

BacTech Environmental Corporation

Condensed Interim Financial Statements

For the three month and six months ended June 30, 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
August 15, 2011

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

	As at June 30 2011 \$	As at December 31 2010 \$
Assets		(Note 22)
Current assets		
Cash (<i>note 6</i>)	451,881	239,400
Other receivable (<i>note 7</i>)	24,300	16,582
Prepaid expenses	15,445	8,203
	491,626	264,185
Deferred exploration costs (<i>note 9</i>)	195,465	32,553
Equipment (<i>note 10</i>)	1,965	2,515
	689,056	299,253
Equity and Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (<i>note 11</i>)	375,162	111,774
Payable to REBgold Corporation (<i>note 5 and 8</i>)	160,694	334,021
	535,856	445,795
Capital and Reserves		
Share capital (<i>note 13</i>)	1,216,137	357,190
Reserves	138,802	53,837
Deficit	(1,201,739)	(557,569)
	153,200	(146,542)
	689,056	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 June 30, 2011	Six months ended June 30, 2011
	\$	\$
Net Revenue	-	-
Expenses		
General and administrative costs <i>(note 17)</i>	328,466	558,638
Finance charges <i>(note 18)</i>	10,334	20,132
Property termination payments <i>(note 5)</i>	-	65,400
	338,800	644,170
Net income (loss) for the period	(338,800)	(644,170)
Basic and diluted income (loss) per share <i>(note 16)</i>	(0.01)	(0.02)
Weighted average number of common shares outstanding	34,037,393	32,266,600
Statement of Comprehensive Income (loss)		
Net income (loss) for the period	(338,800)	(644,170)
Other comprehensive income	-	-
Comprehensive income (loss) for the period	(338,800)	(644,170)

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)
Share based payments	-	-	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 pursuant to private placement	439,370	60,630	-	-	500,000
Common shares issued on exercise of warrants	373,677	-	-	-	373,677
Common shares issued as Property Termination Payment	65,400	-	-	-	65,400
Share issue costs	(19,500)	-	-	-	(19,500)
Share based payments	-	-	24,335	-	24,335
Net income (loss) for the period	-	-	-	(644,170)	(644,170)
Balance, June 30, 2011	1,216,137	88,496	50,306	(1,201,739)	153,200

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 June 30, 2011	Six months ended June 30, 2011
	\$	\$
Cash flow from operating activities		
Cash paid to suppliers, employees and contractors	(84,385)	(297,317)
	(84,385)	(297,317)
Cash flow from financing activities		
Repayment of Payable to REBgold Corporation	(181,467)	(181,467)
Proceeds from issue of common shares, net	845,677	854,177
	664,210	672,710
Cash flow from investing activities		
Deferred development expenditures	(162,912)	(162,912)
	(162,912)	(162,912)
Increase (decrease) in cash	416,913	212,481
Cash, beginning of period	34,968	239,400
Cash, end of period	451,881	451,881

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

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

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 Company's head office is located at 50 Richmond Street East, Toronto, Ontario, M5C 1N7.

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 \$1,201,739 since its inception, has a working capital deficit of \$44,230 at June 30, 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 for the six months ended June 30, 2011 with one private placement which generated \$500,000 in gross proceeds and through the exercise of warrants which generated gross proceeds of \$373,677. 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.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

The accounting policies set out below have been applied consistently to all periods presented in these 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.

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 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 August 25, 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 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

The accounting policies in note 2 and 3 of the condensed interim financial statements for the three month period ended March 31, 2011, have been applied in preparing the condensed consolidated interim financial statements.

Measurement and Uncertainty

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

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

- the recoverability of accounts receivable that are included in the 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 condensed interim financial statements.

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.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

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 (<i>note 9</i>)	\$	463,984
Accounts payable transferred from REBgold	\$	(49,946)
Book value of debentures payable assumed from REBgold (<i>note 12</i>)	\$	(66,642)
Loan payable to REBgold (<i>note 8</i>)	\$	(250,000)
<hr/>		
Value attributed to common shares issued (<i>note 12</i>)	\$	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.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the three and six months ended June 30, 2011

6. Cash Position

Cash consists of the following:

	As at June 30 2011 \$	As at December 31 2010 \$
Cash	451,881	239,400
	451,881	239,400

7. Other Receivables

Other receivables consist of the following:

	As at June 30 2011 \$	As at December 31 2010 \$
Subscriptions receivable	-	12,000
Sales tax receivable	24,300	4,582
Other receivables	24,300	16,582

8. Payable to REBgold Corporation

	As at June 30 2011 \$	As at December 31 2010 \$
Debenture payable (<i>note 12</i>)	79,660	68,480
Accrued interest on debenture (<i>note 12</i>)	1,290	1,290
Plan of Arrangement loan (<i>note 5</i>)	69,823	250,000
Other	9,921	14,251
	160,694	334,021

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

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the three and six months ended June 30, 2011

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	-	162,912	162,912
Recovered during period	-	-	-
Written off during period	-	-	-
Balance, June 30, 2011	-	195,465	195,465

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

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

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.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the three and six months ended June 30, 2011

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, June 30, 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	550	550
Disposals	-	-
Other	-	-
Balance, June 30, 2011	\$829	\$829

Net book value at October 5, 2010	\$ -	\$ -
Net book value at December 31, 2010	\$2,515	\$2,515
Net book value at June 30, 2011	\$1,965	\$1,965

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

11. Accounts Payable and Accruals

Accounts payable and accruals consist of the following:

	As at June 30 2011 \$	As at December 31 2010 \$
Trade payables	296,175	88,315
Accrued liabilities other	78,987	23,459
Total	375,162	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	11,180
Book Value, June 30, 2011	79,660

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements
For the three and six months ended June 30, 2011

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
Private placement (v)	2,500,000	439,370
Shares issued pursuant to exercise of warrants (iv)	4,510,332	373,677
Share issue costs (v)	-	(19,500)
Balance, June 30, 2011	37,478,361	1,216,137

- (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) Between January 1, 2011 and May 3, 2011, REBgold 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. As per the terms of the Arrangement, the Company is obligated to issue 4,510,331 common shares to these REBgold warrant holders, and the Company is entitled to 17% of the proceeds for a total of

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

\$373,677 which has been paid by REBgold to the Company.

- (v) On June 30, 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. 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 until June 29, 2012. 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 \$56,250. The Company incurred finder's commissions of \$19,500 and issued 97,500 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of \$0.20 until June 29, 2012. The fair value of the finder's warrants issued was estimated at \$4,380.

14. Warrants

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

	June 30, 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	1,347,500	0.29	1,346,167	\$ 0.17
Exercised	-	-	-	-
Expired	-	-	-	-
Balance, end of period	2,693,667	\$ 0.24	1,346,167	\$ 0.17

The exercise price, expiry date, and the fair value assigned to warrants issued and outstanding as at June 30, 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	0.48
December 22, 2011	0.170	1,715	82,833	0.48
June 29, 2012	0.300	56,250	1,250,000	1.00
June 29, 2012	0.200	4,380	97,500	1.00
	0.170	88,496	2,693,667	0.74

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

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 June 30, 2011, 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 9,595,668 common shares in return for its portion of the aggregate exercise price of \$852,900.

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.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

	June 30, 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	(150,000)	0.15	-	-
Balance, end of period	2,200,000	\$ 0.16	2,100,000	\$ 0.15

Options to purchase common shares outstanding at June 30, 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	1,950,000	1,950,000	4.44
January 31, 2016	0.20	200,000	100,000	4.59
March 10, 2016	0.20	50,000	50,000	4.70
	0.16	2,200,000	2,100,000	4.46

During the period ended June 30, 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 \$24,335 for the six month period ended June 30, 2011 (December 31, 2010 - \$25,971) 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	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 June 30, 2011 was based on the loss attributable to common shareholders of \$338,800 and the weighted average number of common shares outstanding

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

of 34,037,393. The calculation of basic and diluted loss per share for the six months ended June 30, 2011 was based on the loss attributable to common shareholders of \$644,170 and the weighted average number of common shares outstanding of 32,266,600. 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 June 30	Six months ended June 30
	2011	2011
	\$	\$
Salaries, management and consulting fees	148,082	260,901
Share based payments	11,310	24,335
Professional fees	37,285	51,811
Shareholder filing fees	73,887	96,843
Travel	32,719	55,705
General office expenses	24,908	68,493
Amortization	275	550
Total	328,466	558,638

18. Interest Expense

Interest expense consists of the following:

	Three months ended June 30	Six months ended June 30
	2011	2011
	\$	\$
Interest income/(expense)charges	874	1,212
Debenture interest	3,870	7,740
Accretion on debenture	5,590	11,180
Total	10,334	20,132

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.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

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 June 30, 2011, the Company had a cash balance of \$451,881 (December 31, 2010 - \$239,400) to settle current liabilities of \$535,856 (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.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

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

The accounting policies set out in note 2 and 3 of the condensed interim financial statements as at and for the three month period ended March 31, 2011, have been applied in preparing the consolidated condensed interim financial statements for the six month period ended June 30, 2011. In Note 22 of the March 31, 2011 condensed interim financial statements, the Company reported the impact of the transition of IFRS at January 1, 2010 and December 31, 2010. There were no changes to the reconciliations previously reported.

Changes to accounting policies

In preparing its IFRS statement of changes, 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 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 condensed interim financial statements.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

(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 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 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 condensed interim financial statements.

Presentation

Certain amounts in the 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.

BacTech Environmental Corporation

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended June 30, 2011

Reconciliation between IFRS and Canadian GAAP

Reconciliation of Shareholder's equity as at June 30, 2010:

The June 30, 2010 Canadian GAAP statement of financial position has not been reconciled to IFRS since the Company was incorporated subsequent to June 30, 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.

Reconciliation of statement of income (loss) and comprehensive income (loss) for the period ended June 30, 2010:

The Canadian GAAP interim statement of income (loss) and comprehensive income (loss) for the three month period and six month period ended June 30, 2010 has not been reconciled to IFRS since the Company was incorporated subsequent to June 30, 2010 on October 5, 2010.

23. Subsequent Events

Subsequent to June 30, 2011, the Company completed the second tranche for the private placement for total gross proceeds of \$100,000.