FORM 10-Q

LIQTECH INTERNATIONAL INC - LIQT

Filed: November 12, 2015 (period: September 30, 2015)

Quarterly report with a continuing view of a company's financial position

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the nine months period ended September 30, 2015

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________________ to ________________________

Commission File Number:**000-53769**

LiqTech International, Inc.
(Exact name of registrant as specified in its charter)

Nevada	**20-1431677**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Industriparken 22C, DK2750 Ballerup, Denmark	
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **+4544986000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer		Accelerated filer	
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐. No ☒ .

The number of shares outstanding of the registrant's common stock, par value $0.001 per share, at November 12, 2015, was 39,532,035 shares.

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Period Ended September 30, 2015

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FORWARD-LOOKING STATEMENTS

Certain statements made in this Quarterly Report on Form 10-Q are "forward-looking statements" regarding the plans and objectives of management for future operations and market trends and expectations. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving the continued expansion of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of September 30, 2015 UNAUDITED	As of December 31, 2014
Current Assets:		
Cash	$ 2,347,656	$ 5,853,752
Restricted cash	-	218,879
Accounts receivable, net	3,917,945	1,992,206
Other receivables	268,294	344,331
Cost in excess of billing	480,188	1,172,658
Inventories	4,461,616	4,914,866
Prepaid expenses	3,212	55,990
Current deferred tax asset	127,350	109,637
Total Current Assets	11,606,261	14,662,319
Property and Equipment, net accumulated depreciation	3,734,669	4,524,386
Other Assets:		
Other investments	5,594	6,085
Long term deferred tax asset	4,182,353	3,496,459
Goodwill	7,777,704	8,460,512
Other intangible assets	11,843	16,708
Deposits	247,671	259,070
Total Other Assets	12,225,165	12,238,834
Total Assets	$ 27,566,095	$ 31,425,539

(Continued)

The accompanying notes are an integral part of these unaudited financial statements.

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of September 30, 2015 UNAUDITED	As of December 31, 2014
Current Liabilities:		
Current portion of capital lease obligations	$ 158,954	$ 170,187
Accounts payable	2,579,026	2,336,942
Accrued expenses	1,223,645	1,439,735
Billing in excess of cost	40,051	-
Accrued income taxes payable	-	570
Deferred revenue / customers deposits	271,418	144,476
Total Current Liabilities	4,273,094	4,091,910
Long-term capital lease obligations, less current portion	203,694	368,614
Total Long-Term Liabilities	203,694	368,614
Total Liabilities	4,476,788	4,460,524
Stockholders' Equity:		
Common stock; par value $0,001, 100,000,000 shares authorized, 39,532,035 and 39,404,782 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	39,532	39,405
Additional paid-in capital	35,991,082	35,632,410
Accumulated deficit	(7,726,730)	(5,382,852)
Deferred compensation	(599,454)	(504,748)
Other comprehensive income, net	(4,615,123)	(2,835,917)
Non-controlled interest in subsidiaries	-	16,717
Total Stockholders' Equity	23,089,307	26,965,015
Total Liabilities and Stockholders' Equity	$ 27,566,095	$ 31,425,539

The accompanying notes are an integral part of these unaudited financial statements.

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Sales	$ 6,933,197	$ 4,931,406	$ 10,738,753	$ 12,102,595
Cost of Goods Sold	4,618,603	3,464,284	9,029,567	9,229,131
Gross Profit	2,314,594	1,467,122	1,709,186	2,873,464
Operating Expenses:				
Selling expenses	646,269	831,990	2,084,204	2,430,814
General and administrative expenses	656,090	738,761	2,155,218	2,174,942
Non-cash compensation expenses	106,448	(19,663)	264,094	372,960
Research and development expenses	171,157	83,113	536,614	223,532
Total Operating Expense	1,579,964	1,634,201	5,040,130	5,202,248
Income (Loss) from Operations	734,630	(167,079)	(3,330,944)	(2,328,784)
Other Income (Expense)				
Interest and other income	48,978	16,032	98,680	29,777
Interest expense	(8,677)	(18,794)	(43,504)	(40,914)
Gain (loss) on investments	(10)	9	7,285	(832)
Gain (loss) on currency transactions	(34,834)	237,551	97,907	192,226
Total Other Income (Expense)	5,457	234,798	160,368	180,257
Income (Loss) Before Taxes	740,087	67,719	(3,170,576)	(2,148,527)
Income Tax Expense (Benefit)	118,678	(276,870)	(848,426)	(972,430)
Net Income (Loss)	621,409	344,589	(2,322,150)	(1,176,097)
Less Net Income (Loss) Attributable To Non-Controlled Interests in Subsidiaries	(29)	(2,915)	21,731	(6,029)
Net Income (Loss) Attributable To LiqTech	$ 621,438	$ 347,504	$ (2,343,881)	$ (1,170,068)
Basic Earnings (Loss) Per Share	$ 0.02	$ 0.01	$ (0.06)	$ (0.04)
Weighted Average Common Shares Outstanding	39,519,705	35,613,164	39,471,745	30,043,493
Diluted Earnings (Loss) Per Share	$ 0.02	$ 0.01	$ (0.06)	$ (0.04)
Weighted Average Common Shares Outstanding Assuming Dilution	39,531,786	36,034,570	39,471,745	30,043,493

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES

(UNAUDITED) CONSOLIDATED STATEMENTS OF OTHER

COMPREHENSIVE INCOME

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Net Income (Loss)	621,409	344,589	(2,322,150)	(1,176,097)
Currency Translation, Net of Taxes	(169,571)	(1,852,400)	(1,779,206)	(1,874,600)
Other Comprehensive Income (Loss)	$ 451,838	$ (1,507,811)	$ (4,101,356)	$ (3,050,697)
Comprehensive Income (Loss) Attributable To Non-controlling Interest in Subsidiaries	25	(1,745)	(1,633)	(1,928)
Comprehensive Income (Loss) Attributable To LiqTech International, Inc.	$ 451,813	$ (1,506,066)	$ (4,099,723)	$ (3,048,769)

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equival

	For the Nine Months Period Ended September 30	
	2015	**2014**
Cash Flows from Operating Activities:		
Net Loss	$ (2,322,150)	$ (1,176,097)
Adjustments to reconcile net (loss) to net cash provided (used) by operations:		
Depreciation and amortization	1,055,555	1,264,536
Non-cash compensation	264,094	372,960
Bad debt expense	35,163	131,111
Reserve for obsolete inventory	76,492	-
Change in deferred tax asset / liability	(703,607)	(893,309)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,884,865)	9,570
(Increase) decrease in inventory	376,758	434,124
(Increase) decrease in prepaid expenses/deposits	64,177	(54,803)
Increase (decrease) in accounts payable	242,084	(1,146,846)
Increase (decrease) in accrued expenses	(89,718)	(2,211,334)
Increase (decrease) long-term contracts	732,521	(438,682)
Total Adjustments	168,654	(2,532,673)
Net Cash Used by Operating Activities	(2,153,496)	(3,708,770)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(409,093)	(190,440)
Acquisition of Provital Solutions AS	-	(1,874,684)
Net Cash Provided (Used) by Investing Activities	(409,093)	(2,065,124)
Cash Flows from Financing Activities:		
Restricted Cash	218,879	-
Payments on notes payable	-	(131,559)
Net payments on lines of credit	-	(1,791,895)
Net payments proceeds on capital lease obligation	(176,153)	(144,596)
Proceeds from issuance of common stock and warrants	-	12,071,250
Payment of stock offering costs	-	(1,149,096)
Net Cash Provided (Used) by Financing Activities	42,726	8,854,104
Loss on Currency Translation	(986,233)	(1,228,372)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,506,098)	1,851,838
Cash and Cash Equivalents at Beginning of Period	5,853,752	4,884,275
Cash and Cash Equivalents at End of Period	$ 2,347,656	$ 6,736,113

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents

	For the Nine Months Period Ended September 30	
	2015	**2014**
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for:		
Interest	$ 43,504	$ 40,914
Income Taxes	-	$ 1,000
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Compensation upon vesting of stock options (pre-vested forfeitures) granted to employees and the board of directors	$ 112,528	$ (6,439)
Compensation for vesting of restricted stock awards issued to the board of directors	146,250	319,999
Value of stock issued to acquire Provital Solutions AS	-	6,067,173
Value of warrants issued for services	5,316	59,400
Total	$ 264,094	$ 6,440,133

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Presentation

The consolidated financial statements include the accounts of LiqTech International, Inc. ("Parent") and its subsidiaries. The terms "Company", "us", "we" and "our" as used in this report refer to Parent and its subsidiaries, which are set forth below. The Company engages in the development, design, production, marketing and sale of automated filtering systems, liquid filters, diesel particulate air filters and kiln furniture in United States, Canada, Europe, Asia and South America. Set forth below is a description of Parent and each of its subsidiaries:

LiqTech International, Inc., a Nevada corporation incorporated in July 2004, formerly known as Blue Moose Media, Inc. (also referred to herein as Parent).

LiqTech USA, a Delaware corporation and a wholly owned subsidiary of Parent formed in May 2011.

LiqTech International AS ("LiqTech Int. DK"), a Danish corporation, incorporated on January 15, 2000, a 100% owned subsidiary of LiqTech USA, engages in development, design, application, marketing and sales of ceramic liquid filters, diesel particulate filters and catalytic converters in Europe, Asia and South America.

LiqTech NA, Inc. ("LiqTech NA"), incorporated in Delaware on July 1, 2005, a 100% owned subsidiary of LiqTech USA as of December 31, 2013, prior to December 31, 2013 LiqTech NA, Inc. was owned 90% by LiqTech International AS and 10% by LiqTech USA, LiqTech NA, Inc. engages in the production, marketing and sale of ceramic diesel particulate and liquid filters and kiln furniture in United States and Canada.

LiqTech Germany ("LiqTech Germany"), a 100% owned subsidiary of LiqTech Int. DK, incorporated in Germany on December 9, 2011, engages in marketing and sale of liquid filters in Germany.

LiqTech PTE Ltd, ("LiqTech Sing"), a 95% owned subsidiary of LiqTech Int. DK, incorporated in Singapore on January 19, 2012, engages in marketing and sale of liquid filters in Singapore and other countries in the area.

Provital Solutions AS ("Provital"), a Danish corporation was incorporated on September 1, 2009 and engages in the manufacture of fully automated filtering systems for application within the pool and spa markets, marine applications, and a number of industrial applications within Denmark and international markets. The financial statements include the accounts of Provital from the date of acquisition on July 29, 2014.

LiqTech Asia ("LiqTech Asia"), a former 60% owned subsidiary of LiqTech Int. DK, incorporated in South Korea on July 20, 2006, liquidated in March 2015.

The accompanying financial statements are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 2015 and 2014 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's December 31, 2014 audited consolidated financial statements. The results of operations for the periods ended September 30, 2015 and 2014 are not necessarily indicative of the operating results for the full year.

Consolidation --The consolidated financial statements include the accounts and operations of the Company. The non-controlling interests in the net assets of the subsidiaries are recorded in equity. The non-controlling interests of the results of operations of the subsidiaries are included in the results of operations and recorded as the non-controlling interest in subsidiaries. All material intercompany transactions and accounts have been eliminated in the consolidation.

Functional Currency / Foreign currency translation -- The functional currency of LiqTech International, Inc., LiqTech USA, Inc. and LiqTech NA is the U.S. Dollar. The Functional Currency of LiqTech Int. DK and Provital is the Danish Krone ("DKK"), the functional currency of LiqTech Germany is the Euro and the functional currency of LiqTech Singapore is the Singapore Dollar. The Company's reporting currency is U.S. Dollar for the purpose of these financial statements. The foreign subsidiaries balance sheet accounts are translated into U.S. Dollars at the period-end exchange rates and all revenue and expenses are translated into U.S. Dollars at the average exchange rates prevailing during the years ended September 30, 2015 and 2014. Translation gains and losses are deferred and accumulated as a component of other comprehensive income in stockholders' equity. Transaction gains and losses that arose from exchange rate fluctuations from transactions denominated in a currency other than the functional currency are included in the statement of operations as incurred.

Cash, Cash Equivalents and Restricted Cash -- The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had no balances held in financial institutions in the United States in excess of federally insured amounts at September 30, 2015 and December 31, 2014.

Accounts Receivable -- Accounts receivable consist of trade receivables arising in the normal course of business. The Company establishes an allowance for doubtful accounts, which reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience and other currently available evidence.

The roll forward of the allowance for doubtful accounts for the nine months ended September 30, 2015 and the year ended December 31, 2014 is as follows:

	2015	2014
Allowance for doubtful accounts at the beginning of the period	$ 1,654,290	$ 608,356
Bad debt expense	35,163	216,919
Amount of receivables written off	(211,486)	(42,117)
Acquired subsidiary	-	951,354
Effect of currency translation	(171,132)	(80,222)
Allowance for doubtful accounts at the end of the period	$ 1,306,835	$ 1,654,290

Inventory -- Inventory is carried at the lower of cost or market, as determined on the first-in, first-out method.

Property and Equipment -- Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized, upon being placed in service. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the assets which range from three to ten years (See Note 4).

Long-Term Investments -- Investments in non-consolidated companies are included in long-term investments in the consolidated balance sheet and are accounted for under the cost method and equity method. For these non-quoted investments, we regularly review the assumptions underlying the operating performance and cash flow forecasts based on information requested from these privately held companies. Generally, this information may be more limited, may not be as timely as and may be less accurate than information available from publicly traded companies. Assessing each investment's carrying value requires significant judgment by management. If it is determined that there is an-other-than-temporary decline in the fair value of a non-public equity security, we write-down the investment to its fair value and record the related write-down as an investment loss in the consolidated statement of operations.

Intangible Assets -- Definite life intangible assets include patents. The Company accounts for definite life intangible assets in accordance with Financial Accounting Standards Board, ("FASB") Accounting Standards Codification, ("ASC") Topic 350, "Goodwill and Other Intangible Assets" and amortized the patents on a straight-line basis over the estimated useful life of two to ten years.

Goodwill -- Goodwill is evaluated for impairment annually, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Triggering events that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of goodwill or a significant decrease in expected cash flows.

Revenue Recognition and Sales Incentives -- The Company accounts for revenue recognition in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101), FASB ASC 605 Revenue Recognition. The Company recognizes revenue when rights and risk of ownership have passed to the customer, when there is persuasive evidence of an arrangement, product has been shipped or delivered to the customer, the price and terms are finalized, and collections of resulting receivable is reasonably assured. Products are primarily shipped FOB shipping point at which time title passes to the customer. In some instances, the Company uses common carriers for the delivery of products. In these arrangements, sales are recognized upon delivery to the customer. The Company's revenue arrangements with its customers often include early payment discounts and such sales incentives are recorded against sales.

The Company has received long-term contracts for the installation of various water filtrations systems and grants from Government entities for development and use of silicon carbide membranes in various water filtration and treatment applications. Revenues from long-term contracts and grants are recognized on the percentage-of-completion method, measured by the percentage of project costs incurred to date to estimated total project costs for each long-term contract or grant multiplied by the long-term contract or grant income on a project by project basis. This method is used because management considers costs incurred to be the best available measure of progress on contracts in process.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

Project costs of the long-term contracts and grants include all direct material and labor costs and those indirect costs related to the project. Project costs are capitalized and accreted into cost of sales based on the percentage of the project completed. Should a loss be estimated on an incomplete project it would be recorded in the period in which such a loss is determined. Changes in estimated profitability of a project are recognized in the period in which the revisions are determined. The aggregate of costs incurred and income recognized on incomplete projects are recorded as costs in excess of billings and are shown as a current asset. The aggregate of billings in excess of related costs incurred and income recognized on projects is shown as a current liability.

In Denmark, Value Added Tax ("VAT") of 25% of the invoice amount is collected in respect of the sales of goods on behalf of tax authorities. The VAT collected is not revenue of the Company; instead, the amount is recorded as a liability on the balance sheet until such VAT is paid to the authorities.

Advertising Cost -- Cost incurred in connection with advertising of the Company's products is expensed as incurred. Such costs amounted to $30,045 and $17,120 for the nine months ended September 30, 2015 and 2014, respectively.

Research and Development Cost -- The Company expenses research and development costs for the development of new products and systems as incurred. Included in operating expense for the nine months ended September 30, 2015 and 2014 were $536,614 and $223,532, respectively, of research and development costs.

Income Taxes -- The Company accounts for income taxes in accordance with FASB ASC Topic 740 Accounting for Income Taxes. This statement requires an asset and liability approach for accounting for income taxes.

Income (Loss) Per Share -- The Company calculates earnings (loss) per share in accordance with FASB ASC 260 Earnings Per Share. Basic earnings per common share (EPS) are based on the weighted average number of common shares outstanding during each period. Diluted earnings per common share are based on shares outstanding (computed as under basic EPS) and potentially dilutive common shares. Potential common shares included in the diluted earnings per share calculation include in-the-money stock options and warrants that have been granted but have not been exercised.

Stock Options -- The Companies have granted stock options to certain key employees. See Note 13. During the periods presented in the accompanying consolidated financial statements, the Company has granted options. The Company accounts for options in accordance with the provisions of FASB ASC Topic 718, Compensation – Stock Compensation. Non-cash compensation costs of $112,528 and $(6,439) have been recognized for the vesting of options granted to employees with an associated recognized tax benefit of $0 and $0 for the nine months ended September 30, 2015 and 2014, respectively.

Fair Value of Financial Instruments -- The Company accounts for fair value measurements for financial assets and financial liabilities in accordance with FASB ASC Topic 820. The authoritative guidance, which, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as the exit price, representing the amount that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Unless otherwise disclosed, the fair value of the Company's financial instruments including cash, accounts receivable, prepaid expenses, investments, accounts payable, accrued expenses, capital lease obligations and notes payable approximates their recorded values due to their short-term maturities.

Accounting Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets allowance for doubtful accounts receivable, cost in excess of billings, reserve for obsolete inventory, depreciation and impairment of property plant and equipment and impairment of goodwill and liabilities billings in excess of cost commitment and contingencies, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (***Continued)***

Recent Accounting Pronouncements -- In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under U.S. generally accepted accounting principles. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. On July 9, 2015, the FASB agreed to delay the effective date by one year. In accordance with the agreed upon delay, the new standard is effective for us beginning in the first quarter of 2018 and we expect to adopt it at that time. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. We have not yet selected a transition method nor have we determined the impact of the new standard on our consolidated condensed financial statements.

Other recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Company's present or future financial statements.

NOTE 2 - RELATED PARTY TRANSACTIONS

Payments to Related Parties -- On January 14, 2014, the Compensation Committee approved a special 2013-bonus payment in the amount of $175,000 to Aldo Petersen for his assistance in the Company's successful 2013 capital raise.

During October and December 2014, an officer of LiqTech NA provided $25,000 and $35,000, respectively, in non-interest bearing advances to the Company. These advances have been included in accounts payable at December 31, and were repaid in January 2015.

During March 2015, an officer of LiqTech NA provided $25,000 in non-interest bearing advances to the Company. These advances were repaid in May 2015.

NOTE 3 - INVENTORY

Inventory consisted of the following at September 30, 2015 and December 31, 2014:

		2015		2014
Furnace parts and supplies	$	414,920	$	507,849
Raw materials		1,511,854		1,501,050
Work in process		1,406,676		1,326,840
Finished goods and filtration systems		1,641,479		2,028,225
Reserve for obsolescence		(513,313)		(449,098)
Net Inventory	$	4,461,616	$	4,914,866

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2015 and December 31, 2014:

	Useful Life		2015		2014
Production equipment	3 - 10	$	10,581,305	$	10,792,494
Lab equipment	3 - 10		147,479		160,427
Computer equipment	3 - 5		274,110		288,351
Vehicles	3		41,403		93,477
Furniture and fixture	5		127,277		180,138
Leasehold improvements	10		989,543		1,052,923
			12,161,117		12,567,810
Less Accumulated Depreciation			(8,426,448)		(8,043,424)
Net Property and Equipment		$	3,734,669	$	4,524,386

Depreciation expense amounted to $1,050,690 and $1,258,479 for the nine months ended September 30, 2015 and 2014, respectively.

NOTE 5 - INVESTMENTS AT COSTS

The following tables summarize Level 1, 2 and 3 financial assets and financial (liabilities) by their classification in the Statement of Financial Position:

As of September 30, 2015	Level 1	Level 2	Level 3
Investments	-	-	5,594
Total	-	-	5,594

As of December 31, 2014	Level 1	Level 2	Level 3
Investments	-	-	6,085
Total	-	-	6,085

At September 30, 2015 and December 31, 2014, our total investments of $5,594 and $6,085, respectively consisted of an investment in LEA Technology in France to strengthen our sales channels in the French market.

NOTE 6 - DEFINITE-LIFE INTANGIBLE ASSETS

At September 30, 2015 and December 31, 2014, definite-life intangible assets, net of accumulated amortization, consisted of patents on the Company's products of $11,843 and $16,708, respectively. The patents are recorded at cost and amortized over two to ten years. Amortization expense for the nine months ended September 30, 2015 and 2014 was $4,865 and $6,057, respectively. Expected future amortization expense for the years ended are as follows:

Year ending December 31,	Amortization Expenses
2015	$ 1,177
2016	4,707
2017	2,858
2018	2,404
2019	697
Thereafter	-
	$ 11,843

NOTE 7 - GOODWILL

The following is a summary of goodwill:

	September 30, 2015
Goodwill at beginning of period	$ 8,460,512
Acquisition of Provital Solutions A/S	-
Adjustment made to opening goodwill	-
Effect of currency translation	(682,808)
Goodwill at end of period	$ 7,777,704

Goodwill consists of:	September 30, 2015
Provital Solutions A/S	$ 7,777,704

Impairment -- During December 2014, management performed its annual test of impairment of goodwill by comparing the net carrying value of the intangible asset with the fair value of the reporting unit. Based upon the results of this analysis, it was determined that the goodwill was not impaired. During December 2014, an adjustment was made to the goodwill acquired in the acquisition of Provital for $775,788 in allowances established against acquired receivables and $196,255 in additional cost on record on long-term contacts net of $135,990 in taxes.

NOTE 8 - LINES OF CREDIT

Provital had previously a DKK 2,000,000 (approximately $300,000 at September 30, 2015) standby line of credit with a bank, subject to certain borrowing base limitations. Outstanding borrowings are due on demand. Interest is calculated based on a variable interest rate and is payable quarterly. The line was cancelled June 12, 2015.

In connection with certain orders, we have to give the customer a working guarantee or a prepayment guarantee or security bond. For that purpose, we have a credit line of DKK 500,000 (approximately $75,000 at September 30, 2015) with a bank, subject to certain base limitations. As September 30, 2015, we had DKK 473,100 (approximately $71,000) in working guarantee against the line. This line of credit is guaranteed by Vækstfonden (the Danish state's investments fund) and is secured by certain assets of Provital such as receivables, inventory and equipment.

NOTE 9 – LEASES

Operating Leases -- The Company leases office and production facilities under operating lease agreements expiring in August 2018, March 2017, February 2017, June 2017, December 2016 and June 2016. In some of these lease agreements, the Company has the right to extend.

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2015 are as follows:

Year ending December		**Operating Lease Payments**
2015	$	171,293
2016		661,809
2017		432,462
2018		255,805
2019		-
Thereafter		-
Total Minimum Lease Payments	$	1,521,369

Lease expense charged to operations was $521,871 and $539,443 for the nine months ended September 30, 2015 and 2014, respectively.

Capital Leases -- The Company leases equipment on various variable rate capital leases currently calling for monthly payments of approximately $9,871, $3,825, $625 and $563 expiring through July 2018. Included in property and equipment, at September 30, 2015 and December 31, 2014, the Company had recorded equipment on capital lease at $1,335,480 and $1,599,633, respectively, with related accumulated depreciation of $1,025,125 and $963,467, respectively.

During the nine months ended September 30, 2015 and 2014, depreciation expense for equipment on capital leases amounted to $107,375, and $153,378, respectively, and has been included in depreciation expense. During the nine months ended September 30, 2015 and 2014, interest expense on a capital lease obligation amounted to $21,139 and $30,227, respectively.

Future minimum capital lease payments are as follows for the periods ended December 31:

Year Ending December		**Capital Lease Payments**
2015	$	44,654
2016		192,693
2017		128,833
2018		25,124
2019		-
Thereafter		-
Total minimum lease payments		391,304
Less amount representing interest		(28,656)
Present value of minimum lease payments		362,648
Less current portion		(158,954)
Long-term lease payments	$	203,694

NOTE 10 – AGREEMENTS AND COMMITMENTS

401(K) Profit Sharing Plan -- LiqTech NA has a 401(k) profit sharing plan and trust covering certain eligible employees. The amount LiqTech NA contributes is discretionary. For the nine months ended September 30, 2015 and 2014, matching contributions were expensed and totaled $10,784 and $12,110, respectively.

NOTE 11 – INCOME TAXES

The Company accounts for income taxes in accordance with FASB ASC Topic 740, Accounting for Income Taxes; which requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting and any available operating loss or tax credit carry forwards. The amount of and ultimate realization of the benefits from the deferred tax assets for income tax purposes is dependent, in part, upon the tax laws in effect, the Company's future earnings, and other future events, the effects of which cannot be determined.

The temporary differences, tax credits and carry forwards gave rise to the following deferred tax asset (liabilities) at September 30, 2015 and December 31, 2014:

	2015	2014
Vacation accrual	$ 5,077	$ 5,077
Allowance for doubtful accounts	14,136	13,955
Reserve for obsolete inventory	108,137	90,605
Net current tax assets	$ 127,350	$ 109,637
Business tax credit carryover	25,709	25,709
Deferred compensation	171,615	171,615
Net operating loss carryover	4,705,345	4,001,198
Excess of book over tax depreciation	(586,673)	(583,735)
Valuation Allowance	(133,643)	(118,328)
Long term deferred tax asset	$ 4,182,353	$ 3,496,459

In accordance with prevailing accounting guidance, the Company is required to recognize and disclose any income tax uncertainties. The guidance provides a two-step approach to recognizing and measuring tax benefits and liabilities when realization of the tax position is uncertain. The first step is to determine whether the tax position meets the more-likely-than-not condition for recognition and the second step is to determine the amount to be recognized based on the cumulative probability that exceeds 50%.

The amount of and ultimate realization of the benefits from the deferred tax assets for income tax purposes is dependent, in part, upon the tax laws in effect, the Company's future earnings, and other future events, the effects of which can difficult to determine and can only be estimated. Management estimates that it is more likely than not that the Company will generate adequate net profits to use the deferred tax assets; management has estimated that all of the deferred tax will be realized and consequently, a valuation allowance was not recorded.

A reconciliation of income tax expense at the federal statutory rate to income tax expense at the Company's effective rate is as follows for the nine months ended September 30, 2015 and 2014:

	2015	2014
Computed tax at expected statutory rate	$ (1,085,383)	$ (1,107,897)
State and local income taxes, net of federal benefits	-	(24,703)
Non-deductible expenses	74,380	52,174
Non-US income taxed at different rates	120,213	107,996
Valuation Allowance	42,364	-
Income tax expense (benefit)	$ (848,426)	$ (972,430)

The components of income tax expense (benefit) from continuing operations for the nine months ended September 30, 2015 and 2014 consisted of the following:

	2015	2014
Current income tax expense:		
Danish	$ -	$ -
Korean	-	1,020
Federal	-	-
State	-	-
Current tax (benefit)	$ -	$ -
Book in excess of tax depreciation	$ -	$ -
Net operating loss carryover	(831,945)	(973,450)
Valuation allowance	42,364	-
Reserve for obsolete inventory	(58,845)	-
Deferred tax expense (benefit)	$ (848,426)	$ (973,450)
Total tax expense (benefit)	$ (848,426)	$ (972,430)

Deferred income tax expense / (benefit) results primarily from the reversal of temporary timing differences between tax and financial statement income.

The Company files Danish and U.S. federal and Minnesota state income tax returns. LiqTech International AS is generally no longer subject to tax examinations for years prior to 2009 for their Danish tax returns. LiqTech NA is generally no longer subject to tax examinations for years prior to 2011 for U.S. federal and U.S. states tax returns.

NOTE 12 – INCOME (LOSS) PER SHARE

The following data shows the amounts used in computing earnings per share and the effect on income and the weighted average number of shares of potential dilutive common stock for the nine months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Profit (Loss) attributable to LiqTech International Inc.	$ 621,438	$ 347,504	$ (2,322,150)	$ (1,170,068)
Weighted average number of common shares used in basic earnings per share	39,519,705	35,613,164	39,471,745	30,043,493
Effect of dilutive securities, stock options and warrants	12,081	421,406	-	-
Weighted average number of common shares and potentially dilutive securities	39,531,786	36,034,570	39,471,745	30,043,493

For the nine months ended September 30, 2015, Parent had 1,013,500 options outstanding to purchase common stock of the Parent at $0.74 to $1.90 per share and Parent had 7,225,575 warrants outstanding to purchase common stock of the Parent at $1.00 to $4.06 per share, which were not included in the loss per share computation because their effect would be anti-dilutive.

For the nine months ended September 30, 2014, Parent had 2,416,630 options outstanding to purchase common stock of the Parent at $1.50 to $3.60 per share and Parent had 7,425,575 warrants outstanding to purchase common stock of the Parent at $1.50 to $4.06 per share, which were not included in the loss per share computation because their effect would be anti-dilutive.

NOTE 13 - STOCKHOLDERS' EQUITY

Common Stock -- Parent has 100,000,000 authorized shares of common stock, $0.001 par value. As of September 30, 2015 and December 31, 2014, respectively, there were 39,532,035 and 39,404,782 common shares issued and outstanding.

Voting -- Holders of Parent common stock are entitled to one vote for each share held of record on each matter submitted to a vote of stockholders, including the election of directors, and do not have any right to cumulate votes in the election of directors.

Dividends -- Subject to the rights and preferences of the holders of any series of preferred stock which may at the time be outstanding, holders of Parent common stock are entitled to receive ratably such dividends as our Board of Directors from time to time may declare out of funds legally available.

Liquidation Rights -- In the event of any liquidation, dissolution or winding-up of affairs of Parent, after payment of all of our debts and liabilities and subject to the rights and preferences of the holders of any outstanding shares of any series of our preferred stock, the holders of Parent common stock will be entitled to share ratably in the distribution of any of our remaining assets.

Other Matters -- Holders of Parent common stock have no conversion, preemptive or other subscription rights, and there are no redemption rights or sinking fund provisions with respect to the common stock. All of the issued and outstanding shares of common stock on the date of this report are validly issued, fully paid and non-assessable.

Preferred Stock -- Our Board of Directors has the authority to issue Parent preferred stock in one or more classes or series and to fix the designations, powers, preferences and rights, the qualifications, limitations or restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any class or series, without further vote or action by the stockholders. The issuance of Parent preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock.

Common Stock Issuance

On April 14, 2015, the Company issued an additional 27,253 shares of restricted stock valued at $20,167 for services provided and to be provided by the board of directors. The Company will recognize the non-cash compensation of the award over the requisite service period, of which 27,253 shares will vest on December 31, 2015.

On April 13, 2015, the Company issued an additional 100,000 shares of restricted stock valued at $75,000 for services provided and to be provided by the board of directors. The Company will recognize the non-cash compensation of the award over the requisite service period, of which 33,333 shares will vest on December 31, 2015, 33,333 shares will vest on December 31, 2016 and 33,334 shares will vest on December 31, 2017.

On July 28, 2014, Parent completed a registered public offering of its common stock. As part of the closing, Parent issued 8,000,000 shares of common stock at a per share price of $1.50 and generated net proceeds of $10,736,278 net of offering costs of $1,263,722.

On the July 29, 2014, the Company, through its subsidiary, LiqTech Int. DK, completed the acquisition of all of the issued and outstanding capital stock (the “Provital Shares”) of Provital and as part of the consideration for the Provital Shares, the Company issued 4,044,782 of Parent’s common shares.

During the third quarter 2014, the Company issued 47,500 shares of common stock in connection with the exercise of 47,500 stock options with an exercise price of $1.50 each.

During 2014, the Company issued an additional 100,000 shares of restricted stock valued at $158,000 for services provided by the board of directors. The Company will recognize the non-cash compensation of the award over the requisite service period, of which 33,333 shares vested on December 31, 2014, 33,333 shares will vest on December 31, 2015 and 33,334 shares will vest on December 31, 2016. During 2013, the Company issued an additional 300,000 shares of restricted stock valued at $960,000 for services provided and to be provided by the board of directors. The Company will recognize the non-cash compensation of the award over the requisite service period, of which 133,333 shares vested on December 31, 2013, 133,333 shares vested on December 31, 2014 and 33,334 shares will vest on December 31, 2015. As of December 31, 2014 and 2013, the Company has recorded non-cash compensation expense of $479,333 and $426,667 relating to the awards, respectively.

Common Stock Purchase Warrants

A summary of the status of the warrants outstanding at September 30, 2015 is presented below:

	Warrants Outstanding			Warrants Exercisable	
Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$ 1.00	200,000	2.26	$ 1.00	66,667	$ 1.00
$ 1.50	3,874,000	1.26	$ 1.50	3,874,000	$ 1.50
$ 1.65	400,000	3.83	$ 1.65	400,000	$ 1.65
$ 2.70	2,626,000	1.26	$ 2.70	2,626,000	$ 2.70
$ 4.06	125,575	1.44	$ 4.06	125,575	$ 4.06
Total	7,225,575	1.43	$ 1.98	7,092,242	$ 1.99

At September 30, 2015, the Company had 133,333 non-vested warrants. We have recorded non-cash compensation expense of $5,316 for the period ended September 30, 2015 related to the warrants issued.

The exercise price of the warrants and the number of shares underlying the warrants are subject to adjustment for stock dividends, subdivisions of the outstanding shares of common stock and combinations of the outstanding shares of common stock. For so long as the warrants remain outstanding, we are required to keep reserved from our authorized and unissued shares of common stock a sufficient number of shares to provide for the issuance of the shares underlying the warrants.

On June 4, 2015, the Company issued to Wolfe Axelrod Weinberger Associates, LLC a warrant to purchase 200,000 shares at an exercise price of $1.00 per share. The warrants are exercisable 1/3 upon issuance, 1/3 on June 4, 2016 and 1/3 on June 2017 and will remain exercisable until December 31, 2017.

On July 28, 2014, the Company issued to the Underwriter in our public offering, for a price of $50, a warrant to purchase 400,000 shares at an exercise price of $1.65 per share. The warrants are immediately exercisable and will remain exercisable for five years from date of issuance.

Stock Options

In August 2011, Parent's Board of Directors adopted a Stock Option Plan (the "Plan"). Under the terms and conditions of the Plan, the Board of Directors is empowered to grant stock options to employees, officers, and directors of the Companys. At September 30, 2015, 1,013,500 options were granted and outstanding under the Plan.

The Company recognizes compensation costs for stock option awards to employees based on their grant-date fair value. The value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average assumptions used to estimate the fair values of the stock options granted using the Black-Scholes option-pricing model are as follows:

	LiqTech International, Inc.
Expected term (in years)	3 - 5
Volatility	48.22
Risk free interest rate	0.80%
Dividend yield	0%

The Company recognized stock based compensation expense related to the options of $68,317 and $119,891 for the nine months ended September 30, 2015 and 2014, respectively. At September 30, 2015 the Company had approximately $260,248 of unrecognized compensation cost related to non-vested options expected to be recognized through April 13, 2020.

A summary of the status of the options outstanding under the Company's stock option plans at September 30, 2015 is presented below:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.74	425,000	4.87	$ 0.74	0	$ 0.74
$ 0.75	100,000	4.54	$ 0.75	0	$ 0.75
$ 1.57	100,000	2.04	$ 1.57	33,333	$ 1.57
$ 1.90	388,500	1.33	$ 1.90	259,000	$ 1.90
Total	1,013,500	3.20	$ 1.27	292,333	$ 1.86

A summary of the status of the options at September 30, 2015, and changes during the period is presented below:

	September 30, 2015			
	Shares	Weighted Average Exercise Price	Average Remaining Life	Weighted Average Intrinsic Value
Outstanding at beginning of period	1,960,130	$ 2.55	0.70	$ -
Granted	525,000	0.74	-	67,250
Exercised	-	-	-	-
Forfeited	15,000	1.90	-	-
Expired	1,456,630	2.79	-	-
Outstanding at end of period	1,013,500	$ 1.27	3.20	$ 67,250
Vested and expected to vest	1,013,500	$ 1.27	3.20	$ 67,250
Exercisable end of period	292,333	$ 1.86	1.41	$ -

At September 30, 2015, the Company had 721,167 non-vested options with a weighted average exercise price of $1.03 and with a weighted average grant date fair value of $0.52, resulting in unrecognized compensation expense of $374,781, which is expected to be expensed over a weighted-average period of 3.46 years.

The total intrinsic value of options at September 30, 2015 was $67,250. Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at September 30, 2015 (for outstanding options), less the applicable exercise price.

NOTE 14 - SIGNIFICANT CUSTOMERS / CONCENTRATION

For the nine months ended September 30, 2015, our four largest customers accounted for approximately 16%, 12%, 9% and 6%, respectively of our net sales (approximately 43% in total).

The Company had no customers that accounted for more than 10% of total sales at September 30, 2014.

The Company sells products throughout the world; sales by geographical region are as follows for the three and nine months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
United States and Canada	$ 347,359	$ 1,066,463	$ 1,267,975	$ 2,841,932
Australia	98,425	179,981	310,982	264,296
South America	2,400,000	-	2,400,000	16,845
Asia	880,123	696,102	1,122,357	1,191,035
Europe	3,207,290	2,988,860	5,637,439	7,788,487
	$ 6,933,197	$ 4,931,406	$ 10,738,753	$ 12,102,595

The Company's sales by product line are as follows for the three and nine months ended September 30, 2015 and 2014:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Ceramic diesel particulate	$ 2,277,616	$ 1,519,204	$ 4,184,235	$ 5,137,720
Liquid filters and systems	4,594,755	3,256,689	6,224,223	6,639,362
Kiln furniture	60,826	155,513	330,295	325,513
	$ 6,933,197	$ 4,931,406	$ 10,738,753	$ 12,102,595

NOTE 15 – COMMITTMENTS

Contingent Shares In Connection With Acquisition - On the July 29, 2014, the Company, through its subsidiary, LiqTech Int. DK, completed the acquisition of all of the issued and outstanding Provital Shares of Provital from Masu A/S, a Danish company ("MASU"). In consideration for the Provital Shares, MASU received cash consideration in the sum of DKK 12,600,000, (approximately USD$2,300,000 as of July 29, 2014), and 4,044,782 shares of the Company's common stock (the "Payment Shares"). One-third (1/3) of the Payment Shares was subject to a lock-up period of six (6) months. The remaining two-thirds (2/3) of the Payment Shares shall be held in escrow and one-third of the Payment Shares will be released from escrow contingent upon Provital, for the year ending December 31, 2014, achieving (i) gross revenues of not less than DKK 65,000,000 and EBITDA of DKK 6,500,000, or (ii) EBITDA of not less than DKK 10,000,000 and gross revenues of not less than DKK 50,000,000. Another one-third (1/3) of the Payment Shares will be released from escrow contingent upon Provital, for the year ending December 31, 2015, achieving (i) gross revenues of not less than DKK 120,000,000 and EBITDA of DKK 12,000,000, or (ii) EBITDA of not less than DKK 16,000,000 and gross revenues of not less than DKK 80,000,000.

The purchase agreement includes "catch up" provisions that provide that the Payment Shares placed in escrow will be released from escrow if Provital (1) for the years ending December 31, 2014 and December 31, 2015, achieves accumulated gross revenues (i) exceeding DKK 185,000,000 and EBITDA of DKK 18,500,000, or (ii) EBITDA of not less than DKK 26,000,000 and gross revenues of not less than DKK 130,000,000 or (2) for the year ending December 31, 2016, achieves gross revenues exceeding DKK 105,000,000 and EBITDA of not less than DKK 21,000,000.

NOTE 16 – SUBSEQUENT EVENTS

The Company's management reviewed material events through November 12, 2015 and there were no subsequent events.

October 13, 2015, Parent held its annual meeting of stockholders (the "Meeting"). A total of 30,851,565 shares of Parent's common stock, par value $0.001 per share ("Common Stock"), were present or represented by proxy at the Meeting, representing approximately seventy eight percent (78%) of the outstanding Common Stock as of September 8, 2015, the record date for the Meeting. At the Meeting, the following four (4) proposals were submitted for a vote and approved by the requisite votes of the stockholders: (a) the election of Aldo Petersen, Paul Burgon, Mark Vernon, Michael S. Barish, Rengarajan Ramesh, and Sune Mathiesen for terms until the next succeeding annual meeting of stockholders or until such directors' successor shall have been duly elected and qualified, (b) the ratification of Gregory & Associates, LLC as Parent's independent registered accounting firm. (c) the approval of a non-binding advisory resolution approving the compensation of Parent's named executive officers and (d) the approval of a non-binding resolution regarding the frequency of future advisory votes on the compensation of Parent';s named executive officers which could be held every year, every two (2) years or every three (3) years.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report. In addition, the following discussion should be read in conjunction with our annual report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 25, 2015, and the financial statements and notes thereto. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Overview

We are a clean technology company that provides state-of-the-art technologies for gas and liquid purification by manufacturing ceramic silicon carbide filters. For more than a decade, we have developed and manufactured products of re-crystallized silicon carbide. We specialize in two business areas: ceramic membranes for liquid filtration and diesel particulate filters for the control of soot exhaust particles from diesel engines. We are phasing out the fabrication of kiln furniture for the refractory industry. Using nanotechnology, we develop proprietary products using patented silicon carbide technology. Our products are based on unique silicon carbide membranes, which facilitate new applications and improve existing technologies. We market our products from our offices in the United States and Denmark, and through local representatives in Singapore, Germany, France and Brazil. The products are shipped directly to customers from our production facilities in the United States and Denmark.

The terms "LiqTech", "we", "our", "us", the "Company" or any derivative thereof, as used herein refer to LiqTech International, Inc., a Nevada corporation, together with its direct and indirect wholly owned subsidiaries, including LiqTech USA, Inc., a Delaware corporation ("LiqTech USA"), which owns all of the outstanding equity interest in LiqTech International A/S, a Danish limited company, organized under the Danish Act on Limited Companies of the Kingdom of Denmark ("LiqTech Int. DK") and LiqTech NA, Inc., a Delaware corporation ("LiqTech Delaware"). Collectively, LiqTech USA, LiqTech Int. DK and LiqTech Delaware are referred to herein as our "Subsidiaries". On August 23, 2012, LiqTech A/S, a Danish limited company and former subsidiary of the Company ("LiqTech AS") was merged with and into LiqTech Int. DK.

On July 29, 2014, the Company, through its subsidiary, LiqTech Int. DK, completed the acquisition of all of the issued and outstanding capital stock (the "Provital Shares") of Provital Solutions A/S, a Danish company ("Provital") from Masu A/S, a Danish company ("MASU"). In consideration for the Provital Shares, MASU received cash consideration in the sum of DKK12,600,000, that is, approximately USD$2,300,000, and 4,044,782 shares of the Company's common stock (the "Payment Shares"). One-third (1/3) of the Payment Shares was subject to a lock-up period of six (6) months. The remaining two-thirds (2/3) of the Payment Shares shall be held in escrow and one-third of the Payment Shares will be released from escrow contingent upon Provital, EBITDA of not less than DKK10,000,000, that is, approximately USD$1,690,560 and gross revenues of not less than DKK50,000,000, that is, approximately USD$8,452,800. Another one-third (1/3) of the Payment Shares will be released from escrow contingent upon Provital, for the year ending December 31, 2015, achieving (i) gross revenues of not less than DKK120,000,000, that is, approximately USD$20,286,719 and EBITDA of DKK12,000,000, that is, approximately USD$2,028,672 or (ii) EBITDA of not less than DKK16,000,000, that is, approximately USD$2,704,896 and gross revenues of not less than DKK80,000,000, that is, approximately USD$13,524,479.

The purchase agreement includes "catch up" provisions that provide that the Payment Shares placed in escrow will be released from escrow if Provital (1) for the years ending December 31, 2014 and December 31, 2015, achieves accumulated gross revenues (i) exceeding DKK185,000,000, that is, approximately USD$31,275,358 and EBITDA of DKK18,500,000, that is, approximately USD$3,127,536 or (ii) EBITDA of not less than DKK26,000,000, that is, approximately USD$4,395,456 and gross revenues of not less than DKK130,000,000, that is, approximately USD$21,977,279 or (2) for the year ending December 31, 2016, achieves gross revenues exceeding DKK105,000,000, that is, approximately USD$17,750,879 and EBITDA of not less than DKK21,000,000, that is, approximately USD$3,550,176.

We conduct operations in the Kingdom of Denmark and the United States. Our Danish operations are located in the Copenhagen area and Provital are located in Hobro in Jutland, Denmark, and our U.S. operations are conducted by LiqTech Delaware located in White Bear Lake, Minnesota. In October and December 2011, we opened sales offices in France and Germany and in January 2012, we opened a sales office in Singapore.

Our Strategy

Our strategy is to create shareholder value by leveraging our competitive strengths and focusing on the opportunities in the end-markets we serve. Key features of our strategy include:

- **Enter New Geographic Markets and Expand Existing Markets.** We plan to continue to manufacture and sell our products out of Denmark and the United States. We intend to continue to develop our organization in Denmark and the United States and we plan to expand our production facilities in the United States to include manufacturing of systems. In October 2011, the Company opened sales offices in France and in January 2012, we opened a sales office in Singapore. In addition to utilizing local representatives, we also intend to establish sales outlets with technical support in other European nations such as Italy, while expanding to other markets such as Asia. We intend to work with agents and partners to access such markets.

● **Continue to Strengthen Position in DPF Market.** We believe that we have a strong position in the retrofit market for diesel particulate filter systems. We intend to continue our efforts to maintain our strength in this area. Furthermore, we intend to leverage our experience in the OEM market with new products relating to diesel particulate filter systems.

● **Continue to Develop and Improve Technologies and Open New End Markets.** We intend to continuously develop our ceramic membranes and improve the filtration efficiency for our filtration products. Through continuous development, we intend to find new uses for our products and plan to expand into any new markets that we believe would be appropriate for our Company. One of our key strategies is to develop our membrane applications together with our customers including, for example, the development of the next generation of diesel particulate filters with asymmetric design for the OEM market.

● **Continue Our Focus on Selling and on Development New Standard Units.** We will continue our focus on selling systems based on our unique SIC membranes. We will also combine the ceramic membranes with other technologies to be able to offer our customers a complete solution. We will continue our focus to develop smaller standard systems, like our ground water treatment unit and our residential swimming pool units. These units will be sold through a network of agents and partnerships.

Recent Developments

Recent Signed Contracts

On January 6, 2015, we announced that the Company has received a $2.4 million purchase order for a system based on the Company’s SiC membranes, which is expected to be delivered in the second quarter 2015. This order is part of an enhanced oil recovery (EOR) project and was received from LiqTech´s preferred partner, Nakasawa Mining and Energy Limited. This order represents LiqTech’s largest order in the Company’s history. This was delivered in September 2015.

In addition, we announced that the Company received a $350,000 SiC membrane system order from Yara Marine Technologies to be delivered in 2015. The product solution is based on LiqTech know-how acquired in the on-shore power industry for the treatment of wet scrubber wastewater containing heavy metals. New marine regulations related to reducing sulphur oxide missions became effective January 2015. In order to comply with these new regulations, ship owners have to either burn a more expensive low sulphur fuel oil or to clean the exhaust from heavy fuel oil combustion engines. Yara Marine Technologies (previously Green Tech Marine) has many years of experience offering high performance exhaust treatment technologies for the marine industry. This was delivered in September 2015.

On February 3, 2015, we announced that the Company received a $130,000 SiC membrane order from a European customer to be delivered in the second quarter of 2015. This is a follow-on order from a customer that first installed a system in the fall of 2014. The installation is for a German power plant for the removal of heavy metals from a flue gas cleaning process. This new order will be installed at another German power plant.

On March 2, 2015, we announced that we have received the first pilot order for a newly developed in-well situated ground water treatment system from the leading pump producer, Grundfos. The pilot unit will be installed at Taarnby Forsyning in Denmark.

On March 10, 2015, we announced that we received a $660,000 purchase order for two systems based on the Company’s SiC membranes, which is expected to be delivered in the 2nd quarter of 2015. These orders are the second and third orders from this customer this year.

On June 8, 2015, we announced that we signed a three year agent agreement with a Chinese company to promote and sell the Company’s Diesel Particulate Filters (DPF) in the Chinese market. The annual revenue is estimated to be well over a million dollars per year. At the same time, the Company received its first purchase order for $814,000 from a large Chinese OEM and retrofit customer.

On June 15, 2015, we announced that we signed a framework agreement with the Luxemburg based company APATEQ S.A. The framework agreement is for the delivery of LiqTech´s SiC Ultra Fine filters and housings for use in the oil and gas industry. The annual revenue under this agreement is estimated to be approximately $1 million. At the same time, the Company also received its first purchase order for $165,000.

On June 17, 2015, we announced that we received a $6.1 million order for a complete system to remove heavy metals from the waste water from an international mining company. The system is based on the Company´s Ultra Filtration (UF) membranes and includes pre-treatment and a de-watering unit to further reduce the amount of harmful wastewater to be handled. The system is expected to be delivered this year to a European site. Final installation is expected to be completed in the first half of 2016.

On June 18, 2015, we announced that we received a $830,000 purchase order for two systems based on the Company’s SiC membranes which is expected to be delivered in 2015.

On September 30, 2015, we announced that we received a $790,000 purchase order from an international mining company. The order is for a newly developed highly chemical resistant composite multi-housing for the Company´s SiC membranes, chemical storage tanks and process equipment. The order is expected to be delivered in the first half of 2016.

Results of Operations

The financial information below is derived from our unaudited condensed consolidated financial statements included elsewhere in this report.

The following table sets forth our revenues, expenses and net income for the three and nine months ended September 30, 2015 and 2014:

	Three months ended September 30,					
					Period to period change	
	2015	As a % of Sales	2014	As a % of Sales	US$	Percent %
Net Sales	6,933,197	100%	4,931,406	100%	2,001,791	40.6
Cost of Goods Sold	4,618,603	66.6	3,464,284	70.2	1,154,319	33.3
Gross Profit	**2,314,594**	33.4	**1,467,122**	29.8	**847,472**	57.8
Operating Expenses						
Selling and Marketing	646,269	9.3	831,990	16.9	(185,721)	(22.3)
General and Administrative	656,090	9.5	738,761	15.0	(82,671)	(11.2)
Non-cash compensation	106,448	1.5	(19,663)	(0.4)	126,111	641.4
Research and Development	171,157	2.5	83,113	1.7	88,044	105.9
Total Operating Expenses	**1,579,964**	22.8	**1,634,201**	33.1	**(54,237)**	(3.3)
Income (loss) from Operating	**734,630**	10.6	**(167,079)**	(3.4)	**901,709**	(539.7)
Interest and Other Income	48,978	0.7	16,032	0.3	32,946	205.5
Interest (Expense)	(8,677)	(0.1)	(18,795)	(0.4)	10,118	(53.8)
Gain (loss) on Investments	(10)	(0.0)	9	0.0	(19)	(211.1)
Gain (loss) on Currency Transactions	(34,834)	(0.5)	237,551	4.8	(272,385)	(114.7)
Total Other Income (Expense)	5,457	0.1	234,797	4.8	(229,340)	(97.7)
Income Before Income Taxes	**740,087**	10.7	**67,718**	1.4	**672,369**	992.9
Income Taxes Expense (Benefit)	118,678	1.7	(276,870)	(5.6)	395,548	(142.9)
Net Income	**621,409**	9.0	**344,588**	7.0	**276,820**	80.3
Less net income attributable to the non-controlled interest in subsidiaries	(29)	(0.0)	(2,915)	(0.1)	2,886	(99.0)
Net Income attributable to LiqTech	**621,438**	9.0	**347,504**	7.0	**273,934**	78.8

	Nine months ended September 30,					
					Period to period change	
	2015	As a % of Sales	2014	As a % of Sales	$	Percent %
Net Sales	10,738,753	100%	12,102,595	100%	(1,363,842)	(11.3)
Cost of Goods Sold	9,029,567	84.1	9,229,131	76.3	(199,564)	(2.2)
Gross Profit	**1,709,186**	15.9	**2,873,464**	23.7	**(1,464,278)**	(44.0)
Operating Expenses						
Selling and Marketing	2,084,204	19.4	2,430,814	20.1	(346,610)	(14.3)
General and Administrative	2,155,218	20.1	2,174,942	18.0	(19,724)	(0.9)
Non-cash compensation	264,094	2.5	372,960	3.1	(108,866)	(29.2)
Research and Development	536,614	5.0	223,532	1.8	313,082	140.1
Total Operating Expenses	**5,040,130**	46.9	**5,202,248**	43.0	**(162,118)**	(3.1)
Loss from Operating	**(3,330,944)**	(31.0)	**(2,328,784)**	(19.2)	**(1,002,160)**	43.0
Interest and Other Income	98,680	0.9	29,777	0.2	68,903	231.4
Interest (Expense)	(43,504)	(0.4)	(40,914)	(0.3)	(2,590)	6.3
Gain (Loss) on Investments	7,285	0.1	(832)	(0.0)	8,117	(975.6)
Gain on Currency Transactions	97,907	0.9	192,226	1.6	(94,319)	(49.1)
Total Other Income	160,368	1.5	180,257	1.5	(19,889)	(11.0)
Income Before Income Taxes	**(3,170,576)**	(29.5)	**(2,148,527)**	(17.8)	**(1,022,049)**	47.6
Income Taxes Expense (Benefit)	(848,426)	(7.9)	(972,430)	(8.0)	124,004	(12.8)
Net Loss	**(2,322,150)**	(21.6)	**(1,176,097)**	(9.7)	**(1,146,053)**	97.4
Less net income (loss) attributable to the non-controlled interest in subsidiaries	21,731	0.2	(6,029)	(0.0)	27,760	(460.4)
Net Loss attributable to LiqTech	**(2,343,881)**	(21.8)	**(1,170,068)**	(9.7)	**(1,178,813)**	100.3

Comparison of the three month periods ended September 30, 2015 and September 30, 2014

Revenues

Net sales for the three months ended September 30, 2015 were $6,933,197 compared to $4,931,406 for the same period in 2014, representing an increase of $2,001,791 or 40.6%. The increase in sales consist of an increase in sales of DPFs of $758,412 and an increase in sales of liquid filters and systems of $1,338,067 and a decrease in sales of kiln furniture of $94,688. The increase in demand for our DPFs is mainly due to an increase in activities and mandates and market activity in general. The increase in demand for our liquid filters and systems is due to our success in achieving big and important orders and increased sales in general. The decrease in demand for our kiln furniture is due to a decision of not focusing on this product line anymore.

Gross Profit

Gross profit for the three months ended September 30, 2015 was a profit of $2,314,594 compared to a gross profit of $1,467,122 for same period in 2014, representing an increase of $847,472 or 57.8%. The increase in gross profit was due to higher sales activity compared to the same period in 2014. Included in gross profit is depreciation of $364,230 and $391,320 for the three months ended September 30, 2015 and 2014, respectively.

Expenses

Total operating expenses for the three months ended September 30, 2015 were $1,579,964 representing a decrease of $54,237 or 3.3%, compared to $1,634,201 for the same period in 2014. This decrease in operating expenses is attributable to an decrease in selling and marketing expenses of $185,721 or 22.3%, a decrease in general and administrative expenses of $82,671 or 11.2%, an increase in non-cash compensation expenses of $126,111, or 641.4% and an increase in research and development expenses of $88,044 or 105.9% compared to the same period in 2014.

Selling expenses for the three months ended September 30, 2015 were $646,269 compared to $831,990 for the same period in 2014, representing a decrease of $185,721 or 22.3%. This decrease is attributable to a cost reduction in selling expenses in general. Furthermore, the increase of USD against EURO and DKK of approximately 22% from period to period has had a decreasing effect on our expenses, because a significant amount of our expenses is in DKK. This decreasing effect was partially offset with the inclusion of Provital being part of the selling expenses for the period ending September 30, 2015. Provital was part of the consolidated numbers from the date of acquisition on July 29, 2014.

General and administrative expenses for the three months ended September 30, 2015 were $656,090 compared to $738,761 for the same period in 2014, representing a decrease of $82,671, or 11.2%. This decrease is attributable to decreases in general expenses. Furthermore, the increase of USD against EURO and DKK of approximately 22% from period to period has had a decreasing effect on our expenses, because a large part of our expenses is in DKK. This decreasing effect was partially offset with the inclusion of Provital being part of the selling expenses for the period ending September 30, 2015. Provital was part of the consolidated numbers from the date of acquisition on July 29, 2014.

Non-cash compensation expenses for the three months ended September 30, 2015 were $106,448 compared to $(19,663) for the same period in 2014, representing an increase of $126,111 or 641.4%. This decrease is attributable to increased non-cash compensation expense for options, shares and warrants for services performed granted to directors, employees and management.

The following is a summary of our non-cash compensation:

	For the three Months Ended	
	September 30, 2015	September 30, 2014
Compensation upon vesting of stock options granted to employees and the board of directors	$ 44,211	$ (126,330)
Compensation for vesting of restricted stock awards issued to the board of directors	58,250	106,666
Value of stock granted for services	-	-
Warrants	3,987	-
Total Non-Cash Compensation	$ 106,448	$ (19,663)

Research and development expenses for the three months ended September 30, 2015 were $171,157 compared to $83,113 for the same period in 2014, representing an increase of $88,044 or 105.9%. This increase is attributable to increased research and development expenditures for the three months ending September 30, 2015 compared to the same period in 2014 due to investing in new products, and the incorporation of Provital into the 2015 numbers. Provital was included in the consolidated numbers from the date of acquisition on July 29, 2014.

Net Income Attributable to the Company

Net income attributable to the Company for the three months ended September 30, 2015 was a profit of $621,438 compared to a profit of $347,503 for the comparable period in 2014, representing an increase in profit of $273,935 or 78.8%. This increase was primarily attributable to an increase in gross profit of $847,472.

Comparison of the nine month periods ended September 30, 2015 and September 30, 2014

Revenues

Net sales for the nine months ended September 30, 2015 were $10,738,753 compared to $12,102,595 for the same period in 2014, representing a decrease of $1,363,842 or 11.3%. The decrease in sales consist of a decrease in sales of DPFs of $953,485 and a decrease in sales of liquid filters and systems of $415,139 and an increase in sales of kiln furniture of $4,782.The decrease in demand for our DPFs is mainly due to a decrease in activities and mandates and market activity in general for the first six months of 2015 partly offset by higher sales in the three months ended September 30, 2015. The decrease in demand for our liquid filters and systems is due to a postponement in our delivery of incoming orders for the first six months of 2015 partly offset by higher sales in the three months ended September 30, 2015. The increase in demand for our kiln furniture is due to a decision to continue selling the product to a single customer in 2015 in the first six months of 2015.

Gross Profit

Gross profit for the nine months ended September 30, 2015 was a profit of $1,709,186 compared to $2,873,464 for same period in 2014, representing a decrease of $1,164,278 or 40.5%. The decrease in gross profit was due to low sales activity compared to our fixed cost of goods sold in the first six months of 2015 partly offset by high sales activity in the three months ended September 30, 2015. Included in the gross profit is depreciation of $1,055,555 and $1,264,536 for the nine months ended September 30, 2015 and 2014, respectively.

Expenses

Total operating expenses for the nine months ended September 30, 2015 were $5,040,130 representing a decrease of $162,118 or 3.1% compared to $5,202,248 for the same period in 2014. This decrease in operating expenses is attributable to a decrease in selling and marketing expenses of $346,610 or 14.3%, a decrease in general and administrative expenses of $19,724 or 0.9%, a decrease in non-cash compensation expenses of $108,866 or 29.2% and an increase in research and development expenses of $313,082 or 140.1% compared to the same period in 2014.

Selling expenses for the nine months ended September 30, 2015 were $2,084,204 compared to $2,430,814 for the same period in 2014, representing a decrease of $346,610 or 14.3%. This decrease is attributable to a cost reduction in selling expenses in general. Furthermore, the increase of USD against EURO and DKK of approximately 22% from period to period has had a decreasing effect on our expenses, because a significant amount of our expenses is in DKK. This decreasing effect was partially offset with the inclusion of Provital being part of the selling expenses for the period ending September 30, 2015. Provital was part of the consolidated numbers from the date of acquisition on July 29, 2014.

General and administrative expenses for the nine months ended September 30, 2015 were $2,155,218 compared to $2,174,942 for the same period in 2014, representing a decrease of $19,724, or 0.9%. %. This decrease is attributable to a cost reduction in general and administrative expenses in general. Furthermore, the increase of USD against EURO and DKK of approximately 22% from period to period has had a decreasing effect on our expenses, because a significant amount of our expenses is in DKK. This decreasing effect was partially offset with the inclusion of Provital being part of the selling expenses for the period ending September 30, 2015. Provital was part of the consolidated numbers from the date of acquisition on July 29, 2014.

Non-cash compensation expenses for nine months ended September 30, 2015 were $264,094 compared to $372,960 for the same period in 2014, representing a decrease of $108,866 or 29.2%. This decrease is attributable to decreased non-cash compensation expense for options, shares and warrants for services performed granted to directors, employees and management.

The following is a summary of our non-cash compensation:

	For the nine Months Ended	
	September 30, 2015	September 30, 2014
Compensation upon vesting of stock options granted to employees and the board of directors	$ 112,528	$ (6,439)
Compensation for vesting of restricted stock awards issued to the board of directors	146,250	319,999
Warrants	5,316	59,400
Total Non-Cash Compensation	$ 264,094	$ 372,960

Research and development expenses for the nine months ended September 30, 2015 were $536,614 compared to $223,532 for the same period in 2014, representing an increase of $313,082, or 140.1%. This increase is attributable to increased research and development expenditures for the nine months ending September 30, 2015 compared to the same period in 2014 due to investing in new products, and the incorporation of Provital into the 2015 numbers. Provital was included in the consolidated numbers from the date of acquisition on July 29, 2014.

Net Loss Attributable to the Company

Net income attributable to the Company for the nine months ended September 30, 2015 was a loss of $2,343,881 compared to a loss of $1,170,068 for the comparable period in 2014, representing an increase in loss of $1,173,813 or 100.3%. This decrease was primarily attributable to a decrease of $1,164,278 in gross profit due to the low sales in the first six months of 2015 partly offset by higher sales in the three months ended September 30, 2015.

Liquidity and Capital Resources

We have historically satisfied our capital and liquidity requirements through offerings of equity instruments, internally generated cash from operations and our available lines of credit. At the filing date, the Company did not have any available lines of credit with any lender. At September 30, 2015, we had cash and restricted cash of $2,347,656 and working capital of $7,278,322 and at December 31, 2014, we had cash and restricted cash of $6,072,631 and working capital of $10,570,409. At September 30, 2015, our working capital decreased by $3,292,087 compared to December 31, 2014. Total current assets were $11,551,416 and $14,662,319 at September 30, 2015 and at December 31, 2014, respectively, and total current liabilities were $4,273,094 and $4,091,910 at September 30, 2015 and at December 31, 2014, respectively.

On July 28, 2014, we closed a public offering of 8,000,000 shares at a price to public of $1.50 per share, which included all 1,043,478 shares subject to the underwriter's over-allotment option. Net proceeds received from the offering were approximately $10.8 million, after deducting underwriting discounts and offering expenses. The Company used approximately $2.3 million of the offering to fund a portion of the purchase price of Provital and the balance shall be used to pay transaction expenses and for other general corporate purposes.

Provital had previously a DKK 2,000,000 (approximately $300,000 at September 30, 2015) standby line of credit with a bank, subject to certain borrowing base limitations. Outstanding borrowings are due on demand. Interest is calculated based on a variable interest rate and is payable quarterly. The line was cancelled June 12, 2015.

In connection with certain orders, we have to give the customer a working guarantee or a prepayment guarantee or security bond. For that purpose, we have a credit line of DKK 500,000 (approximately $75,000 at September 30, 2015) with a bank, subject to certain base limitations. As September 30, 2015, we had DKK 473,100 (approximately $71,000) in working guarantee against the line. This line of credit is guaranteed by Vækstfonden (the Danish state's investments fund) and is secured by certain assets of Provital such as receivables, inventory and equipment.

In general, lines of credit in Denmark are due on demand. Our line of credit with the bank was cancelled June 12 2015.

We believe that our cash flow and other potential sources of funds will be sufficient to fund our anticipated working capital needs and capital spending requirements for the foreseeable future. However, if we were to incur any unanticipated expenditures or the negative trend of our operating cash flow does continue, such circumstances could put a substantial burden on our cash resources.

We may also need additional funds for possible future strategic acquisitions of businesses, products or technologies complementary to our business. If additional funds are required, we may raise such funds from time to time through public or private sales of equity or debt securities. Financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could materially adversely impact our growth plans and our financial condition and results of operations. Additional equity financing may be dilutive to holders of our common stock, and debt financing, if available, may involve significant cash payment obligations and covenants that restrict our ability to operate our business.

Cash Flows

Nine months ended September 30, 2015 Compared to nine months ended September 30, 2014

Cash provided (used) by operating activities is net income (losses) adjusted for certain non-cash items and changes in assets and liabilities. Cash used by operating activities for the nine months ended September 30, 2015 was $2,153,496, representing a decrease of $1,555,274 compared to cash used by operating activities of $3,708,770 for the nine months ended September 30, 2014. The $1,555,274 decrease in cash used by operating activities for the nine months ended September 30, 2015 was mainly due to a net loss of $2,322,150, and an increase of $1,884,865 in accounts receivable. This was partially offset by an increase of $242,084 in accounts payable, an increase of $732,521 in long-term contracts and a decrease of $376,758 in inventory.

The increase in accounts receivable, accounts payable, long-term contracts and the decrease in inventory were all due to normal variations in the ordinary course of business.

Cash used in investing activities was $409,093 for the nine months period ended September 30, 2015, as compared to cash provided in investing activities of $2,065,124 for the nine months period ended September 30, 2014. Cash used in investing activities decreased 1,656,031 for the nine months period ended September 30, 2015, compared to the nine months period ended September 30, 2014. This decrease was due to a period over period increase of $218,653 in the purchase of property and equipment and decrease of 1,874,684 in acquisition of Provital Solutions AS.

Cash provided by financing activities was $42,726 for the nine months period ended September 30, 2015, as compared to cash used by financing activities of $8,854,104 for the nine months period ended September 30, 2014. This change of $8,811,378 in cash provided by financing activities for the nine months ended September 30, 2015, compared to 2014, was mainly due to a decrease in proceeds from issuance of common stock and warrants.

Off Balance Sheet Arrangements

As of September 30, 2015, we had no off-balance sheet arrangements other than normal operating leases. We are not aware of any material transactions, which are not disclosed in our consolidated financial statements.

Operating Leases -- The Company leases office and production facilities under operating lease agreements expiring in August 2018, March 2017, February 2017, June 2017, December 2016 and June 2016. In some of these lease agreements, the Company has the right to extend.

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2015 are as follows:

Year ending December	Operating Lease Payments
2015	$ 171,293
2016	661,809
2017	432,462
2018	255,805
2019	-
Thereafter	-
Total Minimum Lease Payments	$ 1,521,369

Significant Accounting Policies and Critical Accounting Estimates

There have been no significant changes in our significant accounting policies and critical accounting estimates since the filing of our Annual Report on Form 10-K for the period ended December 31, 2014.

Recent Enacted Accounting Standards

For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see “Note 1: Recently Enacted Accounting Standards” in the accompanying Financial Statements.

Off Balance Sheet Arrangements

We are not aware of any material transactions, which are not disclosed in our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, under supervision and with the participation of both of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 (the “Exchange Act”) Rules 13a-15(e) and 15-d-15(e)) as of the end of the period covered by this report (the “Evaluation Date”). Based upon that evaluation, both of our Chief Executive Officer and Chief Financial Officer concluded that as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS.

Not required for a “smaller reporting company.”

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

1.1	Placement Agency Agreement, dated March 2, 2012, by and between LiqTech International, Inc. and Sunrise Securities Corp.	Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K as filed with the SEC on March 8, 2012
2.1	Agreement and Plan of Merger dated as of August 23, 2011 by and among Blue Moose Media, Inc., LiqTech USA, Inc. and BMD Sub	Incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K/A as filed with the SEC on October 11, 2011

3.1	Articles of Incorporation	Incorporated by reference to Exhibit 3(i) to the Company's Registration Statement on Form 10 (SEC Accession No. 0001078782-09-001287) as filed with the SEC on August 19, 2009
3.2	Certificate of Amendment to the Articles of Incorporation	Incorporated by reference to Exhibit A to the Company's Information Statement on Schedule 14C as filed with the SEC on September 20, 2011
3.3	Amended and Restated Bylaws, effective January 1, 2012	Incorporated by reference to Exhibit 3.4 to the Company's Form 10-Q as filed with the SEC on May 15, 2012
4.1	Form of Common Stock Certificate	Incorporated by reference to Exhibit 4.1 to the Company's Form 10-K as filed with the SEC on March 29, 2012
4.2	Form of Warrant issued to Investors in the Private Placement	Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K as filed with the SEC on August 25, 2011
4.3	Form of Warrant issued to Sunrise Securities Corp.	Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the SEC on March 8, 2012
10.1	Form of Securities Purchase Agreement by and between LiqTech USA, Inc. and each of the investors in the Private Placement	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on August 25, 2011
10.2	Employment Agreement dated July 29, 2011 between LiqTech A/S and Lasse Andreassen	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A as filed with the SEC on October 11, 2011 (translated in English)
10.3	Employment Agreement dated November 16, 2005 between LiqTech NA, Inc. and Donald S. Debelak	Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K/A as filed with the SEC on October 11, 2011

10.4	Addendum to Employment Agreement, dated December 15, 2011, between LiqTech NA, Inc. and Donald S. Debelak	Incorporated by reference to Exhibit 10.4 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.5	Employment Agreement, dated July 29, 2011, between LiqTech International Inc. and Soren Degn (translated in English)	Incorporated by reference to Exhibit 10.5 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.6	Lease Agreements for 1800 - 1810 Buerkle Road, White Bear Lake, Minnesota 55110	Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011
10.7	Lease Agreement for 1800 - 1816 Buerkle Road, White Bear Lake, Minnesota 55110	Incorporated by reference to Exhibit 10.7 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.8	Lease Agreement for Grusbakken 12, DK-2820 Gentofte Denmark	Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011 (translated in English)
10.9	Lease Agreement for Industriparken 22C, 2750 Ballerup, Denmark	Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011 (translated in English)
10.10	DKK 6,000,000 Line of Credit Agreement, between LiqTech A/S and Sydbank A/S	Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011 (translated in English)
10.11	DKK 3,000,000 Line of Credit Agreement, between LiqTech A/S and Sydbank A/S	Incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011 (translated in English)
10.12	Note Payable Agreement between LiqTech A/S and Sydbank A/S, for the principal amount of $475,000 USD	Incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q as filed with the SEC on November 15, 2011 (translated in English)
10.13	Form of Guarantee in respect of obligations of LiqTech A/S (translated in English)	Incorporated by reference to Exhibit 10.13 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.14	Form of Guarantee in respect of obligations of LiqTech International A/S (translated in English)	Incorporated by reference to Exhibit 10.14 to the Company's Form 10-K as filed with the SEC on March 29, 2012

10.15	Form of Guarantee in respect of obligations of LiqTech NA, Inc. (translated in English)	Incorporated by reference to Exhibit 10.15 to the Company’s Form 10-K as filed with the SEC on March 29, 2012
10.16	Form of Promissory Note payable to certain related parties	Incorporated by reference to Exhibit 10.16 to the Company’s Form 10-K as filed with the SEC on March 29, 2012
10.17	Business Mortgage of LiqTech A/S (translated in English)	Incorporated by reference to Exhibit 10.17 to the Company’s Form 10-K as filed with the SEC on March 29, 2012
10.18	Business Mortgage of LiqTech International A/S (translated in English)	Incorporated by reference to Exhibit 10.18 to the Company’s Form 10-K as filed with the SEC on March 29, 2012
10.19	Bonus and Services Agreement, dated October 31, 2012, by and between the Company and Aldo Petersen	Incorporated by reference to Exhibit 10.19 to the Company’s Quarterly Report on Form 10-Q as filed with the SEC on November 14, 2012
10.20	Agreement, dated March 25, 2013, by and among LiqTech International, Inc., LiqTech Denmark International and Mr. Lasse Andreassen	Incorporated by reference to Exhibit 10.20 to the Company’s Form 10-K as filed with the SEC on March 27, 2013
10.21	Director Contract, dated March 27, 2013, by and between Mr. Finn Helmer and LiqTech Denmark International	Incorporated by reference to the Company's Form 10-Q as filed with the SEC on May 15, 2013
10.22	Securities Purchase Agreement, dated July 15, 2014 by and among LiqTech International A/S, a Danish company, Provital Solutions A/S, a Danish company and Masu A/S, a Danish company	Incorporated by reference to the Company’s Form 8-K as filed with the SEC on July 16, 2014
10.23	Form of Purchase Agreement (Craig-Hallum Capital Group LLC)	Incorporated by reference to the Company’s Form 8-K as filed with the SEC on July 23, 2014
10.24	Form of Underwriter’s Warrant (Craig-Hallum Capital Group LLC)	Incorporated by reference to the Company’s Form 8-K as filed with the SEC on July 23, 2014
10.25	Employment Contract (Sune Mathiesen)	Incorporated by reference to the Company’s Form 8-K as filed with the SEC on August 1, 2014
21	List of Subsidiaries	Incorporated by reference to Exhibit 21 to the Company’s Form 10-K as filed with the SEC on March 29, 2012
31.1	Certifications of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Provided herewith
31.2	Certifications of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Provided herewith

32.1	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act Of 2002	Furnished, not filed herewith
32.2	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act Of 2002	Furnished, not filed herewith
101. INS	XBRL Instance Document	Provided herewith
101. CAL	XBRL Taxonomy Extension Calculation Link base Document	Provided herewith
101. DEF	XBRL Taxonomy Extension Definition Link base Document	Provided herewith
101. LAB	XBRL Taxonomy Label Link base Document	Provided herewith
101. PRE	XBRL Extension Presentation Link base Document	Provided herewith
101. SCH	XBRL Taxonomy Extension Scheme Document	Provided herewith

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized,

LiqTech International, Inc.

Dated: November 12, 2015

/s/ Sune Mathiesen
Sune Mathiesen, Chief Executive Officer
(Principal Executive Officer)

Dated: November 12, 2015

/s/ Soren Degn
Soren Degn, Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

OFFICER'S CERTIFICATE
PURSUANT TO SECTION 302

I, Sune Mathiesen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2015 of Liqtech International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer (s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2015

By: /s/ Sune Mathiesen
Name: Sune Mathiesen
Title: Chief Executive Officer and Principal Executive Officer

EXHIBIT 31.2

OFFICER'S CERTIFICATE
PURSUANT TO SECTION 302

I, Soren Degn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2015 of Liqtech International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer (s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2015

By: /s/ Soren Degn
Name: Soren Degn
Title: Chief Financial Officer and Principal Financial and Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Liqtech International, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2015 as filed with the U.S. Securities and Exchange Commission on the date hereof (the " Report "), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 12, 2015

By: */s/ Sune Mathiesen*
Name: Sune Mathiesen
Title: Chief Executive Officer and Principal Executive Officer

A signed original of this written statement required by Section 906, or other document authentications, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Liqtech International, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2015 as filed with the U.S. Securities and Exchange Commission on the date hereof (the " Report "), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 12, 2015

By: */s/ Soren Degn*
Name: Soren Degn
Title: Chief Financial Officer and Principal Financial and Accounting Officer

A signed original of this written statement required by Section 906, or other document authentications, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.