,237)

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

BacTech Environmental Corporation
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended March 31, 2012	Three months ended March 31, 2011
	\$	\$
Cash flow from operating activities		
Cash paid to suppliers, employees and consultants	(157,390)	(212,932)
	(157,390)	(212,932)
Cash flow from financing activities		
Proceeds (repayment) of payable to REBgold Corporation	21,584	-
Proceeds from issue of common shares, net	73,344	8,500
	94,928	8,500
Cash flow from investing activities		
Deferred development expenditures	(18,334)	-
	(18,334)	-
Increase (decrease) in cash	(80,796)	(204,432)
Cash, beginning of period	99,114	239,400
Cash, end of period	18,318	34,968

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

BacTech Environmental Corporation

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012

1. Nature of Operations and Going Concern

BacTech Environmental Corporation (the "Company" or "BEC") was incorporated by REBgold Corporation ("REBgold" and formerly BacTech Mining Corporation) on October 5, 2010 under the Canada Business Corporations Act. REBgold Corporation completed a divisive reorganization by way of a Plan of Arrangement whereby a newly formed subsidiary, the Company, was granted rights and interests in REBgold's existing and proposed tailings remediation projects and an exclusive, perpetual, royalty-free license to use REBgold's proprietary bioleaching technology for reclamation of historic mine tailings. REBgold retained the primary rights to the bioleaching technology. The technology utilizes bacteria to extract precious and base metals and has been traditionally used to treat difficult-to-treat sulphide ores and concentrates. The business plan for the Company is to apply the bioleaching technology to abatement and reclamation projects to remove the harmful elements such as arsenic and sulphur from the environment, where this can be assisted by a positive cash flow from metal recovery. Examples of metals which can be extracted include gold, silver, cobalt, nickel, copper, uranium and zinc. The Company's head office is located at 50 Richmond Street East, Toronto, Ontario, M5C 1N7.

The accompanying condensed consolidated interim financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Company has no sources of recurring revenue, has incurred losses amounting to \$2,174,515 since its inception, has a working capital deficit of \$591,970 at March 31, 2012, and is dependent on financings to fund its operations. The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are uncertain and which, taken together, cast significant doubt over the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related statement of financial position and statement of income (loss) classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

The Company funded its operations for the three months ended March 31, 2012 from existing cash reserves and one private placement which generated \$141,000 in gross proceeds, \$64,000 of which was received prior to December 31, 2011 and prior to closing, and funding from a third party on certain project expenditures. The Company does not have sufficient cash reserves to fund its administrative costs and fully fund all project development initiatives for the coming twelve month period, and to repay its liabilities to trade creditors and debt holders. Management is actively involved in identifying mining ventures amenable to the application of the Company's technology license, and in seeking new equity financing to enable it to service the Company's existing liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2012

2. Basis of Consolidation and Presentation

Statement of Compliance and Conversion to International Financial Accounting Standards (“IFRS”)

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Company reported in Note 2 and 3 in its audited annual consolidated financial statements for the year ending December 31, 2011. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on May 29, 2012.

Basis of Preparation and Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

Basis of consolidation

These unaudited condensed consolidated interim financial statements are comprised of the financial statements of the Company and its subsidiary (BacTech Manitoba Corp.), for the three months ended March 31, 2012. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Company and its subsidiary.

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity. All inter-company balances and transactions, including unrealized profits arising from inter-group transactions, are eliminated on consolidation. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

3. Significant Accounting Policies

The accounting policies as reported in Note 2 and 3 of the audited annual consolidated financial statements for the year ended December 31, 2011, have been applied in preparing these condensed consolidated interim financial statements.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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Measurement and Uncertainty

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods, if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates:

Significant assumptions about the future that management have made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable that are included in the condensed consolidated interim statements of financial position;
- the recoverability of exploration and evaluation expenditures incurred;
- the inputs used in accounting for share based payment transactions in net income (loss);
- management's assumption of no material restoration, rehabilitation and environmental provision, based on the facts and circumstances that existed during the period; and
- management's position that there is no income tax provisions required within these condensed consolidated interim financial statements.

4. Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 7 - Financial Instruments: Disclosures

The Accounting Standards Board ("AcSB") approved the incorporation of the IASB's amendments to IFRS 7 Financial Instruments: Disclosures and the related amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards into Part I of the Handbook. These amendments were made to Part I in January 2011 and are effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. The amendments relate to required disclosures for transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The Company has not fully assessed the impact of adopting IFRS 7; however, it anticipates that the impact will be limited.

IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair

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value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company is assessing the impact of IFRS 9 on its results of operations and financial position.

IFRS 10 - Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements (“IFRS 10”) was issued by the IASB on May 12, 2011 and will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidated - Special Purpose Entities. IFRS 10 incorporates a single model for consolidating all entities that are controlled and revises the definition of control to be “An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee”. Along with control, the new standard also focuses on the concept of power, both of which will include a use of judgment and continuous reassessment as facts and circumstances change. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 10 on its results of operations and financial position.

IFRS 11 – Joint Arrangements

IFRS 11, Joint Arrangements (“IFRS 11”) was issued by the IASB on May 12, 2011 and will replace IAS31, Interest in Joint Ventures. The new standard will apply to the accounting for interest in joint arrangements where there is joint control. Joint arrangements will be separated into joint ventures and joint operations. The structure of the joint arrangement will no longer be the most significant factor on classifying a joint arrangement as either a joint operation or a joint venture. Proportionate consolidation will be removed and replaced with equity accounting. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 11 on its results of operations and financial position.

IFRS 12 – Disclosure of Interest in Other Entities

IFRS 12, Disclosure of Interest in Other Entities (“IFRS 12”) was issued by the IASB on May 12, 2011. The new standard includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 12 on its consolidated financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13, Fair Value Measurement (“IFRS 13”) was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated results of operations and financial position.

IAS 1 – Presentation of Financial Statements

IAS 1, Presentation of Financial Statements (“IAS 1”) amendment, issued by the IASB in June 2011, requires an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The

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amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company is assessing the impact of IAS 1 on its consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures

IAS 28, Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is assessing the impact of IAS 28 on its consolidated financial statements.

5. Other Receivables

Other receivables consist of the following:

	As at March 31 2012 \$	As at December 31 2011 \$
Sales tax receivable	14,177	30,105
Other receivables	14,177	30,105

6. Payable to REBgold Corporation

	As at March 31 2012 \$	As at December 31 2011 \$
Debenture payable (note 11)	81,563	78,363
Accrued interest on debenture (note 11)	6,970	3,280
Plan of Arrangement loan	69,823	69,823
Other	69,148	51,254
	227,504	202,720

The balance is unsecured, non-interest bearing, and has no set terms of repayment.

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7. Deferred Exploration Costs

The mineral properties and deferred exploration costs are comprised as follows:

	Snow Lake	Total
Balance December 31, 2010	32,553	32,553
Net expenditures on property	308,706	308,706
Balance, December 31, 2011	341,259	341,259
Third party project contribution	(169,156)	(169,156)
Expenditures on property	187,490	187,490
Balance, March 31, 2012	359,593	359,953

Snow Lake Concentrate Stockpile – Manitoba

In the 1950's, a gold mine owned by The Britannia Mining and Smelting Company was opened and operated at Snow Lake, Manitoba. Approximately 10% of the ore was classified as arsenopyrite (arsenic bearing) and refractory in nature, which required additional treatment to liberate the gold for recovery. Given the high levels of arsenic that reported to the concentrate, conventional roasting or smelting were ruled out as process options and the concentrate was treated by direct cyanidation to recover as much gold as possible. The residue was stockpiled at the mine site to await future technologies capable of extracting the remaining gold values.

The Company approached the Manitoba Ministry of Innovation, Energy and Mines in April 2010 and outlined a plan whereby the Company, at its own expense, would use samples obtained from the concentrate stockpile to determine whether the material was amenable to bioleaching for liberating and extracting the gold while stabilizing the arsenic as a ferric-arsenate. The Manitoba government granted approval for the Company to conduct the sampling program, subject to oversight by an independent engineering consulting firm which the government engaged to ensure that there would be no adverse environmental impacts from drilling through the arsenopyrite.

In February 2011, BacTech tendered a proposal for the remediation of the arsenopyrite stockpile at Snow Lake under a request for proposals from Manitoba Innovation, Energy and Mines, and in April, was awarded the contract by the Mines Branch of the Manitoba Department of Innovation, Energy and Mines. BacTech has proposed a “no cost to the taxpayer” approach to the clean up. The Company will recover payable metals for its own account from the stockpile while treating the contained arsenic.

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8. Equipment

Equipment consists of the following:

Cost	Equipment	Total
Balance, December 31, 2010	\$ 2,794	\$ 2,794
Additions	-	-
Disposals	-	-
Other	-	-
Balance, December 31, 2011	2,794	2,794
Additions	-	-
Disposals	-	-
Other	-	-
Balance, March 31, 2012	\$2,794	\$2,794

Accumulated Depreciation	Equipment	Total
Balance, December 31, 2010	\$ 279	\$ 279
Additions	1,100	1,100
Disposals	-	-
Other	-	-
Balance, December 31, 2011	1,379	1,379
Additions	275	275
Disposals	-	-
Other	-	-
Balance, September 30, 2011	\$1,654	\$1,654

Net book value at December 31, 2010	\$2,515	\$2,515
Net book value at December 31, 2011	\$1,415	\$1,415
Net book value at March 31, 2012	\$1,140	\$1,140

BacTech Environmental Corporation

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9. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	As at March 31 2012 \$	As at December 31 2011 \$
Trade payables	324,248	315,069
Accrued liabilities other	108,090	66,622
Total	432,338	381,691

10. Related Party Transactions

Related party transactions consist of the following for the three months ended:

	March 31 2012 \$	March 31 2011 \$
Aggregate compensation included in salaries and management fees	52,500	52,500
Aggregate compensation included in professional fees	-	-
Share-based compensation	-	-
Total	52,500	52,500

11. Debentures Payable

Convertible Debentures - Maturing October 13, 2011

Under the Plan of Arrangement completed with REBgold, the Company assumed 20% of REBgold's debenture obligation which consists of 43 \$10,000 unsecured convertible debentures, initially maturing on October 13, 2011 but having been extended to April 13, 2012, and bearing interest at 18% per year payable semi-annually. On December 1, 2010, 20% of the book value of the debenture obligation was \$66,642 and was attributed to the Company; this will accrete to \$86,000 over the remaining life of the debenture. Upon maturity, the Company will pay to REBgold 20% of the principal plus 20% of the interest accrued from December 2, 2010 to maturity, and REBgold will repay the debenture obligation and accrued interest to the debenture holders.

The convertible debentures may be converted by the holders at any time at a price of \$0.10 per common share (the "Conversion Price") or in the event that the closing price of REBgold's common shares on the TSX-V is at or greater than \$0.15, REBgold shall have the right, in its sole discretion, to redeem the convertible debentures through the issuance of common shares at the Conversion Price. For every share of REBgold issued in the event of a conversion, one-fifth of a common share of the Company will be issued.

On October 13, 2011, REBgold extended the expiry date of \$410,000 principal amount of these convertible debentures and 4.1 million of the common share purchase warrants originally issued in October 2010. Each

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holder of debentures and warrants was offered the choice to either (i) extend the maturity date of the debentures held by that holder to April 13, 2012, in which case the expiry date of the warrants held by that holder would also be extended to April 13, 2012, or (ii) accept payment in full of the debentures on the original maturity date of October 13, 2011, in which case the warrants held by that holder would also expire on the original expiry date of October 13, 2011. The holder of \$20,000 principal amount of the debentures elected to be repaid, and the balance of \$410,000 principal amount of debentures was extended and remains outstanding. The fair value of the extension of the warrants was calculated using the Black-Scholes option pricing model at \$32,000. The assumptions used to determine the value were: expected dividend yield - 0%; weighted expected volatility - 142.7%; risk-free interest rate - 1.1% and an expected life of .5 years. The \$32,000 was then applied as a discount on the face value of the debentures, of which \$6,400 was attributed to the Company. The effective interest rate of the extended debentures is 36.4%.

Subsequent to March 31, 2012, REBgold extended the expiry of these convertible debentures and 4.1 million of the common share purchase warrants originally issued in October 2010. Each holder of debentures and warrants accepted to extend the maturity date of the debentures held to April 13, 2015, in which case the expiry date of the warrants held by that holder would also be extended to April 13, 2015.

The proportionate share of the debenture has been attributed to the Company as follows:

Carrying value, December 31, 2010	68,480
Debenture repayment	(4,000)
Accretion related to warrant extension	(6,400)
Accretion Expense	20,283
Carrying value, December 31, 2011	78,363
Accretion Expense	3,200
Carrying value, March 31, 2012	81,563

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12. Share Capital

Authorized:

Unlimited common shares without par value

Issued and outstanding:

	Number of shares	Amount \$
Balance, December 31, 2010	29,246,673	357,190
Common shares issued - Property Termination Payment (v)	1,221,356	244,271
Private placement (i)	3,000,000	532,500
Shares issued pursuant to exercise of REBgold warrants (ii)	4,510,332	373,687
Shares issued pursuant to exercise of warrants (iii)	255,000	43,350
Fair value of warrants exercised	-	5,279
Shares issued pursuant to exercise of options (iv)	150,000	30,000
Future share issuance (vi)	-	64,000
Fair value of options exercised	-	14,940
Share issue costs	-	(33,593)
Balance, December 31, 2011	38,383,361	1,631,624
Private placement (vi)	705,000	46,800
Share issue costs	-	(3,656)
Balance, March 31, 2012	39,088,361	1,674,768

- (i) On June 29, 2011, the Company completed the first tranche of a private placement and issued 2,500,000 units at a price of \$0.20 per unit for aggregate gross proceeds of \$500,000. The second tranche was closed on July 15, 2011 and issued an additional 500,000 units at a price of \$0.20 for additional proceeds of \$100,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.30 for 12 months from the date of closing. All securities issued in connection with the offering and the underlying securities were subject to a four month hold period. The fair value of common share purchase warrants issued in this placement was estimated at \$67,500. The Company incurred finder's commissions of \$22,500 and issued 112,500 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of \$0.20 for a period of 24 months from the date of closing. The fair value of the finder's warrants issued was estimated at \$5,091.
- (ii) Between January 1, 2011 and May 3, 2011, REBgold Corporation warrant holders exercised a total of 22,051,667 warrants to purchase 22,051,667 REBgold common shares for gross proceeds of \$2,198,100. Under the terms of the Arrangement, the Company was obligated to issue 1 common share for each 5 common shares issued by REBgold, which is a total of 4,510,332 of its common shares to be issued to these REBgold warrant holders. The Company was entitled to 17% of the gross proceeds on such warrant exercises. REBgold Corporation paid the Company a total of \$373,687 in connection with these warrant exercises.

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- (iii) During fiscal 2011, warrant holders exercised a total of 255,000 warrants to purchase 255,000 common shares of the Company for gross proceeds of \$43,350. The weighted average share price at the time these warrants were exercised was \$0.18. The fair value of the exercised warrants of \$5,279, recognized at the time of the initial private placement, was reclassified from warrants reserve to share capital.
- (iv) During fiscal 2011, option holders exercised a total of 150,000 options to purchase 150,000 common shares of the Company for gross proceeds of \$30,000. The weighted average share price at the time these options were exercised was \$0.18. The fair value of the exercised options of \$14,940, recognized at the time of the initial grant, was reclassified from contributed surplus to share capital.
- (v) Pursuant to a settlement agreement between REBgold and Yamana Gold Inc. ("Yamana") dated July 8, 2010, REBgold agreed to issue to Yamana 6,106,780 common shares. These shares were not issued before the Arrangement and consequently, for every share of REBgold issuable, one-fifth of a common share of the Company became issuable. In February 2011, REBgold issued 6,106,780 common shares to Yamana, along with the Company issuing 1,221,356 common shares valued at \$244,271 to Yamana.
- (vi) On January 18, 2012, the Company completed a private placement and issued 705,000 units at a price of \$0.20 per unit for aggregate gross proceeds of \$141,000, of which \$64,000 was received prior to December 31, 2011. Each unit consisted of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.30 for 12 months from the date of closing. All securities issued in connection with the offering and the underlying securities were subject to a four month hold period. The fair value of common share purchase warrants issued in this placement was estimated at \$30,200.

13. Warrant reserve

The movements in the number and estimated fair value of outstanding broker warrants and share purchase warrants are as follows:

	March 31, 2012		December 31, 2011	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of period	1,612,500	\$ 0.30	1,346,167	\$0.17
Issued	352,500	0.30	1,612,500	\$ 0.30
Exercised	-	-	(255,000)	0.17
Expired	-	-	(1,091,167)	0.17
Balance, end of period	1,965,000	\$ 0.30	1,612,500	\$ 0.30

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The exercise price, expiry date, and the fair value assigned to warrants issued and outstanding as at March 31, 2012 are as follows:

Expiry Date	Weighted Average Exercise Price \$	Fair Value \$	Warrants Outstanding	Contractual Life (years)
June 29, 2012	0.30	56,250	1,250,000	0.25
June 29, 2013	0.20	4,416	97,500	0.25
July 15, 2012	0.30	11,250	250,000	0.29
July 15, 2013	0.20	675	15,000	0.29
January 18, 2013	0.30	30,200	352,500	0.80
	0.30	102,971	1,965,000	0.35

The fair values of the warrants issued during the year ended December 31, 2011 and for the three months ended March 31, 2012 were estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.4%-1.7%
Expected dividend yield	Nil
Expected volatility	100%-110%
Expected life	1 year

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Company's warrants at the date of issue.

REBgold Warrants

Pursuant to the Arrangement completed with REBgold in December 2010, REBgold has certain obligations pursuant to the REBgold warrants in existence at the time of the Arrangement, which upon being exercised, shall be satisfied by the issuance of one common share from REBgold and one-fifth of one common share of the Company in accordance with the terms of the Arrangement.

Upon the exercise of any REBgold warrants following the Arrangement, REBgold shall pay to the Company 17% of the exercise proceeds as consideration for the issuance of the Company's common shares. REBgold shall retain the balance of the aggregate exercise price as consideration for the issuance of its common shares from the exercise of the warrant.

As of March 31, 2012, REBgold had 47,978,333 common share purchase warrants outstanding which are subject to the Arrangement. The Company's obligation, if these warrants were exercised prior to expiry, would be to issue 9,595,667 common shares in return for its portion of the aggregate exercise price of \$848,835.

14. Stock Options

The Company has a stock option plan (the "Plan"), under which the Company may grant options to directors, officers, employees, and third party service providers. Under the terms of the Plan that was approved by the shareholders on November 10, 2010, the Company is authorized to issue a maximum of 10% of the issued and outstanding shares.

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The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. The options granted under the Plan are non-assignable, have a term of 5 years and vest over periods of up to two years from the date of issue.

	March 31, 2012		December 31, 2011	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance, beginning of period	2,000,000	\$ 0.15	2,100,000	\$ 0.15
Granted	-	-	250,000	0.20
Exercised	-	-	(150,000)	0.20
Expired/Cancelled	-	-	(200,000)	0.16
Balance, end of period	2,000,000	\$ 0.15	2,000,000	\$ 0.15

Options to purchase common shares outstanding at March 31, 2012 carry exercise prices and remaining terms to maturity as follows:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Contractual Life (years)
December 6, 2015	0.15	1,950,000	1,950,000	3.68
March 10, 2016	0.20	50,000	50,000	3.95
	0.15	2,000,000	2,000,000	3.69

During the period ended March 31, 2012, the Company granted no new options (for the year ended December 31, 2011 – 250,000). The Company recognized a total expense of nil for the three month period ended March 31, 2012 (for the year ended December 31, 2011 - \$132,101) in respect of the options vesting during the year. Share based payments expense is included in general and administrative costs.

	2011 - 2010
Risk free interest rate	2.13-2.48%
Expected dividend yield	Nil
Expected volatility	124 - 134%
Expected life	1 to 5 years

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model, may not provide a realistic measure of the fair value of the Company's options at the date of issue.

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15. (Loss) Earnings per Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2012 was based on the loss attributable to common shareholders of \$207,346 and the weighted average number of common shares outstanding of 38,947,361. The calculation of basic and diluted loss per share for the three months ended March 31, 2011 was based on the loss attributable to common shareholders of \$484,241 and the weighted average number of common shares outstanding of 30,474,696. Diluted loss per share did not include the effect of share purchase options and warrants as they are anti-dilutive.

16. General and Administrative

General and administrative expense consists of the following:

	Three months ended March 31	Three months ended March 31
	2012	2011
	\$	\$
Salaries, management and consulting fees	82,947	112,819
Share based payments	-	13,025
Professional fees	5,896	14,526
Shareholder communications and filing fees	58,355	22,956
Travel	26,870	22,986
General office expenses	25,521	43,585
Depreciation	275	275
Foreign exchange gain/(loss)	(274)	-
Total	199,540	230,172

17. Interest Expense

Interest expense consists of the following:

	Three months ended March 31	Three months ended March 31
	2012	2011
	\$	\$
Interest and bank charges	916	338
Debenture interest	3,690	3,870
Accretion on debenture	3,200	5,590
Total	7,806	9,798

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18. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to subscriptions receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet current liabilities when due. As at March 31, 2012, the Company had a cash balance of \$18,318 (December 31, 2011 - \$99,114) to settle current liabilities of \$659,842 (December 31, 2011 - \$584,411). The Company does not have sufficient cash reserves to fund its administrative costs and fully fund all project development initiatives for the coming twelve month period, and to repay its liabilities to trade creditors and debt holders. Management is actively involved in identifying reclamation ventures amenable to the application of the Company's technology and in seeking new equity financing to enable it to service the Company's existing liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

Market risk

(a) Interest rate risk

The Company has cash earning interest at a variable interest rate and a portion of a debentures payable bearing interest at a fixed rate of 18% per year. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. Major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative expenses using United States dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is not exposed to price risk with respect to commodity prices because the Company is not a producing entity.

19. Capital Management

The Company defines capital as share capital, warrants, and contributed surplus. The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support the acquisition, exploration, and development of mineral properties. The Board of Directors does not establish quantitative return on capital

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criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is currently in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties, if it feels there is sufficient geologic or economic potential, and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company does not have externally imposed capital requirements.

20. Segmented Information

The Company has one global operating segment, being the development of projects where the Company can use its bacterial technologies and related intellectual property. All revenues have been derived from those technologies and property.

21. Subsequent Event

Extension of convertible debentures and warrants by REBgold Corporation

On April 17, 2012, REBgold announced that it had extended the maturity date of the \$410,000 principal amount of the outstanding convertible debentures and 4,100,000 common share purchase warrants described in Note 11, with a maturity date of April 13, 2012 to April 13, 2015. Each debenture holder was offered the choice to either (i) further extend the maturity date of the debentures and expiry date of the related warrants held to April 13, 2015, or (ii) accept payment in full of the debentures outstanding on April 13, 2012, in which case the related warrants held would also expire on April 13, 2012. All holders of the outstanding debentures and warrants elected to extend the maturity date to April 13, 2015. As a result of the Plan of Arrangement, the debentures are convertible into units comprised of one common share of REBgold and one-fifth of a common share of the Company at a conversion price of \$0.10 per unit. The warrants are exercisable for units at a price of \$0.12 per unit. The conversion price of the debentures and the exercise price of the warrants remain unchanged.

Debenture Financing

On May 4, 2012 the Company announced that it had closed the second and final tranche of its convertible debenture financing originally announced on April 19th, 2012. The financing was oversubscribed, raising an additional \$85,000 over its original goal of \$500,000. Total gross proceeds raised in the financing were \$585,000, with \$160,000 of the proceeds closed in the second tranche and \$425,000 of the proceeds closed in the first tranche. In total, 58.5 units were issued.

The private placement consisted of units priced at \$10,000 per unit. Each unit consisted of a \$10,000 principal amount redeemable convertible debenture and 50,000 Series E common share purchase warrants. The debentures will bear interest at 12 per cent per annum payable quarterly. The debentures mature on April 25, 2014. BacTech has the option to redeem the debentures at par at any time beginning 120 days from issuance. At any time prior to maturity or redemption, the debentures are convertible at the option of the holder into common shares at a conversion price of \$0.20. Each Series E warrant entitles the holder to purchase one common share at a price of \$0.20 until April 25, 2014. The debentures and warrants and the common shares issuable upon conversion of the debentures and exercise of the warrants are subject to a 4 month hold period from the closing of the financing.