

BacTech Environmental Corporation

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited)

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For the three months ended March 31, 2022 and 2021

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Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

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

BacTech Environmental Corporation
May 27, 2022

BacTech Environmental Corporation
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited, expressed in Canadian dollars, unless otherwise stated)

	Three months ended	
	March 31	
	2022	2021
	\$	\$
Expenses		
Operating and administrative costs <i>(note 13)</i>	437,798	290,865
Finance charges <i>(note 14)</i>	4,888	66,667
Project expenditures	108,752	40,301
Total expense	551,438	(397,833)
Net loss for the period from operations	(551,438)	(397,833)
Net loss and comprehensive loss for the period	(551,438)	(397,833)
Basic and diluted (loss) income per share <i>(note 12)</i>	0.00	(0.005)
Weighted average number of common shares outstanding <i>(note 12)</i>	159,997,892	124,599,958

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

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

	Share Capital #	Share Capital \$	Option Reserve \$	Warrant Reserve \$	Deficit \$	Total Equity (deficiency) \$
Balance, December 31, 2020	116,914,372	5,787,147	223,787	296,198	(9,107,986)	(2,800,854)
Shares issued pursuant to private placement (<i>note 9(i)</i>)	6,300,000	121,557	-	-	-	121,557
Shares issued pursuant to private placement (<i>note 9(ii)</i>)	5,116,666	153,500	-	-	-	153,500
Options exercised (<i>note 9(iii)</i>)	1,100,000	77,000	-	-	-	77,000
Fair market value adjustment from exercise of options	-	32,571	(32,571)	-	-	-
Warrants exercised (<i>note 9(iv)</i>)	4,559,500	227,975	-	-	-	227,975
Fair market value adjustment from exercise of warrants	-	63,707	-	(63,707)	-	-
Share issue costs	-	(3,111)	-	-	-	(3,111)
Share based payments (<i>note 11</i>)	-	-	217,120	-	-	217,120
Net loss for the period	-	-	-	-	(397,833)	(397,833)
Balance, March 31, 2021	133,990,538	6,460,346	408,336	232,491	(9,505,819)	(2,404,646)
Shares issued pursuant to conversion of debenture (<i>note 9 (v)</i>)	680,000	71,400	-	-	-	71,400
Shares issued pursuant to private placement (<i>note 9 (vi)</i>)	3,312,500	175,600	-	155,650	-	331,250
Shares issued pursuant to conversion of debenture (<i>note 9 (vii)</i>)	12,000,854	632,425	-	567,660	-	1,200,085
Options exercised (<i>note 9 (iii)</i>)	700,000	63,000	-	-	-	63,000
Fair market value adjustment from exercise of options	-	30,225	(30,225)	-	-	-
Warrants exercised (<i>note 9 (iv)</i>)	7,071,667	353,584	-	-	-	353,584
Fair market value adjustment from exercise of warrants	-	58,222	-	(58,222)	-	-
Share issue costs	-	(14,000)	-	-	-	(14,000)
Share based payments (<i>note 11</i>)	-	-	181,180	-	-	181,180
Expired options	-	-	(31,091)	-	31,091	-
Expired warrants	-	-	-	(14,235)	14,235	-
Net loss for the period	-	-	-	-	(1,198,562)	(1,198,562)
Balance, December 31, 2021	157,755,559	7,830,802	528,200	883,344	(10,659,055)	(1,416,709)

BacTech Environmental Corporation**Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)**

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

	Share Capital #	Share Capital \$	Option Reserve \$	Warrant Reserve \$	Deficit \$	Total Equity (deficiency) \$
Balance, December 31, 2021	157,755,559	7,830,802	528,200	883,344	(10,659,055)	(1,416,709)
Shares issued pursuant to private placement <i>(note 9 (viii))</i>	6,050,000	700,000	-	510,000	-	1,210,000
Share issue costs	-	(123,379)	-	31,190	-	(92,189)
Warrants exercised <i>(note 9(ix))</i>	620,000	31,000	-	-	-	31,000
Fair market value adjustment from exercise of warrants	-	6,014	-	(6,014)	-	-
Share based payments <i>(note 11)</i>	-	-	96,500	-	-	96,500
Net loss for the period	-	-	-	-	(551,438)	(551,438)
Balance, March 31, 2022	164,425,559	8,444,437	624,700	1,418,520	(11,210,493)	(722,836)

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

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

	Three months ended March 31 2022	Three months ended March 31 2021
	\$	\$
Cash flow from operating activities		
Cash paid to suppliers, employees and consultants	(604,622)	(218,063)
Net cash used in operating activities	(604,622)	(218,063)
Cash flow from financing activities		
Gross proceeds from exercise of warrants	31,000	227,975
Gross proceeds from exercise of options	-	77,000
Gross proceeds from private placements	1,210,000	275,057
Share issue costs from financings	(92,189)	(3,111)
Repayment of debenture	-	(75,000)
Net cash provided by financing activities	1,148,811	501,921
Increase in cash	544,189	283,858
Cash, beginning of the period	64,285	19,412
Cash, end of the period	608,474	19,412

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

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

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. The Company has the primary rights and know-how to use a bioleaching technology. The technology utilizes bacteria to extract precious and base metals and has been traditionally used to treat difficult-to-treat sulphide ores and concentrates.

The business plan for the Company is to apply 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 could potentially be extracted include gold, silver, cobalt, nickel, copper, uranium and zinc. The Company's head office is located at 37 King Street East, Suite 409, Toronto, Ontario, M5C 1E9.

The accompanying condensed interim consolidated 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 realized net loss of \$551,438, during the period ended March 31, 2022, has a working capital deficit of \$542,189 at March 31, 2022, 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 materially uncertain and which, taken together, cast significant and substantial doubt over the ability of the Company to continue as a going concern. These condensed interim consolidated 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, 2022 from existing cash reserves, an equity private placements for gross proceeds of \$1,210,000 and exercise of warrants for gross proceeds of \$31,000. The Company does not have sufficient cash reserves to fund its administrative costs and fund any project development initiatives for the coming twelve month period, nor to repay its liabilities to trade creditors and debt holders. These matters represent material uncertainties that cast significant and substantial doubt about the Company's ability to continue as a going concern. 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.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

COVID-19 Pandemic

The Company is subject to various market, political and regulatory constraints as a result of the COVID-19 situation and additional business and financial risks that may result therefrom. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, Government response actions, business closures and disruptions, can all have an impact on the Issuer's operations and access to capital. There can be no assurance that the Issuer will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets, share prices and financial liquidity and that may severely limit the financing capital available to the Company. While it appears that the pandemic is continuing longer than might originally have been expected, adaptation to the new requirements of a pandemic affected world seems generally to be taking place.

2. Basis of Consolidation and Presentation

Statement of Compliance with International Financial Accounting Standards ("IFRS")

Statement of Compliance

These condensed interim consolidated 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 ended December 31, 2021. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

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

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 27, 2022.

Basis of Preparation and Presentation

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

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

Basis of Consolidation

These condensed interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries, Empresa Minera Ambiental BacTech S.A. incorporated in Bolivia, and BacTechVerde S.A.S incorporated in Ecuador. 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 interim consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

3. Significant Accounting Policies

Critical Judgements and Estimation Uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

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

- Assets' carrying values and impairment charges:
- Impairment of deferred assessment and evaluation costs:
- Estimation of decommissioning and restoration costs and the timing of expenditure:
- Taxes, income taxes and deferred taxes:
- Share-Based Payments:

Commitments and Contingencies

4. Adoption and Future Changes in Accounting Standards

Certain pronouncements were issued by the IASB that are mandatory for accounting years on or after January 1, 2022 or later years. Many are not applicable or do not have significant impact (these included IFRS 9 and IFRS 16) on the Company and have been excluded. The following standards are likely to apply to the Company, have not yet been adopted and are being evaluated to determine their impact.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

IAS 12 – In May 2021, the IASB issued ‘Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction’ that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

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 effective date of these amendments is yet to be determined, however early adoption is permitted.

5. Payable to Aquila Resources Inc.

REBgold completed a divisive reorganization by way of a Plan of Arrangement whereby a newly formed subsidiary, BacTech, was granted rights and interests in REBgold’s existing and proposed tailings remediation. During the year ended December 31, 2013, REBgold amalgamated with Aquila Resources Inc. and is hereinafter referred to as “Aquila”. The balance is unsecured, non-interest bearing, and is due on demand.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as at:

	March 31 2022	December 31 2021
	\$	\$
Trade payables	222,092	241,927
Accrued liabilities - other	919,871	907,810
Total	1,141,963	1,149,737

Included in accrued liabilities are certain liabilities totaling approximately \$163,000, that due to the length of time passed since the Company recorded them, are considered uncollectable by the vendor and the Company is not expecting to pay.

The amounts owing to related parties are unsecured, non-interest bearing and due on demand.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

7. Related Party Transactions

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Related party transactions are in the normal course of business and are recorded at the amount agreed to between the parties.

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

	March 31 2022	March 31 2021
	\$	\$
Salaries and management fees	144,125	40,125
Share based payments	82,800	128,180
Total	226,915	168,305

Included in accounts payable and accrued liabilities is \$Nil due to related parties at March 31, 2022 (March 31, 2021 - \$14,565).

8. Debentures

(a) Debentures with Bonus Interest

Between April 19, 2017 and June 26, 2017, BacTech completed three tranches of a debenture financing for gross proceeds of \$445,000 and accompanied by the issuance of 1,780,000 common shares which are included as a bonus equity interest. The debentures have a 2-year term and pay 12% interest annually. The debenture included a 20% common stock bonus interest payment (issued at \$0.05 per share). For example, a \$10,000 debenture would be accompanied by 40,000 common shares of BacTech, subject to a 4-month restriction on resale from the date of closing.

The fair value of the bonus shares was determined by reference to the trading prices of the Company's common shares on the date the tranches were closed. The Company issued 1,780,000 common shares in connection with the debenture financing with an aggregate value of \$70,100. Transaction costs included a cash commission of \$8,400 and 84,000 broker warrants that have expired unexercised during the year ended December 31, 2019. Each broker warrant entitled the holder to purchase one common share at an exercise price of \$0.10 for a period of 12 months and were valued at \$350. The aggregate transaction cost, which included the bonus shares, cash commission and warrants, was recorded against the debenture and was being amortized over the life of the debenture and shown as accretion expense.

For the debenture holders that have reached their maturity date in fiscal 2019, the Company requested that the debenture holders extend the term of the debentures. In consideration of the extension of the maturity date, the Company offered to issue a common share purchase warrant allowing the debenture holders to purchase a common share of the Company at five cents for a period of three years. In fiscal 2020, \$20,000 of the debenture holders formally accepted the terms to extend the maturity date. A total of 496,000 warrants were issued at a value of \$6,072.

These costs were amortized through accretion expenses and loss of modification of debenture.

BacTech Environmental Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

On August 20, 2020, an arm's length debenture holder agreed to convert \$87,500 face value of debentures and the related accrued interest at \$0.05 per share. This transaction resulted in the issuance of 3,083,352 common shares and reduced \$154,168 in principal of the debenture and interest owing.

On April 19, 2021, an arm's length debenture holder agreed to convert \$25,000 face value of debentures and the \$9,000 of accrued interest. This transaction resulted in the issuance of 680,000 common shares and a 37,400 loss on redemption of debenture. For further information on the debenture conversion refer to Share Capital note 9(v).

On November 1, 2021, the Company settled the repayment of certain debentures through the issuance of 3,564,822 common shares and 3,564,822 warrants to settle the outstanding debenture face value of \$232,500 and accumulated interest \$123,982. For further information on the repayment of the debt see Share Capital note 9 (vii) .

	March 31	December 31
	2022	2021
	\$	\$
Face value of debentures	445,000	445,000
Transactions costs allocated to debentures	(78,850)	(78,850)
Cost of extension of maturity date	(42,878)	(42,878)
Loss on modification of debenture	14,409	14,409
Accumulated accretion	107,319	107,319
Redemptions and settlements	(345,000)	(345,000)
Balance	100,000	100,000

9. Share Capital

Authorized share capital is made up of unlimited common shares without par value:

- (i) On February 2, 2021, the Company completed the second round of financing using the Regulation "A" exemption. In this round the Company raised US\$94,500 (\$121,557) at US\$0.015 per share through the issuance of 6,300,000 common shares.
- (ii) On February 5, 2021, the Company completed a non-brokered private placement for gross proceeds of \$153,500 through the issuance of 5,116,666 common shares priced at \$0.03 per share. Four insiders participated in the financing for a total of \$39,000 resulting in the issuance of 1,300,000 common shares.
- (iii) During the year ended December 31, 2021, 1,500,000 common stock options were exercised at a price of \$0.07 per share, 200,000 common stock options were exercised at \$0.10 per share and 100,000 common shares were exercised at a price of \$0.15 per share, providing total gross proceeds of \$140,000 to the Company.
- (iv) During the year ended December 31, 2021, a total of 11,631,167 common share purchase warrants were exercised at price of \$0.05 per share, providing gross proceeds of \$581,559 to the Company.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

- (v) On April 19, 2021, an arm's length debenture holder agreed to convert \$25,000 face value of debentures and the \$9,000 of accrued interest through the issuance of 680,000 common shares of the Company at a fair market value of \$71,400 based on the market value of the Company's shares on April 19, 2021. This resulted in a loss on settlement of the debenture of \$37,400 for the year ended December 31, 2021. This transaction resulted in the issuance of 680,000 common shares (Note 9 (a) – Debentures).
- (vi) On October 13, 2021, the Company completed a private placement for gross proceeds of \$331,250 through the issuance of 3,312,500 Units. Each Unit, priced at \$0.10 per Unit, is comprised of one common share and one common share purchase warrant in the capital of the Company. Each whole Warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of \$0.20 for a period of two years from the date the Units are issued. If, during the exercise period of the Warrants, the Company's shares trade at \$0.40 per share or higher for a year of 20 consecutive trading days on the CSE, the Company may require that they be exercised or otherwise be early terminated.

The fair value of the common share purchase warrants issued in this placement was estimated at \$155,650 using the Black-Sholes option pricing model (see Note 10).

On November 1, 2021, the Company reached agreements with 83.1% of its current debenture and loan holders to convert \$642,500 of the Company's outstanding debt and \$557,585 accrued interest into 12,000,854 Units. Each Unit, priced at \$0.10 per Unit, is comprised of one common share and one common share purchase warrant in the capital of the Company. Each whole Warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of \$0.20 for a period of two years from the date the Units are issued. If, during the exercise period of the Warrants, the Company's shares trade at \$0.40 per share or higher for a year of 20 consecutive trading days on the CSE, the Company may require that they be exercised or otherwise be early terminated.

The fair value of the common share purchase warrants issued in this placement was estimated at \$567,660 using the Black-Sholes option pricing model (see Note 10).

- (vii) On February 28, 2022, the Company completed a non-brokered private placement for gross proceeds of \$1,210,000 through the issuance of 6,050,000 Units.

The issue price of the Units was \$0.20 per unit. Units are comprised of (i) one common share, (ii) one transferable common share purchase warrant (each whole warrant entitles the holder to acquire one additional common share at a price of \$0.30 per warrant for a period of twenty-four months from the date of closing), and (iii) a Royalty Certificate representing the Royalty Incentive. If the holder of the warrant exercises the warrant in the first six months, they will participate in an additional royalty to be issued by the Company. Only the people who exercise the warrant would participate in the new royalty to be issued.

The fair value of the common share purchase warrants issued in this placement was estimated at \$510,000 using the Black-Sholes option pricing model (see Note 10).

Share issue costs incurred on this private placement were cash costs of \$92,189 and the issue of 370,000 warrants valued at \$31,190 using the Black-Sholes option pricing model (see Note 10). Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.30 per warrant for a period of twenty-four months from the date of closing.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(viii) During the three months ended March 31, 2022, a total of 620,000 common share purchase warrants were exercised at price of \$0.05 per share, providing gross proceeds of \$31,000 to the Company.

10. Warrant Reserve

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

	Three months ended March 31, 2022		Year ended December 31, 2021	
	Number Outstanding	Weighted Average Exercise Price \$	Number Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	24,030,614	0.15	21,598,427	0.05
Issued	6,420,000	0.30	15,313,354	0.20
Exercised	(620,000)	0.05	(11,631,167)	0.05
Expired	-	-	(1,250,000)	0.05
Balance, end of period	29,830,614	0.18	24,030,614	0.15

The exercise price, expiry date, and the fair value assigned to warrants issued and outstanding as at March 31, 2022 are as follows:

Expiry Date	Weighted Average Exercise Price \$	Grant Date Fair Value \$	Warrants Outstanding	Remaining Contractual Life (yr)
September 22, 2022	0.05	63,530	1,333,260	0.48
April 19, 2022	0.05	6,014	620,000	0.05
May 12, 2022	0.05	23,006	2,108,000	0.09
June 25, 2022	0.05	3,035	248,000	0.27
May 1, 2022	0.05	30,035	1,680,000	0.08
May 13, 2022	0.05	28,400	2,108,000	0.11
October 14, 2023	0.20	155,650	3,312,500	1.56
November 1, 2023	0.20	567,660	12,000,854	1.59
February 28, 2024	0.30	541,190	6,420,000	1.92
	0.18	1,418,520	29,830,614	1.27

BacTech Environmental Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

The fair values of the warrants issued during the three months ended March 31, 2022 and year ended December 31, 2021 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2022	2021
Risk free interest rate	1.47%	0.72% to 1.07%
Expected dividend yield	Nil	Nil
Exercise price	\$0.30	\$0.20
Share price	\$0.115	\$0.10 to \$0.12
Expected volatility	191%	247%
Expected life	2 years	2 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.

11. 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 September 16, 2022, 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 up to five years and vest over a period of up to three years from the date of issue.

	Three months ended March 31, 2022		Year ended December 31, 2021	
	Number Outstanding	Weighted Average Exercise Price \$	Number Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	8,250,000	0.10	7,000,000	0.07
Granted	1,100,000	0.15	4,100,000	0.13
Exercised	-	-	(1,800,000)	0.08
Expired	-	-	(1,050,000)	0.07
Balance, end of period	9,350,000	0.11	8,250,000	0.10

BacTech Environmental Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

Options to purchase common shares outstanding at March 31, 2022 carry exercise prices and remaining terms to maturity as follows:

Expiry Date	Weighted Average Exercise Price \$	Grant Date Fair Value \$	Number of Options Outstanding	Number of Options Exercisable	Remaining Weighted Average Contractual Life (yr.)
October 24, 2022	0.10	62,900	1,700,000	1,700,000	0.57
October 2, 2023	0.07	1,500	50,000	50,000	1.51
August 20, 2030	0.05	74,900	2,500,000	2,500,000	8.39
March 26, 2026	0.12	217,120	2,200,000	2,200,000	3.99
August 10, 2026	0.15	68,940	700,000	700,000	4.36
September 16, 2026	0.15	102,840	1,100,000	1,100,000	4.47
January 4, 2027	0.15	151,578	1,100,000	700,000	4.77
	0.11	679,778	9,350,000	8,950,000	4.71

For the year ended December 31, 2021, the Company granted 4,100,000 options with a 5 year life and an exercise price ranging from \$0.12 to \$0.15. The Company recognized share-based payment expense of \$398,300 for the year ended December 31, 2021.

For the three months ended March 31, 2022, the Company granted 1,100,000 options with a 5 year life and an exercise price of \$0.15. The Company recognized share-based payment expense of \$96,500 for the current period.

The fair values of the options issued during the three months ended March 31, 2022 and year ended December 31, 2021 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2022	2021
Risk free interest rate	1.42%	0.87% - 1.11%
Expected dividend yield	Nil	Nil
Exercise price	\$0.15	\$0.12-\$0.15
Share price	\$0.145	\$0.10 – \$0.095
Expected volatility	216%	223% - 224%
Expected life	5 years	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 warrants at the date of issue.

12. Income (Loss) per Share

The calculation of basic and diluted loss per share for the period ended March 31, 2022 includes a net loss attributable to common shareholders of \$551,438 (2021 – \$397,833) and the weighted average number of common shares outstanding of 159,997,892 (2021 – 124,599,958). The calculation of basic and diluted loss per share for the prior period did not include the effect of share purchase options and warrants outstanding as they would be anti-dilutive.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

13. Operating and Administrative

Operating and administrative expense consists of the following:

	Three months ended	
	March 31	
	2022	2021
	\$	\$
Salaries and management fees <i>(note 7)</i>	155,686	40,125
Share based payments <i>(note 11)</i>	96,500	217,120
Professional fees	68,630	7,182
Shareholder information and filing fees	78,787	14,183
Travel	14,015	-
General office expenses	24,180	12,255
Total	437,798	290,865

14. Finance Charges

Finance charges consist of the following:

	Three months ended	
	March 31	
	2022	2021
	\$	\$
Interest and bank charges	1,888	677
Loan payable interest	-	13,875
Debenture interest	3,000	22,215
Accretion expense	-	29,900
Total	4,888	66,667

15. 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 sales tax receivable is remote.

Liquidity risk

As at March 31, 2022, the Company had a cash balance of \$608,474 (December 31, 2021 - \$64,285) against current liabilities of \$1,463,257 (December 31, 2021 - \$1,471,031). The Company does not have sufficient cash reserves to fund its administrative costs and fund any project development initiatives for the coming twelve month period, and to repay its liabilities to trade creditors and debt holders. Management is actively

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

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.

While the multiple debt conversions and forgiveness have substantially improved the Company's Statement of Financial Position, its liquidity remains at a parlous low level and it continues to incur costs that will require continued success in additional financings.

Market risk

(a) Interest rate risk

The Company has cash earning interest at a low variable interest rate and debentures bearing interest at 12% 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.

As at March 31, 2022 and December 31, 2021 the Company does not have any financial instruments measured at fair value and that require classification within the fair value hierarchy.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows. All of the financial assets are reflected at amortized costs, as at:

	March 31 2022	December 31 2021
Financial assets at amortized cost:		
Cash	\$ 608,474	\$ 64,285

Financial liabilities included in the statement of financial position are as follows. All of the financial liabilities are reflected at amortized costs, as at:

	March 31 2022	December 31 2021
Financial liabilities at amortized cost:		
Payable to Aquila Resources Inc.	\$ 161,294	\$ 161,294
Accounts payable and accrued liabilities	\$ 1,141,963	\$ 1,149,737
Government assistance	\$ 60,000	\$ 60,000
Debentures	\$ 100,000	\$ 100,000

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For the three months ended March 31, 2022 and 2021

Fair value

The condensed interim consolidated statements of financial position carrying amounts for cash, receivables and trade payables, approximate fair value due to their short-term nature.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2022 and December 31, 2021 the Company does not have any financial instruments measured at fair value and that require classification within the fair value hierarchy.

16. Capital Management

The Company defines capital as shareholders' equity. The Company's objective when managing its capital is to restore its deficit to a positive balance 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 period ended March 31, 2022 and year ended December 31, 2021.

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 policy is not known and is ultimately dependent on the discretion of the CSE.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

17. Commitments and Contingencies

Management contract

The Company currently has employment agreements with the provision of termination and change of control benefits with the three officers of the Company. The agreements for each 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 up to twelve months base salary plus 1 month salary for each year of service, to a max of thirty six months base salary. If a change of control were to occur, the officer would be entitled up to two years of compensation. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements.

Environmental matters

The Company's exploration activities are subject to various 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.

18. Liabilities related to abandoned Subsidiary

On May 24, 2016, BacTech announced that its 98% owned Bolivian subsidiary Empresa Minera Ambiental BacTech S.A. ("EMABSA"), had signed an Association Contract with Corporación Minera de Bolivia ("COMIBOL"), the state mining company of Bolivia. On September 15, 2016, the Bolivian government approved and ratified the agreement.

On September 9, 2019, the Company announced that it would not proceed with the reclamation of the Telamayu tailings project in Bolivia. The Company has abandoned the Bolivian subsidiary which is inactive. Management believes that there will be no impact on the business of the Company and accounts payable amounts will not be pursued by vendors beyond their recourse against the abandoned subsidiary.

The liabilities have been included in the Company's balance sheet from the abandoned subsidiary in the amount of \$180,647 for the period ended March 31 2021 (\$180,647 -December 31, 2021).

19. Government assistance

Canada Business Emergency Account

In fiscal 2020, the Company received a \$60,000 emergency business loan under the federal government Canada Business Emergency Account ("CEBA") initiative. In the event the Company repays the \$40,000 by December 31, 2022, there will be no interest payable on the loan and the remaining \$20,000 would be forgiven. In the event there is a loan balance outstanding on January 1, 2023, the loan would be renewed for a three year term with a fixed annual rate of interest of 5%.

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For the three months ended March 31, 2022 and 2021

20. Subsequent Events

Private Placement

On May 5, 2022, the Company completed the second tranche of a non-brokered private placement (first tranche see note 9(viii)) for gross proceeds of \$900,000 through the issuance of 4,500,000 Units. The total financing under this private placement from the two tranches is now \$2,110,000.

The issue price of the Units was \$0.20 per unit. Units are comprised of (i) one common share , (ii) one transferable common share purchase warrant (each whole warrant entitles the holder to acquire one additional common share at a price of \$0.30 per warrant for a period of twenty-four months from the date of closing), and (iii) a Royalty Certificate representing the Royalty Incentive. If the holder of the warrant exercises the warrant in the first six months, they will participate in an additional royalty to be issued by the Company. Only the people who exercise the warrant would participate in the new royalty to be issued.

Debenture

On April 21, 2022, the Company announced that it had completed a \$1,000,000 convertible debenture with an existing strategic investor. The terms of the convertible debentures call for a conversion at \$0.15 per share, an annual interest rate of 8% and a term of 18 months.

Land Purchase

The Company has an option to purchase a parcel of land to be used for the operations in Tenguel. The Company has placed total of USD 95,000 (\$126,825) non-refundable deposit with the vendor, as the Company completes the applications made to the Ministries of Mining, Water and Environment, for approval of a water usage license, and tailings approval for the post bioleach residues. This transaction is expected to close in the second quarter of fiscal 2022.

Exercise of Warrants

Subsequent to March 31, 2022, a total of 3,100,000 common share purchase warrants were exercised at price of \$0.05 per share, providing gross proceeds of \$155,000 to the Company.