BioteQ Environmental Technologies Inc.

Condensed Consolidated Interim Financial Statements
(Unaudited)

Third quarter ended September 30, 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	September 30 2016 $	December 31 2015 $
Assets			
Current assets			
Cash and cash equivalents		**1,838,876**	1,408,890
Trade and other receivables	5	**607,812**	568,204
Receivable from joint venture	6	**84,264**	116,165
Inventory and work in progress	7	**47,094**	61,455
Prepaid and other deposits		**103,695**	130,122
Total current assets		**2,681,741**	2,284,836
Non-current assets			
Plant and equipment	8	**266,760**	432,526
Investment in joint venture	9	**4,851,493**	4,708,976
Prepaid and deposits		**24,601**	24,601
Total non-current assets		**5,142,854**	5,166,103
Total assets		**7,824,595**	7,450,939
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	6, 10	**787,180**	929,579
Income taxes payable		**152,546**	152,550
Deferred revenue		**496,682**	254,100
Deferred benefits	11	**131,009**	65,954
Current portion deferred lease inducement		**11,430**	11,430
Total current liabilities		**1,578,847**	1,413,613
Non-current liabilities			
Deferred lease inducement		**-**	8,572
Convertible loan	12	**1,357,812**	-
Total liabilities		**2,936,659**	1,422,185
Shareholders' Equity			
Share capital	11, 13	**54,719,814**	54,719,814
Contributed surplus		**10,044,870**	10,033,768
Equity component of convertible loan	12	**144,947**	-
Accumulated other comprehensive income		**1,505,130**	456,982
Accumulated deficit		**(61,526,825)**	(59,181,810)
Total shareholders' equity		**4,887,936**	6,028,754
Total liabilities and shareholders' equity		**7,824,595**	7,450,939

Going concern (note 2(b))
Commitments (note 16)

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 and nine months ended September 30, 2016
(Unaudited)

		3 months ended Sept. 30		9 months ended Sept. 30	
		2016	2015	**2016**	2015
		$	$	$	$
	note				
Revenue		**1,356,345**	1,620,229	**2,390,431**	2,418,908
Plant and other operating costs (excluding depreciation)		**494,389**	740,204	**1,078,392**	1,520,658
Operating margin before depreciation		**861,956**	880,025	**1,312,039**	898,250
General and administration		**409,550**	471,847	**1,300,805**	1,453,677
Sales and development		**355,766**	247,900	**972,811**	898,975
Stock-based compensation expense	11	**29,982**	670	**76,157**	(17,799)
Depreciation of plant and equipment	8	**60,332**	57,248	**175,801**	163,986
Share of results of equity accounted joint venture	9	**(160,283)**	(55,153)	**(351,250)**	(581,147)
Income (loss) from operations and joint venture		**166,609**	157,513	**(862,285)**	(1,019,442)
Finance income, net		**(55,964)**	(7,734)	**(53,926)**	34,022
Foreign exchange gain (loss)		**7,156**	13,936	**(1,435,273)**	40,944
Bad debt recovery		**-**	115,966	**6,600**	268,109
Income (loss) before income taxes		**117,801**	279,681	**(2,344,884)**	(676,367)
Income tax expense		**-**	-	**(131)**	(125)
Net income (loss) for the period		**117,801**	279,681	**(2,345,015)**	(676,492)
Other comprehensive income (loss)					
Items that will be reclassified subsequently to loss					
Translation gain on foreign operations		**21,594**	286,866	**1,048,148**	690,209
Total comprehensive income (loss) for the period		**139,395**	566,547	**(1,296,867)**	13,717
Net loss per share					
Basic and diluted		**0.00**	0.00	**(0.02)**	(0.01)
Weighted average number of shares outstanding					
Basic and diluted		**93,966,672**	93,966,672	**93,966,672**	91,856,781

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 nine months ended September 30, 2016
(Unaudited)

	note	**Number of Shares**	**9 months ended Sept. 30, 2016 $**	Number of Shares	9 months ended Sept. 30, 2015 $
Share Capital					
Balance, beginning of the period		**93,966,672**	**54,719,814**	93,966,672	56,253,254
Expired warrants	13		**-**		(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		**11,102**		34,949
Expired warrants	13		**-**		1,513,417
Balance, end of the period			**10,044,870**		9,995,175
Equity component of convertible loan					
Balance, beginning of the period			**-**		-
Issuance of convertible loan	12		**144,947**		30,712
Balance, end of the period			**144,947**		30,712
Accumulated other comprehensive income					
Balance, beginning of the period			**456,982**		(59,930)
Other comprehensive income for the period			**1,048,148**		690,209
Balance, end of the period			**1,505,130**		630,279
Accumulated deficit					
Balance, beginning of the period			**(59,181,810)**		(57,749,530)
Net loss for the period			**(2,345,015)**		(676,492)
Balance, end of the period			**(61,526,825)**		(58,426,022)
Total shareholders' equity					
Balance, beginning of the period			**6,028,754**		6,890,603
Share-based payments			**11,102**		34,949
Issuance of convertible loan			**144,947**		30,712
Net loss for the period			**(2,345,015)**		(676,492)
Other comprehensive income for the period			**1,048,148**		690,209
Balance, end of the period			**4,887,936**		6,969,981

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 nine months ended September 30, 2016
(Unaudited)

	note	9 months ended Sept. 30 **2016** $	2015 $
Operating activities			
Net loss for the period		**(2,345,015)**	(676,492)
Items not affecting cash			
Income tax expense		**131**	125
Bad debt recovery		**(6,600)**	-
Share of results of equity accounted joint venture	9	**(351,250)**	(581,147)
Interest expense (income), net		**53,926**	(34,022)
Depreciation of plant and equipment	8	**175,801**	163,986
Amortization of deferred lease inducement		**(8,572)**	(8,572)
Net foreign exchange loss (gain)		**1,429,542**	(33,734)
Expense recognized in respect of stock-based compensation	11	**76,157**	(17,799)
		(975,880)	(1,187,655)
Change in non-cash working capital items	15	**132,148**	(136,638)
Cash used in operations		**(843,732)**	(1,324,293)
Income taxes paid		**(131)**	(125)
Net cash used in operating activities		**(843,863)**	(1,324,418)
Investing activities			
Purchase of plant and equipment		**(10,040)**	(44,220)
Net contributions made to joint venture	9	**(152,251)**	(142,602)
Proceeds from sale of short-term investments		**-**	373,991
Interest received		**3,813**	87,781
Net cash (used in) provided by investing activities		**(158,478)**	274,950
Financing activities			
Financing initiation costs	12	**(23,652)**	(10,509)
Net proceeds from convertible loan	12	**1,460,667**	775,000
Net cash provided by financing activities		**1,437,015**	764,491
Effect of exchange rate changes on cash and cash equivalents		**(4,688)**	8,636
Increase (decrease) in cash and cash equivalents		**429,986**	(276,341)
Cash and cash equivalents, beginning of the period		**1,408,890**	915,681
Cash and cash equivalents, end of the period		**1,838,876**	639,340

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 September 30, 2016. The Company’s Board of Directors approved these condensed consolidated interim financial statements on November 22, 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 nine months ended September 30, 2016, the Company incurred a net loss of $2,345,015 (2015 – $676,492) and used net cash in operating activities of $843,863 (2015 – $1,324,418). The Company has a net increase in cash and short-term investments of $429,986 (2015 – decrease of $650,332). The Company had a net working capital position of $1,102,894 (December 31, 2015 – $871,223) and a cumulative deficit of $61,526,825 (December 31, 2015 – 59,181,810) as at September 30, 2016.

In July 2016, the Company completed a financing through a convertible loan for gross proceeds of $1,500,000 (note 12), and the Company currently believes that it has sufficient working capital resources to meet operating requirements over the next 12 months. This assumes that BioteQ is able to continue successful operations at its Raglan and Chinese joint venture operations, market prices for metals and foreign exchange rates remain at current levels, the Company maintains or further decreases operating expenses, successfully repatriates funds from its Chinese joint venture, and secures and completes 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 Sept. 30, 2016	Ownership interest as at Dec. 31, 2015
Biomet Mining Corporation	Subsidiary	Consolidated	Canada	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.

5. TRADE AND OTHER RECEIVABLES

	Sept. 30, 2016	Dec. 31, 2015
	$	$
Trade receivables	489,591	390,216
Unbilled receivables	71,324	173,693
Convertible loan receivables (note 12)	39,333	-
Other	7,564	4,295
	607,812	568,204

6. RELATED PARTY TRANSACTIONS

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

a) As at September 30, 2016, the Company had a receivable balance of $84,264 (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 and nine months ended September 30, 2016 and 2015. Sales and other transactions are recorded at the exchange amount agreed by both parties.

b) As of September 30, 2016, the Company has $nil 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 and nine months ended September 30, 2016, the services received amounted to $30,000 and $90,000 (2015 - $30,000 and $90,000).

c) For the three and nine months ended September 30, 2016 and 2015, the compensation awarded to key management, which includes the Company's directors and members of the executive, are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Salaries, fees and short-term benefits	126,779	189,114	398,522	577,448
Share-based payments	2,400	8,185	11,102	34,289
	129,179	197,299	409,624	611,737

Included in the trade payable and accrued liabilities as at September 30, 2016 is $84,000 (December 31, 2015 - $230,043) of salaries, director fees, and termination benefits, with payment commitments in 2016.

d) On July 6, 2016, the Company entered into an 18-month, secured, 8% per annum interest bearing convertible loan agreements with multiple lenders totalling to $1,500,000 (note 12). These lenders include certain directors, management, and employees of the Company.

7. INVENTORY AND WORK IN PROGRESS

	Sept. 30, 2016	Dec. 31, 2015
	$	$
Work in progress	27,164	40,248
Inventory of spare parts	19,930	21,207
	47,094	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 and nine months ended September 30, 2016 and 2015, and there is no provision for obsolescence as of September 30, 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 Sept. 30, 2016				
Opening net book value	86,356	317,169	29,001	432,526
Additions	8,256	-	1,784	10,040
Depreciation	(70,196)	(87,965)	(17,640)	(175,801)
Foreign exchange translation	-	-	(5)	(5)
Closing net book value	**24,417**	**229,203**	**13,140**	**266,760**
As at Sept. 30, 2016				
Cost	2,113,388	580,593	520,043	3,214,024
Accumulated depreciation	(2,088,971)	(351,390)	(506,903)	(2,947,264)
Closing net book value	**24,417**	**229,203**	**13,140**	**266,760**

[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	(9,734)
Contributions made	152,251
Balance, September 30, 2016	4,851,493

During the three and nine months ended September 30, 2016, the Company's share of net earnings in the Dexing joint venture were $160,283 and $351,250 (2015 – earnings of $55,153 and $581,147).

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

	Sept. 30, 2016 $	Dec. 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents	1,129,576	588,406
Short-term investments	196,700	92,699
Trade and other receivables	48,633	112,817
Taxes recoverable	-	80,147
Inventory	168,612	438,052
Prepaid expenses	482	522
	1,544,003	1,312,643
Non-current assets		
Plant and equipment	4,835,570	5,351,657
Total assets	6,379,573	6,664,300
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,481,036	1,955,324
Income taxes payable	47,045	-
	1,528,081	1,955,324
Total liabilities	1,528,081	1,955,324
Partner's Equity		
Joint venture partner equity	3,533,354	3,381,104
Accumulated other comprehensive income	1,541,142	1,902,126
Accumulated deficit	(223,004)	(574,254)
Total partner's equity	4,851,492	4,708,976
Total liabilities and partner's equity	6,379,573	6,664,300

Statements of operations and comprehensive income

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Revenue	1,055,164	1,389,934	3,676,371	3,807,495
Plant and other operating costs (excluding depreciation)	676,286	1,132,467	2,670,656	2,632,954
	378,878	257,467	1,005,715	1,174,541
General and administration	61,479	38,430	152,588	106,268
Depreciation of plant and equipment	127,691	121,568	381,887	354,146
Income from operations	189,708	97,469	471,240	714,127
Finance income	297	434	672	1,463
Foreign exchange gain (loss)	478	4,373	(7,595)	11,492
Income before income taxes	190,483	102,276	464,317	727,082
Current income tax expense	(30,200)	(47,123)	(113,067)	(145,935)
Net income for the period	160,283	55,153	351,250	581,147
Other comprehensive income				
Translation gain (loss) on foreign operation	24,566	287,236	(360,984)	681,329
Comprehensive income (loss) for the period	184,849	342,389	(9,734)	1,262,476

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

	Sept. 30, 2016	Dec. 31, 2015
	$	$
Trade payable and accruals	297,575	446,660
Payroll liability	297,537	413,605
Value added tax payable	163,794	69,314
Interest payable under convertible loan (note 12)	28,274	-
	787,180	929,579

11. SHARE-BASED PAYMENTS

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Stock options (a)	2,401	8,407	11,102	34,949
Deferred share units (b)	26,819	(7,547)	63,257	(51,448)
Restricted share units (c)	762	(190)	1,798	(1,300)
	29,982	670	76,157	(17,799)

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 Sept. 30, 2016	0.14	5,233,333
Exercisable at Dec. 31, 2015	0.18	3,332,222
Exercisable at Sept. 30, 2016	0.16	4,366,666

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)	Sept. 30, 2016 number of outstanding share options
0.07 to 0.15	28	3,133,333
0.17 to 0.30	7	2,100,000
0.07 to 0.30	20	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, September 30, 2016	2,915,075

During the three and nine months ended September 30, 2016, the Company recorded a fair value expense of $26,819 and $63,257 (2015 – recovery of $7,547 and $51,448) 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, September 30, 2016	82,841

Of the RSUs outstanding as at September 30, 2016, all remain unvested as at September 30, 2016 (December 31, 2015 – 82,841).

During the three and nine months ended September 30, 2016, the Company recorded fair value adjustment as expense of $762 and $1,798 (2015 – recovery of $190 and $1,300) as stock-based compensation expense related to the RSUs.

12. CONVERTIBLE LOAN

On July 6, 2016, the Company entered into an 18-month convertible loan agreement with multiple lenders, which include certain directors, management, and employees of the Company, individual investors, and non-management insiders of the company. The lenders agreed to advance a secured convertible loan with an aggregate principle amount of $1,500,000. Out of the aggregate principle, $1,441,000 are from single tranche lenders and the remaining $59,000 are from multi-tranche lenders. Single tranche lenders agreed to advance the loan on issuance date. Multi-tranche lenders agreed to advance funds to the Company in 9 monthly equal tranches.

Under the agreement, the convertible loan bears interest at a rate of 8% per annum, and interest being payable semi-annually. The convertible loans are due for repayment 18 months from the issuance date at their nominal value of $1,500,000 plus interest accrued or conversion into common shares of the Company at the holder's option with the conversion price of $0.06 per share. At any time, the Company may elect to repay all or any portion of the principle and unpaid accrued interest prior to the maturity date.

The fair value of the liability component, all included as a liability in convertible loan, is calculated using a market interest rate for comparable companies of 15% for an equivalent, non-convertible secured loan at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity as an equity component of the convertible loan. Transaction costs associated with the issuance of the convertible loan are allocated to the liability and equity components in its allocated proportion.

The carrying amount of the liability component of the convertible loan is derived as follows:

	Sept. 30, 2016	Dec. 31, 2015
	$	$
Face value of convertible loan issued on July 6, 2016	1,500,000	-
Transaction costs	(23,652)	-
Equity conversion component on initial recognition	(144,947)	-
Liability component on initial recognition	1,331,401	-
Accumulated amortization of interest expense	26,411	-
Liability component balance as at period end	1,357,812	-

During the three and nine months ended September 30, 2016, the Company recorded $54,685 (2015 - $nil) of interest expense relating to the convertible loan. As of September 30, 2016, accrued interest relating to the convertible loan in trade payable and accrued liabilities is $28,274 (December 31, 2015 - $nil). Also as of September 30, 2016, the outstanding receivables from the multi-tranche lenders in trade and other receivables is $39,333 (December 31, 2015 - $nil).

13. SHARE CAPITAL

Authorized: unlimited common shares without par value.

In January 2010, the Company entered into an agreement with Newalta Corporation ("Newalta") to purchase 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 September 30, 2016, the Company has 93,966,672 (December 31, 2015 – 93,966,672) common shares and no warrants outstanding (December 31, 2015 – nil).

14. 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 and nine months period ended September 30, 2016 was 26% (December 31, 2015 – 26%).

15. SUPPLEMENTAL CASH FLOW INFORMATION

	9 months ended Sept. 30	
	2016	2015
Change in non-cash working capital items	$	$
Decrease (increase) in trade receivables	32,617	(813,080)
Decrease in inventory and work in progress	7,865	217,361
Decrease in other assets	26,489	36,859
(Decrease) increase in accounts payable and accrued liabilities	(177,113)	128,210
Increase in deferred revenue	242,290	294,398
Change in non-cash working capital items	132,148	(136,638)

16. COMMITMENTS

As of September 30, 2016, the Company has commitments of $401,705 under operating leases for office and laboratory premises and for office equipment, as follows:

	$
2016	93,620
2017	284,550
2018	22,050
2019	1,485
	401,705

17. 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 are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Treatment fees	1,060,880	1,034,712	1,256,404	1,215,448
Engineering & lab services	295,465	585,517	1,134,027	1,203,460
	1,356,345	1,620,229	2,390,431	2,418,908

b) Geographic information

The Company's revenue and plant and equipment by geographic area are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Revenue				
Canada	1,074,705	1,619,802	1,870,037	2,318,424
Chile	-	-	-	95,051
Mongolia	188,777	-	371,550	-
Other	92,863	427	148,844	5,433
	1,356,345	1,620,229	2,390,431	2,418,908

	Sept. 30, 2016	Dec. 31, 2015
	$	$
Plant and equipment		
Canada	266,760	431,267
Chile	-	1,259
	266,760	432,526

c) Information about major customers

The following table presents revenue to individual customers exceeding 10% of total revenue for the three and nine months ended September 30, 2016 and 2015.

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Customer A	1,060,880	1,034,712	1,256,404	1,215,447
Customer B	188,777	-	371,550	-
Customer C	8,245	-	415,765	-
Customer G	2,530	563,181	12,262	608,611
Customer K	3,050	-	23,625	472,457
	1,263,482	1,597,893	2,079,607	2,296,515
Percentage from total revenue	93%	99%	87%	95%

Interim Management's Discussion and Analysis – Quarterly Highlights

November 22, 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 Q3 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 and nine months ended September 30, 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 a 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 Revenue for the three and nine month periods ended September 30, 2016 and 2015 are as follows:

(in $'000s)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Reported revenues under GAAP	1,356	1,620	2,390	2,418
Share of reported revenues from Dexing Joint Venture	1,055	1,390	3,676	3,808
Proportional Revenue for the period	2,411	3,010	6,066	6,226

Adjusted EBITDA

Adjusted EBITDA is derived as follows:

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
GAAP: Net income (loss)	117	279	(2,345)	(677)
add: interest expense (income)	56	8	53	(36)
add: taxes	30	47	113	146
add: depreciation and amortization	188	179	558	518
EBITDA	391	513	(1,621)	(49)
add: stock-based compensation	30	1	76	(18)
less: net foreign exchange (gain) loss	(7)	(18)	1,443	(52)
Adjusted EBITDA	414	496	(102)	(119)

Q3 2016 COMMENTARY AND 2016 OUTLOOK

Our results for the first nine months of the year reflect continuing positive changes to the company despite a further drop in the price of copper and the continued challenging environment for the resource industry globally. Specifically, we achieved:

- a second consecutive quarter of positive adjusted EBIDTA;
- adjusted EBIDTA improvement over 2015 despite a 14% drop in copper prices compared to 2015; and
- significant contracts booked for Q4 2016 and Q1 2017 that are expected to generate higher revenue and cash flows than comparable, prior year quarters.

So far this year, we have won new contracts for a broad range of water management and water treatment services. Furthermore, Q3 2016 financials do not reflect any of the "booked" revenue resulting from these small contracts that will contribute to revenues in the next few quarters including the new selenium pilot project announced in October 2016. Based on this, we expect 2016 year end results will bring a significant improvement over 2015 and the current sales pipeline will help improve performance further into 2017.

Q3 2016 OVERVIEW

Financial Results

- Revenues as reported under GAAP were $1.3 million compared $1.6 million in Q3 2015. Year to date, revenues were $2.4 million, consistent with the prior year;
- Proportional revenues were $2.4 million compared to $3 million in Q3 2015. Year to date, Proportional revenues were $6.1 million, consistent with the prior year;
- Net income as reported under GAAP was $117,000 compared to $279,000 in Q3 2015;
- Adjusted income before interest, tax, depreciation and amortization ("adjusted EBITDA") was $414,000, marking a second consecutive quarter of positive adjusted EBIDTA;
- Adjusted EBIDTA of $414,000 was virtually unchanged from 2015. Year to date, adjusted EBITDA was a loss of $102,000; an improvement over the prior year's loss of $119,000. An improvement despite a 14% drop in copper prices compared to 2015.
- Cash and cash equivalents reported under GAAP as of September 30, 2016 was $1.8 million compared to $1.4 million at December 31, 2015; and
- Proportional cash and cash equivalents and short term investments, which includes our share held in joint ventures, as of September 30, 2016 was $3.2 million compared to $2.1 million at the end of 2015.

Financing

On July 6, 2016, we completed a convertible loan agreement ("Loan") with an aggregate principle of $1.5 million. The Loan is with multiple lenders which include certain directors, management, and employees of BioteQ, individual investors, and non-management insiders of the company. The Loan bears interest at a rate of 8% per annum with interest being payable semi-annually from the issuance date. Under the agreement, the Loan is due for repayment in 18 months from the issuance date. The Company may elect to prepay all or any portion of the outstanding balance plus unpaid interest accrued at any time during the term of the Loan without penalty. During the term of the Loan, the lenders will hold a first charge security interest over the assets of the company.

Upon prepayment or maturity of the Loan, each lender may elect to convert all or any portion of the unpaid principal into common shares of BioteQ at a conversion price $0.06 cents per share. Any accrued but unpaid interest thereon will be converted into common shares at a conversion price equal to the greater of $0.06 cents per share or the then-prevailing market price of the common shares.

The proceeds of the Loan will be used to fund general operating expenses and ensure we have the financial resources to continue executing on our longer term growth strategy.

Operational Results

Raglan Mine, Quebec

BioteQ operates a seasonal water treatment plant at the Raglan Mine, an active nickel mine in northern Quebec, owned by Glencore Canada Corporation ("Glencore"). The plant runs seasonally, typically from late spring to fall. The plant was built in 2004 and uses BioteQ's ChemSulphide® process to remove dissolved nickel from wastewater to produce clean water that meets strict water quality criteria for discharge to the environment. As the current operating contract with Glencore expires at the end of 2016, BioteQ is currently in negotiation for an extension of the contract.

During the quarter, we continued operations for our 13th operating season at the site. Operating results during the three and nine months ended September, 30 2016 are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
Water treated (cubic metres)	715,000	701,000	758,000	758,000
Days operated (equivalent days)	92	92	106	119

BioteQ also maintains operating responsibility for Glencore's Spoon water treatment plant, based on a cost-plus contract. This plant performs lime treatment and acidification of water that is not treated by BioteQ's ChemSulphide® plant.

Joint venture with Jiangxi Copper Company, China

For our joint venture operation in China with partner Jiangxi Copper Company ("JCC"), we operated three plants during Q3 2016. Two of the plants are located at the Dexing Mine site and the third at the nearby Yinshan Mine site. Both mine sites are owned by JCC. The following is the summary of operating results for all three plants during the three and nine months ended September 30, 2016.

Dexing 1

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
Water treated (cubic metres)	1,970	2,678	6,211	6,228
Copper produced (pounds)	459	583	1,456	1,446

Dexing 2

(in '000s)	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
Water treated (cubic metres)	2,229	2,788	7,429	6,822
Copper produced (pounds)	268	297	926	735

Yinshan

(in '000s)	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
Water treated (cubic metres)	610	697	2,538	2,394
Copper produced (pounds)	164	140	701	553

Total Joint Venture

(in '000s)	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
Water treated (cubic metres)	4,809	6,163	16,178	15,444
Copper produced (pounds)	891	1,020	3,083	2,734

The volume of water treated and pounds of copper recovered at all three plants will fluctuate depending on precipitation levels and prevailing environmental conditions at both sites. The two plants Dexing 1 and Dexing 2 treat water from the same sources and water may be diverted from one plant to the other to optimize operations. JCC is continuing to complete water management changes at the Yinshan site that is expected to improve the volume of water treated and copper recovered from the plant in the future. These changes are now expected to be completed in 2017.

Year to date, all three plants have met or exceeded mechanical availability and process performance. Both total water treated and copper recovered have increased over the same period in 2015. We expect this performance to decline during Q4 2016 as precipitation in the region declines and the plants undergo annual scheduled maintenance.

Project Sales and New Technology Development

Design, Construction, and Commissioning Services
In Q3 2016, BioteQ continued providing services for a water treatment plant at the Silvertip project in Northern BC.

Consulting
During the quarter, BioteQ continued to provide consulting services to several mining projects in Canada, Asia, Europe and Latin America. The services covered a broad spectrum of activities including permitting support, development of site specific water management strategies and various stages of water treatment assessment for the removal of metals, sulphate and selenium. BioteQ expects that these activities will continue over the next several quarters and may lead to new activities as water management measures proceed to implementation.

Zinc and Copper Recovery – Joint Venture
BioteQ completed its detailed technical and economic assessment of a new treatment plant to be installed at an active smelter in China. The proposed new treatment plant has completed 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. Once final terms are agreed upon, BioteQ expects to commence construction in Q1 2017 and to begin commissioning and operations in late 2017. Under current terms being negotiated, BioteQ expects to receive a fixed-fee, technical support contract and an ongoing share of the profits from the operation.

Selen-IX™ Pilot Operation
At the end of Q3, BioteQ secured a contract with a Canadian resource company for a pilot scale demonstration and evaluation of its Selen-IX™ technology to remove selenium from mine impacted water. The pilot follows a successful laboratory campaign completed earlier in the year directly at the client's site and will utilize BioteQ's existing mobile Selen-IX™ pilot plant. The objectives of the pilot campaign are to: demonstrate selenium removal to reach discharge targets on a continuous basis, generate design criteria for a full scale plant, and develop a preliminary capital and operating cost estimate. The pilot campaign is expected to be completed by the end of this year and results will be reviewed with the customer in early 2017 to determine the advancement of the project. The total value of the contract is comparable to past pilot campaigns.

COMPARATIVE INFORMATION

(in $'000 except for per share amounts)	3 months ended. Sep. 30		9 months ended. Sep. 30	
	2016	2015	2016	2015
	$	$	$	$
Revenues	1,356	1,620	2,390	2,418
less: Plant and other operating costs (*excluding depreciation*)	494	740	1,078	1,520
	862	880	1,312	898
General and administration	410	472	1,301	1,454
Sales and development	356	248	973	899
Stock-based compensation	30	1	76	(18)
Depreciation and amortization	60	57	176	164
Share of results of equity accounted joint ventures	(160)	(55)	(351)	(581)
Income (loss) from operations and joint ventures	166	157	(863)	(1,020)
Finance income, net	(56)	(8)	(54)	34
Foreign exchange gain (loss)	7	14	(1,435)	41
Bad debt recovery	-	116	7	268
Net income (loss) for the period	117	279	(2,345)	(677)
Translation gain on foreign operations	22	287	1,048	691
Comprehensive income (loss) for the period	139	566	(1,297)	14
Net loss per share (basic and diluted)	0.00	0.00	(0.02)	(0.01)
Proportional Revenues[1]	2,411	3,010	6,066	6,226
Adjusted EBITDA[1]	414	496	(102)	(119)

	at Sep. 30	at Dec. 31
	2016	2015
Working capital	1,103	871
Total assets	7,825	7,451
Total long term liabilities	1,358	9
Shareholders' equity	4,888	6,029

Notes:

1. *See Non-GAAP measures*

SUMMARY OF Q3 2016 RESULTS

Revenue

Below is a summary of revenues for Q3 2016 and Q3 2015:
(unaudited, in $'000s)

	Q3 2016		Q3 2015		Total Revenue %
Revenue Source	$	% of total	$	% of total	Change
Treatment fees	1,061	44%	1,035	34%	3%
Engineering & lab services	295	12%	585	20%	(50%)
Total revenue	1,356	56%	1,620	54%	(16%)
Metal recovery – share of joint venture result	1,055	44%	1,390	46%	(24%)
Total Proportional Revenue	2,411		3,010		(20%)

Treatment fee revenues are generated from the Company's operation in the water treatment plant at the Raglan Mine. During Q3 2016, we operated for 92 days which is the same as the prior year's quarter. Treatment fees were consistent with a slight increase due to a slight increase in water treated during this quarter. We expect to conclude our operations by mid-November this year.

Revenue from engineering & lab services decreased by $290,000 from the same period in 2015. The decrease was attributable to lower project activity in the current quarter. In Q3 2016, we earned new revenue of $278,000 from two new clients by providing engineering services at mine sites in Finland and Mongolia. Comparing to the prior year's quarter, we have earned revenue of $563,000 from piloting services.

Revenue from metal recovery operations, which are from the Chinese joint venture, decreased by $335,000 from Q3 2015. Comparing Q3 2016 to the prior year's quarter, the decrease is due to the 7% decline in average copper prices, a 5% weakening of the Canadian dollar relative to the Chinese renminbi, and a 13% decrease in the volume of copper recovery.

Plant and other operating costs (excluding depreciation)

Total plant and other operating costs (excluding depreciation) in Q3 2016 were $494,000 compared to $740,000 in Q3 2015, a decrease of $246,000. The decrease is mainly due to the decrease of project activity during Q3 2016. The projects in Q3 2016 have a slightly higher margin as each individual project requires different levels of cost depending on specific mine conditions and treatment requirements.

Expenses and other income

In Q3 2016, general and administration expenses were $410,000 compared to $472,000 in the same period prior year. The decrease of $62,000 is a result of the Company's further reduction on overhead, administration staff, and general expenses.

Sales and development costs in Q3 2016 were $356,000 compared to $248,000 in Q3 2015. The increase of $108,000 is mainly due to the increase in internal labour spent on technology development while decreasing labour allocation to engineering and lab services.

Stock-based compensation expense was $30,000 in Q3 2016 compared to $1,000 in the same period prior year. These expenses were mainly due to fair value adjustments of deferred and restricted share units during the quarter.

Financing and interest expense was $56,000 in Q3 2016 compared to $8,000 in Q3 2015. During Q3 2016, we have recorded interest expense of $55,000 regarding the $1.5 million 18-month Loan.

During Q3 2016, we recognized a foreign exchange gain of $7,000 compared to $14,000 in Q3 2015. These gains arise mainly from changes in the value of the US dollar, Australian dollar, Mexican peso, Chilean peso and Chinese renminbi relative to the Canadian dollar.

SUMMARY OF YEAR-TO-DATE Q3 2016 RESULTS

Revenue

Below is a summary of revenues for the nine month ended 2016 and 2015:

(unaudited, in $'000s)

Revenue Source	Year-to-date Q3 2016 $	% of total	Year-to-date Q3 2015 $	% of total	Total Revenue % Change
Treatment fees	1,256	21%	1,215	20%	3%
Engineering & lab services	1,134	18%	1,203	19%	(6%)
Total revenue	2,390	39%	2,418	39%	(1%)
Metal recovery – share of joint venture result	3,676	61%	3,808	61%	(3%)
Total Proportional Revenue	6,066		6,226		(3%)

The year-to-date 2016 treatment fee revenue increased slightly when compared to 2015. During operations in 2016, the volume of water treated remained consistent with prior year's season.

Revenue from engineering & lab services decreased by $69,000 from the same period in 2015. This minor decrease was attributable to lower project activity in the current year.

Total year-to-date revenue from metal recovery operations decreased by $132,000 from 2015. Despite a 13% increase in copper recovered and the weakening of the Canadian dollar against the Chinese renminbi, total revenue decreased slightly due to a 15% decline in average copper prices compared to the prior year.

Plant and other operating costs (excluding depreciation)

The current year-to-date plant and other operating costs (excluding depreciation) were $1,078,000 compared to $1,520,000 in 2015, a decrease of $442,000. This decrease is mainly due to the costs incurred to operate the two pilot campaigns during 2015.

Expenses and other income

The year-to-date general and administration expenses decreased by $153,000 over the comparable period in 2015. The decrease were due to lower salaries and benefits for administration, insurance expenses, and public company fees in 2016.

Sales and development costs year-to-date 2016 is comparable to 2015 with a slight increase of $74,000.

Stock-based compensation expense was $76,000 in the first nine months of 2016 compared to recoveries of $18,000 in the same period prior year. In 2016, stock-based compensation expenses were due to a higher fair value adjustments of deferred and restricted share units from a higher Company share price.

The year-to-date finance expense was $54,000 compared an income of $34,000 in 2015. During 2016, we recorded an interest expense of $55,000 relating to the $1.5 million 18-month Loan. Compared to the prior year, in 2015 we recorded an interest expense due to the financing of $50,000 and also recorded interest income of $81,000, related to the VAT recovered from the Mexican government.

The year-to-date foreign exchange loss was $1,435,000 in 2016 compared to a gain of $41,000 in 2015. These gains and losses arise mainly from changes in the value of the US dollar, Mexican peso, Chilean peso and Chinese renminbi relative to the Canadian dollar. In June 2016, we dissolved our Australian subsidiary, BioteQ Water (Australia). Throughout each reporting period since inception in 2007, the Company recognized cumulative foreign translation differences of $1,416,000 related to the translation of the Australian subsidiary's financial results from the Australian dollar to the Canadian dollar. Such translation differences have been recognized in other comprehensive loss as "foreign currency translation adjustments on foreign subsidiaries". Upon the final dissolution of the subsidiary this quarter, the accumulated other comprehensive loss due to translation adjustments on this subsidiary has been reclassified as a foreign exchange loss in the Statement of Operations. It does not reflect results from our current or future operating activities.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 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 November 22, 2016 the number of common shares issued and outstanding and stock options outstanding remain unchanged from September 30, 2016.

For the three and nine months ended September 30, 2016, the Company incurred a net income of $117,801 and a loss of $2,344,884 (2015 – income of $279,681 and loss of $676,492). For the nine months ended September 30, 2016, the Company used net cash in operating activities of $843,863 (2015 – $1,324,418). The Company has a net increase in cash and short-term investments of $429,986 (2015 – decrease of $650,332) and a net working capital position of $1,102,894 (December 31, 2015 – $871,223) and a cumulative deficit of $61,526,825 (December 31, 2015 – 59,181,810) as at September 30, 2016.

The Company has $401,705 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 September 30, 2016 and in the "Q3 2016 COMMENTARY AND 2016 OUTLOOK" section of this MD&A, the Company believes that it has sufficient working capital resources to continue current operations for the next 12 months. 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.

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 secure and complete 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 adjustments 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 September 30, 2016, the Company had a receivable balance of $84,264 (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 and nine months ended September 30, 2016 and 2015. Sales and other transactions are recorded at the exchange amount agreed upon by both parties.

b) As of September 30, 2016, the Company has $nil 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 and nine months ended September 30, 2016, the services received amounted to $30,000 and $90,000 (2015 - $30,000 and $90,000).

c) For the three and nine months ended September 30, 2016 and 2015, the compensation awarded to key management, which includes the Company's directors and members of the executive, are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Salaries, fees and short-term benefits	126,779	189,114	398,522	577,448
Share-based payments	2,400	8,185	11,102	34,289
	129,179	197,299	409,624	611,737

Included in the trade payable and accrued liabilities as at September 30, 2016 is $84,000 (December 31, 2015 - $230,043) of salaries, director fees, and termination benefits, with payment commitments in 2016.

d) On July 6, 2016, the Company entered into an 18-month, secured, 8% per annum interest bearing convertible loan agreements with multiple lenders totaling to $1,500,000 (note 12). These lenders include certain directors, management, and employees of the Company.

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.