BacTech Environmental Corporation

Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2015 and 2014
(Unaudited)

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For the three months ended March 31, 2015

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

BacTech Environmental Corporation
June 1, 2015

BacTech Environmental Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	As at March 31 2015 $	**As at December 31 2014 $**
Assets		
Current assets		
Cash	**54,180**	572
Other receivable *(note 5)*	**8,610**	24,233
Prepaid expenses	**3,500**	5,794
Total current assets	**66,290**	30,599
Deferred assessment and evaluation costs *(note 7)*	**-**	-
Total assets	**66,290**	30,599
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(notes 9 and 10)*	**888,147**	897,266
Loan payable (*note 3*)	**150,000**	-
Current portions payable to Aquila Resources Inc. *(note 6)*	**83,874**	78,585
Total current liabilities	**1,122,021**	975,851
Payable to Aquila Resources Inc. *(note 6)*	**69,873**	69,873
Total liabilities	**1,191,894**	1,045,724
Equity (deficiency)		
Share capital *(note 14)*	**4,007,574**	3,957,574
Option reserve *(note 16)*	**358,480**	358,480
Warrant reserve *(note 15)*	**86,372**	86,372
Deficit	**(5,578,030)**	(5,417,551)
Total deficiency	**(1,125,604)**	(1,015,125)
Total liabilities and deficiency	**66,290**	30,599

Nature of Operations and Going Concern (*note 1*)
Commitments and Contingencies *(note 22)*

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

Approved by the Board

Signed: *"Jay Naster"* Signed: *"M. Ross Orr"*
Director **Director**

BacTech Environmental Corporation

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

	Three months ended March 31	
	2015	2014
	$	$
Net Revenue	**-**	-
Expenses		
Operating and administrative costs (*note 18*)	**139,318**	117,113
Finance charges *(note 19)*	**21,161**	68,567
Net loss and comprehensive loss for the period	**(160,479)**	(185,680)
Basic and diluted loss per share *(note 17)*	**(0.00)**	(0.02)
Weighted average number of common shares Outstanding (*note 17)*	**42,027,277**	9,951,005

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

BacTech Environmental Corporation

Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)

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

	Share Capital $	Option Reserve $	Warrant Reserve $	Deficit $	Total Equity $
Balance, December 31, 2013	2,417,800	488,475	817,968	(4,313,184)	(588,941)
Net loss for the period	-	-	-	(185,680)	(185,680)
Balance, March 31, 2014	2,417,800	488,475	817,968	(4,498,864)	(774,621)
Common shares issued pursuant to private placement *(note 14 (ii))*	37,628	-	32,372	-	70,000
Expired warrants	-	-	(763,968)	763,968	-
Tax on expired warrants	-	-	-	(101,000)	(101,000)
Expired stock options	-	(67,765)	-	67,765	-
Shares issued for debt conversion *(note 11, 12 and 14 (iii))*	1,502,146	(62,230)	-	62,230	1,502,146
Net loss for the period	-	-	-	(1,711,650)	(1,711,650)
Balance, December 31, 2014	3,957,574	358,480	86,372	(5,417,551)	(1,015,125)
Shares issued for debt *(note 14(iv))*	50,000	-	-	-	50,000
Net loss for the period	-	-	-	(160,479)	(160,479)
Balance, March 31, 2015	4,007,574	358,480	86,372	(5,578,030)	(1,125,604)

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

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

	Three months ended March 31 2015	Three months ended March 31 2014
	$	$
Cash flow from operating activities		
Cash paid to suppliers, employees and consultants	**(96,392)**	38,105
	(96,392)	38,105
Cash flow from financing activities		
Proceeds from loan payable	**150,000**	-
	150,000	-
Cash flow from investing activities		
Deferred development expenditures, net	**-**	(46,115)
	-	(46,115)
Increase (decrease) in cash	**53,608**	(8,010)
Cash, beginning of period	**572**	11,071
Cash, end of period	**54,180**	3,061

The accompanying notes are an integral part of these condensed consolidated 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. REBgold completed a divisive reorganization by way of a Plan of Arrangement whereby a newly formed subsidiary, the Company, was granted rights and interests in REBgold's existing and proposed tailings remediation projects and an exclusive, perpetual, royalty-free license to use REBgold's proprietary bioleaching technology for reclamation of historic mine tailings. REBgold retained the primary rights to the bioleaching technology. The technology utilizes bacteria to extract precious and base metals and has been traditionally used to treat difficult-to-treat sulphide ores and concentrates. During the year ended December 31, 2014, REBgold amalgamated with Aquila Resources Inc. and is hereinafter referred to as "Aquila".

The business plan for the Company is to apply 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 20 Eglington Avenue West, Suite 1302, Toronto, Ontario, M4R 1K8.

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

The Company has no sources of recurring revenue, has incurred losses amounting to $5,578,030 since its inception, has a working capital deficit of $1,055,731 at March 31, 2015, and is dependent on financings to fund its operations. The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are uncertain and which, taken together, cast significant doubt over the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related statement of financial position and statement of 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 period ended March 31, 2015 from existing cash reserves, a note payable for $150,000 in gross proceeds, as well as debt to equity conversion of $50,000 from accounts payable from related parties. 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 and abatement 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 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 with International Financial Accounting Standards ("IFRS")

Statement of Compliance

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company reported in Note 2 and 3 in its audited annual consolidated financial statements for the year ending December 31, 2014. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on June 1, 2015.

Basis of Preparation and Presentation

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

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

Basis of Consolidation

These condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiary, BacTech Manitoba Corp. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Company.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed consolidated interim financial statements.

3. Significant Accounting Policies

The accounting policies as reported in Note 2 and 3 of the audited annual consolidated financial statements for the year ended December 31, 2014, have been applied in preparing these condensed consolidated interim financial statements.

Measurement Uncertainty

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 deferred assessment and evaluation costs that are included in the statements of financial position;
- the inputs used in accounting for share based payment transactions in net loss and comprehensive loss;
- management's assumption of no material restoration, rehabilitation, and environmental provision based on the facts and circumstances that existed during the period; and
- assets carrying values and impairment charges.

4. Future Changes in Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IFRS 11 - Joint Arrangements (“IFRS 11”) was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 27 – Separate Financial Statements ("IAS 27") was amended in August 2014 to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

5. Other Receivables

Other receivables consist of the following:

	As at March 31 2015 $	As at December 31 2014 $
Sales tax receivable	**8,610**	3,490
Other receivable	**-**	20,743
Total other receivables	**8,610**	24,233

6. Payable to Aquila Resources Inc.

	As at March 31 2015 $	As at December 31 2014 $
Debenture payable *(note 11)*	**81,562**	69,873
Accruals/receivable	**2,312**	(1,378)
Plan of Arrangement loan	**69,873**	79,963
	153,747	148,458
Less current portion	**83,874**	78,585
	69,873	69,873

The balance is unsecured, non-interest bearing, and has no set terms of repayment except for the debenture payable component (note 11).

7. Deferred Assessment and Evaluation Costs

The mineral reclamation properties and deferred assessment and evaluation costs are comprised as follows:

	Snow Lake $
Balance, December 31, 2013	**1,361,242**
Additions	46,115
Write-down	(1,407,357)
Balance, December 31, 2014	**-**
Additions	-
Balance March 31, 2015	**-**

Snow Lake Concentrate Stockpile – Manitoba

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

In February 2011, the Company 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 2011, the Company was awarded the contract by the Mines Branch of the Manitoba Department of Innovation, Energy and Mines. The Company would recover payable metals for its own account from the stockpile while treating the contained arsenic.

The remediation agreement required the operation of a bioleaching plant by December 31, 2014. The Company did not extend the deadline and ceased development of this project during fiscal 2014. For the year ended December 31, 2014, all deferred costs related to this project were written down to $Nil.

8. Equipment

Equipment consists of the following:

Cost	Equipment $	Total $
Balance, December 31, 2013	**2,794**	**2,794**
Additions	**-**	**-**
Balance, December 31, 2014	**2,794**	**2,794**
Additions	**-**	**-**
Balance, March 31, 2015	**2,794**	**2,794**

Accumulated Depreciation	Equipment	Total
Balance, December 31, 2013	**2,794**	**2,794**
Additions	**-**	**-**
Balance, December 31, 2014	**2,794**	**2,794**
Additions	**-**	**-**
Balance, March 31, 2015	**2,794**	**2,794**

Net book value at December 31, 2014	**Nil**	**Nil**
Net book value at March 31, 2015	**Nil**	**Nil**

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	As at March 31 2015 $	As at December 31 2014 $
Trade payables	**384,010**	524,258
Accrued liabilities other	**504,137**	373,008
Total	**888,147**	897,266

10. Related Party Transactions

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

	March 31 2015 $	March 31 2014 $
Aggregate compensation included in salaries and management fees	**71,250**	71,250
Share-based compensation	**-**	-
Total	**71,250**	234,135

Included in accounts payable and accrued liabilities is $409,420 due to related parties.

Please refer to notes 11, 12 and 14 for additional related party transactions.

11. Debentures Payable

Convertible Debenture – Maturing April 25, 2014

Between April 25, 2012 and May 3, 2012, the Company closed two tranches totaling $585,000 of subscriptions of a private placement whereby the Company issued 58.5 units, with each unit being comprised of a 2-year $10,000 principal convertible redeemable debenture and 10,000 common share purchase warrants.

The Debentures matured on April 25, 2014 and bore interest at a fixed rate of 12% per year payable quarterly starting September 30, 2012. Under the terms of the 2-year debentures, the holders of the debentures had the option to convert their debentures in full into common shares at a price of $1.00 per share. Each warrant was exercisable for one common share at a price of $1.00 per common share until April 25, 2014.

The Company used the residual value method to allocate the proceeds between the liability and equity components. Under this method, the fair value of the liability component (the "Debenture Liability") of $385,560 was computed as the present value of future principal and interest payments discounted at a rate of 42% per annum. The residual value of $199,440 was attributed to the equity components and allocated equally between the 585,000 warrants issued and the option to convert the debentures into 585,000 common shares (the "Conversion Feature") as their exercise prices and expected lives were equal. The transaction costs totaling $48,910, comprised of a cash commission of $32,500 and 42,000 finder's warrants valued at $13,711, were then allocated proportionally to each component with the Debenture Liability being allocated $32,240 and the remaining $16,670 allocated equally between the warrants and the Conversion Feature.

On August 28, 2014, the Company came to an agreement with holders of the 12% convertible debenture that matured on April 25, 2014. The outstanding debentures of $585,000 and accrued interest of $91,350 amounted to $676,350, which were settled through the issuance of 13,527,000 common shares of the Company at a price of $0.05 per common share. Included in this settlement, directors, officers and a company controlled by an officer of the Company settled debentures totaling $150,000 and accrued interest of $24,000 through the issuance of 3,480,000 common shares of the Company.

	As at March 31 2015 $	As at December 31 2014 $
Face value of debentures	**-**	**585,000**
Discount on face value of debentures	**-**	**(199,440)**
Transactions costs allocated to debentures	**-**	**(32,240)**
Accumulated accretion	**-**	**231,680**
Repayment of debenture from conversion to common shares	**-**	**(585,000)**
	-	**-**

Aquila Resources Inc.'s Convertible Debentures - Maturing April 13, 2015

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

The convertible debentures may be converted by the holders at any time at a price of $1.00 per common share (the "Conversion Price") or in the event that the closing price of Aquila's common shares on the TSX-V is at or greater than $1.50, Aquila 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 Aquila issued in the event of a conversion, one-fifth of a common share of the Company will be issued.

On October 13, 2011, Aquila extended the expiry date of $410,000 principal amount of these convertible debentures and 410,000 of the common share purchase warrants originally issued in October 2010. Each holder of debentures and warrants was offered the choice to either (i) extend the maturity date of the debentures held by that holder to April 13, 2012, in which case the expiry date of the warrants held by that holder would also be extended to April 13, 2012, or (ii) accept payment in full of the debentures on the original maturity date of October 13, 2011, in which case the warrants held by that holder would also expire on the original expiry date of October 13, 2011. The holder of $20,000 principal amount of the debentures elected to be repaid, and the balance of $410,000 principal amount of debentures was extended and remains outstanding. The fair value of the extension of the warrants was calculated using the Black-Scholes option pricing model at $32,000. The assumptions used to determine the value were: expected dividend yield - 0%; weighted expected volatility - 142.7%; risk-free interest rate - 1.1%; and an expected life of 0.5 years. The $32,000 was then applied as a discount on the face value of the debentures, of which $6,400 was attributed to the Company. The effective interest rate of the extended debentures is 36.4%.

On April 17, 2012, Aquila extended the expiry of these convertible debentures and 410,000 of the common share purchase warrants originally issued in October 2010. Each holder of debentures and warrants agreed to extend the maturity date of the debentures held to April 13, 2015 and the expiry date of the warrants held by that holder to April 13, 2015. (See Note 23) The fair value of the extension of the convertible debentures was determined by revaluing the debt using discounted cash flows and a discount rate of 35%. The fair value of the debt was determined to be $314,000 with the residual $96,000 allocated to the conversion feature and applied as a discount on the face value of the debentures, of which $19,200 was attributed to the Company.

Despite the modifications in 2011 and 2012, these debentures continue to bear interest at 18% per year payable semi-annually.

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

	$
Carrying value, December 31, 2013	73,563
Accretion expense	4,800
Carrying value, December 31, 2014	79,963
Accretion expense	1,600
Carrying value, March 31, 2015 *(note 6)*	81,563

12. Bridge Loan

On July 3, 2013, the Company arranged a bridge loan that would enable the Company to complete its technical preparations for the Snow Lake project. Specifically, the Company planned to use the funds to complete its front end engineering design (F.E.E.D.) study which remained an integral part of the Snow Lake Project financing.

The bridge loan allowed the Company to receive $600,000 comprised of (a) an initial $300,000 within 10 days of closing, and (b) a second $300,000 to be drawn after the Company has confirmed that the underlying contract with the Province of Manitoba can be used as collateral for the loan. All loans were subject to interest at the rate of 10% per annum, and was to be repaid initially by November 20, 2013, subject to the Company’s right to extend repayment. In addition, the loans were convertible into common stock in the context of the price of the Company’s shares at the time of filing the loan agreement with the Canadian Securities Exchange which was $0.40 per share (the “Conversion Feature”).

The Company used the residual value method to allocate the proceeds between the liability and equity components. Under this method, the fair value of the liability component (the "Bridge Loan") of $576,800 was computed as the present value of future principal and interest payments discounted at a rate of 25% per annum. The residual value of $23,200 was attributed to the Conversion Feature and is recorded in the option reserve. Accretion expense of $23,200 was recorded for the year ended December 31, 2013.

On August 28, 2014, the Company came to an agreement with the holder of the 10% bridge loan that matured on February 15, 2014. The outstanding bridge loan of $600,000 and accrued interest of $110,796 amounted to $710,796, which was settled through the issuance of 14,215,934 common shares of the Company at a price of $0.05 per common share. The Company and the holder of the bridge loan have a director in common.

13. Loan Payable

On January 20, 2015, the Company arranged for a loan from a third party. The purpose of the loan is to provide working capital for future exploration and development projects.

The terms of the loan payable are as follows; (i) Total amount available of loan is $150,000, (ii) bonus shares of 200,000 common shares of the Company for every $50,000 tranche, up to a total of 600,000 common shares can be issued if the full amount is drawn down, (iii) a 1% Net Profit Interest ("NPI") in the Telamayu remediation project, and (iv) earns interest at a rate of 12% per annum. The loan is due 120 days from the date of the first advance which is May 20, 2015. If the loan is not repaid at maturity or reorganized, interest will be 1.5% per month compounded.

The 600,000 common shares have not been issued as of the date of this report. The shares are valued at $13,000 and forms part of accreation expene for the note.

14. Share Capital

Authorized: Unlimited common shares without par value

Issued and outstanding:	**Number of shares*(i)***	**Amount**
		$
Balance, December 31, 2013	**9,951,010**	**2,417,800**
Private placement *(ii)*	1,400,000	70,000
Debt Conversion *(iii)*	30,042,934	1,502,146
Warrants issued in private placement	-	(32,372)
Balance, December 31, 2014	**41,393,944**	**3,957,574**
Private placement, shares for debt *(iv)*	1,000,000	50,000
Balance, March 31, 2015	**42,393,944**	**4,007,574**

(i) **Share consolidation**: On July 21, 2014, the Company completed a share consolidation of BacTech''s common shares on the basis of one post consolidation common share for each five pre-consolidation common shares. The name of the company did not change as a result of the consolidation The 56,755,027 common shares issued and outstanding prior to the consolidation, which was effective as of July 22, 2014, were consolidated to 11,351,010 common shares.

The Company's current outstanding stock options and warrants have been adjusted on the same basis, with proportionate adjustments being made to the stock option and warrant exercise prices. The tables and notes referenced herein reflect the share consolidation starting from December 31, 2013.

(ii) On May 21, 2014, the Company completed a private placement for gross proceeds of $70,000 and issued 1,400,000 units at $0.05 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.25 for a period of 3 years. 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 $32,372. Directors, officers and companies controlled by officers or directors subscribed for 1,100,000 units for gross proceeds of $55,000.

(iii) On August 28, 2014, the Company announced that it came to an agreement with holders of both the 12% convertible debenture that matured on April 26, 2014 and the 10% bridge loan that matured on February 15, 2014. The combined outstanding debentures and bridge loan amounting to $1,387,146 was settled through the issuance of 27,742,934 common shares of the Company at a price of $0.05 per common share. In addition, a portion of the accounts payable for professional services and management payroll in the total amount of $115,000 were converted to 2,300,000 common shares as part of this transaction. Included in this amount was $70,000 of accounts payable owing to an officer and a company controlled by an officer of Company.

(iv) On February 2, 2015, the Company settled $50,000 of accrued salaries and management fees by issuing one million common shares of the Company. The following insiders participated; President and Chief Executive Officer, 500,000 common shares issued in settlement of $25,000 of accrued fees, and Chief Financial Officer, 500,000 common shares issued in settlement of $25,000 of accrued fees.

15. Warrant Reserve

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

	March 31, 2015		**December 31, 2014**	
	Number Outstanding(A)	**Weighted Average Exercise Price $(A)**	**Number Outstanding(A)**	**Weighted Average Exercise Price $(A)**
Balance, beginning of period	1,600,000	0.31	2,760,333	0.90
Issued	-	-	1,400,000	0.25
Expired	-	-	(2,560,333)	0.85
Balance, end of period	1,600,000	0.31	1,600,000	0.31

(A) Please refer to note 14(i) for information on share consolidation.

The exercise price, expiry date, and the fair value assigned to warrants issued and outstanding as at March 31, 2015 are as follows:

Expiry Date	**Weighted Average Exercise Price(A) $**	**Fair Value $**	**Warrants Outstanding(A)**	**Contractual Life (years)**
November 8, 2016	0.75	54,000	200,000	1.66
May 23, 2017	0.25	32,372	1,400,000	2.15
	0.31	86,372	1,600,000	2.09

(A) Please refer to note 14(i) for information on share consolidation.

The fair values of the warrants issued during the year ended December 31, 2014 were estimated using the Black-Scholes option pricing model with the following assumptions:

	2014
Risk free interest rate	1.11%
Expected dividend yield	Nil
Expected volatility	223%
Expected life	3 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.

Aquila Warrants

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

Upon the exercise of any Aquila warrants following the Arrangement, Aquila shall pay to the Company 17% of the exercise proceeds as consideration for the issuance of the Company's common shares. Aquila 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, 2015, Aquila had 2,111,500 common share purchase warrants (with exercise prices ranging from $1.00 to $1.20) which are subject to the Arrangement. The Company's obligation, if these warrants were exercised prior to expiry, would be to issue 844,000 common shares in return for its portion of the aggregate exercise price of $372,895.

16. 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 re-approved by the shareholders on July 3, 2014, 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, 2015		December 31, 2014	
	Number Outstanding(A)	Weighted Average Exercise Price(A) $	Number Outstanding(A)	Weighted Average Exercise Price(A) $
Balance, beginning of period	708,000	0.88	830,000	0.90
Granted	-	-	-	-
Expired/Cancelled	-	-	(122,000)	0.91
Balance, end of period	708,000	0.88	708,000	0.88

(A) Please refer to note 14(i) for information on share consolidation.

Options to purchase common shares outstanding at March 31, 2015 carry exercise prices and remaining terms to maturity as follows:

Expiry Date	Weighted Average Exercise Price(A) $	Number of Options Outstanding(A)	Number of Options Exercisable(A)	Weighted Average Contractual Life (years)
December 6, 2015	0.75	345,000	345,000	0.68
March 17, 2016	1.00	10,000	10,000	0.95
July 8, 2017	1.00	243,000	243,000	2.28
March 17, 2018	1.00	110,000	110,000	2.96
	0.88	708,000	708,000	1.59

(A) Please refer to note 14(i) for information on share consolidation.

During the three months ended March 31, 2015, the Company granted no new options (for the year ended December 31, 2014 – Nil). The Company recognized a total expense of $Nil for the three months ended March 31, 2015 (2014 - $Nil) in respect of the options vesting during the year. Share based payments expense is included in general and administrative costs.

The fair values of the options issued during the year ended December 31, 2013 were estimated using the Black-Scholes option pricing model with the following assumptions:

	2013
Risk free interest rate	1.34%
Expected dividend yield	Nil
Expected volatility	253%
Expected life	2.4 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.

17. Loss per Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2015 was based on the loss attributable to common shareholders of $160,479 (2014 – $185,680) and the weighted average number of common shares outstanding of 42,027,277 (2014 - 9,951,005). Diluted loss per share did not include the effect of share purchase options and warrants as they are anti-dilutive.

18. Operating and Administrative

Operating and administrative expense consists of the following:

	Three months ended March 31	
	2015	2014
	$	$
Salaries and management fees	**71,250**	79,540
Share based payments	**-**	-
Professional fees	**44,844**	7,361
Shareholder information and filing fees	**5,732**	5,345
Travel	**9,414**	1,821
Gerneral office expenses	**7,814**	20,883
Foreign exchange (gain)/loss	**264**	2,163
Total	**139,318**	117,113

19. Finance Charges

Finance charges consist of the following:

	Three months ended March 31	
	2015	2014
	$	$
Interest and bank charges	**1,071**	740
Debenture and bridge loan interest	**3,690**	36,240
Note payable interest	**1,800**	-
Accretion on debenture	**14,600**	31,587
Total	**21,161**	68,567

20. 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 and sales tax receivable is remote.

Liquidity risk

As at March 31, 2015, the Company had a cash balance of $54,180 (December 31, 2014 - $572) to settle current liabilities of $1,122,021 (December 31, 2014 - $975,851). 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 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 loan payable bearing interest at 12 per cent per annum. 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.

21. Capital Management

The Company defines capital as share capital, warrant reserve, and option reserve. 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, assessment and evaluation, and development of mineral reclamation 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 early stages of evaluation and assessment of projects; as such, the Company is dependent on external financing to fund its activities. In order to carry out the assessment and evaluation of the projects 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.

The Company's capital management objectives, policies and processes have remained unchanged during the thre month period ended March 31, 2015 and year ended December 31, 2014.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Canadian Securities Exchange ("CSE"). The impact of any violation of CSE is not known and is ultimately dependent on the discretion of the CSE.

22. Commitments and Contingencies

The Company currently has an employment agreement with the provision of termination and change of control benefits with an officer of the Company. The agreement for the officer provides that in the event that their employment is terminated by the Company other than for cause then the officer shall be entitled to a lump sum payment amount equal to 12 months base salary plus 1 month salary for each year of service from December 2, 2010, to a max of 36 months base salary. If a change of control were to occur, the officer would be entitled to 2 years of compensation (salary plus bonus), or the equivalent of $450,000. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

Environmental matters

The Company's exploration activities are subject to various federal and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

23. 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.