BioteQ Environmental Technologies Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)
First quarter ended March 31, 2016

NOTICE TO READER

The accompanying 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 has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

BioteQ Environmental Technologies Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

	note	March 31 2016 $	December 31 2015 $
Assets			
Current assets			
Cash and cash equivalents		**797,118**	1,408,890
Trade and other receivables	5	**295,151**	568,204
Receivable from joint venture	6	**109,151**	116,165
Inventory and work in progress	7	**49,918**	61,455
Prepaid and other deposits		**84,606**	130,122
Total current assets		**1,335,944**	2,284,836
Non-current assets			
Plant and equipment	8	**375,705**	432,526
Investment in joint venture	9	**4,422,772**	4,708,976
Prepaid and deposits		**24,601**	24,601
Total non-current assets		**4,823,078**	5,166,103
Total assets		**6,159,022**	7,450,939
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	6, 10	**755,823**	929,579
Income taxes payable		**152,551**	152,550
Deferred revenue		**189,100**	254,100
Deferred benefits	11	**89,937**	65,954
Current portion deferred lease inducement		**11,430**	11,430
Total current liabilities		**1,198,841**	1,413,613
Non-current liabilities			
Deferred lease inducement		**5,715**	8,572
Total liabilities		**1,204,556**	1,422,185
Shareholders' Equity			
Share capital	11, 12	**54,719,814**	54,719,814
Contributed surplus		**10,039,703**	10,033,768
Accumulated other comprehensive income		**193,935**	456,982
Accumulated deficit		**(59,998,986)**	(59,181,810)
Total shareholders' equity		**4,954,466**	6,028,754
Total liabilities and shareholders' equity		**6,159,022**	7,450,939

Going concern (note 2(b))
Commitments (note 15)

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

BioteQ Environmental Technologies Inc.

Condensed Consolidated Interim Statements of Loss and Other Comprehensive Loss
For the three months ended March 31, 2016
(Unaudited)

		3 months ended March 31	
		2016	2015
		$	$
	note		
Revenue		**390,552**	512,326
Plant and other operating costs (excluding depreciation)		**219,410**	500,265
Operating margin before depreciation		**171,142**	12,061
General and administration		**425,951**	525,926
Sales and development		**349,387**	293,027
Stock-based compensation expense	11	**29,918**	79
Depreciation of plant and equipment	8	**56,819**	55,206
Share of results of equity accounted joint venture	9	**100,248**	(79,822)
Loss from operations and joint venture		**(791,181)**	(782,355)
Finance income, net		**1,906**	24,838
Foreign exchange (loss) gain		**(27,770)**	38,258
Bad debt recovery		**-**	69,277
Loss before income taxes		**(817,045)**	(649,982)
Income tax expense		**(131)**	(125)
Net loss for the period		**(817,176)**	(650,107)
Other comprehensive (loss) income			
Items that will be reclassified subsequently to loss			
Translation (loss) gain on foreign operations		**(263,047)**	493,637
Other comprehensive (loss) income for the period		**(263,047)**	493,637
Comprehensive loss for the period		**(1,080,223)**	(156,470)
Net loss per share			
Basic and diluted		**(0.01)**	(0.01)
Weighted average number of shares outstanding			
Basic and diluted		**93,966,672**	93,966,672

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

BioteQ Environmental Technologies Inc.

Condensed Consolidated Interim Statements of Changes in Equity

For the three months ended March 31, 2016

(Unaudited)

	note	**Number of Shares**	**3 months ended March 31, 2016 $**	Number of Shares	3 months ended March 31, 2015 $
Share Capital					
Balance, beginning of the period		**93,966,672**	**54,719,814**	93,966,672	56,253,254
Expired warrants	12		-		(1,513,417)
Balance, end of the period		**93,966,672**	**54,719,814**	93,966,672	54,739,837
Contributed surplus					
Balance, beginning of the period			**10,033,768**		8,446,809
Share-based payments	11		**5,935**		17,169
Expired warrants	12		-		1,513,417
Balance, end of the period			**10,039,703**		9,977,395
Accumulated other comprehensive income (loss)					
Balance, beginning of the period			**456,982**		(59,930)
Other comprehensive (loss) income for the period			**(263,047)**		493,637
Balance, end of the period			**193,935**		433,707
Accumulated deficit					
Balance, beginning of the period			**(59,181,810)**		(57,749,530)
Net loss for the period			**(817,176)**		(650,107)
Balance, end of the period			**(59,998,986)**		(58,399,637)
Total shareholders' equity					
Balance, beginning of the period			**6,028,754**		6,890,603
Share-based payments			**5,935**		17,169
Net loss for the period			**(817,176)**		(650,107)
Other comprehensive (loss) income for the period			**(263,047)**		493,637
Balance, end of the period			**4,954,466**		6,751,302

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

BioteQ Environmental Technologies Inc.

Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2016
(Unaudited)

		3 months ended March 31	
		2016	2015
		$	$
	note		
Operating activities			
Net loss for the period		**(817,176)**	(650,107)
Items not affecting cash			
Income tax expense		**131**	125
Share of results of equity accounted joint venture	9	**100,248**	(79,822)
Interest income		**(1,906)**	(24,838)
Depreciation of plant and equipment	8	**56,819**	55,206
Amortization of deferred lease inducement		**(2,857)**	(2,857)
Net foreign exchange loss (gain)		**18,722**	(29,206)
Expense recognized in respect of stock-based compensation	11	**29,918**	79
		(616,101)	(731,420)
Change in non-cash working capital items	14	**85,706**	2,556
Cash used in operations		**(530,395)**	(728,864)
Income taxes paid		**(131)**	(125)
Net cash used in operating activities		**(530,526)**	(728,989)
Investing activities			
Purchase of plant and equipment			-
Net contributions made to joint venture	9	**(78,272)**	(36,104)
Proceeds from sale of short-term investments		**-**	373,991
Interest received		**1,908**	25,524
Net cash (used in) provided by investing activities		**(76,364)**	363,411
Financing activities			
Net cash provided by financing activities		**-**	-
Effect of exchange rate changes on cash and cash equivalents		**(4,882)**	26,892
Decrease in cash and cash equivalents		**(611,772)**	(338,686)
Cash and cash equivalents, beginning of the period		**1,408,890**	915,681
Cash and cash equivalents, end of the period		**797,118**	576,995

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

1. DESCIPTION OF BUSINESS AND NATURE OF OPERATIONS

BioteQ Environmental Technologies Inc. and its subsidiaries (together "BioteQ" or the "Company") is a service provider specializing in treating mining wastewater and specific hydrometallurgical streams while achieving compliance and introducing sustainability into water management. The Company generates its revenues from three main sources: metal recovery, treatment fees, and engineering services and plant sales.

BioteQ is a publicly listed company incorporated and domiciled in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange under the symbol BQE. The address of its registered office is Suite 1000 - 1050 West Pender Street, Vancouver, BC.

2. BASIS OF PREPARATION

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective as of March 31, 2016.

The Company's Board of Directors approved these condensed consolidated interim financial statements on May 17, 2016.

b. Going concern assumption

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

For the three months ended March 31, 2016, the Company incurred a net loss of $817,176 (2015 – $650,107) and used net cash in operating activities of $530,526 (2015 – $728,989). The Company has a net decrease in cash and short-term investments of $611,772 (2015 – $712,677). The Company had a net working capital position of $137,103 (December 31, 2015 – $871,223) and a cumulative deficit of $59,998,986 (December 31, 2015 – 59,181,810) as at March 31, 2016.

Currently, based on its planned expenditures and expected cash flows, the Company will need to secure new sources of working capital to continue operations beyond the next two months. Management and the Company's Board are working to secure new sources of funds, including equity and debt financing options, while at the same time focusing on increasing revenue and exercising careful cost control to sustain operations. If necessary, the Company may need to further curtail spending. The Board believes that there is a reasonable expectation that the Company will be successful in obtaining the necessary financing to address its working capital needs and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

The continuation of the Company as a going concern is dependent upon its ability to raise additional financing and ultimately attain and maintain profitable operations. This assumes that the Company is able to successfully obtain financing to fund its immediate working capital needs, continue successful operations at its Raglan and Dexing joint venture operations, maintain or further decrease operating expenses, successfully repatriate funds from its Dexing joint venture, and secure and complete new sales contracts.

Historically, the Company has not yet realized profitable operations and has relied on non-operational sources of financing to fund its operations. Whether and when the Company can attain profitability and positive cash flows is uncertain. While the Company has been successful in securing financing in the past, there is uncertainty whether financing will be available in the future on terms acceptable to the Company. Accordingly, there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated condensed consolidated interim financial statements do not include adjustment to the recoverability and classification on recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the condensed consolidated interim financial statements could be required.

c. Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis except for deferred share units and restricted share units, which are measured at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies as set out below have been consistently applied to all periods presented in these condensed consolidated interim financial statements, unless otherwise stated. The Company did not adopt any new accounting standard changes or amendments effective January 1, 2016 that had a material impact on these condensed consolidated interim financial statements.

Certain prior period comparative figures have been reclassified to comply the with current period's presentation.

These condensed consolidated interim financial statements incorporate the financial statements of the Company, and the entities controlled by the Company, and the share of net assets and net earnings or loss in entities which the Company is a joint venture partner. The principal subsidiaries and joint ventures of the Company are as follows:

Entity	Ownership type	Method of accounting	Country of incorporation and operation	Ownership interest as at Mar. 31, 2016	Ownership interest as at Dec. 31, 2015
Biomet Mining Corporation	Subsidiary	Consolidated	Canada	100%	100%
BioteQ Water (Australia) Pty Ltd.	Subsidiary	Consolidated	Australia	100%	100%
BioteQ Water (Chile) SpA	Subsidiary	Consolidated	Chile	100%	100%
BioteQ Water Mexico S.A. de C.V.	Subsidiary	Consolidated	Mexico	100%	100%
BioteQ (Shanghai) Water Treatment Technologies Co. Ltd.	Subsidiary	Consolidated	China	100%	100%
JCC-BioteQ Environmental Technologies Co. Ltd.	Joint venture	Equity	China	50%	50%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the future events that affect the amounts reported in the condensed consolidated interim financial statements and related notes to the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The judgments, estimates and assumptions applied in these condensed consolidated interim financial statements, including key sources of estimation uncertainty were the same as those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2015 except for the calculation of current income taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual income or loss.

5. TRADE AND OTHER RECEIVABLES

	Mar. 31, 2016	Dec. 31, 2015
	$	$
Trade receivables	290,655	390,216
Unbilled receivables	-	173,693
Other	4,496	4,295
	295,151	568,204

6. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties of the Company:

a) As at March 31, 2016, the Company had a receivable balance of $109,151 (December 31, 2015 - $116,165) from the Dexing joint venture, arising mainly from joint venture investments and sale transactions. The receivables are unsecured in nature and bear no interest. No provisions are held against such receivables. There was no sale of goods and services with the Dexing joint venture during the three months end March 31, 2016 and 2015. Sales and other transactions are recorded at the exchange amount agreed by both parties.

b) As of March 31, 2016, the Company has $160,000 included in trade payable and accrued liabilities (December 31, 2015 – $160,000) with a company, owned by a director, for management consulting services. For the three months ended March 31, 2016, the services received amounted to $30,000 (2015 - $30,000).

c) For the three months ended March 31, 2016 and 2015, the compensation awarded to key management, which includes the Company's directors and members of the Executive, are as follows:

	Mar. 31 2016	Mar. 31, 2015
	$	$
Salaries, fees and short-term benefits	132,903	190,593
Share-based payments	5,935	16,951
	138,839	207,544

Included in the trade payable and accrued liabilities as at March 31, 2016 is $214,793 (December 31, 2015 - $230,043) of salaries, director fees, and termination benefits, with payment commitments in 2016.

7. INVENTORY AND WORK IN PROGRESS

	Mar. 31, 2016	Dec. 31, 2015
	$	$
Work in progress	28,711	40,248
Inventory of spare parts	21,207	21,207
	49,918	61,455

Inventory is recorded at the net realisable value at period end. There have been no impairments or write down of inventories during the three months ended March 31, 2016 and 2015, and there is no provision for obsolescence as of March 31, 2016 (December 31, 2015 – $nil).

8. PLANT AND EQUIPMENT

	Water treatment plants $	Pilot plants $	Other[1] $	Total $
As at Dec. 31, 2015				
Opening net book value	100,509	434,456	68,203	603,168
Additions	50,254	-	550	50,804
Disposals	-	(800)	-	(800)
Depreciation	(64,407)	(116,487)	(39,829)	(220,723)
Foreign exchange translation	-	-	77	77
Closing net book value	86,356	317,169	29,001	432,526
As at Dec. 31, 2015				
Cost	2,105,132	580,593	517,833	3,203,558
Accumulated depreciation	(2,018,776)	(263,424)	(488,832)	(2,771,032)
Closing net book value	86,356	317,169	29,001	432,526
As at Mar. 31, 2016				
Opening net book value	86,356	317,169	29,001	432,526
Depreciation	(21,019)	(29,322)	(6,478)	(56,819)
Foreign exchange translation	-	-	(2)	(2)
Closing net book value	**65,337**	**287,847**	**22,521**	**375,705**
As at Mar. 31, 2016				
Cost	2,105,132	580,593	517,747	3,203,472
Accumulated depreciation	(2,039,795)	(292,746)	(495,226)	(2,827,767)
Closing net book value	**65,337**	**287,847**	**22,521**	**375,705**

[1]Other comprises of office furniture, lab equipment and computer software and hardware.

9. INVESTMENT IN JOINT VENTURE

Investment in joint venture is comprised of:

	Dexing joint venture $
Balance, January 1, 2015	5,033,483
Share of comprehensive income	871,409
Contributions made	229,284
Distributions received	(1,425,200)
Balance, December 31, 2015	4,708,976
Share of comprehensive loss	(364,476)
Contributions made	78,272
Balance, March 31, 2016	4,422,772

During the three months ended March 31, 2016, the Company's share of net loss in the Dexing joint venture were $100,248 (2015 – earnings of $79,822).

During 2006, BioteQ signed a definitive joint venture agreement with Jiangxi Copper Corporation ("JCC") for the operation of a water treatment facility located at JCC's Dexing mine in Jiangxi Province, China. The joint venture agreement, which forms an equal share joint venture company between BioteQ and JCC, is called JCC-BioteQ Environmental Technologies Co. Ltd. The joint venture builds and operates water treatment plants using BioteQ's technologies. The agreement includes a license contract whereby BioteQ will provide its patented technology on a royalty-free basis to the joint venture company for use at the Dexing project as well as five potential additional sites owned and operated by JCC. The first plant commenced operations on April 1, 2008.

The Dexing joint venture sells all of the metal concentrate recovered in its operations to the joint venture partner, JCC. All related party sales are recorded on the date of sale at the adjusted fair market price of the metal based on applicable terms, net of transportation and refining costs at standard industry rates.

Any cash distributions from the joint venture to BioteQ must be unanimously approved by both partners and comply with Chinese tax and regulatory requirements. Distributions are also subject to Chinese withholding taxes and minimum capital requirements as applicable. Currently, BioteQ and its partner have a standing agreement to distribute excess cash reserves annually. The partners will take into consideration factors such as operating performance of the plants, future capital requirements and working capital flexibility in determining the cash amount to be distributed in a given year.

BioteQ's 50% interest in the Dexing joint venture's financial statements is presented as follows:

Statement of financial position

	Mar. 31, 2016 $	Dec. 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents	223,892	588,406
Short-term investments	100,550	92,699
Trade and other receivables	241,170	112,817
Taxes recoverable	82,743	80,147
Inventory	181,288	438,052
Prepaid expenses	492	522
	830,135	1,312,643
Non-current assets		
Plant and equipment	4,948,542	5,351,657
Total assets	5,778,647	6,664,300
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,355,875	1,955,324
	1,355,875	1,955,324
Total liabilities	1,355,875	1,955,324
Partner's Equity		
Joint venture partner equity	3,459,375	3,381,104
Accumulated other comprehensive income	1,637,899	1,902,126
Retained earnings	(674,502)	(574,254)
Total partner's equity	4,422,772	4,708,976
Total liabilities and partner's equity	5,778,647	6,664,300

Statements of operations and comprehensive income

	3 months ended Mar. 31	
	2016	2015
	$	$
Revenue	1,127,721	695,665
Plant and other operating costs (excluding depreciation)	1,080,336	487,971
	47,385	207,694
General and administration	29,283	34,843
Depreciation of plant and equipment	126,053	116,455
(Loss) income from operations	(107,951)	56,396
Finance income	276	520
Foreign exchange (loss) gain	(5,530)	8,658
Loss (income) before income taxes	(113,205)	65,574
Income tax recovery		
Current	12,957	14,248
Net (loss) income for the period	(100,248)	79,822
Other comprehensive (loss) income		
Translation (loss) gain on foreign operation	(264,228)	479,947
Comprehensive (loss) income for the period	(364,476)	559,769

The Dexing joint venture derives its revenue from recovered copper sales, which is subject to risks that are beyond the control of the joint venture. The copper recovery rate is dependent on the rainfall in the region and the grade of copper in the water treated, while the revenue is exposed to the world commodity price risk.

10. TRADE PAYABLE AND ACCRUED LIABILITIES

	Mar. 31, 2016	Dec. 31, 2015
	$	$
Trade payable and accruals	334,155	446,660
Payroll liability	416,536	413,605
Value added tax payable	5,132	69,314
	755,823	929,579

11. SHARE-BASED PAYMENTS

The following is the Company's recorded stock-based compensation expense for the three months ended:

	Mar. 31, 2016 $	Mar. 31, 2015 $
Stock options (a)	5,935	17,169
Deferred share units (b)	23,320	(16,668)
Restricted share units (c)	663	(422)
	29,918	79

a. Stock options

Under the Company's Stock Option Plan (the "Plan"), the maximum number of shares reserved for exercise of all options granted by the Company may not exceed 10% of the Company's shares issued and outstanding at the time the options are granted. The exercise price of each option granted under the Plan is determined at the discretion of the Board at no less than the five-day volume weighted average share price preceding the grant date. Options granted under the Plan expire no later than the fifth anniversary of the date the options were granted and vesting provisions for issued options are determined at the discretion of the Board although the Company has a practice of having options vest over thirty-six months in equal installments.

Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted Average Exercise Price $	Number of Options
Outstanding at Jan. 1, 2015	0.21	6,058,333
Forfeited	0.11	(108,334)
Expired	0.75	(716,666)
Outstanding at Dec. 31, 2015	0.14	5,233,333
Expired	-	-
Outstanding at Mar. 31, 2016	0.14	5,233,333
Exercisable at Dec. 31, 2015	0.07	3,332,222
Exercisable at Mar. 31, 2016	0.07	3,499,998

The Company uses the Black-Scholes option pricing model in determining the fair value of the stock options. The following summary provides information on the grants and inputs to the Black-Scholes model.

Exercise price range $	Weighted average remaining life (months)	Mar. 31, 2016 number of outstanding share options
0.07 to 0.15	34	3,133,333
0.17 to 0.30	12	2,100,000
0.07 to 0.30	25	5,233,333

b. Deferred share unit

The Company implemented a deferred share unit ("DSU") plan, effective July 1, 2010, pursuant to which DSUs may be granted to non-employee members of the Board of Directors on an annual basis. During 2013, the DSU Plan was amended to include certain senior managers of the Company, effective from October 1, 2013 to December 31, 2014.

The number of DSUs granted to a participant is calculated by dividing (i) a specified dollar amount of the participant's compensation amount paid in DSU in lieu of cash, and by (ii) the five-day volume weighted average trading price of the shares of the Company traded through the facilities of the Toronto Stock Exchange on the trading days immediately preceding the date of grant. Dividends paid on the shares of the Company are credited as additional DSUs. Each DSU entitles the holder to receive a cash payment equal to the five-day volume weighted average trading price of the shares preceding the date of redemption. The DSUs vest immediately upon issuance and may only be redeemed within the period beginning on the date a holder ceases to be a participant under the plan and ending on December 31 of the following calendar year.

As the Company is required to settle this award in cash, it records these awards as a liability and a corresponding charge including changes to the fair value to stock-based compensation expense. The DSU is a financial instrument that is fair valued at each reporting date based on the five-day volume weighted average price of the Company's common shares.

The following table presents the changes to the DSU plan:

	Number of units
Balance, January 1, 2015	3,187,160
Granted	93,958
Redeemed	(366,043)
Balance, December 31, 2015	2,915,075
Redeemed	-
Balance, March 31, 2016	2,915,075

During the three months ended March 31, 2016, the Company recorded a fair value expense of $23,320 (2015 – recovery of $16,668) as stock-based compensation expense related to the DSUs.

c. Restricted share units

The Company implemented a restricted share unit ("RSU") plan, effective August 5, 2010, pursuant to which RSUs may be granted to the officers of the Company. Under this plan, notional RSUs are granted and vested annually over a three-year term in general or otherwise determined by the Board. Upon vesting, RSUs are automatically paid out in the Company's shares purchased in the open market in a number equal to the number of RSUs held.

The following table presents the changes to the RSU plan:

	Number of units
Balance, January 1, 2015	82,841
Redeemed	-
Balance, December 31, 2015	82,841
Redeemed	-
Balance, March 31, 2016	82,841

Of the RSUs outstanding as at March 31, 2016, all remain unvested as at March 31, 2016 (December 31, 2015 – 82,841).

During the three months ended March 31, 2016, the Company recorded fair value adjustment as expense of $663 (2015 – recovery of $422) as stock-based compensation expense related to the RSUs.

12. SHARE CAPITAL

Authorized: unlimited common shares without par value.

On January 22, 2010, the Company entered into an agreement with Newalta Corporation ("Newalta") to pursue joint projects that apply the technology and operating expertise of both companies. In connection with this agreement, Newalta purchased 3,636,364 common shares of the Company, at an issue price of $1.10 per share, for total cash consideration of $4 million. Each share purchased includes an additional warrant to purchase one common share of the Company at $1.375 per share for one year and $1.65 per share thereafter. These warrants with a relative fair value basis of $1,513,417 expired on January 21, 2015 and are allocated to a contributed surplus.

In January 2014, the Company completed a Shareholders Rights Offering (the "Offering"). For the Offering, 24,000,000 common shares were issued for proceeds of $963,815, net of financing costs of $236,185. As a part of the financing costs, the Company issued 685,714 warrants with an exercise price of $0.07, which are fair valued at $20,023. These warrants expired on December 10, 2015 and are allocated to a contributed surplus.

As at March 31, 2016, the Company has 93,966,672 (December 31, 2015 – 93,966,672) common shares and no warrants outstanding (December 31, 2015 – nil).

13. INCOME TAXES

The income tax charge is a result of profits and withholding tax in two jurisdictions which are taxable and cannot be offset by accumulated tax benefits in other jurisdictions. Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the three months period ended March 31, 2016 was 26% (December 31, 2015 – 26%).

14. SUPPLEMENTAL CASH FLOW INFORMATION

	3 months ended Mar. 31	
	2016	2015
Change in non-cash working capital items	$	$
Decrease in trade receivables	273,173	554,629
Decrease (increase) in inventory and work in progress	5,031	(431,968)
Decrease in other assets	45,509	47,933
(Decrease) in accounts payable and accrued liabilities	(173,007)	(202,623)
(Decrease) increase in deferred revenue	(65,000)	34,585
Change in non-cash working capital items	85,706	2,556

15. COMMITMENTS

The Company has commitments of $463,724 under operating leases for office and laboratory premises and for office equipment, as follows:

	$
2016	249,554
2017	214,170
	463,724

16. SEGMENTED INFORMATION

The Company has one operating segment, being principally to build process plants and earn revenues from metal recovery, treatment fees, engineering & lab services, and plant sales.

a) Segment revenue

The Company's sources of revenue for the three months ended March 31, 2016 and 2015 are all from engineering & lab services.

b) Geographic information

The Company's revenue, plant and equipment, and investment in joint venture by geographic area are as follows:

	3 months ended Mar. 31	
	2016	2015
	$	$
Revenue		
Canada	335,455	428,650
Other	55,097	83,676
	390,552	512,326

	Mar. 31, 2016	Dec. 31, 2015
	$	$
Plant and equipment		
Canada	374,893	431,267
Chile	812	1,259
	375,705	432,526

	Mar. 31, 2016	Dec. 31, 2015
	$	$
Investment in joint venture		
China	4,422,772	4,708,976

c) Information about major customers

The following table presents revenue to individual customers exceeding 10% of annual revenue for the three months ended March 31, 2016 and 2015. The following customers represent 66% (2015 – 84%) of the Company's total revenue for the three months ended March 31, 2016.

	3 months ended Mar. 31	
	2016	2015
	$	$
Customer K	-	428,650
Customer L	259,715	-
	259,715	428,650

Interim Management's Discussion and Analysis – Quarterly Highlights

May 17, 2016

The following Management's Discussion and Analysis provides information that management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. We have prepared this document in conjunction with our broader responsibilities for the accuracy and reliability of the financial statements and the development and maintenance of appropriate information systems and internal controls to ensure that the financial information is complete and reliable. The Audit Committee of the Board of Directors, consisting of independent directors, has reviewed this document and all other publicly reported financial information, for integrity, usefulness, reliability and consistency.

This Q1 2016 Interim Management's Discussion and Analysis ("MD&A") updates disclosure previously provided in our Annual MD&A, up to the date of this Interim MD&A, and should be read in conjunction with our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2016 and 2015 (our "Interim Financial Statements"), our audited consolidated financial statements for the years ended December 31, 2015 and 2014 (our "Audited Financial Statements") and our Annual MD&A for the year ended December 31, 2015.

Our Interim Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Our accounting policies are described in note 2 of our Audited Financial Statements.

Certain statements contained in the MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statements were made and readers are advised to consider such forward-looking statements in light of the risks.

DESCRIPTION OF BUSINESS

BioteQ Environmental Technologies Inc. ("BioteQ" or the "Company") is a service provider specializing in treating mining wastewater and specific hydrometallurgical streams with focus on reducing Life Cycle Costs while achieving compliance and introducing sustainability into water management. Headquartered in Vancouver, British Columbia, Canada, our treatment solutions minimize waste, recover value from waste where possible and maximize water recovery. We have extensive expertise and operations experience in sulphide precipitation, ion exchange, alkali/lime neutralization and SART process technologies.

BioteQ is listed on the TSX Venture Exchange under the symbol BQE. Additional information may be found on our website www.bioteq.ca and also on SEDAR at www.sedar.com.

NON-GAAP MEASURES

We use non-GAAP financial measures to supplement our consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, to enhance investors' and observers' overall understanding of the Company's current financial performance. Non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. In addition, non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore likely to be comparable to similar non-GAAP financial measures presented by other companies. Non-GAAP financial measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

Proportional Revenue and Other Proportional Results

Under the IFRS, the revenue and operating costs associated with our proportionate share of activities in our joint venture are netted and disclosed as a single line item on our consolidated statements of loss and comprehensive loss. Also, our share of assets, liabilities and equity in the joint venture are presented as a net investment on our consolidated statement of financial position.

To provide additional insight into our underlying results, certain statements in this MD&A disclose the effective portion of results that we would have reported if our joint venture results had been proportionately integrated into our results and referred to as BioteQ's proportional share ("Proportional"). All proportional financial measures disclosed in this MD&A are non-GAAP measures. We believe these disclosures allow comparability of our current financial results to prior years and provide additional insight into our underlying results:

Proportional Revenue

Proportional Revenues for the three month periods ended March 31, 2016 and 2015 are as follows:

(in $'000s)

	2016	2015
	$	$
Reported revenues under GAAP	391	512
Add: share of revenues from Dexing Joint Venture:		
Reported revenues	1,128	696
add: Sales and administrative costs previously included in revenue	192	118
Proportional Revenue for the period	1,711	1,326

Adjusted EBITDA

Adjusted EBITDA is derived as follows:

(in $'000s, all amounts include BioteQ's proportionate share of joint venture results)

	2016	2015
	$	$
GAAP: Net loss	(816)	(650)
less: interest income	(2)	(26)
add: taxes	(13)	(14)
add: depreciation and amortization	183	171
EBITDA	(648)	(519)
add: stock-based compensation	30	-
less: net foreign exchange gain	34	(47)
Adjusted EBITDA	(584)	(566)

Q1 2016 COMMENTARY AND 2016 OUTLOOK

We have been growing our project pipeline slowly but steadily since early 2014 and this effort has started to translate into new contracts. While many of these contracts are relatively small in monetary value, they represent initial stages of longer term projects where BioteQ can expect to generate significantly more revenue as the projects advance through the development stages.

So far in 2016, we have won contracts to provide design, construction, and commissioning services for a water treatment plant at the Silvertip project in northern BC, laboratory scale testing of Selen-IX™ on a wastewater stream at an active mineral processing operation in Northern Saskatchewan, water management consulting services for a mine site in Mongolia, and preliminary technical and economic assessments of water treatment requirements at two sites in Mexico. We have also completed our detailed technical and economic assessment of a new treatment plant to be installed at an active smelter in China. The proposed new treatment plant is currently undergoing environmental permitting and BioteQ is working closely with a potential new partner on forming a joint venture to deliver the treatment plant for the smelter under a Build-Own-Operate business model following the environmental approval.

Although these projects provide significant opportunities for future one-time and recurring revenues, the short term cash flow potential is limited. As a result, since the end of 2015, our working capital level has declined and we will need to secure new sources of working capital in the form of debt or equity investments by early Q3 2016. We ended Q1 2016 with approximately $800,000 in cash outside of our China joint venture. Although the joint venture continues to be cash flow positive, low copper prices have reduced the rate at which cash accumulates in the joint venture account and, it will likely take 2-3 quarters of operations before any significant funds are available for repatriation to our Canadian parent entity.

From the historical perspective, although the company has not achieved profitability yet, the trend in our financial results since 2014 when the last equity financing was put in place shows significant improvement. These improvements were achieved during the time of a major decline in mining activity and commodity prices which directly reduced the cash flow from our China operations, and negatively impact prospects for new projects in the mining industry which we serve. Whether and when the Company can attain profitability and positive cash flows is uncertain. However, the Company's management team has worked on positioning the Company for success by getting the Company involved in early stages of new projects, strengthening our technical team, and advancing the development and commercialization of new products including our Sulf-IX and Selen-IX processes.

The Company is currently in discussions with possible lenders in order to meet our immediate working capital requirements. While the Company has been successful in securing financing in the past, there is uncertainty whether financing will be available in the future on terms acceptable to the Company.

Q1 2016 OVERVIEW

Financial Results:

- Revenues as reported under GAAP were $391,000 compared $512,000 in Q1 2015;
- Proportional revenues were $1.7 million compared to $1.3 million in Q1 2015, an increase of 30% compared to the same period in prior year;
- Net loss as reported under GAAP was $816,000 compared to $650,000 in Q1 2015;
- Adjusted loss before interest, tax, depreciation and amortization ("adjusted EBITDA") was $584,000 compared to a loss of $566,000 in Q1 2015;
- Cash and cash equivalents reported under GAAP as of March 31, 2016 was $797,000 compared to $1,409,000 at December 31, 2015; and
- Proportional cash and cash equivalents and short term investments, which includes our share held in joint ventures, as of March 31, 2016 was $1.1 million compared to $2.1 million at the end of 2015.

Operational Results:

Our joint venture in China with partner Jiangxi Copper Company ("JCC"), operated three plants during Q1 2016. Two of the plants are located on the Dexing mine site as well as a plant on the Yinshan mine site. Both mine sites are owned by JCC. The following is summary of operating results for all three plants Q1 2016.

Dexing 1:

	Q1 2016	Q1 2015
Water treated (cubic metres)	1,695,000	1,187,000
Copper produced (pounds)	426,000	253,000

Dexing 2:

	Q1 2016	Q1 2015
Water treated (cubic metres)	2,356,000	1,412,000
Copper produced (pounds)	323,000	108,000

Yinshan:

	Q1 2016	Q1 2015
Water treated (cubic metres)	641,000	541,000
Copper produced (pounds)	167,000	146,000

Sales and New Technology Development:

Design, Construction, and Commissioning Services

In Q1 2016, we began to provide design, construction and commissioning services for a water treatment plant at the Silvertip project in northern BC. The design and construction has been completed and commissioning is currently in progress. The plant is expected to be fully commissioned by the end of Q2 2016. We are discussing additional services with the customer to include future operating support if required.

Lab Testing Contracts

During the quarter, we started contracts with customers in Canada and Latin America to perform lab scale testing of our technologies at various mine sites. These tests will allow the customers to assess our technologies and provide high level cost estimates for a possible full scale plant. If results prove favorable, it may lead to additional services including pilot scale testing, design, construction, and operation of a full scale plant in the future.

Zinc and Copper Recovery – Joint Venture

We have also completed our detailed technical and economic assessment of a new treatment plant to be installed at an active smelter in China. The proposed new treatment plant is currently undergoing environmental permitting and BioteQ is working closely with a potential new partner on forming a joint venture to deliver the treatment plant for the smelter under a Build-Own-Operate business model following the environmental approval.

COMPARATIVE INFORMATION

(in $'000 except for per share amounts)

	Q1 2016	Q1 2015
	$	$
Revenues	391	512
less: Plant and other operating costs (*excluding depreciation*)	219	500
	172	12
General and administration	426	563
Sales and development	349	293
Stock-based compensation	30	-
Depreciation and amortization	57	55
Share of results of equity accounted joint ventures	100	(80)
Loss from operations and joint ventures	(790)	(782)
Other (expense) income – net	(26)	63
Bad debt recovery	-	69
Net loss for the period	(816)	(650)
Translation (loss) gain on foreign operations	(263)	494
Comprehensive (loss) for the period	(1,079)	(156)
Net loss per share (basic and diluted)	(0.01)	(0.01)
Proportional Revenues[1]	1,711	1,326
Adjusted EBITDA[1]	(584)	(566)
	at March 31	at Dec 31
	2016	2015
Working capital	137	871
Total assets	6,159	7,451
Total long term liabilities	6	9
Shareholders' equity	4,954	6,029

<u>*Notes:*</u>

1. *See Non-GAAP measures*

SUMMARY OF Q1 2016 RESULTS

Revenue

Below is a summary of revenues for Q1 2016 and Q1 2015:

(unaudited, in $'000s)

Revenue Source	Q1 2016 $	% of total	Q1 2015 $	% of total	Total Revenue % Change
Treatment fees	-	0%	-	0%	-
Engineering & lab services	391	23%	512	39%	(24%)
Total revenue	391	23%	512	39%	(24%)
Metal recovery – share of joint venture result	1,320	77%	814	61%	62%
Total Proportional Revenue	1,711	100%	1,326	100%	29%

Treatment fee revenue are generated from the Company's operation in the water treatment plant at the Raglan Mine. There are no revenue during Q1 in 2016 and 2015 because due to the winter conditions in northern Quebec, water is not available for processing until late spring, which is typically during the months of May and June.

Revenue from engineering & lab services decreased 24% from the same period in 2015. The decline was attributable to lower project activity in the current year.

Revenue from metal recovery operations, which are from the Chinese joint venture, increased by $506,000 from Q1 2015. The decline in copper price compare to Q1 2015 was offset by the weaker Canadian dollar relative to Chinese renminbi and by the increase in volume of copper recovery.

Plant and other operating costs (excluding depreciation)

Total plant and other operating costs (excluding depreciation) in Q1 2016 were $219,000 compared to $500,000 in Q1 2015, a decrease of $281,000. The decrease is mainly due to the decrease in cost to complete the engineering and lab projects 2016, as each individual project requires different levels of cost depending on specific mine conditions and treatment requirements.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2016, BioteQ had 93,966,672 common shares issued and outstanding (December 31, 2015 – 93,966,672), and 5,233,333 stock options outstanding (December 31, 2015 - 5,233,333).

As of May 17, 2016 the number of common shares issued and outstanding and stock options outstanding remain unchanged from March 31, 2016.

For the three months ended March 31, 2016, the Company incurred a net loss of $817,176 (2015 – $650,107) and used net cash in operating activities of $530,526 (2015 – $728,989). The Company has a net decrease in cash and short-term investments of $611,772 (2015 – $712,677). The Company had a working capital position of $137,103 (December 31, 2015 – $871,223) and a cumulative deficit of $59,998,986 (December 31, 2015 – 59,181,810) as at March 31, 2016.

The Company has $463,721 under operating leases for office and laboratory premises and for office equipment.

As disclosed in note 2(b) of our Condensed Consolidated Interim Financial Statements for the period ended March 31, 2016 and in the "Q1 2016 COMMENTARY AND 2016 OUTLOOK" section of this MD&A, the Company believes that it has sufficient working capital resources to continue current operations until early Q3 2016. Beyond this point, we will need to secure new sources of working capital to continue operations. Potential sources of new working capital include new sales projects or non-operational sources such as debt or equity investments.

Management's current plan is to actively work with the Company's Board to secure sources of funds, including possible equity and debt financing options, while at the same time focus on increasing revenue and exercise careful cost control to sustain operations. If necessary, the Company will curtail discretionary spending. The Board believes that there is a reasonable expectation that the Company will be successful in obtaining the necessary financing resolution to address its working capital needs and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing these consolidated financial statements.

The continuation of the Company as a going concern is dependent upon its ability to raise additional financing and ultimately attain and maintain profitable operations. This assumes that the Company is able to successfully obtain financing to fund its working capital needs, continue successful operations at its Raglan and Dexing joint venture operations, maintain or further decrease operating expenses, successfully repatriate funds from its Dexing joint venture, and secures and completes new sales contracts.

Historically, we have not yet realized profitable operations and relied on non-operational sources of financing to fund our operations. Whether and when the Company can attain profitability and positive cash flows is uncertain. While the Company has been successful in securing financing in the past, there is uncertainty whether financing will be available in the future on terms acceptable to the Company. Accordingly, there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. Our consolidated financial statements do not include adjustment to the recoverability and classification on recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to our consolidated financial statements could be required.

RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties of the Company:

a) As at March 31, 2016, the Company had a receivable balance of $109,151 (December 31, 2015 - $116,165) from the Dexing joint venture, arising mainly from joint venture investments and sale transactions. The receivables are unsecured in nature and bear no interest. No provisions are held against such receivables. There was no sale of goods and services with the Dexing joint venture during the three months end March 31, 2016 and 2015. Sales and other transactions are recorded at the exchange amount agreed by both parties.

b) As of March 31, 2016, the Company has $160,000 included in trade payable and accrued liabilities (December 31, 2015 – $160,000) with a company, owned by a director, for management consulting services. For the three months ended March 31, 2016, the services received amounted to $30,000 (2015 - $30,000).

c) For the three months ended March 31, 2016 and 2015, the compensation awarded to key management, which includes the Company's directors and members of the Executive, are as follows:

	Mar. 31 2016	Mar. 31, 2015
	$	$
Salaries, fees and short-term benefits	132,903	190,593
Share-based payments	5,935	16,951
	138,839	207,544

Included in the trade payable and accrued liabilities as at March 31, 2016 is $214,793 (December 31, 2015 - $230,043) of salaries, director fees, and termination benefits, with payment commitments in 2016.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the future events that affect the amounts reported in the condensed consolidated interim financial statements and related notes to the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The judgments, estimates and assumptions applied in these condensed consolidated interim financial statements, including key sources of estimation uncertainty were the same as those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2015 except for the calculation of current income taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual income or loss.