BacTech Environmental Corporation

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited)

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For the three months ended March 31, 2021 and 2020

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

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

BacTech Environmental Corporation
May 26, 2021

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

	As at March 31 2021 $	As at December 31 2020 $
Assets		
Current assets		
Cash	**303,270**	19,412
Prepaid expenses	**9,942**	14,261
Total current assets	**313,212**	33,673
Total assets	**313,212**	33,673
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(notes 6 and 7)*	**1,595,223**	1,666,791
Government assistance *(note 20)*	**60,000**	60,000
Payable to Aquila Resources Inc. *(note 5)*	**161,294**	161,294
Loan payable (*note8)*	**150,000**	150,000
Debentures *(note 9)*	**570,694**	615,795
Total current liabilities	**2,537,211**	2,653,880
Liabilities related to abandoned subsidary *(note 19)*	**180,647**	180,647
Total liabilities	**2,717,858**	2,834,527
Equity (deficiency)		
Share capital *(note 10)*	**6,460,346**	5,787,147
Option reserve *(note 12)*	**377,245**	223,787
Warrant reserve *(note 11)*	**232,491**	296,198
Deficit	**(9,474,728)**	(9,107,986)
Total deficiency	**(2,404,646)**	(2,800,854)
Total liabilities and deficiency	**313,212**	33,673

Nature of Operations and Going Concern (*note 1*)
Commitments and Contingencies *(note 18)*
Subsequent Event *(note 21)*

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

Approved by the Board

Signed: *"Ross Orr"*
Director

Signed: *"Jay Richardson"*
Director

BacTech Environmental Corporation

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

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

	Three months ended March 31	
	2021	**2020**
	$	$
Expenses		
Operating and administrative costs (*note 14*)	**290,865**	114,706
Finance charges *(note 15)*	**66,667**	56,979
Project expenditures	**40,301**	-
Total expense	**(397,833)**	(171,685)
Net loss and comprehensive loss for the period	**(397,833)**	(171,685)
Basic and diluted loss per share *(note 13)*	**(0.005)**	0.00
Weighted average number of common shares outstanding (*note 13)*	**124,599,958**	102,528,571

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

BacTech Environmental Corporation

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

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

	Share Capital #	**Share Capital** $	**Option Reserve** $	**Warrant Reserve** $	**Deficit** $	**Total Equity** $
Balance, December 31, 2019	101,153,756	5,470,659	148,887	485,743	(10,305,371)	(4,200,082)
Shares issued pursuant to private placement *(note 10(i))*	4,266,667	34,150	-	29,850	-	64,000
Expired warrants	-	-	-	(37,697)	37,697	-
Share issue costs	-	(6,000)	-	-	-	(6,000)
Net loss for the period	-	-	-	-	(171,685)	(171,685)
Balance, March 31, 2020	105,420,423	5,498,809	148,887	477,896	(10,439,359)	(4,313,767)
Shares issued pursuant to debenture conversion *(note 10(ii))*	8,160,616	244,819	-	-	-	244,819
Shares issued pursuant to private placement *(note 10(iii))*	3,333,333	65,880	-	-	-	65,880
Warrants issued pursuant to debenture extension (*note 9(a), (c) (d) and (e))*	-	-	-	116,845	-	116,845
Share issue costs	-	(22,361)	-	-	-	(22,361)
Share based paymnets *(note 12)*	-	-	74,900	-	-	74,900
Expired warrants	-	-	-	(298,543)	298,543	-
Net income for the peiod	-	-	-	-	1,032,830	1,032,830
Balance, December 31, 2020	116,914,372	5,787,147	223,787	296,198	(9,107,986)	(2,800,854)
Shares issued pursuant to private placement *(note 10(iv))*	6,300,000	121,557	-	-	-	121,557
Shares issued pursuant to private placement *(note 10(v))*	5,116,666	153,500	-	-	-	153,500
Options exercised *(note 10(vi))*	1,100,000	77,000	-	-	-	77,000
Fair market value adjustment from exercise of options	-	32,571	(32,571)	-	-	-
Warrants exercised *(note 10(vii))*	4,559,500	227,975	-	-	-	227,975
Fair market value adjustment from exercise of warrants	-	63,707	-	(63,707)	-	-
Share issue costs	-	(3,111)	-	-	-	(3,111)
Share based paymnets *(note 12)*	-	-	217,120	-	-	217,120
Expired options	-	-	(31,091)	-	31,091	-
Net income for the period	-	-	-	-	(397,833)	(397,833)
Balance, March 31, 2021	133,990,538	6,460,346	377,245	232,491	(9,474,728)	(2,404,646)

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

BacTech Environmental Corporation

Condensed Interim Consolidated Statements of Cash Flows

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

	Three months ended March 31 2021	Three months ended March 31 2020
	$	**$**
Cash flow from operating activities		
Cash paid to suppliers, employees and consultants	**(218,063)**	(61,219)
Net cash used in operating activities from continuing operations	**(218,063)**	(61,219)
Cash flow from financing activities		
Gross proceeds from exercise of warrants	**227,975**	-
Gross proceeds from options	**77,000**	-
Gross proceeds from private placements	**275,057**	64,000
Share issue costs from financings	**(3,111)**	(6,000)
Repayment of debenture *(note 9(e))*	**(75,000)**	-
Net cash provided by financing activities	**501,921**	58,000
Increase (decrease) in cash	**283,858**	(3,219)
Cash, beginning of the period	**19,412**	5,017
Cash, end of the period	**303,270**	1,798

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

1. Nature of Operations and Going Concern

BacTech Environmental Corporation (the "Company" or "BEC") was incorporated by REBgold Corporation ("REBgold" and formerly BacTech Mining Corporation) on October 5, 2010 under the Canada Business Corporations Act. REBgold completed a divisive reorganization by way of a Plan of Arrangement whereby a newly formed subsidiary, the Company, was granted rights and interests in REBgold's existing and proposed tailings remediation projects and an exclusive, perpetual, royalty-free license to use REBgold's proprietary bioleaching technology for reclamation of historic mine tailings. REBgold retained the primary rights to the bioleaching technology. The technology utilizes bacteria to extract precious and base metals and has been traditionally used to treat difficult-to-treat sulphide ores and concentrates. During the year ended December 31, 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 37 King Street East, Suite 409, Toronto, Ontario, M5C 1E9.

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

The Company has no sources of recurring revenue, has realized net loss of $397,833, during the three months ended March 31, 2021, has a working capital deficit of $2,223,999 at March 31, 2021, has past due loans and debentures 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 and substantial doubt over the ability of the Company to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related statement of financial position and statement of loss classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

The Company funded its operations for the period ended March 31, 2021 from existing cash, two equity private placements for gross proceeds of $275,057, exercise of options for gross proceeds of $77,000 and exercise of warrants for gross proceeds of $227,975. The Company does not have sufficient cash reserves to fund its administrative costs and fund any project development initiatives for the coming twelve month period, nor to repay its liabilities to trade creditors and debt holders. These matters represent material uncertainties that cast significant and substantial doubt about the Company's ability to continue as a going concern. Management is actively involved in identifying reclamation and abatement ventures amenable to the application of the Company's technology license, and in seeking new equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

COVID-19 Pandemic

The Company is subject to various market, political and regulatory constraints as a result of the COVID-19 situation and additional business and financial risks that may result therefrom. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, Government response actions, business closures and disruptions, can all have an impact on the Issuer's operations and access to capital. There can be no assurance that the Issuer will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets, share prices and financial liquidity and that may severely limit the financing capital available to the Company. While it appears that the pandemic is continuing longer than might originally have been expected, adaptation to the new requirements of a pandemic affected world seems generally to be taking place. The suggestion of relatively near term availability of vaccines appears to raise hopes of a gradual return to more normal conditions progressively through 2021.

2. Basis of Consolidation and Presentation

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

Statement of Compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company reported in Note 2 and 3 in its audited annual consolidated financial statements for the year ending December 31, 2020. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

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

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 26, 2021.

Basis of Preparation and Presentation

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

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

Basis of Consolidation

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

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

3. Significant Accounting Policies

Measurement Uncertainty

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

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

- Impairment of deferred assessment and evaluation costs;
- Estimation of decommissioning and restoration costs and the timing of expenditure;
- Assets and liabilities held for sale and Discontinued operations; and
- Commitments and Contingencies .

4. Adoption and Future Changes in Accounting Standards

Certain pronouncements were issued by the IASB that are mandatory for accounting years on or after January 1, 2021 or later years. Many are not applicable or do not have significant impact on the Company and have been excluded. The following standard is likely to apply to the Company, has not yet been adopted and is being evaluated to determine its impact.

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

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

5. Payable to Aquila Resources Inc.

	March 31 2021	December 31 2020
	$	$
Plan of Arrangement loan	**69,823**	69,823
Net accruals/receivables	**9,471**	9,471
Aquila Debenture payable	**82,000**	82,000
Total Payable to Aquila Resources Inc.	**161,294**	161,294

The balance is unsecured, non-interest bearing, and is due on demand.

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 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 the principal portion to Aquila which is $82,000 plus 20% of the interest accrued from December 2, 2010. The Debenture has reached its maturity date and Aquila has repaid the debenture obligation to the debenture holders.

6. Accounts Payable and Accrued Liabilities

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

	March 31 2021	December 31 2020
	$	$
Trade payables	**209,828**	**266,671**
Sales tax payable	**6,778**	**10,012**
Accrued liabilities - other	**1,364,052**	**1,320,598**
Accrued liabilities - related parties	**14,565**	**69,510**
Total	**1,595,223**	**1,666,791**

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

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

7. Related Party Transactions

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

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

	March 31 2021	March 31 2020
	$	$
Salaries and management fees	**40,125**	71,250
Share based payments	**128,180**	-
Total	**168,305**	71,250

Included in accounts payable and accrued liabilities is $14,565 due to related parties at March 31, 2021 (December 31, 2020 - $69,510). Please refer to additional related party transactions in Share Capital Note 10 for additional related party transactions.

8. Loan Payable

On January 20, 2015, the Company arranged for a loan from a third party. The purpose of the loan was 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 interim consolidated statement of financial position.

9. Debentures

Debentures consist of the following as at:

	March 31 2021	December 31 2020
	$	$
Debentures with Bonus Interest (a)	**356,035**	354,635
Debentures with warrant and Net Smelter Return ("NSR") (b)	**-**	-
Debenture with NSR with a maturity date of November 29, 2019 (c)	**90,900**	86,400
Debenture with NSR with a maturity date of May 14, 2020 (d)	**69,470**	65,470
Debentures with warrant with maturity of May 1, 2020 (e)	**54,289**	109,290
Total	**570,694**	615,795
Less Current Portion	**570,694**	615,795
Total Long Term Portion	**-**	-

(a) Debentures with Bonus Interest

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

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

For the debenture holders that have reached their maturity date in fiscal 2019, the Company requested that the debenture holders extend the term of the debentures. In consideration of the extension of the maturity date, the Company has offered to issue a common share purchase warrant allowing the debenture holders to purchase a common share of the Company at five cents for a period of three years for each $0.05 of debenture held. In fiscal 2020, $20,000 of the debenture holders formally accepted the terms to extend the maturity date. A total of 496,000 warrants were issued at a value of $6,072.

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

On August 20, 2020, an arm's length debenture holder agreed to convert $87,500 face value of debentures and the related accrued interest at $0.05 per share. This transaction resulted in the issuance of 3,083,352 common shares and reduced $154,168 in principal of the debenture and interest owing. For further information on the debenture conversion refer to Share Captial note 10(ii).

	March 31 2021	December 31 2020
	$	$
Face value of debentures	**445,000**	**445,000**
Transactions costs allocated to debentures	**(78,850)**	**(78,850)**
Cost of extension of maturity date	**(42,878)**	**(42,878)**
Loss on modification of debenture	**14,409**	**14,409**
Accumulated accretion	**105,854**	**104,454**
Redemptions	**(87,500)**	**(87,500)**
Balance	**356,035**	**354,635**

(b) Debentures with Warrants and Net Smelter Royalty

Between August 14, 2017 and September 22, 2017, BacTech completed two tranches of a debenture financing for one debenture holder for gross proceeds of $200,000. The debentures were accompanied by the issuance of 1,666,760 common share purchase warrants and NSR of 0.834% on project in Bolivia. The debenture has a 2-year term and pays 12% interest annually.

The fair value of the common share purchase warrants was determined by reference to the fair market value of the warrants issued in connection with the debenture financing with an aggregate value of $73,700. Each warrant entitles the holder to purchase one common share at an exercise price of $0.05 for a period of 5 years from the date of issue. The NSR was estimated to have a fair value of $Nil. The aggregate value of the transaction costs which includes the warrants is recorded against the debenture and is being amortized over the life of the debenture.

On August 20, 2020, an arm's length debenture holder agreed to convert $200,000 face value of debentures and the related accrued interest at $0.05 per share. This transaction resulted in the issuance of 5,076,264 common shares and reduced $253,863 in debenture and interest owing. For further information on the debenture conversion refer to Share Capital note 10(ii).

	March 31 2021	December 31 2020
	$	$
Face value of debentures	**200,000**	**200,000**
Transactions costs allocated to debentures	**(73,700)**	**(73,700)**
Accumulated accretion	**73,700**	**73,700**
Redemptions	**(200,000)**	**(200,000)**
Balance	**-**	**-**

(c) Debenture with Net Smelter Royalty with maturity date of November 29, 2019

On November 29, 2017, BacTech completed a debenture financing for one debenture holder for gross proceeds of $100,000. The debenture was accompanied by the issuance of 400,000 common shares which are included as a bonus equity interest and NSR of 0.50% in relation to the project in Bolivia. The debenture has a 2-year term and pays 12% interest annually.

The fair value of the bonus shares was determined by reference to the trading prices of the Company's common shares on the date the financing closed. The Company issued 400,000 common shares in connection with the debenture financing with an aggregate value of $18,000. The NSR was estimated to have a fair value of $Nil. The aggregate value of the transaction costs which includes the bonus shares is recorded against the debenture and is being amortized over the life of the debenture.

The debenture holder reached their maturity date in fiscal 2019. The Company requested that the debenture holder extend the term of the debenture. In consideration of the extension of the maturity date, the Company has offered to issue a common share purchase warrant allowing the investor to purchase a common share of the Company at five cents for a period of three years for each $0.05 of debenture held. In fiscal 2020, the debenture holder formally accepted the terms to extend the maturity date. A total of 2,480,000 warrants were issued at a value of $21,300.

	March 31 2021	December 31 2020
	$	$
Face value of debentures	**100,000**	**100,000**
Transactions costs allocated to debentures	**(18,000)**	**(18,000)**
Cost of extension of maturity date	**(21,300)**	**(21,300)**
Accumulated accretion	**30,200**	**25,700**
Balance	**90,900**	**86,400**

(d) Debentures with Net Smelter Royalty with maturity date of May 14, 2020

On May 14, 2018, the Company closed the final tranche of its debenture financing for gross proceeds of $85,000. The debentures were accompanied by the issuance of 340,000 common shares which are included as a bonus equity interest and a Net Smelter Royalty of 2.5% in relation to the Company's Telamayu Tailings project. The debenture has a 2-year term and pays 12% interest annually. The 340,000 common shares issued in this tranche were with a 4-month hold.

The fair value of the bonus shares was determined by reference to the trading prices of the Company's common shares on the date the financing closed. The Company issued 340,000 common shares in connection with the debenture financing with an aggregate value of $11,900. Transaction costs included a cash commission of $6,800 and 170,000 broker warrants. Each broker warrant entitles the holder to purchase one common share and one new warrant at an exercise price of $0.05 for a period of 24 months from the date of closing the debenture and are valued at $8,890. Each new warrant entitles the holder to purchase one common share at a price of $0.05 per new warrant for a period of 24 months from the date of closing the debenture. The NSR was estimated to have a fair value of $Nil. The aggregate value of the transaction costs which includes the bonus shares, commission and broker warrants is recorded against the debenture and is being amortized over the life of the debenture.

The debenture holders reached their maturity date in fiscal 2020. The Company requested that the debenture holders extend the term of the debentures . In consideration of the extension of the maturity date, the Company has offered to issue a common share purchase warrant allowing the investor to purchase a common share of the Company at $0.05 for a period of two years for each $0.05 of debenture held. In fiscal 2020, the debenture holders formally accepted the terms to extend the maturity date . A total of 2,108,000 warrants were issued at a value of $28,400.

	March 31 2021	December 31 2020
	$	$
Face value of debentures	**85,000**	**85,000**
Transactions costs allocated to debentures	**(27,590)**	**(27,590)**
Cost of extension of maturity date	**(28,400)**	**(28,400)**
Accumulated accretion	**40,460**	**36,460**
Balance	**69,470**	**65,470**

(e) Convertible Debentures with Warrants

On May 1, 2019, the Company closed a $150,000 Senior Bridge Debenture. The Senior Bridge Debenture is for one year and will pay 12% interest on redemption. In addition, the Company will issue a total of 1,500,000 common share purchase warrants with a two-year term would allow the holder to buy additional shares at $0.05 per share. The Senior Bridge Debentures are convertible at a price of $0.03 at the option of the debenture holder.

The fair value of the common share purchase warrants was estimated using the Black-Scholes valuation model to be of $14,800. Each warrant entitles the holder to purchase one common share at an exercise price of $0.05 for a period of 2 years from the date of issue. The aggregate value of the transaction costs which includes the warrants is recorded against the debenture and is being amortized over the life of the debenture.

The debenture holders reached their maturity date in fiscal 2020. The Company requested that the debenture holders extend the term of the debentures. In consideration of the extension of the maturity date, the Company has offered to issue a common share purchase warrant allowing the investor to purchase a common share of the Company at $0.05 for a period of two years for each $0.05 of debenture held. In fiscal 2020, the debenture holders formally accepted the terms to extend the maturity date. A total of 3,360,000 warrants were issued at a value of $61,070.

During the three months ended March 31, 2021, BacTech repaid the principal balance of $75,000 plus interest to one of the convertible debentures holders .

	March 31 2021	December 31 2020
	$	$
Face value of debentures	**150,000**	**150,000**
Transactions costs allocated to debentures	**(14,800)**	**(14,800)**
Cost of extension of maturity date	**(61,070)**	**(61,070)**
Accumulated accretion	**55,159**	**35,160**
Redemption	**(75,000)**	**-**
Balance	**54,289**	**109,290**

10. Share Capital

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

(i) On February 13, 2020 and March 20, 2020, the Company completed a private placement for total gross proceeds of $64,000 through the issue of 4,266,667 units at a price of $0.015 per unit. Each unit consisted of one common share of the Company and one full common share purchase warrant exercisable at $0.05 for two years. The fair value of common share purchase warrants issued in this placement was estimated at $29,850 using the Black-Sholes option pricing model (see note 11).

(ii) On August 20, 2020, the Company completed the redemption of $287,500 debentures plus all of the accrued interest for a total value of $407,981, through the issue of 8,160,616 common shares of the Company at a fair market value of $244,819 based on the market value f he Company’s sharesat August 20, 2020. This resulted in a gain on settlement of the debenture of $163,162 for the year ended December 31, 2020.

(iii) On July 15, 2020, the Company’s Tier 2 Regulation A offering memorandum originally filed on April 2, 2020, with the United States Securities and Exchange Commission (SEC) was qualified. BacTech filed an offering to raise up to US$1.0M to finance the bioleach test work, prefeasibility and feasibility studies and detailed engineering for its Ecuadorian environmental project. It is anticipated that the Company will draw down tranches on an "as needed basis" matching capital raises to project expenditures. The share price for first tranche is US$0.0150. On September 15, 2020, the Company closed its first tranche for gross proceeds $65,800 (US$50,000) through the issuance of 3,333,333 common shares.

(iv) On February 5, 2021, BacTech completed the second round of financing using the Regulation “A” exemption. In this round the Company raised US$94,500 (CDN $121,557)at US$0.015 per share through the issuance of 6,300,000 common shares.

(v) On February 8, 2021, BacTech completed a non-brokered private placement for gross proceeds of $153,500 through the issuance of 5,116,666 common shares priced at $0.03 per share. Four insiders of BacTech participated in the financing for a total of $39,000 resulting in the issuance of 1,300,000 common shares.

(vi) During the three months ended March 31, 2021, a total of 1,100,000 common share stock options were exercised at price of $0.07 per share, providing gross proceeds of $77,000 to the Company.

(vii) During the three months ended March 31, 2021, a total of 4,559,500 common share purchase warrants were exercised at price of $0.05 per share, providing gross proceeds of $227,975 to 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:

	Three months ended March 31, 2021		Year ended December 31, 2020	
	Number Outstanding	**Weighted Average Exercise Price $**	**Number Outstanding**	**Weighted Average Exercise Price $**
Balance, beginning of period	21,598,427	0.05	33,500,908	0.05
Issued	-	-	12,710,667	0.05
Exercised *(Note 10(vii))*	(4,559,500)	0.05	-	-
Expired	-	-	(24,613,148)	0.05
Balance, end of period	17,038,927	0.05	21,598,427	0.05

The exercise price, expiry date, and the fair value assigned to warrants issued and outstanding as at March 31, 2021 are as follows:

Expiry Date	**Weighted Average Exercise Price $**	**Grant Date Fair Value $**	**Warrants Outstanding**	**Remaining Contractual Life (yr)**
September 22, 2022	0.05	63,530	1,333,260	1.48
May 1, 2021	0.05	7,400	750,000	0.08
July 16, 2021	0.05	18,506	1,625,000	0.29
April 19, 2022	0.05	12,028	1,240,000	1.05
May 12, 2022	0.05	23,004	2,108,000	1.12
February 14, 2022	0.05	14,925	2,133,333	0.88
March 21, 2022	0.05	9,328	1,333,334	0.97
June 25, 2022	0.05	3,035	248,000	1.24
November 28, 2022	0.05	21,300	2,480,000	1.66
May 1, 2022	0.05	31,035	1,680,000	1.08
May 13, 2022	0.05	28,400	2,108,000	1.11
	0.05	232,491	17,038,927	1.05

The fair values of the warrants issued during the year ended December 31, 2020 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020
Risk free interest rate	0.36% to 1.32%
Expected dividend yield	Nil
Exercise price	$0.05
Share price	$0.01 to$0.02
Expected volatility	186 -254%
Expected life	2 to 3years

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 18, 2018, 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.

	Three months ended March 31, 2021		**Year ended December 31, 2020**	
	Number Outstanding	**Weighted Average Exercise Price $**	**Number Outstanding**	**Weighted Average Exercise Price $**
Balance, beginning of year	7,000,000	0.07	4,500,000	0.08
Granted	2,200,000	0.12	2,500,000	0.05
Exercised *(note 10 (vi))*	(1,100,000)	0.07	-	-
Expired	(1,050,000)	0.07	-	-
Balance, end of year	7,050,000	0.09	7,000,000	0.07

Options to purchase common shares outstanding at March 31, 2021 carry exercise prices and remaining terms to maturity as follows:

Expiry Date	Weighted Average Exercise Price $	Grant Date Fair Value $	Number of Options Outstanding	Number of Options Exercisable	Remaining Weighted Average Contractual Life (yr.)
April 1, 2022	0.07	10,425	300,000	300,000	1.00
October 24, 2022	0.10	70,300	1,900,000	1,900,000	1.57
October 2, 2023	0.07	4,500	150,000	150,000	2.50
August 20, 2030	0.05	74,900	2,500,000	2,500,000	9.39
March 26,2026	0.12	217,120	2,200,000	2,200,000	4.99
	0.09	377,245	7,050,000	7,050,000	5.41

For the three months ended March 31, 2021,the Company Granted 2,200,000 options with a 5 year life and an exercise price of $0.12. The Company recognized share based payment expense of $217,120 for the three months ended March 31, 2021.

For the year ended December 31, 2020, the Company granted 2,500,000 options with a 10 year life and exercise price of $0.05. These stock options were issued to those officers and consultants who forgave accrued salaries and fees for the periods up to and ended June 30, 2020. During the year ended December 31, 2020, the Company recognized a total share based payment expense of $74,900 from the vesting of options granted.

The fair values of the options issued during the year ended December 31, 2020 and three momths ended March 31, 2021 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021	2020
Risk free interest rate	0.99%	0.41%
Expected dividend yield	Nil	Nil
Exercise price	$0.12	$0.05
Share price	$0.10	$0.03
Expected volatility	224%	287%
Expected life	5 years	10 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.

13. Income (Loss) per Share

The calculation of basic and diluted loss per share for the year ended March 31, 2021 includes a net loss attributable to common shareholders of $397,833 (2020 – $171,685) and the weighted average number of common shares outstanding of 124,599,958 (2020 – 102,528,571). The calculation of basic and diluted loss per share for the prior year did not include the effect of share purchase options and warrants outstanding as they would be anti-dilutive.

14. Operating and Administrative

Operating and administrative expense consists of the following:

	Three months ended March 31	
	2021	**2020**
	$	**$**
Salaries and management fees *(note 7)*	**40,125**	71,250
Share based payments *(note 12)*	**217,120**	-
Professional fees	**7,182**	19,418
Shareholder information and filing fees	**14,183**	17,860
Travel	**-**	360
General office expenses	**12,255**	5,818
Total	**290,865**	114,706

15. Finance Charges

Finance charges consist of the following:

	Three months ended March 31	
	2021	**2020**
	$	**$**
Interest and bank charges	**677**	**954**
Loan payable interest *(note (8))*	**13,875**	**13,875**
Debenture interest *(note (9))*	**22,215**	**29,400**
Accretion expense *(note (9))*	**29,900**	**12,750**
Total	**66,667**	**56,979**

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 sales tax receivable is remote.

Liquidity risk

As at March 31, 2021, the Company had a cash balance of $303,270 (December 31, 2020 - $19,412) as against current liabilities of $2,537,211 (December 31, 2020 - $2,653,880). The Company does not have sufficient cash reserves to fund its administrative costs and fund any project development initiatives for the coming twelve month period, and to repay its liabilities to trade creditors and debt holders. Management is actively involved in identifying reclamation ventures amenable to the application of the Company's technology and in seeking new equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

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

Market risk

(a) Interest rate risk

The Company has cash earning interest at a variable interest rate, a loan payable and debentures bearing interest at 12% to 18% per annum. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

(b) Foreign currency risk

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

(c) Price risk

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

As at March 31, 2021 and December 31, 2020 the Company does not have any financial instruments measured at fair value and that require classification within the fair value hierarchy.

Classification of financial instruments

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

		March 31 2021		December 31 2020
Financial assets at amortized cost:				
Cash	$	303,270	$	19,412

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

		March 31 2021		December 31 2020
Financial liabilities at amortized cost:				
Payable to Aquila Resources Inc.	$	161,294	$	161,294
Accounts payable and accrued liabilities	$	1,595,223	$	1,666,791
Government assistance	$	60,000	$	60,000
Loan payable	$	150,000	$	150,000
Debentures	$	570,694	$	615,795

Fair value

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

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

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

As at March 31, 2021 and December 31, 2020 the Company does not have any financial instruments measured at fair value and that require classification within the fair value hierarchy.

17. Capital Management

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company does not have externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the period ended March 31, 2021 and year ended December 31, 2020, with the exception of the Regulation A mechanism for new financings, discussed above, which has substantially enhanced the Company's prospect for a continuing ability to raise additional capital.

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

18. Commitments and Contingencies

Management contract

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, 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 interim consolidated financial statements.

Environmental matters

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

19. Liabilities related to abandon subsidary

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

The ten-year contract called for the environmental remediation and restoration of the "Antigua" tailings and an option on the "Nuevo" tailings, both situated at the Telamayu mill site. The agreement envisions three phases, with the first phase focused on the completion of a technical study on the Antigua tails.

On September 9, 2019, BacTech announced that it will not proceed with the reclamation of the Telamayu tailings project in Bolivia. After completing metallurgical test work on the project and evaluating the economics of the project it was decided that the project would be too difficult to finance. BacTech is abandoning the Bolivian subsidiary which is inactive. Management believes that there will be no impact on the business of the Company and accounts payable amounts will not be pursued by vendors.

The following liabilities have been included in the Company's balance sheet.

	March 31 2021	December 31 2020 $
Liabilities releated to abandon subsidary	**180,647**	180,647

20. Government assistance

Canada Business Emergency Account

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

21. Subsequent events

Secured Debentures Repayment
Subsequent to March 31, 2021, BacTech repaid the principal balance of $25,000 plus interest to one of the convertible debentures holders that was completed in April 2017.

Warrants Exercised
Subsequent to March 31, 2021, a total of 4,066,666 common share purchase warrants were exercised providing gross proceeds of $203,333 to the Company.