FORM 10-Q

LIQTECH INTERNATIONAL INC - LIQT

Filed: May 15, 2014 (period: March 31, 2014)

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

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2014**

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 15, 2014, was 27,212,500 shares.

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
Quarterly Report on Form 10-Q
For the Period Ended March 31, 2014

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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, 2014 UNAUDITED	As of December 31, 2013
Current Assets:		
Cash	$ 3,729,115	$ 4,884,275
Accounts receivable, net	1,786,025	2,341,070
Other receivables	253,184	231,998
Cost in excess of billing	426,332	406,997
Inventories	4,755,048	4,258,606
Prepaid expenses	133,685	12,021
Current deferred tax asset	84,113	104,143
Total Current Assets	11,167,502	12,239,110
Property and Equipment, net accumulated depreciation	5,528,172	5,829,404
Other Assets:		
Other investments	6,879	6,882
Long term tax asset	2,241,854	1,863,349
Other intangible assets	23,230	24,687
Deposits	274,966	271,916
Total Other Assets	2,546,929	2,166,834
Total Assets	$ 19,242,603	$ 20,235,348

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2014 UNAUDITED	As of December 31, 2013
Current Liabilities:		
Current portion of capital lease obligations	$ 201,946	$ 208,419
Accounts payable	1,644,370	1,586,962
Accrued expenses	979,417	1,440,522
Billing in excess of cost	103,512	96,104
Accrued income taxes payable	2,000	2,000
Deferred revenue / customers deposit	1,216,517	1,212,434
Total Current Liabilities	4,147,762	4,546,441
Long-term capital lease obligations, less current portion	505,368	554,360
Total Long-Term Liabilities	505,368	554,360
Total Liabilities	4,653,130	5,100,801
Stockholders' Equity:		
Common stock; par value $0,001, 100,000,000 shares authorized, 27,212,500 and 27,212,500 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	27,213	27,213
Additional paid-in capital	19,103,303	18,700,574
Accumulated deficit	(3,072,220)	(2,316,784)
Deferred compensation	(1,190,760)	(1,008,450)
Other comprehensive income, net	(300,762)	(292,565)
Non-controlled interest in subsidiaries	22,699	24,559
Total Stockholders' Equity	14,589,473	15,134,547
Total Liabilities and Stockholders' Equity	$ 19,242,603	$ 20,235,348

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, 2014	For the Three Months Ended March 31, 2013
Net Sales	$ 3,197,502	$ 3,399,148
Cost of Goods Sold	2,642,374	2,837,125
Gross Profit	555,128	562,023
Operating Expenses:		
Selling expenses	669,547	573,925
General and administrative expenses	672,657	662,305
Non-cash compensation expenses	220,418	31,369
Research and development expenses	100,586	146,985
Total Operating Expense	1,663,208	1,414,584
Loss from Operations	(1,108,080)	(852,561)
Other Income (Expense)		
Interest and other income	3,195	156
Interest expense	(11,521)	(11,705)
Loss on investments	(2,119)	-
Gain (loss) on currency transactions	2,787	(114,173)
Total Other Expense	(7,658)	(125,722)
Loss Before Income Taxes	(1,115,738)	(978,283)
Income Tax Benefit	(358,442)	(296,864)
Net Loss	(757,296)	(681,419)
Less Net Loss Attributable To Non-Controlled Interests in Subsidiaries	(1,861)	(11,608)
Net Loss Attributable To LiqTech	$ (755,435)	$ (669,811)
Basic Loss Per Share	$ (0.03)	$ (0.03)
Weighted Average Common Shares Outstanding	27,212,500	24,111,500
Diluted Loss Per Share	$ (0.03)	$ (0.03)
Weighted Average Common Shares Outstanding Assuming Dilution	27,212,500	24,111,500

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,	
	2014	2013
Net Loss	(757,296)	(681,419)
Currency Translation, Net of Taxes	(8,197)	(106,447)
Other Comprehensive Loss	$ (765,493)	$ (787,866)
Comprehensive Loss Attributable To Non-controlling Interest in Subsidiaries	(9)	(11,608)
Comprehensive Loss Attributable To LiqTech International Inc.	$ (765,484)	$ (776,258)

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, 2014	2013
Cash Flows from Operating Activities:		
Net Loss	$ (757,296)	$ (681,419)
Adjustments to reconcile net income (loss) to net cash used by operations:		
Depreciation and amortization	461,748	401,841
Non-cash compensation	220,418	31,369
Bad debt expense	-	27,925
Change in deferred tax asset / liability	(358,475)	(286,558)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	533,859	247,459
(Increase) decrease in inventory	(496,442)	(137,817)
(Increase) decrease in prepaid expenses/deposits	(124,714)	62,538
Increase (decrease) in accounts payable	57,408	6,306
Increase (decrease) in accrued expenses	(457,022)	(204,904)
Increase (decrease) long-term contracts	(11,927)	(397)
Total Adjustments	(175,147)	147,762
Net Cash Used by Operating Activities	(932,443)	(533,657)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(141,680)	(125,472)
Purchase of Long-term investments	-	(4,248)
Net Cash Used by Investing Activities	(141,680)	(129,720)
Cash Flows from Financing Activities:		
Payments on capital lease obligation	(55,465)	(76,688)
Net Cash Used by Financing Activities	(55,465)	(76,688)
Loss on Currency Translation	(25,573)	(17,655)
Net Decrease in Cash and Cash Equivalents	(1,155,160)	(757,720)
Cash and Cash Equivalents at Beginning of Period	4,884,275	3,873,338
Cash and Cash Equivalents at End of Period	$ 3,729,115	$ 3,115,618
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 11,521	$ 11,705
Income Taxes	$ 1,000	$ 1,000
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Compensation upon vesting of stock options granted to employees and the board of directors	$ 54,352	31,369
Compensation for vesting of restricted stock awards issued to the board of directors	106,666	-
Value of warrants issued for services	59,400	-
Total	$ 220,418	$ 31,369

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Presentation

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

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

LiqTech 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.

The accompanying financial statements are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2014 and 2013 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2013 audited financial statements. The results of operations for the periods ended March 31, 2014 and 2013 are not necessarily indicative of the operating results for the full year.

Consolidation -- The consolidated financial statements include the accounts and operations of the Company. The non-controlling interests in the net assets of the subsidiaries are recorded in equity. The non-controlling interests of the results of operations of the subsidiaries are included in the results of operations and recorded as the non-controlling interest in subsidiaries. All material 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 is the Danish Krone ("DKK"), the functional currency of LiqTech Germany is the Euro and the functional currency of LiqTech Singapore is the Singapore Dollar, the functional Currency of LiqTech Asia is South Korean Won. The Company's reporting currency is U.S. Dollar for the purpose of these financial statements. The foreign subsidiaries balance sheet accounts are translated into U.S. Dollars at the period-end exchange rates and all revenue and expenses are translated into U.S. Dollars at the average exchange rates prevailing during the three months ended March 31, 2014 and 2013. 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, 2014 and December 31, 2013.

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, 2014 and the year ended December 31, 2013 is as follows:

	2014	2013
Allowance for doubtful accounts at the beginning of the period	$ 608,356	$ 1,243,500
Bad debt expense	-	72,548
Amount of receivables written off	-	(770,738)
Effect of currency translation	(221)	63,046
Allowance for doubtful accounts at the end of the period	$ 608,135	$ 608,356

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

Property and Equipment -- Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized, upon being placed in service. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the assets which range from three to ten years (See Note 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 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 the project. Project costs are capitalized and accreted into cost of sales based on the percentage of the project completed. Should a loss be estimated on an incomplete project it would be recorded in the period in which such a loss is determined. Changes in estimated profitability of a project are recognized in the period in which the revisions are determined. The aggregate of costs incurred and income recognized on incomplete projects are recorded as costs in excess of billings and are shown as a current asset. The aggregate of billings in excess of related costs incurred and income recognized on projects is shown as a current liability.

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

Advertising Cost -- Cost incurred in connection with advertising of the Company's products is expensed as incurred. Such costs amounted to $3,462 and $11,788, for the three months ended March 31, 2014 and 2013, 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, 2014 and 2013 were $100,586, and $146,985, 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.

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

Stock Options and rewards - During the years presented in the accompanying consolidated financial statements, the Company has granted options and restricted stocks. The Company accounts for options and restricted stocks in accordance with the provisions of FASB ASC Topic 718, Compensation – Stock and Reward Compensation. Non-cash compensation costs of $161,018 and $31,369 have been recognized for the vesting of options and restricted stocks granted to employees and directors with an associated recognized tax benefit of $0 for the three months ended March 31, 2014 and 2013, respectively. See note 10.

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 March 2013, the FASB issued guidance on a parent's accounting for the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. This new guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The new guidance will be effective for us beginning July 1, 2014. We do not anticipate material impacts on our financial statements upon adoption.

NOTE 2 – INVENTORY

Inventory consisted of the following at March 31, 2014 and December 31, 2013:

	2014	2013
Furnace parts and supplies	$ 1,128,989	$ 1,025,225
Raw materials	763,298	631,524
Work in process	1,943,206	1,799,888
Finished goods	1,123,912	1,062,865
Reserve for obsolescence	(204,357)	(260,896)
Net Inventory	$ 4,755,048	$ 4,258,606

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2014 and December 31, 2013:

	Useful Life	2014	2013
Production equipment	3 - 10	$ 11,616,712	$ 11,542,740
Lab equipment	3 - 10	181,361	181,432
Computer equipment	3 - 5	278,124	276,013
Vehicles	3	38,206	38,221
Furniture and fixture	5	69,845	68,169
Leasehold improvements	10	1,089,987	1,059,605
		13,274,235	13,166,180
Less Accumulated Depreciation		(7,746,063)	(7,336,776)
Net Property and Equipment		$ 5,528,172	$ 5,829,404

Depreciation expense amounted to $460,291 and $399,610, for the three months ended March 31, 2014 and 2013, respectively.

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, 2014	Level 1	Level 2	Level 3
Investments	-	-	6,879
Total	-	-	6,879

As of December 31, 2013	Level 1	Level 2	Level 3
Investments	-	-	6,882
Total	-	-	6,882

At March 31, 2014 our total investment of $6,879 consisted of an investment in LEA Technology in France to strengthen our sales channels in the French market.

At December 31, 2013 our total investment of $6,882 consisted of an investment in LEA Technology in France to strengthen our sales channels in the French market.

NOTE 5 - DEFINITE-LIFE INTANGIBLE ASSETS

At March 31, 2014 and December 31, 2013, definite-life intangible assets, net of accumulated amortization, consisted of patents on the Company's products of $23,230 and $24,687, respectively. The patents are recorded at cost and amortized over two to ten years. Amortization expense for the three months ended March 31, 2014 and 2013 was $1,457 and $2,231, respectively.

Expected future amortization expense for the years ended are as follows:

Year ending December 31,		Amortization Expenses
2014	$	4,341
2015		5,788
2016		5,788
2017		3,515
2018		2,957
Thereafter		841
Total Amortization Expenses	$	23,230

NOTE 6 – LEASES

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

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of March 31, 2014 are as follows:

Year ending December		Operating Lease Payments
2014	$	478,552
2015		655,591
2016		672,708
2017		497,952
2018		314,573
Thereafter		-
Total Minimum Lease Payments	$	2,619,376

Lease expense charged to operations was $173,755 and $190,057 for the three months ended March 31, 2014 and 2013, respectively.

Capital Leases -- The Company leases equipment on various variable rate capital leases currently calling for monthly payments of approximately $12,138, $4,704, $3,046 and $2,170 expiring through April 2017. Included in property and equipment, at March 31, 2014 and December 31, 2013, the Company had recorded equipment on capital lease at $1,599,633 and $1,600,254, respectively, with related accumulated depreciation of $963,467 and $907,728, respectively.

During the three months ended March 31, 2014 and 2013 , depreciation expense for equipment on capital lease amounted to $55,742, and $53,761, respectively, and has been included in depreciation expense. During the three months ended March 31, 2014 and 2013 , interest expense on a capital lease obligation amounted to $10,936 and $ 13,589, respectively.

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

		Capital Lease Payments
2014	$	193,667
2015		226,668
2016		219,423
2017		140,893
2018		-
Thereafter		-
Total minimum lease payments		780,651
Less amount representing interest		(73,337)
Present value of minimum lease payments		707,314
Less current portion		(201,946)
Long-term lease payments	$	505,368

NOTE 7 – 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 ended March 31, 2014 and 2013, matching contributions were expensed and totaled $3,692 and $3,131, respectively.

NOTE 8 – 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, 2014 and December 31, 2013:

		2014		2013
Vacation accrual	$	4,161	$	4,161
Allowance for doubtful Accounts		13,955		13,955
Reserve for obsolete inventory		65,997		86,027
Net current tax assets	$	84,113	$	104,143
Business tax credit carryover		20,184		20,184
Deferred Compensation		93,508		202,309
Net operating loss carryover		2,854,867		2,367,568
Excess of book over tax depreciation		(726,705)		(726,712)
Long term tax asset	$	2,241,854	$	1,863,349

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

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

As of March 31, 2014, the Company had net operating loss carryovers of approximately $5,345,000 for U.S. Federal purposes expiring through 2033; $2,930,000 for Danish tax purposes which do not expire; $384,00 for German tax purposes which do not expire and $453,000 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 is as follows at March 31, 2014 and 2013:

	2014	2013
Computed tax at expected statutory rate	$ (378,718)	$ (328,670)
State and local income taxes, net of federal benefits	(24,703)	-
Non-deductible expenses	18,480	-
Non-US income taxed at different rates	26,499	31,806
Other items	-	-
Income tax expense (benefit)	$ (358,442)	$ (296,864)

The components of income tax expense (benefit) from continuing operations for the three months ended March 31, 2014 and 2013 consisted of the following:

	2014	2013
Current income tax expense:		
Danish	$ -	$ -
Federal	-	-
State	-	-
Current tax expense	$ -	$ -
Deferred tax expense (benefit) arising from:		
Deferred Compensation	$ 108,801	$ -
Net operating loss carryover	(487,269)	(296,864)
Allowance for doubtful accounts	-	-
Reserve for obsolete inventory	20,026	-
Deferred tax expense	$ (358,442)	$ (296,864)
Income tax benefit	$ (358,442)	$ (296,864)

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

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

NOTE 9 – LOSS PER SHARE

The following data shows the amounts used in computing earnings per share and the effect on income and the weighted average number of shares of potential dilutive common stock for the three months ended March 31, 2014 and 2013:

	For the Three Months Ended March 31	
	2014	2013
Net Loss attributable to LiqTech International Inc.	$ (755,435)	$ (669,811)
Weighted average number of common shares used in basic earnings per share	27,212,500	24,111,500
Effect of dilutive securities, stock options and warrants	-	-
Weighted average number of common shares and potentially dilutive securities	27,212,500	24,111,500

For the three months ended March 31, 2014, Company had 3,064,130 options outstanding to purchase common stock of the Parent at $1.50 to $3.60 per share and Parent had 7,025,575 warrants outstanding to purchase common stock of the Company 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, 2013, Company had 1,964,130 options outstanding to purchase common stock of the Parent at $1.50 to $3.60 per share and Parent had 6,625,575 warrants outstanding to purchase common stock of the Company at $1.50 to $4.06 per share, which were not included in the loss per share computation because their effect would be anti-dilutive.

NOTE 10 - STOCKHOLDERS' EQUITY

Common Stock -- Company has 100,000,000 authorized shares of common stock, $0.001 par value. As of March 31, 2014 and December 31, 2013, respectively, there were 27,212,500 and 27,212,500 common shares issued and outstanding.

Voting -- Holders of Company 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 Company 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 Company, 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 Company common stock will be entitled to share ratably in the distribution of any of our remaining assets.

Other Matters -- Holders of Company 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 Company 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 Company preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock.

Common Stock Issuance

During the year 2013, the Company issued 100,000 shares of common stock valued at $320,000 for services rendered.

The Company issued an additional 300,000 shares of restricted stock valued at $960,000 for services provided and to be provided by the board of directors. The Company will recognize the non-cash compensation of the award over the requisite service period, of which 133,333 shares vested on December 31, 2013, 133,333 shares will vest on December 31, 2014 and 33,334 shares will vest on December 31, 2015. As of March 31, 2014, the Company has recorded deferred compensation of $426,668 and non-cash compensation expense of $106,666 relating to the awards for the period ended March 31, 2014.

On October 9, 2013 we announced that the warrant and option exchange offer raised $4,051,000 by exercising 2,701,000 warrants and stock options which included the exercise of 100,000 warrants by Aldo Petersen, Chairman of LiqTech, 25,000 stock options by Lasse Andreassen, founder and former board member of LiqTech and 50,000 stock options by Soren Degn, CFO of LiqTech. The board noted that the additional capital was an orderly solution to improving the Company's capital structure as well as enhancing the ability of LiqTech to list on an exchange. In addition, the new capital gave the Company additional flexibility to generate new orders and sustain future growth.

On March 2, 2012, Parent completed a registered public offering of its common stock. As part of the closing, Parent issued 2,511,500 shares of common stock at a per share price of $3.25 and generated net proceeds of approximately $7.1 million, net of offering cost of $1,082,668.

Common Stock Purchase Warrants

A summary of the status of the Warrants outstanding at March 31, 2014 is presented below:

	Warrants Outstanding			Warrants Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 1.50	3,874,000	2.75	$ 1.50	3,874,000	$ 1.50
$ 2.35	400,000	1.00	$ 2.35	400,000	$ 2.35
$ 2.70	2,626,000	2.75	$ 2.70	2,626,000	$ 3.00
$ 4.06	125,575	2.93	$ 4.0625	125,575	$ 4.0625
Total	7,025,575	2.65	$ 2.04	7,025,575	$ 2.04

At March 31, 2014 the Company had no non-vested warrants. We have recorded non-cash compensation expense of $59,400 for the period ended March 31, 2014 related to the warrants issued.

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

On October 9, 2013, the Company issued 2,626,000 new warrants equal to the number of warrants exercised by the warrant holder having the same terms and conditions as the warrants exercised by the warrant holder, respectively, except each warrant issued has a strike price of $2.70 per share, the closing bid price of Parent's common stock as quoted on the OTCBB on September 23, 2013. The net proceeds from the offering were allocated to the stock and warrants based on their relative fair values. The Company recorded the relative fair value of the warrants of $1,124,928 as stock offering costs.

Stock Options

In August 2011, Company'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 Companies. At March 31, 2014, 3,064,130 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 (in years)	3-4
Volatility	65.64
Risk free interest rate	0.67%
Dividend yield	0%

The Company recognized stock based compensation expense related to the options of $54,352 and $31,369 for the three months ended March 31, 2014 and 2013, respectively. At March 31, 2014 the Company had approximately $764,092 of unrecognized compensation cost related to non-vested options expected to be recognized through March 31, 2017.

A summary of the status of the options outstanding under the Company's stock option plans at March 31, 2014 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	377,500	0.90	$ 1.50	377,500	$ 1.50
$ 1.90	500,000	2.83	$ 1.90	166,667	$ 1.90
$ 2.35	600,000	3.00	$ 2.35	150,000	$ 2.35
$ 2.70	75,000	0.90	$ 2.70	75,000	$ 2.70
$3.00 - $3.60	1,511,630	0.91	$ 3.06	1,511,630	$ 3.04
Total	3,064,130	1.63	$ 2.53	2,280,830	$ 2.66

A summary of the status of the options at March 31, 2014, and changes during the period is presented below:

	March 31, 2014			
	Shares	Weighted Average Exercise Price	Average Remaining Life	Weighted Average Intrinsic Value
Outstanding at beginning of period	2,564,130	$ 2.65	1.64	$ 283,125
Granted	500,000	1.90	2.83	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	3,064,130	$ 2.53	1.63	$ 151,000
Vested and expected to vest	3,064,130	$ 2.53	1.63	$ 151,000
Exercisable end of period	2,280,830	$ 2.66	1.18	$ 151,000

At March 31, 2014 the Company had 783,300 non-vested options with a weighted average exercise price of $2.11 and with a weighted average grant date fair value of $0.986, resulting in unrecognized compensation expense of $764,092, which is expected to be expensed over a weighted-average period of 2.91 years.

The total intrinsic value of options at March 31, 2014 was $151,000. Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at March 31, 2014 (for outstanding options), less the applicable exercise price.

NOTE 11 - SIGNIFICANT CUSTOMERS / CONCENTRATION

The Company had no customers that accounted for more than 10% of total sales at March 31, 2014 and 2013 respectively.

The Company sells products throughout the world; sales by geographical region are as follows for the three months ended March 31, 2014 and 2013:

	For the Three Months Ended March 31,	
	2014	2013
United States and Canada	$ 1,006,205	$ 651,019
Australian	55,952	152,746
South America	16,832	20,620
Asia	306,621	818,552
Europe	1,811,892	1,756,211
	$ 3,197,502	$ 3,399,148

The Company’s sales by product line are as follows for the three months ended March 31, 2014 and 2013 respectively:

	For the Three Months Ended March 31,	
	2014	2013
Ceramic diesel particulate	$ 1,563,827	$ 1,932,305
Liquid filters	1,541,094	1,202,952
Kiln furniture	92,581	263,891
	$ 3,197,502	$ 3,399,148

NOTE 12 – SUBSEQUENT EVENTS

The Company’s management reviewed material events through May 13, 2014.

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

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report. In addition, the following discussion should be read in conjunction with our annual report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 27, 2014, and the financial statements and notes thereto. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Overview

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

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

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 Strategy

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

- ***Enter New Geographic Markets and Expand Existing Markets*** . We plan on continuing to manufacture and sell our products out of Denmark and the United States. In October 2011, the Company opened sales offices in France and Germany and in January 2012, we opened a sales office in Singapore. In addition to utilizing local representatives, we intend to also establish sales outlets with technical support in other European nations such as Italy, while expanding to other markets. In certain other locations such as Japan, China and Australia, we intend to work with agents and partners to access such markets.

- ***Continue to Strengthen Position in DPF Market*** . We believe that we have a strong position in the retrofit market for diesel particulate filter systems. We intend to continue our efforts to maintain our strength in this area. Furthermore, we intend to leverage our experience in the OEM market and expand our presence in the OEM market with new products relating to diesel particulate filter systems. We intend to leverage our products and experience, as the global DPF market is expected to undergo significant growth.

- ***Continue to Develop and Improve Technologies and Open New End Markets*** . We intend to continuously develop our ceramic membrane and improve the filtration efficiency for our filtration products. Through continuous development, we intend to find new uses for our products and plan to expand into any new markets that we believe would be appropriate for our Company. One of our key strategies is to develop our membrane applications together with our customers including, for example, the development of the next generation of diesel particulate filters with asymmetric design for the OEM market. We also plan on manufacturing a SiC membrane of 0.01 microns or less, which would position us to enter the ultrafiltration market.

- ***Continue Our Focus on Developing an Inorganic Reverse Osmosis Membrane*** . There is no inorganic reverse osmosis membrane in the market today. 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. We intend to continue our research and development efforts to modify our membrane into one that can perform reverse osmosis over the next several years.

Recent Developments

On January 30, 2014 we announced that after extensive and successful testing LiqTech has received a production order for flat sheet silicon carbide membranes from the Middle East.

On March 3, 2014 we announced that the Company received a purchase order of approximately USD 300,000 for a prototype system based upon the LiqTech SiC membranes. The algae system will be based on a new development in the membrane technology from LiqTech. The prototype system will be used to concentrate an algae stream as a part of the harvesting process. Preliminary tests have shown that the LiqTech SiC membranes offer a higher throughput, high algae concentration and require less energy compared to other membrane products.

On March 3, 2014 we announced announced that Lasse Andreassen, a Founder of LiqTech International, Inc., has elected to retire and, as a result of his retirement, he will no longer serve as a director of LiqTech.

On March 18, 2014 we announced that it has received a new order for Diesel Particulate Filters ("DPF") for $450,000 from Emigreen B.V. Netherland, a firm that is expert in the emission control of industrial combustion engines for the luxury boat market.

Results of Operations

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

The following table sets forth our revenues, expenses and net income for three months ended March 31, 2014 and 2013:

	Period ended March 31,					
					Period to period change	
	2014	As a % of Sales	2013	As a % of Sales	$	Percent %
Net Sales	3,197,502	100%	3,399,148	100%	(201,646)	(5.9)
Cost of Goods Sold	2,642,374	82.6	2,837,125	83.5	(194,751)	(6.9)
Gross Profit	**555,128**	17.4	**562,023**	16.5	**(6,895)**	(1.2)
Operating Expenses						
Selling and Marketing	669,547	20.9	573,925	16.9	95,622	16.7
General and Administrative	672,657	21.0	662,305	19.5	10,352	1.6
Non-cash compensation	220,418	6.9	31,369	0.9	189,049	602.7
Research and Development	100,586	3.1	146,985	4.3	(46,399)	(31.6)
Total Operating Expenses	**1,663,208**	52.0	**1,414,584**	41.6	**248,624**	17.6
Loss from Operations	**(1,108,080)**	(34.7)	**(852,561)**	(25.1)	**(255,519)**	30.0
Interest and Other Income	3,195	0.1	156	0.0	3,039	1948.1
Interest (Expense)	(11,521)	(0.4)	(11,705)	(0.3)	184	(1.6)
(Loss) on Investments	(2,119)	(0.1)	-	0.0	(2,119)	-
Gain (loss) on Currency Transactions	2,787	0.1	(114,173)	-3.4	116,960	(102.4)
Total Other Income (Expense)	(7,658)	(0.2)	(125,722)	(3.7)	118,064	(93.9)
Income Before Income Taxes	**(1,115,738)**	(34.9)	**(978,283)**	(28.8)	**(137,455)**	14.1
Income Taxes Expense (Income)	(358,442)	(11.2)	(296,864)	(8.7)	(61,578)	20.7
Net Income	**(757,296)**	(23.7)	**(681,419)**	(20.0)	**(75,877)**	11.1
Less net income attributable to the non-controlled interest in subsidiaries	(1,861)	(0.1)	(11,608)	(0.3)	9,747	(84.0)
Net Income attributable to LiqTech	**(755,435)**	(23.6)	**(669,811)**	**(19.7)**	**(85,624)**	12.8

Comparison of the three month periods ended March 31, 2014 and March 31, 2013

Revenues

Net sales for the three months ended March 31, 2014 were $3,197,502 compared to $3,399,148 for the same period in 2013, representing a decrease of $201,646 or 5.9%. The decrease in sales consist of a decrease in sales of DPFs of $368,478 and an increase in sales of liquid filters of $338,142 and a decrease in sales of kiln furniture of $171,310. The decrease in demand for our DPFs is mainly due to a postponement in use of mandates in the U.S. market and the lack of new low emissions zone activity in Europe. The increase in demand for our liquid filters is due to an increase in worldwide sales of those products. The decrease in demand for our kiln furniture is due to a decision of not focusing on this product line anymore.

Gross Profit

Gross profit for the three months ended March 31, 2014 was $555,128 compared to $562,023 for same period in 2013, representing a decrease of $6,895 or 1.2%. The decrease in gross profit was due to a decrease in our sales. Included in the gross profit is depreciation of $461,748 and $401,841 for the three months ended March 31, 2014 and 2013, respectively.

Expenses

Total operating expenses for the three months ended March 31, 2014 were $1,663,208 representing an increase of $248,624 or 17.6%, compared to $1,414,584 for the same period in 2013. This increase in operating expenses is attributable to an increase in selling and marketing expenses of $95,622 or 16.7%, an increase in general and administrative expenses of $10,352 or 1.6%, an increase in non-cash compensation expenses of $189,049 or 602.7% and a decrease in research and development expenses of $46,399 or 31.6% compared to the same period in 2013.

Selling expenses for the three months ended March 31, 2014 were $669,547 compared to $573,925 for the same period in 2013, representing an increase of $95,622 or 16.7%. This increase is attributable to an increase in costs in general, the increase in investment in our sales resources and investment in new market opportunities. While we believe that increased investment in sales may produce attractive returns for the Company, profitability from such investments will likely take several fiscal quarters to be realized.

General and administrative expenses for the three months ended March 31, 2014 were $672,657 compared to $662,305 for the same period in 2013, representing an increase of $10,352, or 1.6%. This increase is attributable to a small increase in general costs.

Non-cash compensation expenses for three months ended March 31, 2014 were $220,418 compared to $31,369 for the same period in 2013, representing an increase of $189,049 or 602.7%. This increase is attributable to increased non-cash compensation expense for options, shares and warrants for services performed granted to directors, employees and management.

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

	For the Three Months Ended	
	March 31, 2014	March 31, 2013
Compensation upon vesting of stock options granted to employees and the board of directors	$ 54,352	$ 31,369
Compensation for vesting of restricted stock awards issued to the board of directors	106,666	-
Warrants	59,400	-
Total Non-Cash Compensation	$ 220,418	$ 31,369

Research and development expenses for the three months ended March 31, 2014 were $100,586 compared to $146,985 for the same period in 2013, representing a decrease of $46,399, or 31.6%. This decrease is attributable to decreased research and development expenditures for the three months ending March 31, 2014 compared to the same period in 2013 .

Net Loss Attributable to the Company

Net income attributable to the Company for the three months ended March 31, 2014 was a loss of $755,435 compared to a loss of $669,811 for the comparable period in 2013, representing an increase of $85,624. This increase was primarily attributable to an increase of $248,624 in our operating expenses, partly a decrease in other expenses of $118,064 and an increase in income taxes income of $61,578 . The largest contributor to the increase in operating expenses was an increase in non-cash compensation of $189,049 or 602.7% primarily due to increasing use of non-cash compensation for service provided and issuance of stock options and restricted stock.

Liquidity and Capital Resources

We have historically satisfied our capital and liquidity requirements through offerings of equity instruments, internally generated cash from operations and our available lines of credit. At March 31, 2014, we had cash of $3,729,115 and working capital of $7,019,740 and at December 31, 2013, we had cash of $4,884,275 and working capital of $7,692,669. At March 31, 2014, our working capital decreased by $672,929 compared to December 31, 2013. Total current assets were $11,167,502 and $12,239,110 at March 31, 2014 and at December 31, 2013, respectively, and total current liabilities were $4,147,762 and $4,546,441 at March 31, 2014 and at December 31, 2013, respectively.

On October 9, 2013, we announced that the warrant and option exchange offer raised $4,051,000 which included the exercise of 100,000 warrants by Aldo Petersen, Chairman of LiqTech, 25,000 stock options by Lasse Andreassen, founder and former board member of LiqTech and 50,000 stock options by Soren Degn, CFO of LiqTech, $450,000 was received on September 30, 2013 and $3,601,000 was received during October, 2013. The board noted that the additional capital was an orderly solution to improving the Company's capital structure as well as enhancing the ability of LiqTech to list on an exchange. In addition, the new capital gives the Company additional flexibility to generate new orders and sustain future growth.

On March 2, 2012, we completed a registered public offering of our common stock. As part of the initial 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 initial closing were approximately $7.1 million. We have and intend to continue 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 have and intend to continue to invest the proceeds in short-term, interest-bearing, investment-grade marketable securities or money market obligations.

In general, lines of credit in Denmark are due on demand. Our lines of credit with the bank were called in July 2013. Since our public offering in March 2012 we have not drawn any amount on our lines of credit.

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

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

Cash Flows

Three months ended March 31, 2014 Compared to three months ended March 31, 2013

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 three months ended March 31, 2014 was $932,443, representing an increase of $398,786 compared to cash used by operating activities of $533,657 for the three months ended March 31, 2013. The $398,786 increase in cash used by operating activities for the three months ended March 31, 2014 was mainly due to the net loss of $757,296, the increases of $496,442 in inventory and a decrease of $457,022 in accrued expenses, partially offset by a decrease of $533,859 in accounts receivable and an increase in accounts payable of $57,408 .

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

Cash used in investing activities was $141,680 for the three months ended March 31, 2014, as compared to cash used in investing activities of $129,720 for the three months ended March 31, 2013. Cash used in investing activities increased for the three months ended March 31, 2014, compared to the three months ended March 31, 2013 and this increase was primarily due to an increase of $16,208 in the purchase of equipment and a decrease of $4,248 in purchase of long-term investments.

Cash used by financing activities was $55,465 for the three months ended March 31, 2014, as compared to cash used by financing activities of $76,688 for the three months ended March 31, 2013. This change of $21,223 in cash used by financing activities for the three months ended March 31, 2014, compared to 2013, was due to net payments proceeds on capital lease obligation.

Off Balance Sheet Arrangements

As of March 31, 2014, we had no off-balance sheet arrangements other than normal operating leases. We are not aware of any material transactions which are not disclosed in our consolidated financial statements.

Operating Leases — The Company leases office and production facilities under operating lease agreements expiring in August, 2018, March 2017, February 2017 and December 2016. Some of these lease agreements have a right to extend.

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of March 31, 2014 are as follows:

Year ending December	Operating Lease Payments
2014	$ 478,552
2015	655,591
2016	672,708
2017	497,952
2018	314,573
Thereafter	-
Total Minimum Lease Payments	$ 2,619,376

Significant Accounting Policies and Critical Accounting Estimates

There have been no significant changes in our significant accounting policies and critical accounting estimates since the filing of our Annual Report on Form 10-K for the period ended December 31, 2013.

Recent Enacted Accounting Standards

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

Off Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

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

(b) Changes in Internal Control over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS.

Not required for a “smaller reporting company.”

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

1.1	Placement Agency Agreement, dated March 2, 2012, by and between LiqTech International, Inc. and Sunrise Securities Corp.	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on March 8, 2012
2.1	Agreement and Plan of Merger dated as of August 23, 2011 by and among Blue Moose Media, Inc., LiqTech USA, Inc. and BMD Sub	Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K/A as filed with the SEC on October 11, 2011
3.1	Articles of Incorporation	Incorporated by reference to Exhibit 3(i) to the Company's Registration Statement on Form 10 (SEC Accession No. 0001078782-09-001287) as filed with the SEC on August 19, 2009
3.2	Certificate of Amendment to the Articles of Incorporation	Incorporated by reference to Exhibit A to the Company's Information Statement on Schedule 14C as filed with the SEC on September 20, 2011
3.3	Amended and Restated Bylaws, effective January 1, 2012	Incorporated by reference to Exhibit 3.4 to the Company's Form 10-Q as filed with the SEC on May 15, 2012
4.1	Form of Common Stock Certificate	Incorporated by reference to Exhibit 4.1 to the Company's Form 10-K as filed with the SEC on March 29, 2012
4.2	Form of Warrant issued to Investors in the Private Placement	Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K as filed with the SEC on August 25, 2011
4.3	Form of Warrant issued to Sunrise Securities Corp.	Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the SEC on March 8, 2012

10.1	Form of Securities Purchase Agreement by and between LiqTech USA, Inc. and each of the investors in the Private Placement	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on August 25, 2011
10.2	Employment Agreement dated July 29, 2011 between LiqTech A/S and Lasse Andreassen	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A as filed with the SEC on October 11, 2011 (translated in English)
10.3	Employment Agreement dated November 16, 2005 between LiqTech NA, Inc. and Donald S. Debelak	Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K/A as filed with the SEC on October 11, 2011
10.4	Addendum to Employment Agreement, dated December 15, 2011, between LiqTech NA, Inc. and Donald S. Debelak	Incorporated by reference to Exhibit 10.4 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.5	Employment Agreement, dated July 29, 2011, between LiqTech International Inc. and Soren Degn (translated in English)	Incorporated by reference to Exhibit 10.5 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.6	Lease Agreements for 1800 - 1810 Buerkle Road, White Bear Lake, Minnesota 55110	Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011
10.7	Lease Agreement for 1800 - 1816 Buerkle Road, White Bear Lake, Minnesota 55110	Incorporated by reference to Exhibit 10.7 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.8	Lease Agreement for Grusbakken 12, DK-2820 Gentofte Denmark	Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011 (translated in English)
10.9	Lease Agreement for Industriparken 22C, 2750 Ballerup, Denmark	Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011 (translated in English)
10.10	DKK 6,000,000 Line of Credit Agreement, between LiqTech A/S and Sydbank A/S	Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011 (translated in English)

10.11	DKK 3,000,000 Line of Credit Agreement, between LiqTech A/S and Sydbank A/S	Incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K/A as filed with the SEC on November 15, 2011 (translated in English)
10.12	Note Payable Agreement between LiqTech A/S and Sydbank A/S, for the principal amount of $475,000 USD	Incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q as filed with the SEC on November 15, 2011 (translated in English)
10.13	Form of Guarantee in respect of obligations of LiqTech A/S (translated in English)	Incorporated by reference to Exhibit 10.13 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.14	Form of Guarantee in respect of obligations of LiqTech International A/S (translated in English)	Incorporated by reference to Exhibit 10.14 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.15	Form of Guarantee in respect of obligations of LiqTech NA, Inc. (translated in English)	Incorporated by reference to Exhibit 10.15 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.16	Form of Promissory Note payable to certain related parties	Incorporated by reference to Exhibit 10.16 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.17	Business Mortgage of LiqTech A/S (translated in English)	Incorporated by reference to Exhibit 10.17 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.18	Business Mortgage of LiqTech International A/S (translated in English)	Incorporated by reference to Exhibit 10.18 to the Company's Form 10-K as filed with the SEC on March 29, 2012
10.19	Bonus and Services Agreement, dated October 31, 2012, by and between the Company and Aldo Petersen	Incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q as filed with the SEC on November 14, 2012
10.20	Agreement, dated March 25, 2013, by and among LiqTech International, Inc., LiqTech Denmark International and Mr. Lasse Andreassen	Incorporated by reference to Exhibit 10.20 to the Company's Form 10-K as filed with the SEC on March 27, 2013

10.21	Director Contract, dated March 27, 2013, by and between Mr. Finn Helmer and LiqTech Denmark International	Incorporated by reference to the Company's Form 10-Q as filed with the SEC on May 15, 2013
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, 2014

/s/ Finn Helmer
Finn Helmer, Chief Executive Officer
(Principal Executive Officer)

Dated: May 15, 2014

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

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 period ended March 31, 2014 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, 2014

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 period ended March 31, 2014 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, 2014

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

EXHIBIT 32.1

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

In connection with the Quarterly Report of Liqtech International, Inc. (the " Company") on Form 10-Q for the period ended March 31, 2014 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, 2014

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 period ended March 31, 2014 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, 2014

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.