BacTech Environmental Corporation

Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2016 and 2015
(Unaudited)

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For the three and six months ended June 30, 2016 and 2015

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

BacTech Environmental Corporation
August 29, 2016

BacTech Environmental Corporation

Condensed Consolidated Interim Statements of Financial Position

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

	As at June 30 2016 $	As at December 31 2015 $
Assets		
Current assets		
Cash	**6,475**	7,650
Other receivable *(note 5)*	**17,500**	6,490
Prepaid expenses	**95,500**	9,415
Total current assets	**119,475**	23,555
Total assets	**119,475**	23,555
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(notes 7 and 8)*	**1,605,694**	1,279,015
Loan payable (*note 9)*	**252,000**	210,000
Current portion payable to Aquila Resources Inc. *(note 6)*	**91,471**	91,471
Total current liabilities	**1,949,165**	1,580,486
Payable to Aquila Resources Inc. *(note 6)*	**69,823**	69,823
Total liabilities	**2,018,988**	1,650,309
Equity (deficiency)		
Share capital *(note 10)*	**4,039,113**	4,007,574
Option reserve *(note 12)*	**214,388**	156,668
Warrant reserve *(note 11)*	**110,772**	86,372
Deficit	**(6,263,786)**	(5,877,368)
Total deficiency	**(1,899,513)**	(1,626,754)
Total liabilities and deficiency	**119,475**	23,555

Nature of Operations and Going Concern (*note 1*)
Commitments and Contingencies *(note 18)*
Subsequent Events (note 19)

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

Approved by the Board

Signed: *"Ross Orr"* — **Director**

Signed: *"Jay Naster"* — **Director**

BacTech Environmental Corporation

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Expenses				
Operating and administrative costs (*note 14*)	**167,491**	118,909	**370,228**	258,227
Finance charges *(note 15)*	**11,470**	6,780	**21,170**	27,941
Loss before income taxes	**(178,961)**	(125,689)	**(391,398)**	(286,168)
Deferred income tax recovery	**-**	-	**-**	-
Net loss and comprehensive loss for the period	**(178,961)**	(125,689)	**(391,398)**	(286,168)
Basic and diluted loss per share *(note 13)*	**(0.00)**	(0.00)	**(0.01)**	(0.01)
Weighted average number of common shares Outstanding (*note 13)*	**43,918,944**	42,027,277	**42,620,888**	42,027,277

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

BacTech Environmental Corporation

Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)

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

	Share Capital $	Option Reserve $	Warrant Reserve $	Deficit $	Total Equity $
Balance, December 31, 2014	3,957,574	358,480	86,372	(5,417,551)	(1,015,125)
Shares issued for debt *(note 10(i))*	50,000	-	-	-	50,000
Net loss for the Period	-	-	-	(286,168)	(286,168)
Balance, June 30, 2015	4,007,574	358,480	86,372	(5,703,719)	(1,251,293)
Expired stock options	-	(201,812)	-	201,812	-
Net loss for the period	-	-	-	(375,461)	(375,461)
Balance, December 31, 2015	4,007,574	156,668	86,372	(5,877,368)	(1,626,754)
Shares issued pursuant to private placement *(note 10(ii))*	36,600	-	24,400	-	61,000
Expired stock options	-	(4,980)	-	4,980	-
Share based payments	-	62,700	-	-	62,700
Share issue costs	(5,061)	-	-	-	(5,061)
Net loss for the period	-	-	-	(391,398)	(391,398)
Balance, June 30, 2016	4,039,113	214,388	110,772	(6,263,786)	(1,899,513)

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

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

	Six months ended June 30 2016	Six months ended June 30 2015
	$	$
Cash flow from operating activities		
Cash paid to suppliers, employees and consultants	**(99,114)**	(148,337)
	(99,114)	(148,337)
Cash flow from financing activities		
Proceeds from private placements, net	**55,939**	-
Proceeds from loans payable	**42,000**	150,000
	97,939	150,000
Cash flow from investing activities		
Deferred development expenditures, net	**-**	-
	-	-
Increase in cash	**(1,175)**	1,663
Cash, beginning of period	**7,650**	572
Cash, end of period	**6,475**	2,235

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

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1. Nature of Operations and Going Concern

BacTech Environmental Corporation (the "Company" or "BEC") was incorporated by REBgold Corporation ("REBgold" and formerly BacTech Mining Corporation) on October 5, 2010 under the Canada Business Corporations Act. REBgold completed a divisive reorganization by way of a Plan of Arrangement whereby a newly formed subsidiary, the Company, was granted rights and interests in REBgold's existing and proposed tailings remediation projects and an exclusive, perpetual, royalty-free license to use REBgold's proprietary bioleaching technology for reclamation of historic mine tailings. REBgold retained the primary rights to the bioleaching technology. The technology utilizes bacteria to extract precious and base metals and has been traditionally used to treat difficult-to-treat sulphide ores and concentrates. During the year ended December 31, 2013, REBgold amalgamated with Aquila Resources Inc. and is hereinafter referred to as "Aquila".

The business plan for the Company is to apply bioleaching technology to abatement and reclamation projects to remove the harmful elements such as arsenic and sulphur from the environment, where this can be assisted by a positive cash flow from metal recovery. Examples of metals which could potentially be extracted include gold, silver, cobalt, nickel, copper, uranium and zinc. The Company's head office is located at 20 Eglinton Avenue West, Suite 1820, Toronto, Ontario, M4R 1K8.

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

The Company has no sources of recurring revenue, has incurred losses amounting to $6,263,786 since its inception, has a working capital deficit of $1,829,690 at June 30, 2016, and is dependent on financings to fund its operations. The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are materially uncertain and which, taken together, cast significant doubt over the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related statement of financial position and statement of loss classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

The Company funded its operations for the six month period ended June 30, 2016 from existing cash reserves, $42,000 in proceeds from loans payable and $61,000 in gross proceeds from private placements. The Company does not have sufficient cash reserves to fund its administrative costs and fully fund all project development initiatives for the coming twelve month period, and to repay its liabilities to trade creditors and debt holders. Management is actively involved in identifying reclamation and abatement ventures amenable to the application of the Company's technology license, and in seeking new equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

2. Basis of Consolidation and Presentation

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

Statement of Compliance

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company reported in Note 2 and 3 in its audited annual consolidated financial statements for the year ending December 31, 2015. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

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

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on August 29, 2016.

Basis of Preparation and Presentation

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

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

Basis of Consolidation

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

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

3. Significant Accounting Policies

Measurement Uncertainty

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods, if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgements and Estimation Uncertainties

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

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

- Assets' carrying values and impairment charges
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  In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Taxes, income taxes and deferred taxes
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  The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

- Share-Based Payments
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  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies
-

  Refer to Note 18.

4. Current and Future Changes in Accounting Policies

Future Changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have significant impact of the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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

5. Other Receivables

Other receivables consist of the following:

	June 30 2016	December 31 2015
	$	$
Sales tax receivable	**17,500**	6,490
Other receivable	**-**	-
Total other receivables	**17,500**	6,490

6. Payable to Aquila Resources Inc.

	June 30 2016	December 31 2015
	$	$
Plan of Arrangement loan	**69,823**	69,823
Net accruals/receivables	**9,471**	9,471
Debenture payable	**82,000**	82,000
	161,294	161,294
Less current portion	**91,471**	91,471
	69,823	69,823

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

Under the Plan of Arrangement ("Arrangement") completed with Aquila, the Company assumed 20% of Aquila Resources Inc.'s ("Aquila") debenture payable obligation which consisted of 43 $10,000 unsecured convertible debentures, initially maturing on October 13, 2011 but were extended to April 13, 2015 over a series of extension agreements, with an interest rate of 18% per year payable semi-annually. The Company is obligated to pay to Aquila the Company's principal portion to Aquila which is $86,000 plus 20% of the interest accrued from December 2, 2010. The Debenture has reached it's maturity date and Aquila has repaid the debenture obligation to the debenture holders.

7. Accounts Payable and Accrued Liabilities

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

	June 30 2016 $	December 31 2015 $
Trade payables	**544,728**	444,745
Accrued liabilities other	**1,060,966**	834,270
Total	**1,605,694**	1,279,015

8. Related Party Transactions

Aggregate compensation included for the six month period ended:

	June 30 2016 $	June 30 2015 $
Salaries and management fees	**142,500**	142,500
Share-based compensation	**30,800**	-
Total	**173,300**	142,500

Included in accounts payable and accrued liabilities is $793,610 due to related parties at June 30, 2016 (2015 - $484,320).

9. Loan Payable

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

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

The 600,000 common shares have not been issued and the value of the shares is included in accounts payable and accrued liabilities on the condensed consolidated interim statement of financial position. The shares have been valued at $13,000 based on the quoted market value of the common shares and forms part of finance charges for fiscal 2015 (note 15).

On October 8, 2015, the Company arranged for an additional loan from another third party. The purpose of the loan is to provide working capital to complete an agreement with the Bolivian Government.

Total amount available of the loan is $350,00 but only $102,000 has been advanced as at June 30, 2016. The loan was due February 28, 2016, but since the agreement with the Bolivian Government had not been finalized at that time, the terms were extended until the agreement is signed. The loan earns interest at 15% and is unsecured and due on demand. See Note 19 - Subsequent Events.

10. Share Capital

Authorized: Unlimited common shares without par value

Issued and outstanding:	**Number of shares**	**Amount $**
Balance, December 31, 2014	**41,393,944**	**3,957,574**
Private placement, shares for debt *(i)*	1,000,000	50,000
Balance, December 31, 2015	**42,393,944**	**4,007,574**
Private placement, shares for debt *(ii)*	1,525,000	31,539
Balance, June 30, 2016	**43,918,944**	**4,039,113**

(i) On February 2, 2015, the Company settled $50,000 of accrued salaries and management fees by issuing one million common shares of the Company at a price of $0.05 per common share based on the quoted market value of the common shares. The following insiders participated; President and Chief Executive Officer, 500,000 common shares issued in settlement of $25,000 of accrued fees, and Chief Financial Officer, 500,000 common shares issued in settlement of $25,000 of accrued fees.

(ii) On June 8 and June 23, 2016, the Company completed two tranches of a private placement for total gross proceeds of $61,000 and issued 1,525,000 units at $0.04 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.10 for a period of 2 years. All securities issued in connection with the offering and the underlying securities were subject to a four month hold period. The fair value of common share purchase warrants issued in this placement was estimated at $24,400. Share issue costs incurred on this private placement amounted to $5,061.The units were purchased by deemed insiders of the Company.

11. Warrant Reserve

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

	June 30, 2016		**December 31, 2015**	
	Number Outstanding	**Weighted Average Exercise Price $**	**Number Outstanding**	**Weighted Average Exercise Price $**
Balance, beginning of period	1,600,000	0.31	1,600,000	0.31
Issued	1,525,000	0.10	-	-
Expired	-	-	-	-
Balance, end of period	3,125,000	0.21	1,600,000	0.31

The exercise price, expiry date, and the fair value assigned to warrants issued and outstanding as at June 30, 2016 are as follows:

Expiry Date	Weighted Average Exercise Price $	Fair Value $	Warrants Outstanding	Contractual Life (years)
November 8, 2016	0.75	54,000	200,000	0.41
May 23, 2017	0.25	32,372	1,400,000	0.90
June 8, 2018	0.10	10,400	650,000	1.94
June 23, 2018	0.10	14,000	875,000	1.98
	0.21	110,772	3,125,000	1.39

The fair values of the warrants issued during the six months ended June 30, 2016 and for the year ended December 31, 2014 were estimated using the Black-Scholes option pricing model with the following assumptions:

	2016	2014
Risk free interest rate	0.55%	1.11%
Expected dividend yield	Nil	Nil
Expected volatility	185 to 215%	223%
Expected life	2 years	3 years

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Company's warrants at the date of issue.

12. Stock Options

The Company has a stock option plan (the "Plan"), under which the Company may grant options to directors, officers, employees, and third party service providers. Under the terms of the Plan that was re-approved by the shareholders on July 3, 2013, the Company is authorized to issue a maximum of 10% of the issued and outstanding shares.

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. The options granted under the Plan are non-assignable, have a term of 5 years and vest over periods of up to two years from the date of issue.

	June 30, 2016		December 31, 2015	
	Number Outstanding	Weighted Average Exercise Price $	Number Outstanding	Weighted Average Exercise Price $
Balance, beginning of period	230,000	1.00	708,000	0.88
Granted	2,850,000	0.07	-	-
Expired/Cancelled	(10,000)	1.00	(478,000)	0.82
Balance, end of period	3,070,000	0.14	230,000	1.00

Options to purchase common shares outstanding at June 30, 2016 carry exercise prices and remaining terms to maturity as follows:

Expiry Date	**Weighted Average Exercise Price $**	**Grant Date Fair Value $**	**Number of Options Outstanding**	**Number of Options Exercisable**	**Weighted Average Contractual Life (years)**
July 8, 2017	1.00	123,593	180,000	180,000	1.02
March 17, 2018	1.00	28,095	40,000	40,000	1.71
March 15, 2021	0.07	62,700	2,850,000	2,850,000	4.71
	0.14	214,388	3,070,000	3,070,000	4.45

During the period ended June 30, 2016, the Company granted 2,850,000 new options (for the year ended December 31, 2015 – Nil). The Company recognized a total expense of $62,700 for the six months ended June 30, 2016 (2015 - $Nil) in respect of the options vesting during the period. Share based payments expense is included in general and administrative costs.

The fair values of the options issued during the six months ended June 30, 2016 were estimated using the Black-Scholes option pricing model with the following assumptions:

	2016
Risk free interest rate	0.89%
Expected dividend yield	Nil
Expected volatility	156%
Expected life	5 years

13. Loss per Share

The calculation of basic and diluted loss per share for the six months ended June 30, 2016 was based on the loss attributable to common shareholders of $391,398 (2015 – $286,168) and the weighted average number of common shares outstanding of 42,620,888 (2015 – 42,027,277). For the three months ended June 30, 2016, basic and diluted loss per share was based on a loss of $178,961 (2015 -$125,689) and the weighted average number of common shares outstanding of 43,918,944 (2015 – 42,027,277). Diluted loss per share did not include the effect of share purchase options and warrants as they are anti-dilutive.

14. Operating and Administrative

Operating and administrative expense consists of the following:

	Three months ended June 30		**Six months ended June 30**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Salaries and management fees (*note 8*)	**125,850**	71,250	**197,100**	142,500
Share based payments (*note 8*)	**-**	-	**62,700**	-
Professional fees	**1,900**	27,558	**57,913**	72,402
Shareholder information and filing fees	**36,065**	9,490	**39,382**	15,222
Travel	**513**	1,863	**1,353**	11,277
General office expenses	**3,163**	8,666	**11,780**	16,480
Foreign exchange loss	**-**	82	**-**	346
Total	**167,491**	118,909	**370,228**	258,227

15. Finance Charges

Finance charges consist of the following:

	Three months ended June 30		**Six months ended June 30**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Interest and bank charges	**245**	1,432	**1,120**	2,503
Loan payable interest	**11,225**	4,500	**20,050**	19,300
Debenture and bridge loan interest	**-**	410	**-**	4,100
Accretion on debenture	**-**	438	**-**	2,038
Total	**11,470**	6,780	**21,170**	27,941

16. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to subscriptions receivable and sales tax receivable is remote.

Liquidity risk

As at June 30, 2016, the Company had a cash balance of $6,475 (2015 - $7,650) to settle current liabilities of $1,949,165 (2015 - $1,580,486). The Company does not have sufficient cash reserves to fund its administrative costs and fully fund all project development initiatives for the coming twelve month period, and to repay its liabilities to trade creditors and debt holders. Management is actively involved in identifying reclamation ventures amenable to the application of the Company's technology and in seeking new equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

Market risk

(a) Interest rate risk

The Company has cash earning interest at a variable interest rate, a loan payable bearing interest at 12% per annum and another at 15% per annum. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. Major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative expenses using United States dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is not exposed to price risk with respect to commodity prices because the Company is not a producing entity.

17. Capital Management

The Company defines capital as share capital, warrant reserve, and option reserve. The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support the acquisition, assessment and evaluation, and development of mineral reclamation properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is currently in the early stages of evaluation and assessment of projects; as such, the Company is dependent on external financing to fund its activities. In order to carry out the assessment and evaluation of the projects and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties, if it feels there is sufficient geologic or economic potential, and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company does not have externally imposed capital requirements.

The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended June 30, 2016 and and the years ended December 31, 2015 and 2014.

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

18. Commitments and Contingencies

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

Environmental matters

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

19. Subsequent Events

Financing

On August 15, 2016, BacTech announced that it had completed an additional closing for the CAD$500,000 private placement announced on May 31, 2016.

The current tranche was for $308,000 and resulted in the issuance of 7,700,000 common shares and 7,700,000 warrants. The warrants are exercisable at $0.10 for 2 years from closing. This brings the total amount raised for the $500,000 private placement to $369,000. The proceeds of the private placement was used to repay the note payable o $102,000, as wells as initiate the drill program at the Telamayu tailings project in Bolivia to provide fresh material for assays of gold, silver, copper, tin and rare earths, as well as metallurgical studies.