BacTech Environmental Corporation

Condensed Interim Financial Statements
For the three months ended March 31, 2011
(Unaudited)

Notice of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed 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 interim financial statements, in accordance with standards established by the Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

BacTech Environmental Corporation
June 24, 2011

BacTech Environmental Corporation

Condensed Interim Statements of Financial Position

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

	As at March 31 2011 $	As at December 31 2010 $	As at October 5 2010 $
Assets		(Note 22)	(Note 22)
Current assets			
Cash *(note 6)*	**34,968**	239,400	-
Other receivable *(note 7)*	**13,130**	16,582	-
Prepaid expenses	**10,235**	8,203	-
	58,333	264,185	-
Deferred exploration costs *(note 9)*	**32,553**	32,553	-
Equipment *(note 10)*	**2,240**	2,515	-
	93,126	299,253	-
Equity and Liabilities			
Current liabilities			
Accounts payable and accrued liabilities *(note 11)*	**123,329**	111,774	-
Payable to REBgold Corporation *(note 5 and 8)*	**334,785**	334,021	-
	458,114	445,795	-
Capital and Reserves			
Share capital *(note 13)*	**431,090**	357,190	-
Reserves	**66,861**	53,837	-
Deficit	**(862,939)**	(557,569)	-
	(364,988)	(146,542)	-
	93,126	299,253	-

Nature of Operations and Going Concern (note 1)

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

BacTech Environmental Corporation

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

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

	Three months ended March 31
	2011
	$
Net Revenue	**-**
Expenses	
General and administrative costs (*note 17*)	**230,172**
Finance charges *(note 18)*	**9,798**
Property termination payments *(note 5)*	**65,400**
	305,370
Net income (loss) for the period	**(305,370)**
Basic and diluted income (loss) per share *(note 16)*	**(0.01)**
Weighted average number of common shares outstanding	**30,474,696**
Statement of Comprehensive Income (loss)	
Net income (loss) for the period	**(305,370)**
Other comprehensive income	**-**
Comprehensive income (loss) for the period	**(305,370)**

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

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

	Share Capital $	Warrant Reserve $	Contributed Surplus Reserve $	Deficit $	Total Equity $
Balance, October 5, 2010	-	-	- -	-	-
Shares issued upon incorporation	100	-	-	-	100
Shares cancelled pursuant to Plan of Arrangement	(100)	-	-	-	(100)
Common Shares issued pursuant to Plan of Arrangement	97,396	-	-	-	97,396
Common Shares issued pursuant to private placement	277,049	26,151	-	-	303,200
Share issue costs	(17,255)	1,715	-	-	(15,540)
Stock based compensation	-	-	25,971	-	25,971
Net income (loss) for the period	-	-	-	(557,569)	(557,569)
Balance, December 31, 2010	357,190	27,866	25,971	(557,569)	(146,542)
Common shares issued on exercise of warrants	8,500	-	-	-	8,500
Common shares issued as Property Termination Payment	65,400	-	-	-	65,400
Stock based compensation	-	-	13,024	-	13,024
Net income (loss) for the period	-	-	-	(305,370)	(305,370)
Balance, March 31, 2011	431,090	27,866	38,995	(862,939)	(364,988)

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

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

	Three months ended March 31 2011
	$
Cash flow from operating activities	
Cash paid to suppliers, employees and contractors	**(212,932)**
	(212,932)
Cash flow from financing activities	
Proceeds from issue of common shares, net	**8,500**
	8,500
Cash flow from investing activities	
Expenditures on mineral properties	**-**
	-
Increase (decrease) in cash	**(204,432)**
Cash, beginning of period	**239,400**
Cash, end of period	**34,968**

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

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. Through the completion of the Plan of Arrangement transaction as described in note 5, the Company was granted a license to use REBgold Corporation's proprietary bioleaching technology in the mining remediation business. 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 accompanying condensed 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 $862,939 since its inception, has a working capital deficit of $399,781 at March 31, 2011, 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 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 from inception to March 31, 2011 with one private placement that generated $303,200 in gross proceeds *(note 13)*. 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.

2. Basis of Consolidation and Presentation

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

These condensed 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 expects to adopt in its financial statements as at and for the year ending December 31, 2011. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These are the Company's first IFRS unaudited condensed interim financial statements to be presented in accordance with IFRS. IFRS 1 First-Time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in note 22.

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim financial statements. They also have been applied in preparing an opening IFRS statement of financial position which is the date of incorporation, October 5, 2010. Refer to note 22 for the purposes of the transition to IFRS, as required by IFRS 1.

These condensed interim financial statements should be read in conjunction with the Company's 2010 Canadian GAAP annual financial statements and in consideration of the IFRS transition disclosures included in note 22 to these condensed interim financial statements. These are the Company's first financial statements prepared using IFRS and they include certain disclosures that were not included in the most recent Canadian GAAP annual financial statements, but are required to be included in annual financial statements prepared in accordance with IFRS.

These condensed interim financial statements were authorized for issuance by the Board of Directors of the Company on June 28, 2011.

Basis of Preparation and Presentation

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

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

3. Significant Accounting Policies

Measurement and Uncertainty

The preparation of these unaudited condensed 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 unaudited condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed 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 has 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 unaudited condensed 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 unaudited condensed interim financial statements.

Foreign Currency Translation

The Company's exploration and development activities primarily operate in an economic environment where the functional currency is the Canadian dollar. Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the Canadian dollar are translated into Canadian dollars at the exchange rate as at the end of the reporting period. Non-monetary assets and liabilities are translated at historical exchange rates at the transaction date. Amortization is translated at historical exchange rates at the transaction date. The calculated exchange gains and losses are included in net income (loss) for the period**.**

Environmental Liability, Contingency and Other Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against net income (loss) over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method, as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Impairment of Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, intangible assets and goodwill that are not amortized are subject to an annual impairment assessment.

Financial Instruments

All financial instruments are classified into one of the following five categories: held-for-trading, available for sale, and held to maturity, loans and receivables, or other financial liabilities. Initial and subsequent measurement and recognition of the changes in the value of the financial instrument depend on their initial classification.

(a) Held to maturity investments, loans and receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Premiums or discounts and transaction costs are amortized into net income (loss), using the effective interest method.
(b) Available for sale financial assets are measured at fair value, with unrealized gains and losses recorded in accumulated other comprehensive earnings until the asset is realized, at which time they are recorded in the net income (loss).
(c) Held-for-trading financial instrumental are measured at fair value. All gains and losses resulting from changes in fair value are included in net income (loss) in the period in which they arise.

The Company's financial instruments include cash, other receivables, loan payable to REBgold Corporation, and accounts payable and accrued liabilities.

i. Cash and cash equivalents

Cash is classified as held for trading and are measured at fair value with changes in fair value recorded in the statement of operations.

ii. Loans, receivables and other financial liabilities

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs.

Subsequent to initial recognition, loans, receivables and other financial liabilities are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment loss. Cost includes expenditures associated with bringing the asset to its operating location and condition. Except for land and assets in the course of construction, the costs of property, plant and equipment are depreciated over their expected useful lives, on a straight-line basis at following rates;

Office Equipment – 5 years

The depreciable amount of building, plant and equipment is recorded on a straight line basis over the lesser of mine life or estimated useful life or the asset to the residual value of the asset. Each part of the item of a building, plant or equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately if their useful lives differ.

The Company reviews the useful life, depreciation method and residual value and carrying value of its building plant and equipment at each reporting date.

Expenditures that extend the useful lives of the existing facilities or equipment are capitalized and amortized over the remaining useful lives of the assets. Repairs and maintenance expenditures are expensed as incurred.

Exploration and Development Activities

Mineral properties and deferred exploration costs include the direct costs related to mineral properties, including costs of acquiring mining properties and deferred exploration and development costs. These costs are capitalized and accumulated on a property by property basis and will be amortized on the unit of production method based upon estimated proven and probable mineral reserves, or written off if the properties are abandoned or the carrying value is determined to be in excess of possible recoverable amounts.

Costs for general exploration prior to obtaining legal rights to explore the subject property are expensed as incurred.

Government Grants

Government grants are recognized in the financial statements in the period where it becomes reasonably certain that the conditions attaching to the grant will be met, and that the grant will be received. Grants relating to income are shown as a deduction in the reported expense. Grants relating to assets are deducted from the carrying amount of the asset.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Share Based Payments

The fair value of employee share option plans is measured at the date of grant of the option using the Black-Scholes pricing model, taking into consideration the terms and reconciliations upon which the options were granted. The resulting cost, as adjusted for the expected and actual level of vesting of the options, is charged to income over the period in which the options vest. At the end of each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

Income Tax

Income tax on the net income (loss) for the periods presented comprises current and deferred tax. Income tax is recognized in net income (loss).

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regard to previous years.

Deferred income tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the cash flow statement comprise cash at bank and in hand, money market deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Revenue Recognition

Revenue is recognized when the service is completed in the case of consulting activities and upon delivery of products or technology when all significant risks and rewards of ownership have passed to the customer and collection is reasonably assured.

4. Future Changes in Accounting Policies

The IASB has issued a new standard, IFRS 9, "Financial Instruments" (IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and measurement" ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured amortized costs or fair value, replacing the multiple rules in IAS 39. Most of the disclosure requirement in IAS 39 for classification and measurement of financial liabilities were carried forward to IFRS 9. The standard becomes effective January 1, 2013. The company has yet to assess the impact of the new standard.

IFRS 10, 11, 12 and 13 were all issued in May 2010 and are effective for annual periods beginning January 1, 2013, with early adoption allowed.

IFRS 10, *Consolidated Financial Statements*, replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12 *Consolidation – Special Purpose Entities*, by introduction a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11, *Joint Arrangements*, introduces new accounting requirements for joint arrangements, replacing IAS 31, *Interests in Joint Ventures*. It eliminates the option of accounting for jointly controlled entities by proportionate consolidation.

IFRS 12, *Disclosure of Interests in Other Entities*, requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13, *Fair Value Measurement*, replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

5. Plan of Arrangement

Effective December 2, 2010, REBgold Corporation ("REBgold") completed a divisive reorganization by way of a Plan of Arrangement (the "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, as well as all of REBgold's existing mining assets.

REBgold shareholders voted in favour of the Arrangement at a Special Meeting of Shareholders held on November 12, 2010. Subsequent to the Arrangement, REBgold continued to trade on the TSX Venture Exchange ("TSX-V") under the symbol RBG, and the Company started to trade on the Canadian National Stock Exchange under the symbol BAC.

As the Arrangement resulted in no substantial change of ownership, the exchange of net assets pursuant to the Arrangement was measured at its net book value and was recorded on the books of the Company as follows:

Mineral properties and deferred exploration costs transferred from REBgold *(note 9)*	$	463,984
Accounts payable transferred from REBgold	$	(49,946)
Book value of debentures payable assumed from REBgold *(note 12)*	$	(66,642)
Loan payable to REBgold *(note 8)*	$	(250,000)
Value attributed to common shares issued *(note 12)*	**$**	**97,396**

Common Shares

Under the terms of the Arrangement, REBgold's shareholders received, in exchange for each existing common share of REBgold, one new common share of REBgold and one-fifth of a common share of the Company.

Share Purchase Warrants

All outstanding share purchase warrants of REBgold became exercisable for one common share of REBgold and one-fifth of a common share of the Company. The proceeds received by REBgold on the exercise of share purchase warrants are to be distributed 83% to REBgold and 17% to the Company as determined by the formula set out in the Arrangement which considers the volume weighted average trading price of REBgold and the Company for the first 20 trading days subsequent to the Arrangement.

Stock Options

All outstanding stock options of REBgold remained exercisable for shares of REBgold under the original terms of the options. No shares of the Company are issuable upon the exercise of these options.

Debentures Payable *(note 12)*

The Company assumed 20% of the face value of REBgold's convertible debentures liability. Upon maturity, the Company will repay to REBgold 20% of the principal plus 20% of the interest accrued from December 2, 2010 to maturity. REBgold remained indebted to the debenture holders for the full principal of the debenture. For every share of REBgold issued in the event of a conversion, one-fifth of a common share of the Company will be issued.

Papua New Guinea Arrangement

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 March 2011, REBgold issued 6,106,780 common shares to Yamana, along with the Company issuing 1,221,356 common shares to Yamana.

6. Cash Position

Cash consists of the following:

	As at March 31 2011 $	As at December 31 2010 $	As at October 5, 2010 $
Cash	34,968	239,400	-
	34,968	239,400	-

7. Other Receivables

Other receivables consist of the following:

	As at March 31 2011 $	As at December 31 2010 $	As at October 5 2010 $
Subscriptions receivable	-	12,000	-
Sales tax receivable	13,130	4,582	-
Other receivables	13,130	16,582	-

8. Payable to REBgold Corporation

	As at March 31 2011 $	As at December 31 2010 $	As at October 2010 $
Debenture receivable *(note 12)*	74,070	68,480	-
Accrued interest on debenture *(note 12)*	5,160	1,290	-
Plan of Arrangement loan *(note 5)*	250,000	250,000	-
Other	5,555	14,251	-
	334,785	334,021	-

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

9. Deferred Exploration Costs

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

	Cobalt Tailings	Snow Lake	Total
Balance, October 5, 2010	-	-	-
Transferred under Plan of Arrangement	432,924	31,060	463,984
Net expenditures on property	-	1,493	1,493
Write-down of assets	(432,924)	-	(432,924)
Balance December 31, 2010	-	32,553	**32,553**
Net expenditures on property	-	-	-
Recovered during period	-	-	-
Written off during period	-	-	-
Balance, March 31, 2011	-	32,553	**32,553**

Snow Lake Concentrate Stockpile – Manitoba

In early 2010, REBgold became aware of a reclamation opportunity in Snow Lake, 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. Based on historic data provided by the Manitoba Geological Survey (Economic Geology Report ER86-1), the stockpile is estimated at approximately 227,000 tonnes with an average grade of approximately 9.6 grams per tonne of gold. This is an historical estimate, dated 1996, and does not constitute a Resource as defined by National Instrument 43-101.

REBgold approached the Manitoba Ministry of Innovation, Energy and Mines in April 2010 and outlined a plan whereby REBgold, 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 REBgold 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.

Pursuant to the Plan of Arrangement, REBgold assigned its rights and commitments to the Company on December 2, 2010. The deferred exploration costs incurred by REBgold up to the date of the Plan of Arrangement were transferred to BEC as part of the Plan of Arrangement transaction as described in note 5.

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. The contract is subject to negotiating a suitable agreement between BacTech and the Manitoba government. 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.

Cobalt Tailings – Ontario

In September 2008, REBgold announced the signing of a Memorandum of Understanding with Gold Bullion Development Corp. (“Gold Bullion”, TSX-V: GBB) of Cobalt, Ontario. The basis of the agreement entailed REBgold investigating the use of its proprietary bioleaching technology to treat certain tailings in the Cobalt Camp in north-eastern Ontario for the recovery of cobalt, nickel and silver. In addition, REBgold investigated the potential environmental remediation for the associated arsenic in the tailings. In the event of a positive outcome from the study, both parties would formalize the agreement through the creation of a Joint Venture. In January 2009, GBB informed BacTech that it could not proceed with the future joint venture terms of the Memorandum of Understanding and gave BacTech permission to begin discussions with potential new partners.

In April 2010, REBgold Corporation signed a Memorandum of Understanding with Blackstone Development Inc. of Cobalt, Ontario (the “Blackstone MOU”). Pursuant to the Plan of Arrangement, REBgold Corporation assigned its rights under the Blackstone MOU to BacTech Environmental Corporation. The Blackstone MOU outlined BacTech’s intent to gain access to Blackstone’s tailings inventory in the Cobalt Camp. Blackstone obtained ownership of the Cobalt tailings from Agnico Eagle Mines ("Agnico") in 2006, subject to certain conditions. Subsequent to the Company signing the agreement with Blackstone, Blackstone’s rights to the tailings were revoked by Agnico.

The Company will continue to monitor events in the area to evaluate future opportunities with the objective of identifying potential cleanup sites for which it can apply the BacTech Bioleaching Technology in order to remediate arsenic laden mine tailings from the Cobalt/Coleman Townships of northern Ontario.

The deferred exploration costs incurred by REBgold up to the date of the Plan of Arrangement were transferred to BEC as part of the Plan of Arrangement transaction as described in note 5. The amount of the deferred exploration expenses were written down in December 31, 2010.

10. Equipment

Equipment consists of the following:

Cost	Equipment	Total
Balance, October 5, 2010	**$ -**	**$ -**
Additions	2,794	2,794
Disposals	-	-
Other	-	-
Balance, December 31, 2010	**2,794**	**2,794**
Additions	-	-
Disposals	-	-
Other	-	-
Balance, March 31, 2011	**$2,794**	**$2,794**

Accumulated Depreciation	Equipment	Total
Balance, October 5, 2010	**$ -**	**$ -**
Additions	**279**	**279**
Disposals	-	-
Other	-	-
Balance, December 31, 2010	**279**	**279**
Additions	**275**	**275**
Disposals	-	-
Other	-	-
Balance, March 31, 2011	**$554**	**$554**

Net book value at October 5, 2010	**$ -**	**$ -**
Net book value at December 31, 2010	**$2,515**	**$2,515**
Net book value at March 31, 2011	**$2,240**	**$2,240**

11. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	As at March 31 2011 $	As at December 31 2010 $	As at October 5 2010 $
Trade payables	84,966	88,315	-
Accrued liabilities other	38,363	23,459	-
Total	123,329	111,774	-

12. Debentures Payable

Convertible Debentures - Maturing October 13, 2011

Under the Arrangement as described in note 5, the Company assumed 20% of REBgold's debenture obligation which consists of 43 $10,000 unsecured convertible debentures, maturing on October 13, 2011, 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.

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

Balance, October 5, 2010	-
Book value attributed to the Company pursuant to the Plan of Arrangement	66,642
Accretion Expense	1,838
Book Value, December 31, 2010	68,480
Accretion Expense	5,590
Book Value, March 31, 2011	74,070

13. Share Capital

Authorized:

Unlimited common shares without par value

Issued and outstanding:

	Number of shares	Amount $
Balance, October 5, 2010	-	-
Shares issued upon incorporation (i)	100	10
Shares cancelled pursuant to Plan of Arrangement (ii)	(100)	(10)
Shares issued pursuant to Plan of Arrangement (ii)	26,720,007	97,396
Private placement (iii)	2,526,666	277,049
Share issue costs (iii)	-	(17,255)
Balance, December 31, 2010	**29,246,673**	**357,190**
Common shares issued - Property Termination Payment (note 5)	1,221,356	65,400
Shares issued pursuant to exercise of warrants *(iv)*	100,000	8,500
Balance, March 31, 2011	**30,568,029**	**431,090**

(i) On October 5, 2010, the Company issued 100 common shares of the Company upon incorporation to its parent company, REBgold Corporation, for a nominal value of $10.

(ii) Pursuant to the Arrangement as described in note 2, on December 2, 2010, the Company cancelled the initial 100 shares issued upon incorporation and issued 26,720,007 common shares of the Company to REBgold shareholders on the basis of one (1) share of the Company for each five (5) common shares of REBgold held as of the close of business on December 1, 2010.

(iii) On December 22, 2010, the Company issued 2,526,666 units in a non-brokered private placement at a price of $0.12 per unit for aggregate gross proceeds of $303,200. 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 $0.17 until December 22, 2011. All securities issued in connection with the offering and the underlying securities were subject to a four month hold period that expired on April 23, 2011. The fair value of common share purchase warrants issued in this placement was estimated at $26,151. The Company incurred finder’s commissions of $9,940 (of which $1,750 were included in December 31, 2010 accounts payable), legal costs of $5,600 (all of which were included in December 31, 2010 accounts payable), and issued 82,833 finder’s warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.17 until December 22, 2011. The fair value of the finder’s warrants issued was estimated at $1,715.

(iv) For the three month period ended March 31, 2011, 500,000 REBgold share purchase warrants were exercised for gross proceeds of $50,000. According to the terms of the Plan of Arrangement (note 5), the Company was obligated to issue 1/5 of the number of shares issued by REBgold and is entitled to 17% of the proceeds received by REBgold. AS a result, the Company issued 100,000 common shares and received $8,500 from REBgold.

14. Warrants

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

	March 31, 2011		**December 31, 2010**	
	Number Outstanding	**Weighted Average Exercise Price**	**Number Outstanding**	**Weighted Average Exercise Price**
Balance, beginning of period	1,346,167	$ 0.17	-	-
Issued	-	-	1,346,167	$ 0.17
Exercised	-	-	-	-
Expired	-	-	-	-
Balance, end of period	1,346,167	$ 0.17	1,346,167	$ 0.17

The exercise price, expiry date, and the fair value assigned to warrants issued and outstanding as at March 31, 2011 are as follows:

Expiry Date	**Weighted Average Exercise Price $**	**Fair Value $**	**Warrants Outstanding**	**Contractual Life (years)**
December 22, 2011	0.170	26,151	1,263,334	0.75
December 22, 2011	0.170	1,715	82,833	0.75
	0.170	27,866	1,346,167	0.75

The fair values of the warrants issued during the year ended December 31, 2010 were estimated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2010
Risk free interest rate	1.66%
Expected dividend yield	Nil
Expected volatility	100%
Expected life	1 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 warrants at the date of issue.

REBgold Warrants

Pursuant to the Arrangement as described in note 5, 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, 2011, REBgold had 71,313,000 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 14,262,600 common shares in return for its portion of the aggregate exercise price of $1,239,904.

15. 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.

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, 2011		**December 31, 2010**	
	Number Outstanding	**Weighted Average Exercise Price**	**Number Outstanding**	**Weighted Average Exercise Price**
Balance, beginning of period	2,100,000	$ 0.15	-	-
Granted	250,000	0.20	2,100,000	$ 0.15
Expired	-	-	-	-
Balance, end of period	2,350,000	$ 0.16	2,100,000	$ 0.15

Options to purchase common shares outstanding at March 31, 2011 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	2,100,000	2,100,000	4.69
January 31, 2016	0.20	200,000	50,000	4.84
March 10, 2016	0.20	50,000	50,000	4.95
	0.16	2,350,000	2,200,000	4.71

During the period ended March 31, 2011, the Company granted 250,000 (December 31, 2010 – 2,100,000) new options with a weighted-average exercise price of $0.20 per share (December 31, 2010 - $0.15). The Company recognized a total expense of $13,025 (December 31, 2010 - $25,971) in respect of the options vesting during the year. Stock based compensation expense was included in general and administrative costs.

	2011 - 2010
Risk free interest rate	1.60-2.40%
Expected dividend yield	Nil
Expected volatility	100%
Expected life	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.

16. (Loss) Earnings per Share

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 $305,370 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.

17. General and Administrative

General and administrative expense consists of the following:

	Three months ended March 31 2011 $
Salaries and benefits	112,819
Stock based compensation	13,025
Professional fees	14,526
Shareholder filing fees	22,956
Travel	22,986
Gerneral office expenses	43,585
Amortization	275
Total	**230,172**

18. Interest Expense

Interest expense consists of the following:

	Three months ended March 31 2011 $
Interest income/(expense)charges	338
Debenture interest	3,870
Accreation on debenture	5,590
Total	**9,798**

19. 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, 2011, the Company had a cash balance of $34,968 (December 31, 2010 - $239,400) to settle current liabilities of $458,114 (December 31, 2010 - $445,795). 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.

20. 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 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.

21. 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.

22. Conversion to IFRS

Overview

These are the Company's first unaudited condensed interim financial statements prepared in accordance with IAS 34, using accounting policies consistent with IFRS.

The accounting policies set out in note 2 have been applied in preparing the unaudited condensed interim financial statements for the period ended March 31, 2011, the comparative information presented in these unaudited condensed interim financial statements for the year ended December 31, 2010. The Company was incorporated on October 5, 2010 and therefore the opening IFRS statement of financial position will be at October 5, 2010, and not at January 1, 2010, which is the Company's date of transition.

There is no transition disclosure for the following statements because they are prior to the date of Incorporation of October 5, 2010: (i) the statement of financial position for January 1, 2010 or March 31, 2010, (ii) statement of income (loss) for the period ended March 31, 2010, or (iii) statement of cash flows for the period ended March 31, 2010.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at October 5, 2010, the Company's "Transition Date".

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IAS 16 Property Plant and Equipments on a prospective basis. The Company will use an IFRS 1 exemption in order to report the opening balance sheet at transition date at its deemed cost value which is equal to the previously established historical cost less accumulated depreciation as reported under previous GAAP.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

Changes to accounting policies

In preparing its IFRS statement of financial position and statement of income (loss), the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and determination of net loss is set out in the following tables and accompanying notes. The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

(a) Impairment of (Non-Financial) Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

(b) Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. In addition, the measurement, of such liabilities differs between IFRS and Canadian GAAP. The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

(c) Exploration and Evaluation

On transition to IFRS, the Company elected to remain with the policy to capitalize exploration and evaluation expenditures as incurred. All capitalization of expenditures occurred subsequent to obtaining a right to the property to explore and evaluate. There is no impact on the unaudited condensed interim financial statements

(d) Property, Plant and Equipment (PP&E)

Under IFRS, componentization is required for PP&E. Asset componentization involves breaking down an asset into significant individual components that have different useful lives. Significant parts or components of the PP&E that have useful lives that are significantly different from the asset as a whole, are amortized over their useful lives. There is no impact on the unaudited condensed interim financial statements.

(e) Share Based Payments

The Company applied IFRS 2, Share Based Payments, to its share based payment arrangements at January 1, 2010, and adjusted the values it previously calculated under Canadian GAAP for its unvested awards. There is no impact on the unaudited condensed interim financial statements.

Presentation

Certain amounts in the unaudited condensed interim statements of financial position, statements of loss and comprehensive loss and statements of cash flows have been reclassified to conform to the presentation adopted under IFRS, which are as follows:

Contributed surplus has been reclassified to reserves in the statement of financial position and statement of changes in equity.

Warrants have been reclassified to reserves in the statement of financial position and statement of changes in equity.

The presentation of expenses in the statements of income (loss) and comprehensive income (loss) has been amended to use an analysis based consistently on their function.

Reconciliation between IFRS and Canadian GAAP

The October 5, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	October 5, 2010		
	Canadian GAAP $	**Effect of Transition to IFRS $**	**IFRS $**
Assets			
Current assets			
Cash	-	-	-
Accounts receivable and prepaid expenses	-	-	-
	-	-	-
Deferred exploration costs	-	-	-
Equipment	-	-	-
	-	-	-
Equity and Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	-	-	-
Other payable	-	-	-
	-	-	-
Capital and reserves			
Share capital	-	-	-
Reserves	-	-	-
Deficit	-	-	-
	-	-	-
	-	-	-

Note: The Company was incorporated on October 5, 2010 and therefore the opening IFRS statement of financial position will be on October 5, 2010, which is the Company's date of transition.

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP $	Effect of Transition to IFRS $	IFRS $
Assets			
Current assets			
Cash and cash equivalents	**239,400**	**-**	**239,400**
Other receivables	**16,582**		**16,582**
Prepaid expenses	**8,203**	**-**	**8,203**
	264,185	**-**	**264,185**
Deferred exploration costs	**32,553**	**-**	**32,553**
Equipment	**2,515**	**-**	**2,515**
	299,253	**-**	**299,253**
Equity and Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**111,774**	**-**	**111,774**
Debentures payable	**334,021**	**-**	**344,021**
	445,795	**-**	**445,795**
Capital and reserves			
Share capital	**357,190**	**-**	**357,190**
Reserves	**53,837**	**-**	**53,837**
Deficit	**(557,569)**	**-**	**(557,569)**
	(146,542)	**-**	**(146,542)**
	299,253	**-**	**299,253**

Note: The March 31, 2010 Canadian GAAP statement of financial position has not been reconciled to IFRS since the Company was incorporated subsequent to March 31, 2010 on October 5, 2010. Therefore the opening IFRS statement of financial position will be on October 5, 2010, which is the Company's date of transition.

The Canadian GAAP statement of loss and comprehensive loss for the period ended December 31, 2010 has been reconciled to IFRS as follows:

	Period ended December 31, 2010		
	Canadian GAAP	**Effect of Transition to IFRS**	**IFRS**
	$	$	$
Revenue	-	-	-
Expenses			
General and administrative costs	121,026	-	121,026
Finance charges	3.619	-	3.619
Write down of deferred exploration costs	432,924	-	432,924
	557,569	-	557,569
Net income (loss) for the period	(557,569)	-	(557,569)
Statement of Comprehensive Income (loss)			
Net income (loss) for the period	(557,569)	-	(557,569)
Other comprehensive income	-	-	-
Comprehensive income (loss) for the period	(557,569)	-	(557,569)

Note: The Canadian GAAP interim statement of income (loss) and comprehensive income (loss) for the three month period ended March 31, 2010 has not been reconciled to IFRS since the Company was incorporated subsequent to March 31, 2010 on October 5, 2010.

The Canadian GAAP statement of cash flows for the period ended December 31, 2010 has been reconciled to IFRS as follows:

	Year ended December 31, 2010		
	Canadian GAAP	**Effect of Transition to IFRS**	**IFRS**
	$	$	$
Cash flow from operating activities			
Cash receipts from customers	(38,832)	-	(38,832)
Cash paid to suppliers, employees and contractors	(491)	-	(491)
	(39,323)	-	(39,323)
Cash flow from financing activities			
Proceeds from private placements	291,200	-	291,200
Share issue costs	(8,190)	-	(8,190)
	283,010	-	283,010
Cash flow from investing activities			
Expenditures on deferred exploration costs	(1,493)		(1,493)
Expenditure on equipment	(2,794)	-	(2,794)
	(4,287)	-	(4,287)
Increase (decrease) in cash and cash equivalents	239,400	-	239,400
Cash, beginning of period	-	-	-
Cash, end of period	239,400	-	239,400

Note: The Canadian GAAP interim statement of cash flows for the three month period ended March 31, 2010 has not been reconciled to IFRS since the Company was incorporated subsequent March 31, 2010 on October 5, 2010.

23. Subsequent Events

REBgold Warrants

Between January 1, 2011 and May 3, 2011, REBgold warrant holders exercised a total of 22,051,667 warrants to purchase 22,051,667 common shares of the Company for gross proceeds of $2,198,100. As of March 31, 2011, only 500,000 warrants to purchase 500,000 common shares were exercised. As per the terms of the Arrangement, the Company is obligated to issue 2,835,332 common shares and is entitled to 17% of the proceeds which has been paid to REBgold.