LIQTECH INTERNATIONAL INC

FORM 10-Q
(Quarterly Report)

Filed 05/15/13 for the Period Ending 03/31/13

Telephone	01145 2390 4545
CIK	0001307579
Symbol	LIQT
SIC Code	3590 - Miscellaneous Industrial And Commercial
Industry	Misc. Capital Goods
Sector	Capital Goods
Fiscal Year	12/31

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 quarterly period ended **March 31, 2013**

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 May 14, 2013, was 24,111,500 shar es.

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Period Ended March 31, 2013

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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 March 31, 2013	As of December 31, 2012
Current Assets:	**UNAUDITED**	
Cash	$ 3,115,618	$ 3,873,338
Accounts receivable, net	2,782,493	2,855,184
Other receivables	286,566	371,001
Cost in excess of billing	217,842	217,586
Inventories	4,249,632	4,111,815
Prepaid expenses	72,955	130,560
Current deferred tax asset	267,332	267,332
Total Current Assets	10,992,438	11,826,816
Property and Equipment , net accumulated depreciation	6,298,222	6,649,817
Other Assets:		
Long term receivable	-	118,258
Other investments	162,389	158,141
Long term tax asset	362,505	75,947
Other intangible assets	26,919	29,150
Deposits	177,087	182,020
Total Other Assets	728,900	563,516
Total Assets	$ 18,019,560	$ 19,040,149

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2013	As of December 31, 2012
Current Liabilities:	**UNAUDITED**	
Current portion of capital lease obligations	$ 200,241	$ 203,503
Accounts payable	2,295,537	2,289,231
Accrued expenses	590,948	760,881
Billing in excess of cost	236,923	237,063
Accrued income taxes payable	1,000	1,000
Deferred revenue	230,572	265,543
Total Current Liabilities	3,555,221	3,757,221
Long-term capital lease obligations, less current portion	656,141	729,567
Total Long-Term Liabilities	656,141	729,567
Total Liabilities	4,211,362	4,486,788
Stockholders' Equity:		
Common stock; par value $0,001, 100,000,000 shares authorized, 24,111,500 and 24,111,500 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	24,112	24,112
Additional paid-in capital	12,658,405	12,658,405
Retained earnings	1,840,881	2,510,693
Deferred compensation	(94,108)	(125,477)
Other comprehensive loss, net	(649,253)	(542,806)
Non-controlled interest in subsidiaries	28,161	28,434
Total Stockholders' Equity	13,808,198	14,553,361
Total Liabilities and Stockholders' Equity	$ 18,019,560	$ 19,040,149

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 March 31, 2013	2012
Net Sales	$ 3,399,148	$ 6,341,721
Cost of Goods Sold	2,837,125	4,252,037
Gross Profit	562,023	2,089,684
Operating Expenses:		
Selling expenses	573,925	659,918
General and administrative expenses	693,674	722,512
Research and development expenses	146,985	226,674
Total Operating Expenses	1,414,584	1,609,104
Income (Loss) from Operations	(852,561)	480,580
Other Income (Expense)		
Interest and other income	156	38,963
Interest (expense)	(11,705)	(84,516)
Gain (loss) on currency transactions	(114,173)	(1,449)
Total Other Income (Expense)	(125,722)	(47,002)
Income Before Income Taxes	(978,283)	433,578
Income Tax Expense (Benefit)	(296,864)	110,977
Net Income (Loss)	(681,419)	322,601
Less Net Income (Loss) Attributable To Non-Controlled Interests in Subsidiaries	(11,608)	-
Net Income (Loss) Attributable To LiqTech	$ (669,811)	$ 322,601
Basic Earnings Per Share	$ (0.03)	$ 0.01
Weighted Average Common Shares Outstanding	24,111,500	22,234,775
Diluted Earnings Per Share	$ (0.03)	$ 0.01
Weighted Average Common Shares Outstanding Assuming Dilution	24,111,500	27,415,788

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 March 31, 2013	For the Three Months Ended March 31, 2012
Net Income (Loss)	(681,419)	322,601
Currency Translation, Net of Taxes	(106,447)	217,575
Other Comprehensive Income (Loss)	$ (787,866)	$ 540,176
Comprehensive Income (Loss) Attributable To Non-controlling Interest in Subsidiaries	(11,608)	(244)
Comprehensive Income (Loss) Attributable To LiqTech International Inc.	$ (776,258)	$ 540,420

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 Three Months Period Ended March 31	
	2013	**2012**
Cash Flows from Operating Activities:		
Net Income (Loss)	$ (669,811)	$ 322,601
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation and amortization	401,841	348,607
Compensation from stock options	31,369	32,602
Bad debt expense	27,925	110,000
Change in deferred tax asset / liability	(286,558)	(50,216)
Non-controlled interest in subsidiary	(11,608)	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	247,459	622,831
(Increase) decrease in inventory	(137,817)	(418,983)
(Increase) decrease in prepaid expenses/deposits	62,538	11,868
Increase (decrease) in accounts payable	6,306	(717,098)
Increase (decrease) in accrued expenses	(204,904)	471,682
Increase (decrease) long term contracts	(397)	-
Total Adjustments	136,154	411,293
Net Cash Provided (Used) by Operating Activities	(533,657)	733,894
Cash Flows from Investing Activities:		
Purchase of property and equipment	(125,472)	(636,993)
Purchase of Long-term investments	(4,248)	(34,878)
Net Cash Used by Investing Activities	(129,720)	(671,871)
Cash Flows from Financing Activities:		
Payments on notes payable	-	(609,396)
Net proceed (payments) on lines of credit	-	(1,259,936)
Net (payments) proceeds on capital lease obligation	(76,688)	(12,484)
Proceeds from issuance of common stock and warrants	-	7,234,947
Net Cash Provided (Used) by Financing Activities	(76,688)	5,353,131
Gain (Loss) on Currency Translation	(17,655)	104,181
Net Increase (Decrease) in Cash and Cash Equivalents	(757,720)	5,519,335
Cash and Cash Equivalents at Beginning of Period	3,873,338	1,033,057
Cash and Cash Equivalents at End of Period	$ 3,115,618	$ 6,552,392

Supplemental Disclosures of Non-Cash Investing and Financing Activities:

For the Three Months Ended March 31, 2013

The Company recorded $31,369 in stock compensation for options granted to employees and directors.

For the Three Months Ended March 31, 2012

The Company recorded $32,602 in stock compensation for options granted to employees and directors.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVERSE ACQUISITION

On August 24, 2011, pursuant to an Agreement and Plan of Merger, dated as of August 23, 2011 (the "Merger Agreement"), by and among LiqTech International, Inc. (formerly known as Blue Moose Media, Inc., "Parent"), Blue Moose Delaware Merger Sub, Inc., a wholly owned subsidiary of Parent ("BMD Sub") and LiqTech USA, Inc. ("LiqTech USA"), BMD Sub was merged with and into LiqTech USA (the "Merger") and as a result of the Merger, LiqTech USA became a wholly owned subsidiary of Parent. Prior to the Merger there were 4,155,250 shares of the common stock, par value $0.001 per share of Parent outstanding, pursuant to the Merger each of the 17,444.75 outstanding shares of the common stock of LiqTech USA, was exchanged for 1,000 shares of Parent's common stock, for a total of 17,444,750 shares resulting in 21,600,000 shares of Parent common stock being outstanding immediately following the Merger and warrants to acquire up to 6,500 shares of LiqTech USA's common stock at an exercise price of $1,500 per share, were by their terms, converted into warrants to acquire up to 6,500,000 shares of Parent common stock at an exercise price of $1.50 per share.

Business and Basis of Presentation

The consolidated financial statements include the accounts of Parent. 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 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 its subsidiaries:

LiqTech International, Inc., a Nevada corporation organized in July 2004, formerly known as Blue Moose Media, Inc.

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

LiqTech A/S ("LiqTech AS"), a Danish corporation, incorporated on March 15, 1999, a 100% owned subsidiary of LiqTech USA, engages in the development, design, production, marketing and sale of ceramic diesel particulate filters and kiln furniture in Europe, Asia and South America. On August 23, 2012, LiqTech AS was merged into LiqTech International A/S, a Danish corporation ("LiqTech International AS") and all activities from the two companies are hereafter combined in LiqTech International AS.

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

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

LiqTech Asia ("LiqTech Asia") a 60% owned subsidiary of LiqTech Int. DK, incorporated in South Korea on July 20, 2006, is currently a dormant subsidiary.

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.

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 inter-company transactions and accounts have been eliminated in the consolidation.

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

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 LiqTech AS is the Danish Krone ("DKK"), the functional currency of LiqTech Germany is the Euro, the functional currency of LiqTech Singapore is the Singapore Dollar and the functional currency of LiqTech Asia is the South Korean Won. The Company's reporting currency is the 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 period ending March 31, 2013 and 2012, respectively. 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 and Cash Equivalents -- 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 institution in the United States in excess of federally insured amounts at March 31, 2013 and December 31, 2012.

Accounts Receivable -- Accounts receivables 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 three months ended March 31, 2013 and the year ended December 31, 2012 is as follows:

	2013	2012
Allowance for doubtful accounts at the beginning of the period	$ 1,243,500	$ 389,032
Bad debt expense	27,925	1,078,365
Amount of receivables written off	-	(248,895)
Effect of currency translation	(16,500)	24,998
Allowance for doubtful accounts at the end of the period	$ 1,254,925	$ 1,243,500

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

Inventory consists of the following at March 31, 2013 and December 31, 2012:

	2013	2012
Furnace parts and supplies	$ 588,165	$ 529,358
Raw materials	641,516	705,025
Work in process	1,587,076	1,502,144
Finished goods	1,504,977	1,447,855
Reserve for obsolescence	(72,102)	(72,567)
Net Inventory	$ 4,249,632	$ 4,111,815

The Company's inventory is held as collateral on the Company's lines of credit.

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 3).

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.

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

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.

Revenue Recognition and Sales Incentives -- The Company's 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 various grants from government entities for development and use of silicon carbide membranes in various water filtration and treatment applications. Revenues from 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 grant multiplied by the 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.

Project costs of the grants include all direct material and labor costs and those indirect costs related to project. Project costs are capitalized and accreted into cost of sales based on the percentage of the project completed. The Company has never recorded a loss on these projects, 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 $11,788 and $20,447, for the three months ended March 31, 2013 and 2012, respectively.

Research and Development Cost -- The Company expenses research and development costs for the development of new products as incurred. Included in operating expense for the three months ended March 31, 2013 and 2012 were $146,985, and $226,674, 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.

Earnings / (Loss) Per Share -- The Company calculates earnings 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 that have been granted but have not been exercised.

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

Stock Options -- The Company has granted stock options to certain key employees (See Note 11). During the years 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 $31,369 and $32,602 have been recognized for the vesting of options granted to employees with an associated recognized tax benefit of $0 for each of the periods ended March 31, 2013 and 2012.

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 and liabilities, 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.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02). ASU 2012-02 was issued with the intent of reducing the cost and complexity of performing impairment tests for indefinite-lived intangible assets by providing an entity with the option to first make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it is necessary to perform a quantitative impairment test. The amendments in this update also enhance the consistency of impairment testing guidance among long-lived asset categories by permitting the qualitative assessment, which is similar to the previously updated guidance for goodwill impairment testing provided in ASU 2011-08. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued. The Company adopted ASU 2012-02 during the third quarter ended September 30, 2012. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

NOTE 2 - RELATED PARTY TRANSACTIONS

Notes Receivable From Related Parties - - During June 2012, the Company collected a DKK 19,500,000 note receivable from a shareholder resulting from the purchase of common shares and was previously classified as equity in the accompanying financial statements. The note was discounted as the note did not accrue interest. During the three months ended March 31, 2012 the Company recorded interest income of $32,589 as a result of amortization of the discount.

Notes Payable From Related Parties -- During June, 2012, the Company paid a DKK 19,500,000 note payable to current and former shareholders of LiqTech AS in connection with the LiqTech AS's reverse acquisition of LiqTech USA, concurrently with the Merger. The note was discounted as the note did not accrue interest. During the three months ended March 31, 2012 the Company recorded interest income of $32,589 as a result of amortization of the discount.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2013 and December 31, 2012:

	Useful Life	2013	2012
Production equipment	3 - 10	$ 11,013,327	$ 11,098,980
Lab equipment	3 - 10	344,268	355,096
Computer equipment	3 - 5	276,415	282,612
Vehicles	3	45,841	47,283
Furniture and fixture	5	63,151	64,038
Leasehold improvements	10	984,886	1,009,035
		12,727,888	12,857,044
Less Accumulated Depreciation		(6,429,666)	(6,207,227)
Net Property and Equipment		$ 6,298,222	$ 6,649,817

Depreciation expense amounted to $399,610 and $348,274, for the three months ended March 31, 2013 and 2012, respectively. The Company's property and equipment has been pledged as collateral on the Company's lines of credit (See Note 6).

NOTE 4 - INVESTMENTS

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 March 31, 2013	Level 1	Level 2	Level 3
Investments	-	-	162,389
Total	-	-	162,389

As of December 31, 2012	Level 1	Level 2	Level 3
Investments	-	-	158,141
Total	-	-	158,141

At March 31, 2013 our total investment of $162,389 consisted of an investment of $6,384 in LEA Technology in France to strengthen our sales channels in the French market and an investment of $156,005 in Bio Filtration Technology, a Danish company developing a biofuel and manure concentration technology.

At December 31, 2012 our total investment of $158,141 consisted of an investment of $6,557 in LEA Technology in France to strengthen our sales channels in the French market and an investment of $151,584 in Bio Filtration Technology, a Danish company developing a biofuel and manure concentration technology.

NOTE 5 – DEFINITE-LIFE INTANGIBLE ASSETS

At March 31, 2013 and December 31, 2012, definite-life intangible assets, net of accumulated amortization, consisted of patents on the Company's products of $26,919 and $29,150, respectively. The patents are recorded at cost and amortized over two to ten years. Amortization expense for the three months ended March 31, 2013 and 2012 was $2,231 and $333, respectively.

Expected future amortization expenses for the following years are as follows:

Year ending December 31,	Amortization Expenses
2013	$ 4,027
2014	5,370
2015	5,370
2016	5,370
2017	3,261
Thereafter	3,521
Total Amortization Expenses	$ 26,919

NOTE 6 – LINES OF CREDIT

LiqTech Int. DK has a DKK 6,000,000 (approximately $1,027,908 at March 31, 2013) standby line of credit with a bank, subject to certain borrowing base limitations. Outstanding borrowings are due on demand. There was $0 outstanding as of March 31, 2013 and December 31, 2012. Interest is charged quarterly at 3.76% per annum at March 31, 2013 and the line is secured by certain of the Company's receivables, inventory and equipment. At March 31, 2013, the line had been paid down to $0 outstanding, with $1,027,908 available on the line of credit.

LiqTech Int. DK has also a DKK 3,000,000 (approximately $513,954 at March 31, 2013) standby line of credit with a bank, subject to certain borrowing base limitations. Outstanding borrowings are due on demand. There was $0 outstanding as of March 31, 2013 and December 31, 2012. Interest is charged quarterly at 3.76% per annum at March 31, 2013 and the line is secured by certain of the Company's receivables, inventory and equipment. At March 31, 2013, the line had been paid down to $0 outstanding, with $513,954 available on the line of credit.

NOTE 7 – LEASES

Operating Leases -- The Company leases office and production facilities under operating lease agreements expiring in February 2017 and August 2018. Some of these lease agreements have an option to extend.

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of March 31, 2013 are as follows:

Year ending December 31,	Lease Payments
2013	$ 485,448
2014	687,084
2015	704,752
2016	722,894
2017	480,419
Thereafter	291,815
Total Minimum Lease Payments	$ 3,372,412

Lease expense charged to operations was $190,057 and $165,104 for the three months ended March 31, 2013 and 2012, respectively.

Capital Lease -- The Company leases equipment on various capital leases calling for monthly payments of $11,260, $4,364, $2,826 and $2,013 expiring through April 2017. Included in property and equipment, at March 31, 2013 and December 31, 2012, the Company had equipment on capital lease of $1,522,450 and $ 1,570,337, respectively, with related accumulated depreciation of $685,633 and $ 653,529, respectively.

During the three months ended March 31, 2013 and 2012, depreciation expense for equipment on capital lease amounted to $53,761 and $54,204, respectively, and has been included in depreciation expense. During the three months ended March 31, 2013 and 2012, interest expense on capital lease obligation amounted to $13,589 and $17,699, respectively.

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

		As of March 31, 2013
2013	$	184,158
2014		241,042
2015		210,269
2016		203,549
2017		130,699
Thereafter		-
Total minimum lease payments		969,717
Less amount representing interest		(113,335)
Present value of minimum lease payments		856,382
Less current portion		(200,241)
Long-term lease payments	$	656,141

NOTE 8 - 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 three months ending March 31, 2013 and 2012, matching contributions were expensed and totaled $3,131 and $5,993, respectively.

NOTE 9 – 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 March 31, 2013 and December 31, 2012:

		2013		2012
Vacation accrual	$	4,093	$	4,093
Allowance for doubtful Accounts		243,314		243,314
Reserve for obsolete inventory		19,925		19,925
Net current tax assets	$	267,332	$	267,332
Business tax credit carryover		25,379		25,379
Net operating loss carryover		1,139,923		856,517
Excess of book over tax depreciation		(802,797)		(805,949)
Net deferred tax liability	$	(362,505)	$	(75,947)

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 meet 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.

As of March 31, 2013, the Company had net operating loss carryovers of approximately $2,100,000 for U.S. Federal purposes expiring through 2033, approximately $317,000 for Danish Tax purposes which do not expire, $63,000 for German tax purposes which do not expire and $45,000 for Singapore tax purposes which do not expire.

A reconciliation of income tax expense at the federal statutory rate to income tax expense at the Company's effective rate was as follows at March 31, 2013 and 2012:

	2013	2012
Computed tax at expected statutory rate	$ (328,670)	$ 147,417
State and local income taxes, net of federal benefits	-	6,945
Non-deductible expenses	-	849
Non-US income taxed at different rates	31,806	(34,477)
Manufacture and other tax credits	-	(13,600)
Other items	-	3,842
Income tax expense	$ (296,864)	$ 110,977

The components of income tax expense (benefit) from continuing operations for the years ended March 31, 2013 and 2012 consisted of the following:

	2013	2012
Current income tax expense:		
Danish	$ -	$ 120,107
Federal	-	60,600
State	-	2,779
Current tax expense	$ -	$ 183,486
Deferred tax expense (benefit) arising from:		
Excess of tax over financial accounting depreciation	$ -	$ 43,766
Net operating loss carryover	(296,864)	(87,021)
Allowance for doubtful accounts	-	(10,504)
Reserve for obsolete inventory	-	(18,750)
Deferred tax expense	$ (296,864)	$ (72,509)
Income Tax Expense (Benefit)	$ (296,864)	$ 110,977

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, and LiqTech AS and LiqTech International AS are generally no longer subject to tax examinations for years prior to 2007 for their Danish tax returns. LiqTech NA is generally no longer subject to tax examinations for years prior to 2008 for U.S. federal and U.S. states tax returns.

NOTE 10 - EARNINGS 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 three months ended March 31, 2013 and 2012:

	For the Three Months Ended March 31	
	2013	**2012**
Income (Loss) attributable to LiqTech International Inc,	$ (669,811)	$ 322,601
Weighted average number of common shares used in basic earnings per share	24,111,500	22,234,775
Effect of dilutive securities, stock options and warrants	-	5,181,013
Weighted average number of common shares and potentially dilutive securities	24,111,500	27,415,788

For the three months ended March 31, 2013, Parent had 1,964,130 options outstanding to purchase common stock of Parent at $1.50 to $3.60 per share and Parent had 6,625,575 warrants outstanding to purchase common stock of 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.

For the three months ended March 31, 2012, the Company included all outstanding common stock equivalents in the calculation of weighted average common shares and potential dilutive common shares outstanding.

NOTE 11 - STOCKHOLDERS' EQUITY

Common Stock

Parent has authorized 100,000,000 shares of common stock, $0.001 par value. As of March 31, 2013 and December 31, 2012, there were 24,111,500 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 Offering

On March 2, 2012, we completed a registered public offering of Parent's common stock. As part of the closing, we issued 2,511,500 shares of our common stock in a registered direct placement of our shares at a per share price of $3.25. The proceeds net of offering cost received from the closing were approximately $7.1 million.

Common Stock Purchase Warrants

We have outstanding warrants to purchase 6,625,575 shares of Parent common stock, of which 6,500,000 warrants are exercisable for cash at a price of $1.50 per share of common stock and will expire on December 31, 2016 and 125,575 warrants are exercisable for cash at a price of $4.0625 per share of Parent common stock and will expire on March 7, 2017. 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.

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 is empowered to grant stock options to employees, officers, and directors of the Company. At March 31, 2013, 1,964,130 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 (Years)	3.0	-	3.5
Volatility	0.07%	-	52.69%
Risk free interest rate		2.33%	
Dividend yield		0%	

The Company recognized employee stock based compensation expense of $31,369 and $32,602 for the three months ended March 31, 2013 and 2012, respectively. At March 31, 2013 the Company had approximately $94,108 of unrecognized compensation cost related to non-vested options expected to be recognized through December 31, 2013.

A summary of the status of the options outstanding under the Company's stock option plans at March 31, 2013 is presented below:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.50	452,500	1.90	$ 1.50	301,667	$ 1.50
$3.00 - $3.60	1,511,630	1.90	$ 3.05	912,753	$ 3.05
$1.50 - $3.60	1,964,130	1.90	$ 2.70	1,214,420	$ 2.70

A summary of the status of the options at March 31, 2013, and changes during the period is presented below:

	March 31, 2013			
	Shares	**Weighted Average Exercise Price**	**Average Remaining Life**	**Weighted Average Intrinsic Value**
Outstanding at beginning of period	1,964,130	$ 2.70	2.15	$ 0
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	1,964,130	$ 2.70	1.90	$ 507,250
Vested and expected to vest	1,964,130	$ 2.70	1.90	$ 507,250
Exercisable end of period	1,214,420	$ 2.67	1.90	$ 507,250

At March 31, 2013 the Company had 749,710 non-vested options with a weighted average exercise price of $2.74 and with a weighted average grant date fair value of $0.18, resulting in unrecognized compensation expense of $94,108, which is expected to be expensed over a weighted-average period of 0.75 years.

The total intrinsic value of options exercised during the three months ended March 31, 2013 was $507,250. Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at March 31, 2013 (for outstanding options), less the applicable exercise price.

NOTE 12 - SIGNIFICANT CUSTOMERS / CONCENTRATION

The Company had no customers that accounted for more than 10% of total sales at March 31, 2013. The Company had four significant customers that accounted for 19%, 17%, 11% and 8% of total sales at March 31, 2012.

The Company sells filters throughout the world, and sales by geographical region are as follows for the three months ended March 31, 2013 and 2012:

	For the Three Months Ended March 31	
	2013	**2012**
United States and Canada	$ 651,019	$ 1,897,671
Australia	152,746	48,914
South America	20,620	201,604
Asia	818,552	544,558
Europe	1,756,211	3,648,974
	$ 3,399,148	$ 6,341,721

The Company's sales by product line are as follows for the three months ended March 31, 2013 and 2012:

	For the Three Months Ended March 31,	
	2013	**2012**
Ceramic diesel particulate	$ 1,932,305	$ 5,337,566
Liquid filters	1,202,952	901,926
Kiln furniture	263,891	102,229
	$ 3,399,148	$ 6,341,721

NOTE 14 – SUBSEQUENT EVENT

The Company's management reviewed material events through May 14, 2013 and there were no material subsequent events.

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 t he 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 27, 2013, 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 three business areas: ceramic membranes for liquid filtration, diesel particulate filters for the control of soot exhaust particles from diesel engines and 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 Italy, Germany, France, Korea, Brazil and Singapore. 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 Denmark International") and LiqTech NA, Inc., a Delaware corporation ("LiqTech Delaware"). Collectively, LiqTech USA, LiqTech Denmark International and LiqTech Delaware are referred to herein as our "Subsidiaries". On August 23, 2012, LiqTech A/S, a Danish limited company ("LiqTech Denmark") and former subsidiary of the Company was merged with and into LiqTech Denmark International.

We conduct operations in the Kingdom of Denmark and the United States. Our Danish operations are located in the Copenhagen, Denmark area 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 Products

We manufacture and sell (i) ceramic membranes for the filtration of liquid; (ii) diesel particulate filters for the control of soot exhaust particles from diesel engines and (iii) to a much lesser extent, kiln furniture to support ceramics during the firing process.

Ceramic Silicon Carbide Membranes for Liquid Filtration

Under the "LiqTech" and "Cometas" brand names, we manufacture and sell ceramic silicon carbide membranes for liquid filtration using our patented silicon carbide technology ("SiC Filters") that currently focus on hydrocarbon production-derived contaminated water, which we refer to herein as "produced water" and pre-filtration for reverse osmosis. Our SiC Filters have been used in the following applications by our clients:

- *Produced water* : Our membranes can be used for the filtration of water from oil produced in offshore platforms. We have performed testing with many of the major international private and public oil and gas companies. We have recently been awarded a contract by one of the major international oil and gas companies to provide and service produced water filters on one of its offshore platforms. Our products have been delivered and the initial service period under the contract commenced.

- *Pre-filtration of reverse osmosis drinking water* : Prior to passing through reverse osmosis membranes to produce drinking or industrial water from sea or surface water, the sea or surface water must be pre-filtered. We have performed successful tests for the pre-filtration of sea and surface water for this purpose with numerous clients, including Arteron in Malaysia, a company producing compact drinking water, Hoimyung Corp in South Korea, a supplier of industrial waste water systems and pretreatment for reverse osmosis, Kemic Vater Cleaning in Denmark, a supplier of drinking water equipment, and Puretec in Israel, a producer of reverse osmosis systems.

- *Treatment of ballast water* : Our liquid filtration membranes can be applied to limit the spreading of non-native species that may be transported in the ballast water of sea-going vessels. We have partnered with Singapore based companies and R&D centers to develop a solution for the ballast water treatment market. A distributor in Japan is in contact with shipyards seeking filtration solutions for our ballast water systems.

- *Industrial applications* : Our membranes have performed successful tests in industrial applications for the removal of a variety of substances such as heavy metal (Haldor Topsoe, Denmark), legionella (HYTEK Italy), manure (Bioffuel Technology, Denmark), pool and spa water (Provital, Denmark) and raw sugar (Al Khaleej Sugar, UAE).

- *Producing clean drinking water* : The potential for the use of LiqTech SIC membranes in drinking water production is diverse and the benefits are numerous. Some examples include: group water – removal of precipitated salts such as iron and manganese; surface water – removal of organic suspended solids and humic acid; and sea water – pre-filtration before reverse osmosis.

- *Waste water treatment* : Our membranes can be used to remove suspended solids in waste water treatment. Our membranes have performed successful tests for treating waste water with Hydrosolutions, Puretec in Israel and Asia Pacific Water Technologies in South Korea.

Our products are based on the following silicon carbide membrane technologies:

- CoMem is a unique patented membrane technology that utilizes a cross-flow structure to handle high concentrations of suspended solids found in produced water from the oil and chemical industry, wastewater from industrial processes and manure filtration; and

- Aqua Solution integrates a dead-end structural design with cutting-edge membrane technology in a solution specifically designed for applications in pre-treatment for reverse osmosis, wastewater treatment and pool and spa filtration.

Our filters are manufactured with a silicon carbide ceramic membrane based on a patented technology, and we are not aware of any other company that makes both the substrate (honeycomb) and the membrane (the part which accomplishes the filtering) solely from silicon carbide.

The advantages of our SiC membrane compared to other pre-filtration systems for reverse osmosis are:

- Our SiC membrane offers the same water flow as commonly used sand filters which take up to 400 times more space and have pore sizes at least three times bigger than our SiC membrane, and reduces the number of membrane elements and pressure vessels;
- With our SiC membrane, high flow capacities are achieved at very low pressures, which reduces energy costs;
- Our SiC membrane reduces water consumption for sand filter backwash; and
- Our SiC membrane eliminates consumption/maintenance of cartridges.

On February 14, 2013, we announced that our ultra-filtration Silicon Carbide (SiC) membrane product has been approved for liquid sterilization according to the recognized American Society for Testing and Materials (ASTM) standard F838-05 for liquid filtration. This standard is widely used for pharmaceutical, food & beverage and drinking water applications. The combination of the unmatched performance of SiC membranes compared to any other ceramic membrane material in terms of liquid flux, chemical resistance and product life, now combined with the capability of providing sterile filtration, represents disruptive technology to the existing norm, and is an industry game-changer for Drinking Water, Biotech and Food & Beverage applications. Our SiC membranes enable mechanical removal of bacteria, which is cheaper and more reliable than any other sterilization technology. We believe we are the only membrane manufacturer worldwide to achieve liquid sterilization with a SiC membrane.

The independent Danish Technological Institute (DTI) laboratory conducted a sterile membrane certification according to the ASTM standard. Following the test procedure set forth by ASTM, our SiC membranes were evaluated in terms of bacteria rejection. DTI conducted in that certification that the membrane filter has the ability to retain bacteria corresponding to a log 7 reduction. The ability to retain bacteria corresponding to a log 7 reduction (99.99999% removal) is recognized as sterile filtration, i.e. the membrane can be considered as a bacterial barrier. On the basis of this achieved ASTM standard, we are now considering expanding our strategic focus beyond the existing business areas of industrial wastewater treatment and produced water treatment and toward new areas such as Biotech, food & beverage, and drinking water, where our SiC membranes may offer sterile filtration with a significant value proposition for the end-users.

On February 19, 2013, we announced that our SiC membranes are currently being used in the recovery of protein in a foodstuff application in China. FANRUNSI (Shanghai) Fluid Technology Co. Ltd., a Chinese engineering firm located in Shanghai, has installed 240 square meters of our SiC membranes at a Chinese customer location. The end-user is considering a further expansion of additional SiC membranes worth more than $1 million in 2013.

On February 21, 2013, we announced the newest product to our portfolio, SiC membrane discs. The membrane disc system is based on a principle of creating cross-flow by rotating the membrane as an alternative to pumping the liquid across the membrane in the traditional tubular setup. Energy consumption is only 17% compared to regular cross-flow. The membrane disc system can handle liquids with high solid content and will therefore be used in applications such as wastewater treatment, manure concentration and pharmaceuticals. The application is also suitable in algae dewatering before final extraction of Omega 3 and other high-value content for production of feed or bio ethanol. These applications are growing markets, and all face a continuous challenge in finding energy-effective treatment solutions. We believe that our SiC membrane discs will set the standard for requirements in future system design, due to higher flux and better chemical resistance at a comparable price to other solutions. We believe the market for membrane discs has strong potential alongside our other tubular and flat sheet membranes.

The product was developed with funding from the Danish foundation for Green Development and Demonstration Program (*GUDP – Groen udvikling og demonstrations program*). The foundation has partially funded the development of the SiC membrane discs for concentration of manure however we retain full ownership of the intellectual property. Concentration of manure will enhance the production of biogas compared to gasification of raw manure, and will limit the CO_2 emission from transportation of the untreated manure prior to the gasification.

We intend to target the membrane disc product through a strategic partnership with an experienced system integrator. The system integrator has a long history in designing membrane disc equipment. The total market size for sludge treatment is estimated to reach $5.8 billion in 2013, growing at a compound annual growth rate of 4.6% (Source: Filtration Industry Analyst Volume 2008, Issue 12, December 2008, Pages 5) . We believe the membrane technology portion of this market is approximately 5% of the total market, or approximately $290 million.

In addition to the above, the International Feed Industry Federation states that the feed production market reached 873 million metric tons in 2012, representing a market worth $350 billion. It is further estimated that membranes could account for $350-$700 million of the total market according to Transparency Market Research.

On March 5, 2013, we announced that we have launched a new state-of-the-art SiC Flat Sheet Membrane (FSM) disc for Membrane Bioreactors (MBR) and Moving Bed Bioreactors (MBBR) for wastewater treatment.

The FSM uses the outside-in filtration principle. This allows either a pressurized mode or a vacuum suction mode of operation which reduces the cost of installation. The FSM module is submerged in a tank containing dirty water and by applying moderate suction pressure, clean water is produced. This configuration is mainly used in modern MBR and MBBR wastewater treatment systems and reduces the strain on housings, pumps and controls. With this new expansion of the product portfolio, we believe we will be able to cover a wider spectrum of the market. While our tubular filter is suited for low-solid content feeds, the FSM is better suited for higher-solid content applications and our rotating discs target very high solid content feeds.

The high clean-water permeability of the SiC material, being around 20 times more permeable than conventional polymeric 0.1um UF membranes and 4 times more permeable than aluminum oxide 0.1um UF membranes (competing ceramic material), allows compact systems that save valuable footprint space for our customers.

The FSM targets the waste water market, which we believe is among the most important applications in membrane technology. The MBR market reached a size of about $800 million in 2011 and is expected to grow at approximately 20% per year to exceed $3 billion in 2018 according to Global water market research team at Frost & Sullivan. Published in Waterworld Magazine .

This new technology offers a flexible high-performance solution with the outstanding material advantages of SiC, providing customers ultra-compact systems with the reliability and robustness of a ceramic membrane.

We have entered into cooperation agreements with two system integrators with specific know-how and market access to develop market-driven products with what we believe to be the best value proposition. We currently expect to generate revenue from the sales of the FSMs during 2013.

For the years ended December 31, 2012 and 2011, we received grants from governmental entities of $549,648 and $3,039,118, respectively. In 2011, we received a $2 million grant from The Danish National Advanced Technology Foundation to develop a SiC-based membrane that can perform reverse osmosis. If successful, we believe this will be the first inorganic reverse osmosis membrane ever developed. The goal is to produce clean drinking water from sea water.

We believe increased government regulation on the treatment of produced water may increase our sales of SiC membranes. Existing technology may have difficulty meeting any increased requirements because the hydro-cyclone technology currently used in most treatments of produced water is not effective at removing suspended solids and is prone to clogging.

For the three months ended March 31, 2013 and March 31, 2012, our sales of liquid filters and services were $1,202,952 and $901,926, respectively, and accounted for 35% and 14% of our total sales, respectively.

Diesel Particulate Filters

We offer diesel particulate filters (“DPF”) for exhaust emission control solutions to the verified retrofit and the original equipment manufacturer (OEM) market through our direct sales force. DPF sales are generally made to distributors specializing in sales to end users. We use a proprietary “nano washcoat” to provide catalytic coating for anything from diesel particulate filters to catalytic converters. We have developed a robust silicon carbide diesel particulate filter that is especially useful for vehicles that produce a high soot load, and, if properly maintained, should last as long as the vehicle’s engine. Our DPFs are ideal for off-road vehicles because of their strength, chemical non-reactive nature, temperature resilience and thermal conductivity. Our DPF products are sold worldwide, under the LiqTech brand name.

Our silicon carbide filters can handle higher soot loads than filters that do not use a silicon carbide membrane, which makes them ideal for situations in which engines infrequently reach high enough temperatures to burn off soot. Examples include:

- Garbage trucks;
- Port vehicles;
- Diesel pickup trucks not carrying a full load;
- Off-road construction vehicles that idle for long periods of time; and
- Intra-city vehicles that do not reach highway speeds.

Most of our competitors’ DPFs do not use a silicon carbide membrane.

For the three months ended March 31, 2013 and 2012, our sales of diesel particulate filters were $1,932,305 and $5,337,566, respectively, and accounted for 57% and 84% of our total sales, respectively.

Kiln Furniture

Kiln furniture refers to all items used in a kiln to support ceramics that creates additional space to maximize the number of items for each firing. Our high-quality SiC kiln furniture is thinner (allowing more items to be added for each firing), withstands higher heat, lasts longer and reduces the firing time (reducing energy costs) as compared to cordierite, mullite and oxide bonded kiln furniture.

We intend to produce kiln furniture as a means to maximize the efficiency of our manufacturing process and not as one of our primary products.

We began selling kiln furniture in 2011 and our sales for the three months ended March 31, 2013 and March 31, 2012, were $263,891 and $102,229, respectively, and accounted for 8% and 2% of our total sales, respectively.

Our Manufacturing

We currently manufacture our products in facilities located in Ballerup, Denmark and White Bear Lake, Minnesota. The main raw materials that we use in our manufacturing processes are silicon carbide, platinum and palladium. We purchase these commodities from various sources generally based upon availability and price. There is a limited supply of silicon carbide available to us. As other industries develop products utilizing silicon carbide, we may not be able to obtain adequate supplies of silicon carbide required for the manufacture of our existing and planned future water filtration products. Any increased demand for silicon carbide, platinum or palladium could increase the price we must pay to obtain it and could adversely affect our profitability. However, our management believes that we could obtain satisfactory substitutes for these materials should they become unavailable.

Prior to our entry into the new subcontract agreement with Scandinavian Brake Systems, as discussed below, our manufacturing facilities operated at peak capacity. We currently have a subcontract agreement for production capacity with a subcontractor located in Tennessee. We have also entered into a new subcontract agreement with Scandinavian Brake Systems to utilize the production capacity of their Notox division. The new subcontract arrangement, which extends until the end of 2014, is expected to significantly increase our production capacity.

We have plans to expand our production capacity in both Denmark and Minnesota, primarily through additional investment in equipment relating to our liquid filtration products, when this becomes necessary.

Sales, Marketing and Distribution

Our products are sold primarily to large industrial customers that use our products for gas and liquid filtration. To date, most of our sales have been in the transportation sector, and we are seeking to broaden our sales into other areas such as produced water in the oil and gas market, desalination market and other water purification markets. We had had no customers who accounted for more than 10% of total sales at March 31, 2013. For the three months ended March 31, 2012, our four largest customers accounted for approximately 19%, 17%, 11% and 8%, respectively, of our net sales (approximately 55% in total). We plan to actively market our existing products to new customers as we increase our production capacity. We currently have 10 full-time sales personnel or distribution agents. We promote our products through direct contact to potential customers and by meeting potential customers in trade fairs and exhibitions.

Government Regulation

We do not believe that we are subject to any special governmental regulations affecting our products in the countries in which we have operations, except that in Minnesota, we are required to comply with the Minnesota Air Pollution standards related to the use of our incinerator located in our Minnesota facilities. We are subject to numerous health and safety laws and regulations. In the United States, these laws and regulations include the Federal Occupation Safety and Health Act and comparable state legislation. We are also subject to similar requirements in other countries in which we have extensive operations, including Denmark, where we are subject to various regulations. These regulations are frequently changing, and it is impossible to predict the effect of such laws and regulations on us in the future. We actively seek to maintain a safe, healthy and environmentally friendly workplace for all of our employees and those who work with us.

Research and Development

We currently have five full-time employees spending a majority of their time on research and development. For the three months ended March 31, 2013 and 2012, we spent $146,985 and $226,674, respectively, on research and development.

Competition

Our products compete with other filters that are made using both ceramic and plastic membranes. Most of our competitors are large industrial companies. However, we believe our patented technology allows us to produce high quality, low cost products that give us an advantage over many of our competitors, many of which have greater financial, technological, manufacturing and personnel resources. We intend to continue to devote resources to improving our products in order to maintain our existing customers and to add new customers.

Recent Developments

On April 1, 2013 Mr. Helmer was appointed as our new Chief Executive Officer (See Item 5 herein below). Over the course of more than 40 years Mr. Helmer has in many different situations successfully demonstrated his talent for leading and growing companies into meaningfully larger and more profitable companies including his role as CEO of GIGA A/S, a Danish company in the NKT Group. When he joined GIGA as its seventh employee, it had limited capital, was not profitable and had revenue of less than $1 million. In less than 5 years, GIGA employed 100 people, and was generating revenues and pre-tax profit of $135 million and $73 million, respectfully. In 2000 Intel (USA) acquired GIGA for $1.25 billion.

On March 25, 2013 we entered into an agreement with a global leader in oilfield equipment and services, FMC Technologies, Inc. (NYSE: FTI), for the use of our state-of-the-art disruptive silicon carbide membrane technology for oil/gas applications. This exclusive agreement will bring LiqTech International's silicon carbide membrane technology into the highly attractive unconventional shale oil/gas sector and will allow for the development of new water treatment systems. The agreement includes a multi-year, multi-million dollar commitment towards LiqTech technology in order for FMC Technologies to maintain exclusivity.

On March 5, 2013 we launched a new state-of-the-art Silicon Carbide (SiC) Flat Sheet Membrane (FSM) disc for Membrane Bioreactors (MBR) and Moving Bed Bioreactors (MBBR) for wastewater treatment.

On February 26, 2013 we appointed Mr. Mark Vernon, Group Chief Executive Officer of Spirax-Sarco Engineering plc (London Stock Exchange: SPX) to our Board of Directors. Mr. Vernon has enjoyed a long career in the industrial engineering industry, with broad experience in strategic planning, operations management, marketing, sales and new product development. He has travelled extensively, visiting over 65 countries worldwide, and has established businesses and manufacturing operations in many emerging markets. Since April 2008, Mr. Vernon has served as Group Chief Executive Officer of Spirax-Sarco a multi-national industrial engineering company headquartered in the UK, comprising more than 50 operating companies located in 35 countries around the world with revenues exceeding $1 billion. Mr. Vernon joined Spirax-Sarco in 2003 as President of the Group's USA operating company before being appointed to their Board of Directors in 2006 with responsibility for business operations in North and South America. Mr. Vernon also currently serves as a Director of Senior plc, a $1.2 billion UK-based aerospace and industrial engineering business.

On February 21, 2013 we announced the newest product to the Company's portfolio, SiC membrane discs. The membrane disc system is based on a principle of creating cross-flow by rotating the membrane as an alternative to pumping the liquid across the membrane in the traditional tubular setup. Energy consumption is only 17% compared to regular cross-flow membranes.

On February 19, 2013 we announced that LiqTech SiC membranes are currently being used in the recovery of protein in a foodstuff application in China. FANRUNSI (Shanghai) Fluid Technology Co. Ltd., a Chinese engineering firm located in Shanghai, has installed 240 m2 of LiqTech SiC membranes at a Chinese customer location.

On February 14, 2013 we announced that the Company's ultra-filtration Silicon Carbide (SiC) membrane product has been approved for liquid sterilization according to the recognized ASTM standard F838-05 for liquid filtration. This standard is widely used for pharmaceutical, food & beverage and drinking water applications. The combination of the unmatched performance of SiC membranes compared to any other ceramic membrane material in terms of liquid flux, chemical resistance and lifetime, now combined with the capability of providing sterile filtration, represents disruptive technology to the existing norm, and is an industry game-changer for Drinking Water, Biotech and Food & Beverage applications. The LiqTech SiC membranes enable mechanical removal of bacteria, which is cheaper and more reliable than any other sterilization technology.

On January 21, 2013, we received notice that a customer who accounted for 12.4 % and 6.4% of total sales for the year ended December 31, 2012 and 2011 had the courts appoint a receiver for the customer. The Company has established an allowance at the end of December 2012 of $700,000 against the receivables due from this customer.

Results of Operations

The following tables set forth our revenues, expenses and net income for the three months ended March 31, 2013 and 2012. The financial information below is derived from our unaudited condensed consolidated financial statements included elsewhere in this report.

	Period ended March 31,					
					Period to period change	
	2013	As a % of Sales	2012	As a % of Sales	$	Percent %
Net Sales	3,399,148	100%	6,341,721	100%	(2,942,573)	(46.4)
Cost of goods sold	2,837,125	83.5	4,252,037	67.0	(1,414,912)	(33.3)
Gross Profit	**562,023**	**16.5**	**2,089,684**	**33.0**	**(1,527,661)**	**(73.1)**
Operating Expenses						
Selling and Marketing	573,925	16.9	659,918	10.4	(85,993)	(13.0)
General and Administrative	693,674	20.4	722,512	11.4	(28,838)	(4.0)
Research and Development	146,985	4.3	226,674	3.6	(79,689)	(35.2)
Total Operating Expenses	**1,414,584**	**41.6**	**1,609,104**	**25.4**	**(194,520)**	**(12.1)**
Income (loss) from Operating	**(852,561)**	**(25.1)**	**480,580**	**7.6**	**(1,333,141)**	**(277.4)**
Interest and Other Income	156	0.0	38,963	0.6	(38,807)	(99.6)
Interest (Expense)	(11,705)	(0.3)	(84,516)	(1.3)	72,811	(86.2)
Gain (loss) on Currency Transactions	(114,173)	(3.4)	(1,449)	0.0	(112,724)	7,779.4
Total Other Income (Expense)	**(125,722)**	**(3.7)**	**(47,002)**	**(0.7)**	**(78,720)**	**167.5**
Income Before Income Taxes	**(978,283)**	**(28.8)**	**433,578**	**6.8**	**(1,411,861)**	**(325.6)**
Income Taxes Expense	(296,864)	(8.7)	110,977	1.7	(407,841)	(367.5)
Net Income	**(681,419)**	**(20.0)**	**322,601**	**5.1**	**(1,004,020)**	**(311.2)**
Less Net income attributable to the Non-controlled interest in Subsidiaries	(11,608)	(0.3)	-	0.0	(11,608)	-
Net Income attributable to LiqTech	**(669,811)**	**(19.7)**	**322,601**	**5.1**	**(992,412)**	**(307.6)**

Comparison of the three month periods ended March 31, 2013 and March 31, 2012

Revenues

Net sales for the three month period ended March 31, 2013 were $3,399,148 compared to $6,341,721 for the same period in 2012, representing a decrease of $2,942,573, or 46.4%. The decrease in sales consisted of a decrease in sales of DPFs of $3,405,261 and an increase in sales of liquid filters and kiln furniture of $301,026 and $161,662 respectively. The decrease in demand for our DPFs is mainly due to a postponement in use of mandates in the US market and the absence of the low emission zone activity in London, which contributed to our net sales for the three month period ended March 31, 2012. The increase in demand for our liquid filters and kiln furniture is due to an increase in worldwide sales of our products.

Gross profit

Gross profit for the three month period ended March 31, 2013 was $562,023 compared to $2,089,684 for the same period in 2012, representing a decrease of $1,527,661 or 73.1%. The decrease in gross profit was due to a decrease in sales for the period ended March 31, 2013 compared to the same period in 2012.

Expenses

Total operating expenses for the three month period ended March 31, 2013 were $1,414,584, a decrease of $194,520, or 12.1%, compared to $1,609,104 for the same period in 2012. This decrease in operating expenses is attributable to a decrease in selling and marketing expenses of $85,993 or 13.0%, general and administrative expenses of $28,838 or 4.0% and research and development expenses of $79,689 or 35.2% compared to the same period in 2012.

Selling and marketing expenses for the three month period ended March 31, 2013 were $573,925 compared to $659,918 for the same period in 2012, representing a decrease of $85,993 or 13.0%. This decrease is attributable to decreased selling and marketing expenditures for the three month period ending March 31, 2013 compared to the same period in 2012. While we believe that investment in sales will produce attractive returns for the Company and our shareholders, profitability from such investments will likely take several fiscal quarters to be realized.

General and administrative expenses for the three month period ended March 31, 2013 were $693,674 compared to $722,512 for the same period in 2012, representing a decrease of $28,838 or 4%. This decrease is attributable to decreased general and administrative expenditures for the three month period ending March 31, 2013 compared to the same period in 2012, but the levels for the three months ended both March 31, 2013 and 2012 were approximately what we expect for comparable periods going forward. During the three months ended March 31, 2013, the Company also added an additional $27,925 to its bad debt reserve compared to $110,000 for the same period in 2012. Included in the three month period ending March 31, 2013 is an additional $31,369 of non-cash compensation expense for options granted to employees and management compared to $32,602 for the three month period ended March 31, 2012.

Research and development expenses for the three month period ended March 31, 2013 were $146,985 compared to $226,674 for the same period in 2012, representing a decrease of $79,689 or 35.2%. This decrease is attributable to decreased research and development expenditures for the three month period ending March 31, 2013 compared to the same period in 2012.

Net Income/(Loss)Attributable to LiqTech

Net loss for the three month period ended March 31, 2013 was $669,811 compared to net income of $322,601 for the same period in 2012, representing a decrease of $992,412. This decrease was primarily attributable to a decrease of $1,527,661 in our gross profit partially offset by a decrease of $194,520 in operating expenses and a decrease in income tax expense of $407,841. The largest contributor to the decrease in operating expenses was a decrease in selling and marketing expenses of $85,993 or 13.0%, compared to the same period in 2012.

Liquidity and Capital Resources

We have historically satisfied our capital and liquidity requirements through internally generated cash from operations and our available lines of credit. At March 31, 2013, we had cash of $3,115,618 and working capital of $7,437,217 and at December 31, 2012 we had cash of $3,873,338 and working capital of $8,069,595. At March 31, 2013, our working capital decreased by $632,378. Total current assets were $10,992,438 and $11,826,816 at March 31, 2013 and December 31, 2012, respectively and total current liabilities were $3,555,221 and $3,757,221 at March 31, 2013 and December 31, 2012, respectively.

On March 2, 2012, we completed a registered public offering of our common stock. As part of the closing, we issued 2,511,500 shares of our common stock in a registered direct placement of our shares at a per share price of $3.25. The net proceeds to us from the closing were approximately $7.1 million. We intend to use the net proceeds from the offering for the development and marketing of our products, the engineering, development and testing of our membranes, and the opening of local sales offices in certain countries outside of the U.S. and Denmark. Pending application of such proceeds, we expect to invest the proceeds in short-term, interest-bearing, investment-grade marketable securities or money market obligations.

LiqTech Int. DK has a DKK 6,000,000 (approximately $1,027,908 at March 31, 2013) standby line of credit with a bank, subject to certain borrowing base limitations. Outstanding borrowings are due on demand. There was $0 outstanding as of March 31, 2013 and December 31, 2012. Interest is charged quarterly at 3.76% per annum at March 31, 2013 and the line is secured by certain of the Company's receivables, inventory and equipment. At March 31, 2013, the line had been paid down to $0 outstanding, with $1,027,908 available on the line of credit.

LiqTech Int. DK has also a DKK 3,000,000 (approximately $513,954 at March 31, 2013) standby line of credit with a bank, subject to certain borrowing base limitations. Outstanding borrowings are due on demand. There was $0 outstanding as of March 31, 2013 and December 31, 2012. Interest is charged quarterly at 3.76% per annum at March 31, 2013 and the line is secured by certain of the Company's receivables, inventory and equipment. At March 31, 2013, the line had been paid down to $0 outstanding, with $513,954 available on the line of credit.

In general, lines of credit in Denmark are due on demand. We do not believe that any of our lines of credit will be called but, if they were called, we believe that we could refinance with other lenders in Denmark with similar terms.

We believe that our cash flow together with currently available funds from our existing lines of credit 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

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 period ended March 31, 2013 was $533,657, representing a decrease of $1,267,551, compared to cash provided by operating activities of $733,894 for the period ended March 31, 2012. The $533,657 in cash used by operating activities for the period ended March 31, 2013 was mainly due to the net loss of $669,811, the increases of $137,817 in inventory, the decrease of $247,459 in accounts receivable and a decrease of $204,904 in accrued expenses.

The increases in inventory, the decrease in accounts receivable and the decrease in accrued expenses were all due to normal variation in course of business.

Cash used in investing activities was $129,720 for the year period ended March 31, 2013, as compared to cash used in investing activities of $671,871 for the period ended March 31, 2012. Cash used in investing activities decreased in 2013, compared to 2012, primarily due to proceeds of $689,827 received in 2011 on insurance claims as a result of fire of the company’s building in 2011. We anticipate that we will continue to invest in additional production equipment in order to meet the demand for our products.

Cash used by financing activities was $76,688 for the year period ended March 31, 2013, as compared to cash provided by financing activities of $5,353,131 for the year period ended March 31, 2012. The change of $5,429,819 in cash provided by financing activities in 2012, compared to 2013, was primarily due to cash received in connection with the stock offering during the first quarter 2012, when the Company issued 2,511,500 new shares of common stock at 3.25 per share.

Significant Accounting Policies and Critical Accounting Estimates

The methods, estimates, and judgments that we use in applying our accounting policies have a significant impact on the results that we report in our consolidated financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain. Our most critical accounting estimates include:

- the assessment of collectability of accounts receivable, which impacts operating expenses when and if we record bad debt or adjust the allowance for doubtful accounts;
- the assessment of recoverability of long-lived assets, which impacts gross margin or operating expenses when and if we record asset impairments or accelerate their depreciation;
- the recognition and measurement of current and deferred income taxes (including the measurement of uncertain tax positions), which impact our provision for taxes;
- the valuation of inventory, which impacts gross margin; and
- the recognition and measurement of loss contingencies, which impact gross margin or operating expenses when we recognize a loss contingency, revise the estimate for a loss contingency, or record an asset impairment.

We discuss these policies further below, as well as the estimates and judgments involved.

Accounts Receivable / Allowance for Doubtful Accounts / Bad Debt

We assess the collectability of accounts receivable on an ongoing basis and establish an allowance for doubtful accounts when collection is no longer reasonably assured. In establishing the allowance, factors we consider include known troubled accounts, historical experience, age, and other currently available evidence.

Long-Lived Assets

We assess the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. We measure the recoverability of assets that will continue to be used in our operations by comparing the carrying value of the asset grouping to our estimate of the related total future undiscounted net cash flows. If an asset grouping's carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is measured by comparing the difference between the asset grouping's carrying value and its fair value. Long-lived assets such as goodwill, intangible assets, and property, plant and equipment are considered non-financial assets, and are recorded at fair value only if an impairment charge is recognized.

Impairments of long-lived assets are determined for groups of assets related to the lowest level of identifiable independent cash flows. Due to our asset usage model and the interchangeable nature of our ceramic filter manufacturing capacity, we must make subjective judgments in determining the independent cash flows that can be related to specific asset groupings. In addition, as we make manufacturing process conversions and other factory planning decisions, we must make subjective judgments regarding the remaining useful lives of assets, primarily process-specific filter manufacturing tools and building improvements. If we determine that the useful lives of assets are shorter than we had originally estimated, we accelerate the rate of depreciation over the assets' new, shorter useful lives. During the three months ended March 31, 2013 and 2012, no impairment charge of long-lived assets has been recorded.

Revenue Recognition and Sales Incentives

The Company's 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.

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.

Income Taxes

We must make estimates and judgments in determining the provision for taxes for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax assets and liabilities that arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Significant changes in these estimates may result in an increase or decrease to our tax provision in a subsequent period.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover the deferred tax assets recorded on our consolidated balance sheets. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determined that the recovery was not likely. Recovery of a portion of our deferred tax assets is impacted by management's plans and methods of allocating research and development costs to the underlying reporting units.

The calculation of our tax liabilities involves uncertainties in the application of complex tax regulations in Denmark and the United States. When a tax position is determined uncertain, we recognize liabilities based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. If we determine that a tax position will more likely than not be sustained on audit, the second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. If uncertainties arise we re-evaluate the tax positions on a quarterly basis. This evaluation is based on factors such as changes in facts or circumstances, changes in tax law, new audit activity, and effectively settled issues. Determining whether an uncertain tax position is effectively settled requires judgment. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

Inventory

The valuation of inventory requires us to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The determination of obsolete or excess inventory requires us to estimate the future demand for our products. The estimate of future demand is compared to work-in-process and finished goods inventory levels to determine the amount, if any, of obsolete or excess inventory. As of March 31, 2013, we had total furnace parts and supplies of $1,098,222, raw material of $641,516, work-in-process inventory of $1,587,076, total finished goods inventory of $994,920 and reserve a for obsolescence of $72,102. The estimated future demand is included in the development of our short-term manufacturing plans to enable consistency between inventory valuation and production. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of the customer base, acceptance of the product by the customer and the various environmental authorities, competitor's products, as well as an assessment of the selling price in relation to the product cost. If our demand forecast for specific products is greater than actual demand, and we fail to reduce manufacturing output accordingly, we could be required to write off inventory, which would negatively impact our gross margin.

In order to determine what costs can be included in the valuation of inventory, we must determine normal capacity at our manufacturing and assembly and test facilities, based on historical production, compared to total available capacity. If the factory production is below the established normal capacity level, a portion of our manufacturing overhead costs would not be included in the cost of inventory, and therefore would be recognized as cost of sales in that period, which would negatively impact our gross margin. We refer to these costs as excess capacity charges. Over the past two years we have experienced no excess capacity charges. We have had to outsource some of the firing of products in order to meet demand.

Loss Contingencies

We are subject to various legal and administrative proceedings and asserted and potential claims, accruals related to product warranties and potential asset impairments (loss contingencies) that arise in the ordinary course of business. An estimated loss from such contingencies is recognized as a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a loss contingency is required if there is at least a reasonable possibility that a loss has been incurred. The outcomes of legal and administrative proceedings and claims, and the estimation of product warranties and asset impairments, are subject to significant uncertainty. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. With respect to estimating the losses associated with repairing and replacing parts in connection with product warranty, we make judgments with respect to customer claim rates. Current warranty estimates are immaterial for accrual or further disclosure. At least quarterly, we review the status of each significant matter, and we may revise our estimates. These revisions could have a material impact on our results of operations and financial position.

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

On April 1, 2013 the Company's Board of Directors appointed Mr. Finn Helmer to serve as Chief Executive Officer of Parent to fill a vacancy caused by Lasse Andreassen's amicable resignation.

Mr. Helmer was also engaged to serve as a Director of LiqTech Denmark International and as a Director of LiqTech Delaware pursuant to a Director Contract, dated March 27, 2013, by and between Mr. Helmer and LiqTech Denmark International. In consideration for such services to the Company, Mr. Helmer shall receive an annual base salary initially set at DKK 720,000 and an annual bonus of up to DKK 250,000 if the Company's yearly growth of both revenue and EBITDA exceeds 35% measured by comparing the financial performance of the Company reflected in Parent's annual reports on Form 10-K year to year, payable pro rata whereby if, for example, growth in revenue is 23.33% and growth in EBITDA is 11.67%, a bonus of DKK 125,000 would be payable. In addition, Mr. Helmer shall be entitled to 600,000 stock options of Parent common stock at a price of $2.35 per share, which vest as follows: (a) 150,000 stock options vest as soon as the stock price in 10 preceding trading days exceeds a closing price of $3.00, (b) 150,000 additional stock options vest as soon as the stock price in 10 preceding trading days exceeds a closing price of $4.00, (c) 150,000 additional stock options vest as soon as the stock price in 10 preceding trading days exceeds a closing price of $5.00 and (d) 150,000 additional stock options vest as soon as the stock price in 10 preceding trading days exceeds a closing price of $6.00. In the event Mr. Helmer is no longer employed with the Company after December 31, 2013 and the milestones set forth in (b), (c) and (d) above have not been satisfied, and then such 450,000 stock options shall be deemed forfeited at December 31, 2013. All stock options forfeit automatically on March 27, 2017. In addition, Mr. Helmer shall be entitled to a company car (with a monthly lease stipend not to exceed DKK 7,000), five weeks' vacation, home internet service, a Company mobile phone, a Company laptop and reimbursement of Company-related travel expenses. The Company may terminate Mr. Helmer upon not less than six months' notice and by Mr. Helmer with six months' notice to the end of the month. The full details of Mr. Helmer's employment are set forth in the Director Contract attached hereto as Exhibit 10.21.

Over the course of more than 40 years Mr. Helmer has in many different situations successfully demonstrated his talent for leading and growing companies into meaningfully larger and more profitable companies, including his role as CEO of GIGA A/S, a company in the NKT Group. When he joined GIGA as its seventh employee, it had limited capital, was not profitable and had revenue of less than $1 million. In less than 5 years, GIGA employed 100 people, and was generating revenues and pre-tax profit of $135 million and $73 million, respectfully. In 2000 Intel (USA) acquired GIGA for $1.25 billion.

Mr. Helmer previously served as Chief Executive Officer of ComX, a Danish privately held company engaged in the business of fiber-optic broadband from November 2006 through November 2010. From December 2010 through March 2013, Mr. Helmer served as consultant for various smaller businesses within different business areas.

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	Bylaws	Incorporated by reference to Exhibit 3(ii) to the Company’s Registration Statement on Form 10 (SEC Accession No. 0001078782-09-001287) as filed with the SEC on August 19, 2009
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 Andreasson	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	Provided herewith
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: May 15, 2013	*/s/ Finn Helmer*
	Finn Helmer , Chief Executive Officer (Principal Executive Officer)
Dated: May 15, 2013	*/s/ Soren Degn*
	Soren Degn, Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 10.21

DIRECTOR CONTRACT

Between the undersigned

Finn Helmer

XXXXXXX

XXXX XXXX

CPR no.: 131249-

(Hereinafter called the Director)

and

LiqTech International A / S

Industriparken 22C

2750 Ballerup

CVR no.: 2512 1031

(Hereinafter called the Company)

has today signed the following Executive Contract:

1. RECRUITMENT

1.1 The Director will start his employment in the company at April 01, 2013

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2. EMPLOYMENT AND RESPONSIBILITIES

2.1. The Director is under subject to statutory rules and the liability to the Board liability to perform the Company's total business. The Director has the daily management of the Company and references in relating hereto to the Company's Chairman.

2.2 The Director shall appoint and dismiss the Company's staff and provides staff with working areas and provide them with working authority.

2.3 The Director is reported as a director to the Danish Commerce and Companies Agency.

2.4 The Director will also serve as a director for the company LiqTech NA.

2.5 The Director shall be available at the Company's address all weekdays during a calendar year. Excluded is travelling days in the interest of the Company, holydays and normal days off in Denmark.

3. SALARY, BONUS, PENSION AND Wages Regulatory

3.1 The Director's annual salary is by accession DKK 720,000 per year, paid monthly on the last business day of the month with 1/12.

3.2 The Director shall receive a yearly bonus of DKK 250,000 if the yearly growth of both the revenue and EBITDA exceed 35% measured by comparing the 10K of LiqTech International Inc. year to year. First period is 10K for

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2012 compared with 10K for 2013. The bonus will be paid pro rata - in other words if growth in revenue is 23.33% and growth is EBITDA is 11.67%a bonus of DKK 125,000 will be paid out.

3.3 The Director is entitled to a company car, where the company will pay all expenses hereto. The maximum leasing expense for the company can be DKK 7,000 a month. The Director will be taxed according to the Danish tax rules for company's cars.

3.4 The Company shall pay 10% of monthly salary, see § 3.1 as pension for director. The amount must be paid to the pension fund chosen by the company.

3.5 Director's fees negotiated each year in January, beginning in January 2014.

3.6 The director is entitled to 600,000 stock options in LiqTech International Inc. at the ending stock market price April 1, 2013

1) 150,000 options vest as soon as the stock price in 10 following trading days exceeds a closing price at $3.00.

2) 150,000 options vest as soon as the stock price in 10 following trading days exceeds a closing price at $4.00.

3) 150,000 options vest as soon as the stock price in 10 following trading days exceeds a closing price at $5.00.

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2) 150,000 options vest as soon as the stock price in 10 following trading days exceeds a closing price at $6.00.

All options forfeit automatically March 31, 2017.

Item 2,3 and 4 above will automatically forfeit if the Director for any reason not is employed by the Company after December 31, 2013 and the stock prices not have reached the stock price level mentioned in the specific items before that time.

4. OTHER BENEFITS

4.1 The Company provides a broadband connection available in the Director's residence and pays at the same time all installation and operating costs for this.

4.2 The Company provides a mobile telephone available to the Director and pay phone charges connected thereto.

4.3 The Company provides a laptop available to the Director.

4.4 The tax consequences for the Director of the private disposal facilities listed above are treated by the Company according to applicable law.

5. TRAVEL AND ENTERTAINMENT

5.1 Director's travel expenses for travel and representation in the Compa-

ny's interest will be refunded by the Company after the bill or according to agreement.

6. CONTINUING EDUCATION

6.1 The Director is entitled to one, compared to its position, proper training, paid by the Company. The director is planning its own continuing education and shall notify the chairman thereof.

7. HOLIDAY

7.1 Holidays are earned and held in accordance with the rules of the Holidays Act equivalent to 5 weeks annually.

The special holiday allowance under the Holidays Act is paid by 1.5% and includes with the same percentage in the calculation of holiday pay on resignation. Director is entitled to full pay during leave from the date of accession. The director may not, be taking holiday during the notice period. This is regardless of the director potential disemployment.

7.2 The Director will plan the holiday himself but is obligated to take the Company's best interests into account. The director must notify the chairman of the planned holiday.

7.3 Upon resignation is the Director obligated to a 12.5% holiday allowance. The holiday allowance is paid in cash upon resignation along with the last salary payment.

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8. TERMINATION

8.1 This current CEO contract may be terminated by the Company with 6 months' notice and by the director with 6 months' notice to the end of a month.

8.2 If the Director within a period of 12 consecutive months has collected salary for a total of 120 days while the Director has been sick (including Sundays and holidays) this contract may be terminated within 1 month notice. Notice shall be given immediately on the expiry of the 120 sick days, and while the Director still is reported sick.

8.3 On resignation the Director is required to return all materials, including copies as well as effects belonging to the Company, and is in possession of the Director. This also applies to credit cards, keys, etc. The Director can not exercise the lien in any of this material.

8.4 Termination is otherwise subject to the Employers' and Salaried Employees' Act.

9. CONFIDENTIALITY

9.1 The Director has duty of confidentiality regarding everything that he discover in connection with his employment as Director, unless they are facts that within the nature of things must be brought forward to a third party. This duty of confidentiality is also valid after the Directors resignation.

9.2 Where the Director resigns his position - regardless the reason whatsoever - any substances belonging to the Company, which is in the Directors possession, shall be returned immediately.

10. COPIES OF CONTRACT, VENUE ETC

10.1 Any dispute between the Company and the Director on the occasion of this contract of employment must, if agreement between the parties cannot be reach by negotiations, be decided by the ordinary courts in Denmark.

10.2 This contract is drawn up into 2 equal sounding signed copies, one of which remains with the Company, while the other handed to the Director.

*****

Signature

Copenhagen, 27 March 2013	Copenhagen, 27 March 2013
Finn Helmer	LiqTech International A/S

EXHIBIT 31.1

OFFICER'S CERTIFICATE
PURSUANT TO SECTION 302

I, Finn Helmer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2013 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: May 15, 2013

By: */s/ Finn Helmer*
Name: Finn Helmer
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 three months ended March 31, 2013 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:	May 15, 2013	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 three months ended March 31, 2013 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: May 15, 2013	By:	*/s/ Finn Helmer*
	Name:	Finn Helmer
	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 three months ended March 31, 2013 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: May 15, 2013

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.