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## **FORM 10-Q**

**LIQTECH INTERNATIONAL INC - LIQT**

**Filed: May 14, 2015 (period: March 31, 2015)**

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

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

FORM 10-Q

(Mark One)

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

For the three months period ended **March 31, 2015**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-53769**

**LiqTech International, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**20-1431677**

(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 12, 2015, was 39,404,782 shares.

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES  
Quarterly Report on Form 10-Q  
For the Period Ended March 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	4
Consolidated Balance Sheets as of March 31, 2015 (unaudited) and December 31, 2014	5
Consolidated Statements of Operations and Comprehensive Income for the Three Months Ended March 31, 2015 and March 31, 2014 (unaudited)	6
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2015 and March 31, 2014 (unaudited)	8
Notes to Consolidated Financial Statements (unaudited)	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation	25
Item 3. Quantitative and Qualitative Disclosures About Market Risk	32
Item 4. Controls and Procedures	32
<b>PART II. OTHER INFORMATION</b>	
Item 1A. Risk Factors	32
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 3. Defaults Upon Senior Securities	32
Item 4. Mine Safety Disclosures	32
Item 5. Other Information	32
Item 6. Exhibits	33
<b>SIGNATURES</b>	<b>37</b>

## 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, 2015 UNAUDITED	As of December 31, 2014
<b>Current Assets:</b>		
Cash	\$ 3,079,788	\$ 5,853,752
Restricted cash balances	193,662	218,879
Accounts receivable, net	1,841,277	1,992,206
Other receivables	167,206	344,331
Cost in excess of billing	742,757	1,172,658
Inventories	4,763,769	4,914,866
Prepaid expenses	110,832	55,990
Current deferred tax asset	71,340	109,637
<b>Total Current Assets</b>	<b>10,970,631</b>	<b>14,662,319</b>
<b>Property and Equipment, net accumulated depreciation</b>	<b>4,027,685</b>	<b>4,524,386</b>
<b>Other Assets:</b>		
Other investments	5,365	6,085
Long term deferred tax asset	3,696,780	3,496,459
Goodwill	7,459,659	8,460,512
Other intangible assets	13,603	16,708
Deposits	229,116	259,070
<b>Total Other Assets</b>	<b>11,404,523</b>	<b>12,238,834</b>
<b>Total Assets</b>	<b>\$ 26,402,839</b>	<b>\$ 31,425,539</b>

(Continued)

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

**LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>As of March 31, 2015</b>	<b>As of December 31, 2014</b>
	UNAUDITED	
<b>Current Liabilities:</b>		
Current portion of capital lease obligations	\$ 147,710	\$ 170,187
Accounts payable	1,430,807	2,336,942
Accrued expenses	1,029,412	1,439,735
Accrued income taxes payable	-	570
Deferred revenue / customers deposits	71,727	144,476
<b>Total Current Liabilities</b>	<b>2,679,656</b>	<b>4,091,910</b>
Long-term capital lease obligations, less current portion	272,873	368,614
<b>Total Long-Term Liabilities</b>	<b>272,873</b>	<b>368,614</b>
<b>Total Liabilities</b>	<b>2,952,529</b>	<b>4,460,524</b>
<b>Stockholders' Equity:</b>		
Common stock; par value \$0.001, 100,000,000 shares authorized, 39,404,782 and 39,404,782 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	39,405	39,405
Additional paid-in capital	35,632,410	35,632,410
Accumulated deficit	(6,554,264)	(5,382,852)
Deferred compensation	(431,826)	(504,748)
Other comprehensive income, net	(5,215,177)	(2,835,917)
Non-controlled interest in subsidiaries	(20,238)	16,717
<b>Total Stockholders' Equity</b>	<b>23,450,310</b>	<b>26,965,015</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 26,402,839</b>	<b>\$ 31,425,539</b>

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

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

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Net Sales</b>	\$ 2,104,501	\$ 3,197,502
<b>Cost of Goods Sold</b>	2,151,467	2,642,374
<b>Gross Profit</b>	(46,966)	555,128
<b>Operating Expenses:</b>		
Selling expenses	692,723	669,547
General and administrative expenses	816,067	672,657
Non-cash compensation expenses	72,922	220,418
Research and development expenses	162,473	100,586
<b>Total Operating Expense</b>	<b>1,744,185</b>	<b>1,663,208</b>
<b>Loss from Operations</b>	<b>(1,791,151)</b>	<b>(1,108,080)</b>
<b>Other Income (Expense)</b>		
Interest and other income	243	3,195
Interest expense	(15,186)	(11,521)
Gain (loss) on investments	7,366	(2,119)
Gain on currency transactions	233,191	2,787
<b>Total Other Income (Expense)</b>	<b>225,614</b>	<b>(7,658)</b>
<b>Loss Before Income Taxes</b>	<b>(1,565,537)</b>	<b>(1,115,738)</b>
<b>Income Tax Benefit</b>	<b>(391,529)</b>	<b>(358,442)</b>
<b>Net Loss</b>	<b>(1,174,008)</b>	<b>(757,296)</b>
<b>Less Net Loss Attributable To Non-Controlled Interests in Subsidiaries</b>	<b>(2,596)</b>	<b>(1,861)</b>
<b>Net Loss Attributable To LiqTech</b>	<b>\$ (1,171,412)</b>	<b>\$ (755,435)</b>
<b>Basic Loss Per Share</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>
<b>Weighted Average Common Shares Outstanding</b>	<b>39,404,782</b>	<b>27,212,500</b>
<b>Diluted Loss Per Share</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>
<b>Weighted Average Common Shares Outstanding Assuming Dilution</b>	<b>39,404,782</b>	<b>27,212,500</b>

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

**LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES**  
**(UNAUDITED) CONSOLIDATED STATEMENTS OF OTHER**  
**COMPREHENSIVE INCOME**

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Net Loss</b>	(1,174,008)	(757,296)
<b>Currency Translation, Net of Taxes</b>	(2,379,260)	(8,197)
<b>Other Comprehensive Loss</b>	<u>\$ (3,553,268)</u>	<u>\$ (765,493)</u>
<b>Comprehensive Loss Attributable To Non-controlling Interest in Subsidiaries</b>	<u>(2,394)</u>	<u>(9)</u>
<b>Comprehensive Loss Attributable To LiqTech International Inc.</b>	<u>\$ (3,550,874)</u>	<u>\$ (765,484)</u>

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**

	<b>For the Three Months Period</b>	
	<b>Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities:</b>		
Net Loss	\$ (1,174,008)	\$ (757,296)
Adjustments to reconcile net (loss) to net cash provided (used) by operations:		
Depreciation and amortization	349,377	461,748
Non-cash compensation	72,922	220,418
Bad debt expense	12,909	-
Change in deferred tax asset / liability	(162,024)	(358,475)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	315,145	533,859
(Increase) decrease in inventory	151,097	(496,442)
(Increase) decrease in prepaid expenses/deposits	(24,887)	(124,714)
Increase (decrease) in accounts payable	(906,135)	57,408
Increase (decrease) in accrued expenses	(483,642)	(457,022)
Increase (decrease) long-term contracts	429,901	(11,927)
Total Adjustments	(245,337)	(175,147)
Net Cash Used by Operating Activities	(1,419,345)	(932,443)
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(92,075)	(141,680)
Net Cash Used by Investing Activities	(92,075)	(141,680)
<b>Cash Flows from Financing Activities:</b>		
Restricted Cash	25,216	-
Net payments on capital lease obligation	(118,218)	(55,465)
Net Cash Used by Financing Activities	(93,002)	(55,465)
Loss on Currency Translation	(1,169,542)	(25,572)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(2,773,964)</b>	<b>(1,155,160)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>5,853,752</b>	<b>4,884,275</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 3,079,788</b>	<b>\$ 3,729,115</b>

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**

<b>Supplemental Disclosures of Cash Flow Information:</b>			
Cash paid during the period for:			
Interest	\$	15,186	\$ 11,521
Income Taxes		-	\$ 1,000
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities:</b>			
Compensation upon vesting of stock options granted to employees and the board of directors	\$	33,089	\$ 54,352
Compensation for vesting of restricted stock awards issued to the board of directors		39,833	106,666
Value of warrants issued for services		-	59,400
<b>Total</b>	<b>\$</b>	<b>72,922</b>	<b>\$ 220,418</b>

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business and Basis of Presentation**

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

LiqTech International, Inc., a Nevada corporation 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 Asia was liquidated in March 2015.

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

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

Provital Solutions AS, a Danish Corporation ("Provital") was incorporated on September 1, 2009 and engages in the manufacture of fully automated filtering systems for application within the pool and spa markets, marine applications, and a number of industrial applications within Denmark and international markets. The financial statements include the accounts of Provital from the date of acquisition on July 31st, 2014.

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, 2015 and 2014 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

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

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, 2014 audited financial statements. The results of operations for the periods ended March 31, 2015 and 2014 are not necessarily indicative of the operating results for the full year.

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

**Functional Currency / Foreign currency translation** – The functional currency of LiqTech International, Inc., LiqTech USA, Inc. and LiqTech NA is the U.S. Dollar. The Functional Currency of LiqTech Int. DK and Provital Solutions AS is the Danish Krone (“DKK”), the functional currency of LiqTech Germany is the Euro and the functional currency of LiqTech Singapore is the Singapore Dollar. The Company's reporting currency is U.S. Dollar for the purpose of these financial statements. The foreign subsidiaries balance sheet accounts are translated into U.S. Dollars at the period-end exchange rates and all revenue and expenses are translated into U.S. Dollars at the average exchange rates prevailing during the years ended March 31, 2015 and 2014. Translation gains and losses are deferred and accumulated as a component of other comprehensive income in stockholders' equity. Transaction gains and losses that arose from exchange rate fluctuations from transactions denominated in a currency other than the functional currency are included in the statement of operations as incurred.

**Cash, Cash Equivalents and Restricted Cash** – The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had no balances held in financial institution in the United States in excess of federally insured amounts at March 31, 2015 and December 31, 2014. At March 31, 2015, the Company had cash balances of \$193,662 that are restricted to secure guarantees issued by the Company. The cash is restricted until the underlying guarantees are released.

**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, 2015 and the year ended December 31, 2014 is as follows:

	<b>2015</b>	<b>2014</b>
Allowance for doubtful accounts at the beginning of the period	\$ 1,654,290	\$ 608,356
Bad debt expense	12,909	216,919
Amount of receivables written off	(177,885)	(42,117)
Acquired subsidiary	-	951,354
Effect of currency translation	(166,809)	(80,222)
Allowance for doubtful accounts at the end of the period	<u>\$ 1,322,505</u>	<u>\$ 1,654,290</u>

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

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

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

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

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

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

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

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

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

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

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 \$15,465 and \$3,462, for the three months ended March 31, 2015 and 2014, respectively.

**Research and Development Cost** -- The Company expenses research and development costs for the development of new products and systems as incurred. Included in operating expense for the three months ended March 31, 2015 and 2014 were \$162,473, and \$100,586, respectively, of research and development costs.

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

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

**Stock Options** -- The Companies have granted stock options to certain key employees. See Note 13. During the 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 \$33,089 and \$54,352 have been recognized for the vesting of options granted to employees with an associated recognized tax benefit of \$0 for the three months ended March 31, 2015 and 2014, respectively.

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

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

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

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

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

**Recent Accounting Pronouncements** -- In May 2014, the Financial Accounting Standards Board issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under U.S. generally accepted accounting principles. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective beginning in the first quarter of 2017; early adoption is prohibited. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. We have not yet selected a transition method nor have we determined the impact of the new standard on our consolidated condensed financial statements.

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

## NOTE 2 - RELATED PARTY TRANSACTIONS

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

During October and December of 2014, an officer of LiqTech NA provided \$25,000 and \$35,000 in non-interest bearing advances to the Company totaling \$60,000. These advances have been included in accounts payable at December 31, and were repaid in January 2015.

During March of 2015, an officer of LiqTech NA provided \$25,000 in non-interest bearing advances to the Company. These advances have been included in accounts payable at March 31, and were repaid in May 2015.

### NOTE 3 - INVENTORY

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

	2015	2014
Furnace parts and supplies	\$ 402,915	\$ 507,849
Raw materials	1,393,152	1,501,050
Work in process	1,680,604	1,326,840
Finished goods and filtration systems	1,718,663	2,028,225
Reserve for obsolescence	(431,565)	(449,098)
Net Inventory	<u>\$ 4,763,769</u>	<u>\$ 4,914,866</u>

### NOTE 4 – PROPERTY AND EQUIPMENT

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

	Useful Life	2015	2014
Production equipment	3 - 10	\$ 10,159,007	\$ 10,792,494
Lab equipment	3 - 10	141,449	160,427
Computer equipment	3 - 5	266,632	288,351
Vehicles	3	35,254	93,477
Furniture and fixture	5	135,331	180,138
Leasehold improvements	10	952,006	1,052,923
		11,689,679	12,567,810
Less Accumulated Depreciation		(7,661,994)	(8,043,424)
Net Property and Equipment		<u>\$ 4,027,685</u>	<u>\$ 4,524,386</u>

Depreciation expense amounted to \$346,272 and \$460,291, for the three months ended March 31, 2015 and 2014, respectively.

### NOTE 5 - INVESTMENTS AT COSTS

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

As of March 31, 2015	Level 1	Level 2	Level 3
Investments	-	-	5,365
Total	-	-	<u>5,365</u>
As of December 31, 2014	Level 1	Level 2	Level 3
Investments	-	-	6,085
Total	-	-	<u>6,085</u>

At March 31, 2015 and December 31, 2014, our total investments of \$5,365 and \$6,085 consisted of an investment in LEA Technology in France to strengthen our sales channels in the French market, respectively.

## NOTE 6 - DEFINITE-LIFE INTANGIBLE ASSETS

At March 31, 2015 and December 31, 2014, definite-life intangible assets, net of accumulated amortization, consisted of patents on the Company's products of \$13,603 and \$16,708, respectively. The patents are recorded at cost and amortized over two to ten years. Amortization expense for the period ended March 31, 2015 and 2014 was \$3,105 and \$1,457, respectively. Expected future amortization expense for the years ended are as follows:

<b>Year ending December 31,</b>	<b>Amortization Expenses</b>
2015	\$ 3,386
2016	4,515
2017	2,741
2018	2,306
2019	655
Thereafter	-
	<u>\$ 13,603</u>

## NOTE 7 - GOODWILL

The following is a summary of goodwill:

	<b>March 31, 2015</b>
Goodwill at beginning of period	\$ 8,460,512
Acquisition of Provital Solutions A/S	-
Adjustment made to opening goodwill	-
Effect of currency translation	(1,000,853)
Goodwill at end of period	<u>\$ 7,459,659</u>
Goodwill consists of:	<b>March 31, 2015</b>
Provital Solutions A/S	<u>\$ 7,459,659</u>

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

## NOTE 8 - LINES OF CREDIT

Provital Solutions AS has a DKK 2,000,000 (approximately \$290,000 at March 31, 2015) standby line of credit with a bank, subject to certain borrowing base limitations. Outstanding borrowings are due on demand. Interest is calculated based on a variable interest rate and is payable quarterly. As of March 31, 2015, the interest on this line of credit was at 3.50%. This line of credit is guaranteed by Vækstfonden (the Danish state's investments fund) and is also secured by certain of Provital Solutions AS' assets like receivables, inventory, equipment etc. There was \$0 outstanding as of March 31, 2015. At March 31, 2015, there was approximately \$290,000 available under this credit line. In general, lines of credit in Denmark are due on demand.

In connection with certain orders, we have to give the customer a working guarantee or a prepayment guarantee or security bond. For that purpose, we have a credit line of DKK 5,000,000 (approximately \$720,000 at March 31, 2015) with a bank, subject to certain base limitations. As March 31, 2015, we had DKK 473,100 (approximately \$68,000) in working guarantee against the line. This line of credit is guaranteed by Vækstfonden (the Danish state's investments fund) and is also secured by certain of Provital Solutions AS' assets like receivables, inventory, equipment etc.

#### NOTE 9 – LEASES

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

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of March 31, 2015 are as follows:

Year ending December	Operating Lease Payments
2015	\$ 499,050
2016	643,157
2017	416,184
2018	245,345
2019	-
Thereafter	-
<b>Total Minimum Lease Payments</b>	<b>\$ 1,803,736</b>

Lease expense charged to operations was \$189,404 and \$173,755 for the three months ended March 31, 2015 and 2014, respectively.

**Capital Leases** – The Company leases equipment on various variable rate capital leases currently calling for monthly payments of approximately \$9,467, \$3,669, \$600 and \$540 expiring through July 2018. Included in property and equipment, at March 31, 2015 and December 31, 2014, the Company had recorded equipment on capital lease at \$1,280,870 and \$1,599,633, respectively, with related accumulated depreciation of \$917,033 and \$963,467, respectively.

During the three months ended March 31, 2015 and 2014, depreciation expense for equipment on capital lease amounted to \$39,659, and \$55,742, respectively, and has been included in depreciation expense. During the three months ended March 31, 2015 and 2014, interest expense on a capital lease obligation amounted to \$8,031 and \$10,936, respectively.

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

	Capital Lease Payments
2015	\$ 128,481
2016	184,813
2017	123,565
2018	24,096
2019	-
Thereafter	-
<b>Total minimum lease payments</b>	<b>460,955</b>
Less amount representing interest	(40,372)
<b>Present value of minimum lease payments</b>	<b>420,583</b>
Less current portion	(147,710)
<b>Long-term lease payments</b>	<b>\$ 272,873</b>

## NOTE 10 – AGREEMENTS AND COMMITMENTS

**401(K) Profit Sharing Plan** – LiqTech NA has a 401(k) profit sharing plan and trust covering certain eligible employees. The amount LiqTech NA contributes is discretionary. For the three months ended March 31, 2015 and 2014, matching contributions were expensed and totaled \$3,934 and \$3,692, respectively.

In connection with some orders, we have to give the customer a working guarantee or a prepayment guarantee or security bond. For that purpose, we have a credit line of DKK 5,000,000 (approximately \$720,000 at March 31, 2015) with a bank, subject to certain base limitations. As of March 31, 2015, we had DKK 473,100 (approximately \$68,000) in working guarantee against the line.

## NOTE 11 – INCOME TAXES

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

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

	2015	2014
Vacation accrual	\$ 5,077	\$ 5,077
Allowance for doubtful accounts	13,955	13,955
Long term contracts	-	-
Reserve for obsolete inventory	52,308	90,605
Net current tax assets	<u>\$ 71,340</u>	<u>\$ 109,637</u>
Business tax credit carryover	25,709	25,709
Deferred compensation	171,615	171,615
Net operating loss carryover	4,207,651	4,001,198
Excess of book over tax depreciation	(588,042)	(583,735)
Valuation Allowance	(120,153)	(118,328)
Long term deferred tax asset	<u>\$ 3,696,780</u>	<u>\$ 3,496,459</u>

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

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

A reconciliation of income tax expense at the federal statutory rate to income tax expense at the Company's effective rate is as follows for the three months ended March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Computed tax at expected statutory rate	\$ (531,400)	\$ (378,718)
State and local income taxes, net of federal benefits	-	(24,703)
Non-deductible expenses	24,793	18,480
Non-US income taxed at different rates	95,750	26,499
Valuation Allowance	19,328	-
Income tax expense (benefit)	<u>\$ (391,529)</u>	<u>\$ (358,442)</u>

The components of income tax expense (benefit) from continuing operations for the three months ended March 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
<b>Current income tax expense:</b>		
Danish	\$ -	\$ -
Korean	-	-
Federal	-	-
State	-	-
Current tax (benefit)	<u>\$ -</u>	<u>\$ -</u>
<b>Book in excess of tax depreciation</b>	<u>\$ -</u>	<u>\$ -</u>
Business tax credit carryover	-	-
Net operating loss carryover	(410,856)	(487,269)
Allowance for doubtful accounts	19,327	-
Accrued Vacation	-	-
Deferred Compensation	-	108,801
Reserve for obsolete inventory	-	20,026
Deferred tax expense (benefit)	<u>\$ (391,529)</u>	<u>\$ (358,442)</u>
Total tax expense (benefit)	<u>\$ (391,529)</u>	<u>\$ (358,442)</u>

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

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

## NOTE 12 – 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, 2015 and 2014:

	For the three Months Ended March 31	
	2015	2014
Loss attributable to LiqTech International Inc.	\$ (1,171,412)	\$ (755,435)
Weighted average number of common shares used in basic earnings per share	39,404,782	27,212,500
Effect of dilutive securities, stock options and warrants	-	-
Weighted average number of common shares and potentially dilutive securities	39,404,782	27,212,500

For the three months ended March 31, 2015, Parent had 503,500 options outstanding to purchase common stock of the Parent at \$1.57 to \$1.90 per share and Parent had 7,025,575 warrants outstanding to purchase common stock of the Parent at \$1.50 to \$4.06 per share, which were not included in the loss per share computation because their effect would be anti-dilutive.

For the three months ended March 31, 2014, Parent 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 Parent at \$1.50 to \$4.06 per share, which were not included in the loss per share computation because their effect would be anti-dilutive.

## NOTE 13 - STOCKHOLDERS' EQUITY

**Common Stock** – Parent has 100,000,000 authorized shares of common stock, \$0.001 par value. As of March 31, 2015 and December 31, 2014, respectively, there were 39,404,782 and 39,404,782 common shares issued and outstanding.

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

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

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

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

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

## Common Stock Issuance

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

On the July 29, 2014, the Company, through its subsidiary, LiqTech Int. DK, completed the acquisition of all of the issued and outstanding capital stock (the "Provital Shares") of Provital Solutions A/S, a Danish company ("Provital") and as part of the consideration for the Provital shares, the Company issued 4,044,782 common shares.

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

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

On October 9, 2013 we announced that the warrant and option exercise raised \$4,051,000 with holders 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.

## Common Stock Purchase Warrants

A summary of the status of the Warrants outstanding at March 31, 2015 is presented below:

		Warrants Outstanding		Warrants Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 1.50	3,874,000	1.76	\$ 1.50	3,874,000	\$ 1.50
\$ 1.65	400,000	4.33	\$ 1.65	400,000	\$ 1.65
\$ 2.70	2,626,000	1.76	\$ 2.70	2,626,000	\$ 2.70
\$ 4.06	125,575	1.94	\$ 4.06	125,575	\$ 4.06
<b>Total</b>	<b>7,025,575</b>	<b>1.90</b>	<b>\$ 2.00</b>	<b>7,025,575</b>	<b>\$ 2.00</b>

At March 31, 2015, the Company had no non-vested warrants. We have recorded non-cash compensation expense of \$0 for the period ended March 31, 2015 related to the warrants issued.

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

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

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, 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 Companies. At March 31, 2015, 503,500 options were granted and outstanding under the Plan.

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

	<b>LiqTech International, Inc.</b>
Expected term (in years)	3
Volatility	69.44
Risk free interest rate	0.80%
Dividend yield	0%

The Company recognized stock based compensation expense (forfeitures) related to the options of \$33,089 and \$54,352 for the three months ended March 31, 2015 and 2014, respectively. At March 31, 2015 the Company had approximately \$259,660 of unrecognized compensation cost related to non-vested options expected to be recognized through October 14, 2017.

A summary of the status of the options outstanding under the Company's stock option plans at March 31, 2015 is presented below:

Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
\$ 1.57	100,000	2.54	\$ 1.57	33,333	\$ 1.57	
\$ 1.90	403,500	1.83	\$ 1.90	269,000	\$ 1.90	
Total	<u>503,500</u>	<u>1.97</u>	\$ 1.83	<u>302,333</u>	\$ 1.86	

A summary of the status of the options at March 31, 2015, and changes during the period is presented below:

	March 31, 2015			
	Shares	Weighted Average Exercise Price	Average Remaining Life	Weighted Average Intrinsic Value
Outstanding at beginning of period	1,960,130	\$ 2.55	0.70	\$ -
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	1,456,630	2.79	-	-
Outstanding at end of period	503,500	\$ 1.83	1.97	\$ -
Vested and expected to vest	503,500	\$ 1.83	1.97	\$ -
Exercisable end of period	302,333	\$ 1.86	1.91	\$ -

At March 31, 2015, the Company had 201,167 non-vested options with a weighted average exercise price of \$1.79 and with a weighted average grant date fair value of \$0.78, resulting in unrecognized compensation expense of \$156,374, which is expected to be expensed over a weighted-average period of 2.06 years.

The total intrinsic value of options at March 31, 2015 was \$0. Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at March 31, 2015 (for outstanding options), less the applicable exercise price.

#### NOTE 14 - SIGNIFICANT CUSTOMERS / CONCENTRATION

The Company had no customers that accounted for more than 10% of total sales at March 31, 2015 and 2014.

The Company sells products throughout the world; sales by geographical region are as follows for the three and three months ended March 31, 2015 and 2014:

	For the Three Months Ended March 31	
	2015	2014
United States and Canada	\$ 590,039	\$ 1,006,205
Australia	107,192	55,952
South America	-	16,832
Asia	32,595	306,621
Europe	1,374,675	1,811,892
	\$ 2,104,501	\$ 3,197,502

The Company's sales by product line are as follows for the three and three months ended March 31, 2015 and 2014:

	<b>For the Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
Ceramic diesel particulate	\$ 960,086	\$ 1,563,827
Liquid filters	963,210	1,541,094
Kiln furniture	181,205	92,581
	<u>\$ 2,104,501</u>	<u>\$ 3,197,502</u>

#### **NOTE 15 – COMMITMENTS**

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

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

#### **NOTE 16 – SUBSEQUENT EVENTS**

The Company's management reviewed material events through May 12, 2015 and there were no 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 the related notes included elsewhere in this quarterly report. In addition, the following discussion should be read in conjunction with our annual report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 25, 2015, and the financial statements and notes thereto. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.*

### Overview

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

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

On the July 29, 2014, the Company, through its subsidiary, LiqTech Int. DK, completed the acquisition of all of the issued and outstanding capital stock (the "Provital Shares") of Provital Solutions A/S, a Danish company ("Provital") from Masu A/S, a Danish company ("MASU"). In consideration for the Provital Shares, MASU received cash consideration in the sum of DKK12,600,000, that is, approximately USD\$2,300,000, and 4,044,782 shares of the Company's common stock (the "Payment Shares"). One-third (1/3) of the Payment Shares was subject to a lock-up period of six (6) months. The remaining two-thirds (2/3) of the Payment Shares shall be held in escrow and one-third of the Payment Shares will be released from escrow contingent upon Provital, for the year ending December 31, 2014, achieving (i) gross revenues of not less than DKK65,000,000, that is, approximately USD\$10,988,639 and EBITDA of DKK6,500,000, that is, approximately USD\$1,098,864 or (ii) EBITDA of not less than DKK10,000,000, that is, approximately USD\$1,690,560 and gross revenues of not less than DKK50,000,000, that is, approximately USD\$8,452,800. Another one-third (1/3) of the Payment Shares will be released from escrow contingent upon Provital, for the year ending December 31, 2015, achieving (i) gross revenues of not less than DKK120,000,000, that is, approximately USD\$20,286,719 and EBITDA of DKK12,000,000, that is, approximately USD\$2,028,672 or (ii) EBITDA of not less than DKK16,000,000, that is, approximately USD\$2,704,896 and gross revenues of not less than DKK80,000,000, that is, approximately USD\$13,524,479.

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

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

## Our Strategy

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

- **Enter New Geographic Markets and Expand Existing Markets.** We plan to continue to manufacture and sell our products out of Denmark and the United States. We intend to continue to develop our organization in Denmark and the United States and we plan to expand our production facilities in the United States to include manufacturing of systems. In October 2011, the Company opened sales offices in France and in January 2012, we opened a sales office in Singapore. In addition to utilizing local representatives, we also intend to establish sales outlets with technical support in other European nations such as Italy, while expanding to other markets such as Asia. We intend to work with agents and partners to access such markets.
- **Continue to Strengthen Position in DPF Market.** We believe that we have a strong position in the retrofit market for diesel particulate filter systems. We intend to continue our efforts to maintain our strength in this area. Furthermore, we intend to leverage our experience in the OEM market with new products relating to diesel particulate filter systems.
- **Continue to Develop and Improve Technologies and Open New End Markets.** We intend to continuously develop our ceramic membranes and improve the filtration efficiency for our filtration products. Through continuous development, we intend to find new uses for our products and plan to expand into any new markets that we believe would be appropriate for our Company. One of our key strategies is to develop our membrane applications together with our customers including, for example, the development of the next generation of diesel particulate filters with asymmetric design for the OEM market.
- **Continue Our Focus on Selling and on Development New Standard Units.** We will continue our focus on selling systems based on our unique SiC membranes. We will also combine the ceramic membranes with other technologies to be able to offer our customers a complete solution. We will continue our focus to develop smaller standard systems, like our ground water treatment unit and our residential swimming pool units. These units will be sold through a network of agents and partnerships.

## Recent Developments

### *2014 Underwritten Public Offering*

On July 28, 2014, we closed our registered underwritten public offering of 8,000,000 shares at a price to public of \$1.50 per share, which included all 1,043,478 shares subject to the underwriter's over-allotment option. Our estimated net proceeds from the offering were approximately \$10.8 million, after deducting underwriting discounts and estimated offering expenses. We used the net proceeds of the offering to fund a portion of the purchase price our acquisition of the operations of Provital. Craig-Hallum Capital Group LLC acted as sole managing underwriter of the offering.

### *2014 Acquisition of Provital*

On July 29, 2014, the Company, through its subsidiary, LiqTech Int. DK, completed the acquisition of all of the issued and outstanding capital stock (the "Provital Shares") of Provital Solutions A/S, a Danish company ("Provital") from Masu A/S, a Danish company ("MASU"). In consideration for the Provital Shares, MASU received cash consideration in the sum of DKK12,600,000, that is, approximately USD\$2,300,000 (at July 28, 2014), and 4,044,782 shares of the Company's common stock (the "Payment Shares"). One-third (1/3) of the Payment Shares was subject to a lock-up period of six (6) months. The remaining two-thirds (2/3) of the Payment Shares shall be held in escrow and one-third of the Payment Shares will be released from escrow contingent upon Provital, for the year ending December 31, 2014, achieving (i) gross revenues of not less than DKK65,000,000, that is, approximately \$10,618,486 (at December 31, 2014) and EBITDA of DKK6,500,000 that is, approximately \$1,061,849 (at December 31, 2014) or (ii) EBITDA of not less than DKK10,000,000 (at December 31, 2014), that is, approximately \$1,633,613 and gross revenues of not less than DKK50,000,000, that is, approximately \$8,168,066 (at December 31, 2014). Another one-third (1/3) of the Payment Shares will be released from escrow contingent upon Provital, for the year ending December 31, 2015, achieving (i) gross revenues of not less than DKK120,000,000, that is, approximately \$19,603,358 (at December 31, 2014) and EBITDA of DKK12,000,000, that is, approximately \$1,960,335 (at December 31, 2014) or (ii) EBITDA of not less than DKK16,000,000, that is, approximately \$2,613,781 (at December 31, 2014) and gross revenues of not less than DKK80,000,000, that is, approximately \$13,068,906 (at December 31, 2014).

### *Recent Contract Wins*

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

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

On February 3, 2015, we announced that the Company received a \$130,000 SiC membrane order from a European customer to be delivered in the 2nd quarter of 2015. This is a follow-on order from a customer that first installed a system in the fall of 2014. The installation is for a German power plant for the removal of heavy metals from a flue gas cleaning process. This new order will be installed at another German power plant.

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

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

## **Results of Operations**

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

The following table sets forth our revenues, expenses and net income for the three and three months ended March 31, 2015 and 2014:

	Period ended March 31,				Period to period change	
	2015	As a % of Sales	2014	As a % of Sales	\$	Percent %
<b>Net Sales</b>	2,104,501	100%	3,197,502	100%	(1,093,001)	(34.2)
Cost of Goods Sold	2,151,467	102.2	2,642,374	82.6	(490,907)	(18.6)
<b>Gross Profit</b>	<b>(46,966)</b>	<b>(2.2)</b>	<b>555,128</b>	<b>17.4</b>	<b>(602,094)</b>	<b>(108.5)</b>
<b>Operating Expenses</b>						
Selling and Marketing	692,723	32.9	669,547	20.9	23,176	3.5
General and Administrative	816,067	38.8	672,657	21.0	143,410	21.3
Non-cash compensation	72,922	3.5	220,418	6.9	(147,496)	(66.9)
Research and Development	162,473	7.7	100,586	3.1	61,887	61.5
<b>Total Operating Expenses</b>	<b>1,744,185</b>	<b>82.9</b>	<b>1,663,208</b>	<b>52.0</b>	<b>80,977</b>	<b>4.9</b>
<b>Loss from Operating</b>	<b>(1,791,151)</b>	<b>(85.1)</b>	<b>(1,108,080)</b>	<b>(34.7)</b>	<b>(683,071)</b>	<b>61.6</b>
Interest and Other Income	243	0.0	3,195	0.1	(2,952)	(92.4)
Interest (Expense)	(15,186)	(0.7)	(11,521)	(0.4)	(3,665)	31.8
Gain (Loss) on Investments	7,366	0.4	(2,119)	(0.1)	9,485	(447.6)
Gain on Currency Transactions	233,191	11.1	2,787	0.1	230,404	8267.1
<b>Total Other Income (Expense)</b>	<b>225,614</b>	<b>10.7</b>	<b>(7,658)</b>	<b>(0.2)</b>	<b>233,272</b>	<b>(3046.1)</b>
Loss Before Income Taxes	<b>(1,565,537)</b>	<b>(74.4)</b>	<b>(1,115,738)</b>	<b>(34.9)</b>	<b>(449,799)</b>	<b>40.3</b>
Income Taxes Expense (Income)	(391,529)	(18.6)	(358,442)	(11.2)	(33,087)	9.2
<b>Net Loss</b>	<b>(1,174,008)</b>	<b>(55.8)</b>	<b>(757,296)</b>	<b>(23.7)</b>	<b>(416,712)</b>	<b>55.0</b>
Less net income attributable to the non-controlled interest in subsidiaries	(2,596)	(0.1)	(1,861)	(0.1)	(735)	39.5
<b>Net Loss attributable to LiqTech</b>	<b>(1,171,412)</b>	<b>(55.7)</b>	<b>(755,435)</b>	<b>(23.6)</b>	<b>(415,977)</b>	<b>55.1</b>

#### Comparison of the three month periods ended March 31, 2015 and March 31, 2014

##### Revenues

Net sales for the three months ended March 31, 2015 were \$2,104,501 compared to \$3,197,502 for the same period in 2014, representing a decrease of \$1,093,001 or 34.2%. The decrease in sales consist of a decrease in sales of DPFs of \$603,741 and a decrease in sales of liquid filters and systems of \$577,884 and an increase in sales of kiln furniture of \$88,624. The decrease in demand for our DPFs is mainly due to a decrease in activities and mandates and market activity in general. The decrease in demand for our liquid filters and systems is due to a postponement in our delivery of incoming orders. The increase in demand for our kiln furniture is due to a decision to continuing selling the product to a single customer this quarter.

##### Gross Profit

Gross profit for the three months ended March 31, 2015 was a loss of \$46,966 compared to a gross profit of \$555,128 for same period in 2014, representing a decrease of \$602,094 or 108.5%. The decrease in gross profit was due to low sales activity compared to our fixed cost of goods sold. Included in gross profit is depreciation of \$346,273 and \$461,748 for the three months ended March 31, 2015 and 2014, respectively.

## Expenses

Total operating expenses for the three months ended March 31, 2015 were \$1,744,185 representing an increase of \$80,977 or 4.9%, compared to \$1,663,208 for the same period in 2014. This increase in operating expenses is attributable to an increase in selling and marketing expenses of \$23,176 or 3.5%, an increase in general and administrative expenses of \$143,410 or 21.3%, a decrease in non-cash compensation expenses of \$147,496 or 66.9% and an increase in research and development expenses of \$61,887 or 61.5% compared to the same period in 2014.

Selling expenses for the three months ended March 31, 2015 were \$692,723 compared to \$669,547 for the same period in 2014, representing an increase of \$23,176 or 3.5%. 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, 2015 were \$816,067 compared to \$672,657 for the same period in 2014, representing an increase of \$143,410, or 21.3%. This increase is attributable to increases in general costs and the incorporation of Provital into the 2015 numbers. Provital was included in the consolidated numbers from July 31, 2014.

Non-cash compensation expenses for the three months ended March 31, 2015 were \$72,922 compared to \$220,418 for the same period in 2014, representing a decrease of \$147,496 or 66.9%. This decrease is attributable to decreased non-cash compensation expense for options, shares and warrants for services performed granted to directors, employees and management.

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

	For the three Months Ended	
	March 31, 2015	March 31, 2014
Compensation upon vesting of stock options granted to employees and the board of directors	\$ 33,089	\$ 54,352
Compensation for vesting of restricted stock awards issued to the board of directors	39,833	54,352
Value of stock granted for services	-	-
Warrants	-	59,400
Total Non-Cash Compensation	\$ 72,922	\$ 220,418

Research and development expenses for the three months ended March 31, 2015 were \$162,473 compared to \$100,586 for the same period in 2014, representing an increase of \$61,887. This increase is attributable to increased research and development expenditures for the three months ending March 31, 2015 compared to the same period in 2014 and the incorporation of Provital into the 2015 numbers. Provital was included in the consolidated numbers from July 31, 2014.

## Net Income Attributable to the Company

Net income attributable to the Company for the three months ended March 31, 2015 was a loss of 1,171,412 compared to a loss of \$755,435 for the comparable period in 2014, representing an increase in loss of \$415,977. This increase was primarily attributable to a decrease in gross profit of \$602,094.

## 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, 2015, we had cash and restricted cash of \$3,273,450 and working capital of \$8,290,975 and at December 31, 2014, we had cash and restricted cash of \$6,072,631 and working capital of \$10,570,409. At March 31, 2015, our working capital decreased by \$2,279,434 compared to December 31, 2014. Total current assets were \$10,970,631 and \$14,662,319 at March 31, 2015 and at December 31, 2014, respectively, and total current liabilities were \$2,679,656 and \$4,091,910 at March 31, 2015 and at December 31, 2014, respectively.

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

Provital has a DKK 2,000,000 (approximately \$290,000 at March 31, 2015) standby line of credit with a bank, subject to certain borrowing base limitations. Outstanding borrowings are due on demand. Interest is calculated based on a variable interest rate and is payable quarterly. As of March 31, 2015, the interest on this line of credit was at 3.50%. This line of credit is guaranteed by Vækstfonden (the Danish state's investments fund) and is also secured by certain of Provital's assets like receivables, inventory, equipment etc. There was \$0 outstanding as of March 31, 2015. At March 31, 2015, there was approximately \$290,000 available under this credit line. In general, lines of credit in Denmark are due on demand.

In connection with certain orders, we have to give the customer a working guarantee or a prepayment guarantee or security bond. For that purpose, we have a credit line of DKK 5,000,000 (approximately \$720,000 at March 31, 2015) with a bank, subject to certain base limitations. As March 31, 2015, we had DKK 473,100 (approximately \$68,000) in working guarantee against the line. This line of credit is guaranteed by Vækstfonden (the Danish state's investments fund) and is also secured by certain of Provital's assets like receivables, inventory, equipment etc.

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, 2015 Compared to three months ended March 31, 2014***

Cash provided (used) by operating activities is net 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, 2015 was \$1,419,345, representing an increase of \$486,902 compared to cash used by operating activities of \$932,443 for the three months ended March 31, 2014. The \$486,902 increase in cash used by operating activities for the three months ended March 31, 2015 was mainly due to a net loss of \$1,174,008, a decrease of \$906,135 in accounts payable and a decrease of \$483,642 accrued expenses. This was partially offset by a decrease of \$315,145 in account receivables, a decrease of \$151,097 in inventory and an increase of \$429,901 in long-term contracts.

The decreases in account receivables, accounts payable, inventory, accrued expenses and the increase in long-term contracts were all due to normal variations in the ordinary course of business.

Cash used in investing activities was \$92,075 for the three months period ended March 31, 2015, as compared to cash used in investing activities of \$141,680 for the three months period ended March 31, 2014. Cash used in investing activities decreased for the three months period ended March 31, 2015, compared to the three months period ended March 31, 2014. This decrease was primarily due to a period over period decrease of \$49,605 in the purchase of property and equipment.

Cash used by financing activities was \$93,002 for the three months period ended March 31, 2015, as compared to cash provided by financing activities of \$55,465 for the three months period ended March 31, 2014. This change of \$37,537 in cash used by financing activities for the three months ended March 31, 2014, compared to 2013, was mainly due to net payments proceeds on capital lease obligation.

#### Off Balance Sheet Arrangements

As of March 31, 2015, we had no off-balance sheet arrangements other than normal operating leases. We are not aware of any material transactions which are not disclosed in our consolidated financial statements.

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

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of March 31, 2015 are as follows:

Year ending December	Operating Lease Payments
2015	\$ 499,050
2016	643,157
2017	416,184
2018	245,345
2019	-
Thereafter	-
Total Minimum Lease Payments	<u>\$ 1,803,736</u>

#### Significant Accounting Policies and Critical Accounting Estimates

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

#### Recent Enacted Accounting Standards

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

#### Off Balance Sheet Arrangements

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

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

### ITEM 4. CONTROLS AND PROCEDURES

#### (a) Evaluation of Disclosure Controls and Procedures

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

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

#### (b) Changes in Internal Control over Financial Reporting

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

## PART II - OTHER INFORMATION

### ITEM 1A. RISK FACTORS.

Not required for a “smaller reporting company.”

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

### ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

1.1	Placement Agency Agreement, dated March 2, 2012, by and between LiqTech International, Inc. and Sunrise Securities Corp.	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on March 8, 2012
2.1	Agreement and Plan of Merger dated as of August 23, 2011 by and among Blue Moose Media, Inc., LiqTech USA, Inc. and BMD Sub	Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K/A as filed with the SEC on October 11, 2011
3.1	Articles of Incorporation	Incorporated by reference to Exhibit 3(i) to the Company's Registration Statement on Form 10 (SEC Accession No. 0001078782-09-001287) as filed with the SEC on August 19, 2009
3.2	Certificate of Amendment to the Articles of Incorporation	Incorporated by reference to Exhibit A to the Company's Information Statement on Schedule 14C as filed with the SEC on September 20, 2011
3.3	Amended and Restated Bylaws, effective January 1, 2012	Incorporated by reference to Exhibit 3.4 to the Company's Form 10-Q as filed with the SEC on May 15, 2012
4.1	Form of Common Stock Certificate	Incorporated by reference to Exhibit 4.1 to the Company's Form 10-K as filed with the SEC on March 29, 2012
4.2	Form of Warrant issued to Investors in the Private Placement	Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K as filed with the SEC on August 25, 2011
4.3	Form of Warrant issued to Sunrise Securities Corp.	Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the SEC on March 8, 2012
10.1	Form of Securities Purchase Agreement by and between LiqTech USA, Inc. and each of the investors in the Private Placement	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on August 25, 2011
10.2	Employment Agreement dated July 29, 2011 between LiqTech A/S and Lasse Andreassen	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A as filed with the SEC on October 11, 2011 (translated in English)
10.3	Employment Agreement dated November 16, 2005 between LiqTech NA, Inc. and Donald S. Debelak	Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K/A as filed with the SEC on October 11, 2011

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

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

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

## SIGNATURES

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

LiqTech International, Inc.

Dated: May 14, 2015

/s/ Sune Mathiesen

Sune Mathiesen, Chief Executive Officer  
(Principal Executive Officer)

Dated: May 14, 2015

/s/ Soren Degn

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

**EXHIBIT 31.1**

**OFFICER'S CERTIFICATE  
PURSUANT TO SECTION 302**

I, Sune Mathiesen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2015 of Liqtech International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer (s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2015

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

EXHIBIT 31.2

OFFICER'S CERTIFICATE  
PURSUANT TO SECTION 302

I, Soren Degn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2015 of Liqtech International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer (s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2015

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

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of Liqtech International, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 14, 2015

By: /s/ Sune Mathiesen

Name: Sune Mathiesen

Title: Chief Executive Officer and Principal Executive Officer

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

**EXHIBIT 32.2**

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

In connection with the Quarterly Report of Liqtech International, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 14, 2015

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

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

