



BQE WATER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024



KPMG LLP
777 Dunsmuir Street, 11th floor
Vancouver, BC V7Y 1K3
Canada
Tel 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BQE Water Inc.

Opinion

We have audited the consolidated financial statements of BQE Water Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flow for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Revenue recognition - estimation of labor hours or costs to completion for fixed-fee technical services contracts

Description of the matter

We draw attention to notes 3(k), 4(b)(i) and 22 to the financial statements. For the year ended December 31, 2025, revenue recognized under technical services contracts which includes fixed-fee technical services contracts where the Entity has enforceable right to payment for performance to date. The revenue for fixed-fee technical services contracts is recognized based on the extent of progress towards completion of the performance obligation. The extent of progress is measured using the percentage-of-completion method based on actual labor hours or costs incurred relative to the total estimated hours or costs for completion, whichever most faithfully depicts the progress of the Entity's performance based on its efforts inputted. The Entity applies significant judgment and estimates to determine estimated labor hours or costs to completion, which affects the timing of revenue recognized for fixed-fee technical services contracts.

Why the matter is a key audit matter

We identified the evaluation of estimated labor hours or costs to completion for fixed-fee technical services contracts as a key audit matter. This matter represented an area of significant risk of material misstatement due to the magnitude of the revenues and the high degree of subjectivity and estimation uncertainty in the estimation of labor hours or costs to completion for fixed-fee technical services contracts. Significant auditor judgment was required to evaluate the estimation of labor hours or costs to complete the fixed-fee technical services contracts.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- For a selection of fixed-fee technical services contracts we inquired with the Entity's project managers responsible for the contracts to obtain an understanding of the estimated labor hours or costs to completion at contract inception, any changes to the estimated labor hours or costs to completion at year-end and any changes to the estimates subsequent to year-end. We inspected source documents such as contracts, change requests and correspondence, including project budget documents if any, between the Entity and the customer to assess such estimates



- We evaluated the Entity's ability to accurately estimate labor hours or costs to completion by comparing previous estimates developed to actual labor hours or costs incurred to satisfy the performance obligation
- For a selection of completed fixed-fee technical services contracts we inspected customer correspondence to evaluate whether the Entity's performance obligations had been satisfied.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Lyndon Fung.

Vancouver, Canada

April 23, 2026

BQE WATER INC.

Consolidated Statements of Financial Position

As at December 31, 2025 and 2024

(Expressed in Canadian dollars)

		December 31 2025 \$	December 31 2024 \$
	note		
Assets			
Current assets			
Cash and cash equivalents		18,982,257	11,771,214
Short-term investments	5	524,000	-
Trade and other receivables	6, 8 (a)	5,749,554	4,462,710
Prepays and other current assets	7	519,443	1,081,220
Total current assets		25,775,254	17,315,144
Non-current assets			
Property and equipment	9	2,187,297	2,154,044
Intangible assets	10	62,955	146,895
Investment in joint ventures	11	4,472,915	6,047,497
Deposits		52,203	52,203
Deferred tax assets	19	3,159,000	1,377,000
Total non-current assets		9,934,370	9,777,639
Total assets		35,709,624	27,092,783
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	12	2,743,792	1,748,719
Loans	13	20,625	82,500
Deferred revenues	22 (d)	381,822	1,554,085
Lease obligations	14	143,086	158,419
Deferred benefits	15	1,075,949	1,178,540
Total current liabilities		4,365,274	4,722,263
Non-current liabilities			
Loans	13	613,226	248,728
Deferred revenues	22 (d)	-	141,870
Deferred benefits	15	399,941	-
Lease obligations	14	1,535,907	1,451,030
Total non-current liabilities		2,549,074	1,841,628
Total liabilities		6,914,348	6,563,891
Shareholders' Equity			
Share capital	16	57,090,143	56,807,264
Contributed surplus		11,198,566	11,182,930
Accumulated other comprehensive income		1,503,751	1,598,935
Accumulated deficit		(40,997,184)	(49,060,237)
Total shareholders' equity		28,795,276	20,528,892
Total liabilities and shareholders' equity		35,709,624	27,092,783
Commitments (note 21)			

Approved and authorized by the Board of Directors:

"Peter Gleeson", Executive Chairman

"Sara Elford", Director

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

BQE WATER INC.

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2025 and 2024

(Expressed in Canadian dollars)

		Year ended December 31	
		2025	2024
		\$	\$
	note		
Revenues	8 (a), 22	35,541,350	17,178,322
Operating expenses (excluding depreciation)	18	(20,278,728)	(8,768,893)
Gross margin		15,262,622	8,409,429
Share of income from joint ventures	11	206,125	2,471,577
General and administration	18	(3,725,121)	(3,172,325)
Sales and development	18	(3,946,110)	(3,131,383)
Share-based payments	8 (b), 15	(903,433)	(1,016,518)
Depreciation and amortization	9, 10	(516,841)	(439,223)
Income from operations and joint ventures		6,377,242	3,121,557
Finance income, net	17	72,605	104,659
Foreign exchange (loss) gain		(179,058)	223,882
Bad debt expenses	25 (a)	(57,577)	(14,237)
Other income, net		245,941	93,157
Income before income taxes		6,459,153	3,529,018
Income tax recovery	19	1,603,900	1,275,541
Net income for the year		8,063,053	4,804,559
Other comprehensive income (loss)			
<i>Items that may be reclassified subsequently to income</i>			
Foreign currency translation		(95,184)	367,657
Comprehensive income for the year		7,967,869	5,172,216
Earnings per share			
Basic	16 (c)	6.23	3.78
Diluted	16 (c)	6.17	3.75
Weighted average number of shares outstanding			
Basic	16 (c)	1,294,481	1,270,211
Diluted	16 (c)	1,307,290	1,282,290

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

BQE WATER INC.

Consolidated Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(Expressed in Canadian dollars)

	note	Year ended December 31		Year ended December 31	
		Number of Shares	2025 \$	Number of Shares	2024 \$
Share Capital					
Balance, beginning of the year		1,287,068	56,807,264	1,246,628	56,302,539
Exercise of stock options	15 (a)	12,100	331,125	40,440	504,725
Shares repurchased	16 (b)	(1,000)	(48,246)	-	-
Balance, end of the year		1,298,168	57,090,143	1,287,068	56,807,264
Contributed surplus					
Balance, beginning of the year			11,182,930		11,106,796
Equity settled share-based payments	15 (a)		15,636		76,134
Balance, end of the year			11,198,566		11,182,930
Accumulated other comprehensive income					
Balance, beginning of the year			1,598,935		1,231,278
Other comprehensive (loss) income for the year			(95,184)		367,657
Balance, end of the year			1,503,751		1,598,935
Accumulated deficit					
Balance, beginning of the year			(49,060,237)		(53,864,796)
Net income for the year			8,063,053		4,804,559
Balance, end of the year			(40,997,184)		(49,060,237)
Total shareholders' equity					
Balance, beginning of the year			20,528,892		14,775,817
Exercise of stock options	15 (a)		331,125		504,725
Shares repurchased	16 (b)		(48,246)		-
Equity settled share-based payments	15 (a)		15,636		76,134
Other comprehensive (loss) income for the year			(95,184)		367,657
Net income for the year			8,063,053		4,804,559
Balance, end of the year			28,795,276		20,528,892

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

BQE WATER INC.

Consolidated Statements of Cash Flow

For the years ended December 31, 2025 and 2024

(Expressed in Canadian dollars)

		Year ended December 31	
		2025	2024
		\$	\$
	note		
Operating activities			
Net income for the year		8,063,053	4,804,559
Adjustments for:			
Bad debt expenses	25 (a)	57,577	14,237
Income tax recovery	19	(1,603,900)	(1,275,541)
Other income		(245,941)	(93,157)
Share of income from joint ventures	11	(206,125)	(2,471,577)
Finance income, net	17	(72,605)	(104,659)
Depreciation and amortization	9, 10	516,841	439,223
Unrealized foreign exchange loss (gain)		106,212	(103,421)
Share-based payments	15	903,433	1,016,518
		7,518,545	2,226,182
Change in non-cash operating working capital items	20	(2,198,632)	837,795
Income taxes paid	19	(212,229)	(105,785)
Net cash from operating activities		5,107,684	2,958,192
Investing activities			
Purchase of property and equipment	9	(225,385)	(581,986)
Dividends received from joint venture	11 (a)	1,729,616	784,618
Interest received		345,710	263,781
Net cash from investing activities		1,849,941	466,413
Financing activities			
Lease payments on principal portion	14	(171,663)	(181,065)
Lease payments on interest portion	14	(206,117)	(103,832)
Proceeds from exercise of stock options	15 (a)	331,125	504,725
Repurchase of shares	16 (b)	(48,246)	-
Repayment of loan	13	(82,500)	(89,375)
Proceeds from loan	13	554,884	176,026
Interest paid		(1,540)	(97)
Net cash from financing activities		375,943	306,382
Effect of exchange rate changes on cash balances		(122,525)	112,624
Net increase in cash and cash equivalents		7,211,043	3,843,611
Cash and cash equivalents, beginning of the year		11,771,214	7,927,603
Cash and cash equivalents, end of the year		18,982,257	11,771,214

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

BQE WATER INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

BQE Water Inc. ("BQE Water" or the "Company") is the ultimate parent company of its consolidated group. BQE Water is an integrated water management services and treatment solutions provider with unique expertise and intellectual property to support the mining and metallurgical industry in reducing life cycle costs and risks associated with water.

The Company is a publicly listed company incorporated and domiciled in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange trading under the symbol BQE. The address of its registered office is Suite 200 – 30 East 6th Avenue, Vancouver, British Columbia, V5T 1J4, Canada.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issue on April 23, 2026 by the Company's Board of Directors.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, and have been prepared under the historical cost basis except for those assets and liabilities that are measured at fair values at the end of each reporting period. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. MATERIAL ACCOUNTING POLICIES

The principal accounting policies as set out below have been consistently applied to all periods presented in the consolidated financial statements:

a) Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company, and the entities controlled by the Company, and the share of net earnings or losses in entities which the Company is a joint venture partner.

The principal subsidiaries of the Company, which are accounted for under the consolidation method, are as follows:

Entity	Country of incorporation and operation	Ownership interest as at Dec. 31, 2025	Ownership interest as at Dec. 31, 2024
Biomet Mining Corporation	Canada	100%	100%
BioteQ Water (Chile) SpA	Chile	100%	100%
BioteQ Water Mexico S.A. de C.V.	Mexico	100%	100%
BQE Water (Hangzhou) Co. Ltd.	China	100%	100%
BQE Water Delaware, Inc.	USA	100%	100%

The joint ventures of the Company, which are accounted for under the equity method, are as follows:

Entity	Country of incorporation and operation	Beneficial Ownership interest as at Dec. 31, 2025	Beneficial Ownership interest as at Dec. 31, 2024
JCC-BioteQ Environmental Technologies Co. Ltd.	China	50%	50%
Shandong MWT BioteQ Environmental Technologies Co. Ltd.	China	20%	20%
BQE Water Nuvumiut Development Inc.	Canada	49%	49%

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Notes to the Consolidated Financial Statements
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i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. The activities of any dissolved subsidiary are recorded up to the date of dissolution.

ii) Investments in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The financial results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the joint venture. The Company records an increase or decrease to the investment in joint venture for subsequent contributions made by the Company or dividends received from the joint venture's profit. When the Company's share of losses in the joint venture exceeds the Company's interest in that joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports a profit, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

When the Company transacts with a joint venture, profits or losses resulting from the transactions with the joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Company.

b) Foreign Currency Translation

i) Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Company's presentation currency.

Items included in the financial statements of each consolidated entity in BQE Water Inc.'s group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's subsidiaries and its joint ventures, except for BioteQ Water Mexico S.A. de C.V. which is CAD, are respective of their local currency, such as the United States dollars ("USD"), Chilean peso ("CLP") and Chinese renminbi ("RMB").

For the purpose of presenting these consolidated financial statements, entities including joint ventures that have a functional currency different from the presentation currency ("foreign operations") are translated into CAD as follows:

- Assets and liabilities: at the closing rate at the date of the statement of financial position.
- Income and expenses: at the average rate for the period (as this is considered a reasonable approximation of actual rates prevailing at the transaction dates).

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related

BQE WATER INC.

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For the years ended December 31, 2025 and 2024

to the subsidiary is reallocated between controlling and non-controlling interests.

ii) Transactions and Balances

In preparing the financial statements of each individual BQE Water entity, transactions in currencies other than the entity's functional currency ("foreign currency") are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for the exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

c) Cash and Cash Equivalents

The Company considers all highly liquid investments that are readily convertible to known amounts of cash and short-term guaranteed investment certificates with original maturities of three months or less at the date of acquisition to be cash equivalents.

d) Short-term Investments

Short-term investments comprise highly liquid financial assets with original maturities of more than three months but less than one year from the date of acquisition. The objective of these investments is to collect contractual cash flows. These investments are recognized at amortized cost. Interest income is recognized in profit or loss over the term of the deposit using the effective interest rate.

e) Property and Equipment

i) Recognition and Measurement

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the assets and costs directly attributable to bringing the assets to a working condition for their intended use. If significant components of a property, plants or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

ii) Subsequent Measurement

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of income and comprehensive income in the financial period in which they are incurred.

Property and equipment items are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of a property and equipment item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

iii) Depreciation

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost net of their residual values, over the shorter of their estimated useful lives and the contract life. Depreciation commences when the asset is fully constructed and available for use. Depreciation methods, useful lives and residual values are reviewed annually and adjusted prospectively, if appropriate. Where an indicator of impairment exists, property and equipment are subject to impairment

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testing as described in “Impairment” under note 3 (i). Depreciation categories and useful lives for items included in property and equipment are as follows:

Asset	Estimated useful life
Computer equipment	3 years
Furniture, office and lab equipment	5 years
Right-of-use assets & leasehold improvements	Remaining lease term
Water treatment plants within joint ventures	Shorter of contract life or 10 to 20 years

f) Intangible Assets

Intangible assets are recorded at cost, net of amortization and any provision for impairment.

Intellectual property assets are being amortized over the useful life of 5 years, being the remaining useful life of the related intellectual property assets from acquisition. Residual values and useful lives are reviewed at each reporting date. Where an indicator of impairment exists, intangible assets are subject to impairment testing as described in “Impairment” under note 3 (i).

g) Financial Instruments

Financial assets and liabilities, including derivatives, are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are required to be initially measured at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

i) Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. These levels are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

ii) Financial Assets

Based on their nature, the Company classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”). The classification of financial assets is based on the contractual cash flow characteristics and the Company’s business model for managing the financial asset. On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVTOCI criteria as measured at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

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For the years ended December 31, 2025 and 2024

Financial assets are derecognized when the contractual cash flows from the asset expire or when the Company transfers the right to receive the contractual cash flows of the asset in a transaction whereby all risks and rewards of the financial asset are transferred. Any retained interest in the financial asset transferred is recognized as a separate financial asset or liability.

Financial assets and liabilities are offset and presented net in the consolidated statements of financial position only when a legal right of offset exists and the Company intends to settle the transaction on a net basis or realize the asset and the liability simultaneously.

Financial Assets at Amortized Cost

Financial assets with fixed or determinable payments that are neither derivatives nor quoted in an active market are classified as financial assets at amortized cost. The objective is to hold such assets to collect contractual cash flows and contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. These financial assets are initially recognized at fair value plus any transaction costs directly attributable to the asset. These assets, including any interest-bearing financial assets, are subsequently measured at amortized cost using the effective interest method, less any impairment losses under note 3 (i).

Financial Assets at Fair Value Through Other Comprehensive Income ("FVTOCI")

Financial assets at FVTOCI represent those non-derivative financial assets that are held to achieve an objective by both collecting contractual cash flows and selling the financial assets, where contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. Financial assets at FVTOCI are initially measured at fair value plus any transaction costs directly attributable to the asset. Subsequent fair value gains or losses are recognized in other comprehensive income, except for impairment.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

A financial asset is measured at FVTPL if it does not meet the criteria for assets measured at amortized cost or fair value through other comprehensive income. Financial assets at FVTPL include held for trading assets and derivative instruments. Financial assets are classified as held for trading if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy and have been acquired principally for the purpose of selling in the near term. A financial asset is measured at FVTPL if it is a derivative that is not designated as effective as a hedging instrument. Financial assets at FVTPL are measured at fair value with changes recognized in profit or loss. Transaction costs associated with assets classified as FVTPL are recognized as incurred through profit or loss.

Cash and cash equivalents, and trade and other receivables excluding all tax receivable, such as value added tax ("VAT") and GST/PST/QST/HST/IVA, are classified as financial assets at amortized cost. No financial asset was designated as FVTPL or FVTOCI as at December 31, 2025 and 2024.

iii) Financial Liabilities

The Company classifies its financial liabilities into one of the following categories:

Financial Liabilities at Fair Value Through Profit or Loss

This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company has classified deferred benefits, which are the provisions related to the Company's Deferred Share Units ("DSU") and Restricted Share Units ("RSU"), as FVTPL. All transaction costs related to financial liabilities designated at FVTPL are expensed as incurred.

Other Financial Liabilities

This category consists of liabilities carried at amortized cost using the effective interest method. Financial liabilities at amortized costs are initially recognized at fair value minus any transaction costs directly attributable to the liability. The Company has classified trade payable and accrued liabilities, which exclude all tax payable such as VAT and

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GST/PST/QST/HST/IVA, and loans as financial liabilities at amortized cost.

The Company initially recognizes financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognized when their contractual obligations are discharged, cancelled or have expired. Any adjustment to the amortized cost of the financial liability arising from a modification or exchange is recognized in profit or loss at the date of the modification or exchange.

h) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether 1) the supplier has a substantive substitution right; 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period; and 3) the Company has the right to direct the use of the asset.

For contracts that contain a lease, the Company recognizes a right-of-use ("RoU") asset and a lease obligation at the lease commencement date in the consolidated statements of financial position. The RoU asset is initially measured based on the initial amount of the lease obligation plus any initial direct costs incurred less any lease incentives received. The RoU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term.

The lease obligation is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease obligation is subsequently measured at amortized cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate (such as CPI), initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

A lease modification is accounted for as a separate lease from the original lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets; and the consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. If the lease modification merely extends the Company's right to use an existing leased asset to which it already has access, the modification is not accounted for as a separate lease. Instead, the Company recalculates the existing lease obligations on the effective date of the lease modification to include the lease payments until the end of the extended period and a corresponding adjustment is also made to the RoU asset. The additional RoU asset and lease obligations relating to the extended period are therefore recognized on the date of modification.

Variable rent payments that are not based on an index or rate, including additional rent for operating costs and taxes and non-recoverable goods and services tax, are recognized as rent expense, within general and administrative expense or direct costs, as incurred. For short-term leases (terms of 12 months or less) and leases of low-value assets, the Company has elected to recognize these lease payments as expenses on a straight-line basis over the lease term in the consolidated statements of income and comprehensive income (note 14), as permitted by IFRS 16. This expense is presented within general and administration expenses.

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i) Impairment

i) Property and equipment & intangible assets

The Company's property and equipment & intangible assets are reviewed for indications of impairment at each financial position date. Such indications may be based on events or changes in the market environment, or on internal sources of information. If any such indication is present, the recoverable amount of the asset is estimated to determine whether impairment exists. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation can be identified.

An asset's recoverable amount is the higher of its fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recognized in profit and loss for the period. Impairment losses recorded may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. Where impairment is subsequently reversed, the carrying amount is increased to the revised estimate of the recoverable amount but only to the extent that it does not exceed the carrying value that would have been determined (net of depreciation) had no impairment loss been recognized in prior periods.

ii) Financial Assets

The Company recognizes loss allowances for expected credit loss on financial assets measured at amortized costs, including cash and cash equivalents, trade and other receivables, and contract assets relating to fixed fee revenue contracts. Trade and other receivables and contract assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

The Company applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contract. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles of sales over a period of the 36 months before each reporting date, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due. Impairment losses on trade receivables and contract assets are presented as an expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

iii) Equity-Accounted Investment in Joint Venture

An equity accounted investment in joint venture is reviewed for indication of impairment at each financial position date. Indications include observable data indicating there is a measurable decrease in the estimated future cash flows of the

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investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its FVLCD and VIU. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in profit or loss in the period in which the reversal occurs.

j) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when: (i) the Company has present legal or constructive obligations as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligations; and (iii) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligations. The increase in the provision due to passage of time is recognized as interest expense.

k) Revenue Recognition

The Company generates revenues from providing operational services on water treatment and technical services for water management. Revenue from contracts with customers is recognized when services are rendered and control of goods are transferred to the customers, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services or products.

The Company's joint ventures in China earn revenues on the sale of metal concentrates recovered from the operation of water treatment plants. For the sale of metal concentrate, the performance obligations are satisfied at a point in time when the control of metal concentrate is passed from the Company's joint ventures to the customer. Revenue is recognized based on the final settlement of weights and assays and is recorded at fair value, based on prevailing market prices adjusted in accordance with agreed upon terms.

i) Operation of Water Treatment Plants

For revenue on water treatment operations, the performance obligations are satisfied and revenue from operations of water treatment plants is recognized over time when water is treated per discharge limits and discharged into the environment. The Company has agreements with customers for the operation of different water treatment plants, and considerations for such plants are earned based on a fixed monthly fee, a quarterly fee, or water treatment fee based on the volume of water treated and discharged into the environment. Some agreements have a combination of the above as total considerations for water treatment operation services.

ii) Technical Services Relating to Water Management

Technical services include both water management consulting and technical innovation services. Water management consulting services include feasibility and assessment studies, toxicity investigations, process engineering design, plant commissioning and plant optimization. Technical innovation services include field pilot demonstrations, laboratory treatability assessments, designing and conducting experiments, and delivery of final reports on the results. For technical service contracts, the customer either receives and uses the benefits simultaneously as services are provided or the Company is creating a work product with no alternative use. Technical services contracts can be remunerated on a time and material basis, or a fixed-fee commitment for the scope of the contract.

For time and material technical service contracts, revenue is recognized over time based on agreed upon hourly rates and actual hours and costs incurred as services are rendered and transferred to the customer. For fixed-fee contracts where the Company has enforceable right to payment for performance to date, revenue is recognized based on the extent of progress

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towards completion of the performance obligation. The extent of progress is measured using the percentage-of-completion method based on actual labor hours or costs incurred relative to the total estimated hours or costs for completion, whichever most faithfully depicts the progress of the Company's performance based on its efforts inputted. Estimates of extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. For fixed-fee technical service contracts without enforceable right to payment for performance completed to date, revenue is recognized at a point of time upon delivery of the work product, such as a written report for completion of a performance test or a feasibility study, when control of the work product is transferred to the customer.

From time to time, the Company enters into contracts with multiple products and services. For revenue recognition, the Company considers whether the promises in the contract are separate performance obligations that are distinct from each other. In assessing if each promise is a distinct performance obligation, management considers if the Company provides a significant service of integrating the goods or services to produce an output specified by the customer, or goods or services are highly interdependent, highly inter-related, or one significantly modifies or customizes the other. Significant judgement is required in assessing if a good or a service is a performance obligation that is capable of being distinct and distinct within the context of the contract. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

l) Contract Assets and Deferred Revenue

Contract assets primarily relate to the Company's right to consideration for work completed but not billed at the report date for fixed-fee contracts. In the case of fixed-fee contracts, the customer pays the amount based on a payment schedule. Any excess of revenue recognized over progress billings is carried as a contract asset in the consolidated statements of financial position. In most cases, the specific contract asset is amortized with reference to the same pattern of recognition as the revenue recognized on the associated project.

Deferred revenue primarily relates to the advance consideration received from customers before the Company transfers related services or goods. Any advance payments received from a customer based on progress billings are recorded as deferred revenue in the consolidated financial statements and recognized as revenue when the Company performs under the contract.

m) Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Grants that compensate the Company for expenses incurred are deferred and recognized in the consolidated statements of income and comprehensive income on a systematic basis in the periods in which the intended expenses are recognized. The initial discount resulting from the difference of the face value and the fair value of the grant is recognized in other income in the period expenses or losses are incurred for which the grant is intended to compensate.

n) Employee Benefits

i) Bonus Plans

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the key performance indicators of the Company. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

ii) Defined Contribution Plans

Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which the related service is provided by the employees.

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iii) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates:

- When the Company can no longer withdraw the offer of those benefits.
- When the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.
- When benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

o) Share-based Payments

The Company maintains a Deferred Share Unit (“DSU”) plan, a Restricted Share unit (“RSU”) plan and a stock option plan for employees and directors of the Company. The DSU plan and the RSU plan are considered as cash-settled share-based payments and the stock option plan is considered as equity-settled share-based payments.

RSUs are measured initially at the fair value and the amount payable is recognized as an expense with a corresponding increase in liabilities over the vesting period. The Company will settle all RSUs in cash, and all RSUs vest over three years in equal installments, with each vesting tranche considered a separate award with its own vesting period. Compensation expense relating to the award and changes in the market price at each reporting date is recognized on a straight-line basis in profit or loss over the vesting period with a corresponding increase in deferred benefits liability. The liability is remeasured at each reporting date until it is settled and any changes in the fair value of the liability are recognized in profit or loss.

DSUs vest immediately upon issuance and may only be redeemed on the date a holder ceases to be a participant under the plan, with payment no later than December 31 of the following calendar year. They are measured initially at the fair value and the amount payable is recognized as an expense immediately in the period of grant with a corresponding increase in deferred benefits liability. The liability is remeasured at each reporting date until it is settled, with any changes in fair value of the liability recognized in profit or loss.

Stock options are measured at the fair value of the equity instruments at the grant date using the Black-Scholes pricing model. The stock options vest over three years in equal installments and the Company will settle all options by issuing shares. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company’s estimate of equity instruments that will eventually vest, with a corresponding increase in contributed surplus. Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche’s vesting period by increasing contributed surplus based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the contributed surplus. Upon exercise of stock options, the consideration paid by the option holder is recorded as an increase to share capital.

Equity-settled share-based payments with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

p) Income Tax

The Company follows the asset and liability method of accounting for income taxes. Income tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where

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current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination. Income tax comprises of two components: current and deferred.

i) Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxes as reported in the consolidated statements of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax comprises the expected tax payable or receivable on the taxable profit for the year and any adjustment to tax payable or receivable in respect of previous years. Current tax also includes any tax arising from dividends. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred Tax

Under the asset and liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against those deductible temporary differences which can be utilized.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets and liabilities are not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries, associates and joint arrangements, and interests in joint ventures, to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse or the tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. Management believes that its tax liabilities for uncertain tax positions are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

q) Share Capital

Common shares are classified as share capital. When the Company purchases its own share capital, the consideration paid, including any directly attributable incremental costs if any, is deducted from the Company's equity.

r) Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is

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calculated using the treasury stock method by adjusting the weighted average number of common shares outstanding for dilutive instruments. Stock options are considered dilutive when the average market price of the Company's common shares during the period disclosed exceeds the exercise price of the stock option. If the Company incurs net losses in a fiscal year, basic and diluted losses per share are the same.

s) New and Amended Standards Adopted

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2025 that have been applied in preparing the consolidated financial statements for the year ended December 31, 2025.

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2025:

- The Effects of Changes in Foreign Exchange Rates – Amendments to IAS 21

The amendments listed above did not have any impact on the amounts recognized in the current period.

t) Future Accounting Changes

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2025 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and amendments is set out below:

- i) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after January 1, 2026)*

On May 30, 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Company does not expect these amendments to have a material impact on its operations or financial statements.

- ii) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027)*

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Company's consolidated financial statements. The Company will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with IFRS 18.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the application of the Company's accounting policies and amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

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

a) Critical Judgments

Critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements are:

- i) Management's assessment of the Company's ability to continue as a going concern, as the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business.
- ii) Management's judgment on revenue recognition, when determining the performance obligations that exist in an arrangement and the timing of the transfer of control and satisfaction of performance obligations of either at a point in time or over time.
- iii) Management's assessment of impairment indicators for asset impairment on long-term assets such as property and equipment or investment in joint ventures.

b) Key Sources of Estimation Uncertainty and Assumptions

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the reported amounts of assets and liabilities, income and expenses within the next fiscal year.

i) Revenue Recognition

Revenue for fixed-fee technical services relating to water management are recognized over time using the percentage of completion method based on labor hours or project costs as input. The Company applies significant judgment and estimates to determine estimated labor hours or costs to completion, which affects the timing of revenue recognized for technical services. For the revenue arrangements comprise multiple performance obligations, judgements are required to determine whether products and services are considered distinct performance obligations, and estimates are required when determining the relative fair value of each performance obligation utilizing standalone prices for similar deliverables where it exists or internally generated estimates of standalone price.

ii) Right-of-Use Assets & Lease Obligations

To determine the value of the initial recognition and subsequent re-measurement of RoU assets and lease obligations, management is required to exercise judgment and estimates in several areas. Management has reviewed its lease agreements to estimate the lease term by evaluating the probability of exercising its option to extend or renew its lease contracts. Further judgment and estimates are required to determine the discount rate on lease payments by assessing its incremental borrowing rate at each of the Company's locations.

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iii) Taxation

Provisions for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

5. SHORT-TERM INVESTMENTS

During 2025, the Company deposited \$524,000 with a major Canadian financial institution as collateral for a letter of credit issued in favor of a customer in connection with a contract for the design and supply of a water treatment plant in the Yukon region. The deposit earns interest, has a one-year term and expires on October 14, 2026. The deposit is restricted and cannot be withdrawn while the letter of credit remains outstanding.

6. TRADE AND OTHER RECEIVABLES

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Trade receivables (note 8 (a))	5,219,878	2,775,202
Allowance for expected credit loss (note 25 (a))	(73,602)	(16,025)
Contract assets (note 22 (c))	457,880	940,268
Tax receivables	96,392	-
Other receivables	49,006	763,265
	<u>5,749,554</u>	<u>4,462,710</u>

7. PREPAID AND OTHER CURRENT ASSETS

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Prepays	394,948	767,160
Current deposits	124,495	16,491
Other current assets	-	297,569
	<u>519,443</u>	<u>1,081,220</u>

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8. RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions were carried out with related parties of the Company:

a) Transactions with Joint Ventures

The Company earns fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services and technical services in the Nunavik region. Revenue earned from this joint venture for the year ended December 31, 2025 was \$2,330,713 (\$2,168,681 in 2024). As of December 31, 2025, included in trade and other receivable are \$477,037 (\$193,308 at December 31, 2024) of trade receivables due from the joint venture.

In 2025 and 2024, the Company also received dividends from JCC-BioteQ Environmental Technologies Co. Ltd. Other details of the Company's interest in joint ventures are set out in note 11 (a).

Transaction balances with joint ventures are nonsecure, non-interest bearing and are to be settled in cash. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by joint ventures.

b) Key Management Compensation

For the years ended December 31, 2025 and 2024, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	2025	2024
	\$	\$
Salaries, fees and short-term benefits	1,314,657	1,146,232
Share-based payments (note 15)	180,371	206,067
	<u>1,495,028</u>	<u>1,352,299</u>

As of December 31, 2025 and 2024, the Company does not have any unpaid salaries or fees to key management.

BQE WATER INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

9. PROPERTY AND EQUIPMENT

	Right-of-use assets ¹	Pilot plants	Other ²	Total
	\$	\$	\$	\$
Cost				
As at December 31, 2023	2,209,745	580,593	901,278	3,691,616
Additions	101,206	-	581,986	683,192
Foreign exchange translation	22,296	-	(648)	21,648
As at December 31, 2024	2,333,247	580,593	1,482,616	4,396,456
Additions	237,993	-	219,352	457,345
Foreign exchange translation	1,735	-	3,660	5,395
As at December 31, 2025	2,572,975	580,593	1,705,628	4,859,196
Accumulated Depreciation				
As at December 31, 2023	(765,203)	(580,593)	(528,990)	(1,874,786)
Depreciation for the year	(263,439)	-	(91,844)	(355,283)
Foreign exchange translation	(12,992)	-	649	(12,343)
As at December 31, 2024	(1,041,634)	(580,593)	(620,185)	(2,242,412)
Depreciation for the year	(259,594)	-	(173,307)	(432,901)
Foreign exchange translation	4,516	-	(1,102)	3,414
As at December 31, 2025	(1,296,712)	(580,593)	(794,594)	(2,671,899)
Carrying Amount				
As at December 31, 2024	1,291,613	-	862,431	2,154,044
As at December 31, 2025	1,276,263	-	911,034	2,187,297

¹Right-of-use assets comprise leased assets (note 14), including leased office buildings, vehicles and office equipment.

²Other comprises of leasehold improvements, furniture, office equipment and lab equipment.

BQE WATER INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

10. INTANGIBLE ASSETS

	Total \$
Cost	
As at December 31, 2023 & 2024 & 2025	419,700
Accumulated Depreciation	
As at December 31, 2023	(188,865)
Depreciation for the year	(83,940)
As at December 31, 2024	(272,805)
Depreciation for the year	(83,940)
As at December 31, 2025	(356,745)
Carrying Amount	
As at December 31, 2024	146,895
As at December 31, 2025	62,955

11. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on December 31, 2025 was \$ 4,472,915 (\$6,047,497 on December 31, 2024), comprised of:

	JCC-BQE \$	MWT-BQE \$	NVM-BQE \$
Balance, January 1, 2024	3,972,123	-	74,554
Share of net income (loss)	2,451,435	(159,506)	20,142
Share of translation gain on foreign operation	313,861	1,292	-
Dividends received	(784,618)	-	-
Unrecognized share of net losses	-	158,214	-
Balance, December 31, 2024	5,952,801	-	94,696
Share of net income	169,480	156,545	36,645
Share of translation (loss) gain on foreign operation	(51,091)	3,261	-
Dividends received	(1,729,616)	-	-
Unrecognized share of net losses	-	(159,806)	-
Balance, December 31, 2025	4,341,574	-	131,341

BQE WATER INC.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

a) JCC-BioteQ Environmental Technologies Co. Ltd.

In 2007, BQE Water entered into a definitive joint venture agreement with Jiangxi Copper Corporation (“JCC”) for the operation of a water treatment facility located at JCC’s Dexing Mine in Jiangxi Province, China. The joint venture is structured as a separate vehicle, formed through a 50/50 share company between BQE Water and JCC, and is called JCC-BioteQ Environmental Technologies Co. Ltd. (“JCC-BQE”). The Company has joint control in the JCC-BQE joint venture and a 50 percent ownership interest in its net assets. Accordingly, the Company has classified its interest in JCC-BQE as a joint venture. The joint venture builds and operates water treatment plants utilizing BQE Water’s technologies. The agreement includes a license contract whereby BQE Water will provide its patented technology on a royalty-free basis to the joint venture company for use at Dexing Mine and up to five potential additional sites owned and operated by JCC. The JCC-BQE joint venture is not publicly listed.

The joint venture sells the metal concentrate recovered in its operations to the joint venture partner, JCC. All related party sales are recorded on the date of sale at the fair market price of the metal with adjustments in accordance with the agreed upon terms. Currently, the joint venture operates three water treatment plants.

Any cash distributions from the joint venture to BQE Water must be unanimously approved by both partners and comply with Chinese tax and regulatory requirements. Distributions are also subject to Chinese withholding taxes and minimum capital requirements as applicable. Currently, BQE Water and JCC have a standing agreement to distribute excess cash reserves annually. The partners take into consideration factors such as operating performance of the plants, future capital requirements and working capital flexibility in determining the cash amount to be distributed as dividends in a given year.

The joint venture derives its revenue from recovered metal sales, which are subject to risks that are beyond the control of the joint venture. The metal recovery rate is dependent on the rainfall in the region and the grade of metal in the water treated, while the revenue is exposed to global commodity price risk.

The statement of financial position of the Company’s 50% interest in the JCC-BQE joint venture are presented as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Assets		
Cash and cash equivalents	884,303	1,160,351
Short-term investments	1,960,000	3,153,600
Other current assets	555,329	356,671
Non-current assets	1,699,677	2,166,551
Total assets	<u>5,099,309</u>	<u>6,837,173</u>
Current liabilities	757,735	884,372
Partner’s Equity	<u>4,341,574</u>	<u>5,952,801</u>
Total liabilities and partner’s equity	<u>5,099,309</u>	<u>6,837,173</u>

BQE WATER INC.

Notes to the Consolidated Financial Statements
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The statement of income and comprehensive income of the Company's 50% interest in the JCC-BQE joint venture are presented as follows:

	2025	2024
	\$	\$
Revenues	3,855,350	7,617,332
Operating expenses (excluding depreciation)	<u>(2,422,087)</u>	<u>(3,471,220)</u>
	1,433,263	4,146,112
Other operating expenses	(855,368)	(722,950)
Depreciation of plant and equipment	(433,915)	(462,577)
Finance income, net	29,327	9,784
Income tax expense	<u>(3,827)</u>	<u>(518,934)</u>
Net income for the year	169,480	2,451,435
Other comprehensive (loss) income	<u>(51,091)</u>	<u>313,861</u>
Comprehensive income for the year	<u>118,389</u>	<u>2,765,296</u>

b) Shandong MWT BioteQ Environmental Technologies Co. Ltd.

In 2016, BQE Water signed a joint venture agreement with Beijing MWT Water Treatment Project Limited Company ("MWT") for the construction and operation of a water treatment plant located in Shandong Province, China. BQE Water and MWT formed a new joint venture called Shandong MWT BioteQ Environmental Technologies Co., Ltd. ("MWT-BQE"). Upon the establishment of MWT-BQE, the Company paid a cash contribution of \$96,400 (RMB \$500,000) as registered capital, which represents 4.35% of the total registered capital of the joint venture. The Company has joint control in the MWT-BQE joint venture and accordingly, the Company has classified its interest in MWT-BQE as a joint venture. The MWT-BQE joint venture is not publicly listed.

The joint venture built a water treatment plant at a smelter owned by Shandong Zhaojin Group Zhaoyuan Gold Smelting Co., Ltd ("Zhaoye"), and operates the plant using BQE Water's patented technology to recover and sell copper and zinc from Zhaoye's industrial wastewater stream to generate revenues. Starting January 2025, MWT-BQE amended the contract with the customer from generating revenues on the sale of recovered metals to a monthly water treatment fee on the treatment of smelter wastewater.

BQE Water is entitled to 20% of the after-tax profits of the joint venture, but does not have a commitment to fund the losses of MWT-BQE, the share of comprehensive income of the joint venture will be recognized on the investments of MWT-BQE when the unrecognized share of net losses are reduced to zero. As of December 31, 2025, the balance of unrecognized share of net losses for MWT-BQE is \$238,675 (\$398,481 on December 31, 2024).

BQE WATER INC.

Notes to the Consolidated Financial Statements
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The statement of financial position of the Company's 4.35% interest in the MWT-BQE joint venture are presented as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Current assets	44,503	70,200
Plant and equipment	19,920	22,883
Current liabilities	40,853	104,271
Non-current liabilities	-	-
Partner's equity	-	-

The statement of income (loss) of BQE Water's 20% interest in the MWT-BQE joint venture are presented as follows:

	2025	2024
	\$	\$
Revenues	537,613	3,011
Operating expenses (excluding depreciation)	(252,889)	(43,632)
	284,724	(40,621)
Non-operating expenses (including depreciation)	(128,179)	(118,885)
Net income (loss) for the year	156,545	(159,506)
Other comprehensive income	3,261	1,292
Comprehensive income (loss) for the year	159,806	(158,214)

BQE WATER INC.

Notes to the Consolidated Financial Statements
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c) BQE Water Nuvumiut Development Inc.

In 2021, BQE Water entered into a joint venture agreement with Nuvumiut Development Inc. (“NVM”), as partners with the Inuit community, to jointly provide water management and treatment services in the Nunavik regions, located in Northern Quebec, Canada. The separated vehicle, BQE Water Nuvumiut Development Inc. (“NVM-BQE”) was federally incorporated on December 2, 2021, with 49% ownership belonging to BQE and 51% to NVM. BQE Water has joint control in the NVM-BQE joint venture with 50% voting rights and a 49% ownership interest in its net assets. Accordingly, the Company has classified its interest in NVM-BQE as a joint venture. The NVM-BQE joint venture is not publicly listed.

The statement of financial position of BQE Water’s 49% interest in the NVM-BQE joint venture are presented as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Current assets	380,910	196,400
Current liabilities	249,569	101,704
Partner’s equity	131,341	94,696

The statement of income of BQE Water’s 49% interest in the NVM-BQE joint venture are presented as follows:

	2025	2024
	\$	\$
Revenues	1,257,001	1,168,572
Operating expenses	(1,206,213)	(1,121,204)
	50,788	47,368
Non-operating expenses	(14,143)	(27,226)
Net income for the year	36,645	20,142

12. TRADE PAYABLE AND ACCRUED LIABILITIES

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Trade payable and accruals	1,377,598	1,016,362
Payroll liabilities	1,191,327	670,862
Tax payable	174,867	61,495
	2,743,792	1,748,719

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13. LOANS

In 2018, the Company entered into the first loan agreement with the Minister responsible for Western Economic Diversification Canada under the Western Innovation Initiative (“WINN”). The WINN program offers the Company an interest-free loan contribution up to a maximum of \$412,500. The WINN loan was granted to the Company to assist in the commercialization of its selenium removal technology in the resource sector. Under the loan agreement, the Company is required to repay the total contribution in 60 equal monthly installments, equal to \$6,875 per month, which began April 1, 2021 and continues until March 1, 2026. The Company’s carrying value of the WINN loan is as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Balance at January 1	103,125	192,500
Repayments	(82,500)	(89,375)
Ending Balance	20,625	103,125
Less: current portion of WINN loan	20,625	82,500
Non-current portion of WINN loan	-	20,625

In 2023, the Company entered into a second loan agreement with Minister responsible for Pacific Economic Development Canada under the Business Scale-Up & Productivity Program (“BSP”). The BSP program offers the Company an interest-free loan contribution up to a maximum of \$1,725,000. The BSP loan was granted to assist the Company to scale-up its water treatment plant commissioning capacity, with activities including marketing, and recruiting, hiring, and training of new staff for plant commissioning and operation expansion. Under the loan agreement, the Company shall repay the total contribution in 60 equal monthly installments commencing on April 1, 2027 until March 1, 2032. The BSP loan will be advanced in multiple tranches throughout the program. Cash received under the BSP program is initially recorded at fair value, measured at present values discounted by the effective market interest rate at the time of funding receipts. The effective market interest rate ranges from 13% to 15%. The Company’s carrying value of the BSP loan is as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Balance at January 1	228,103	119,596
Additions	320,126	82,869
Interest expense on loan	64,997	25,638
Ending Balance, non-current portion of BSP loan	613,226	228,103
Undiscounted value of BSP loan	1,004,609	449,725

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Notes to the Consolidated Financial Statements
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14. LEASES

The Company recognizes right-of-use assets (note 9) and lease obligations in relation to office, vehicle and equipment leases. The assets and liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates at the time the leases were assumed or entered into. The incremental borrowing rates used are between 12% to 15% and it varies depending on the geographic area of the leases. The total cash outflow for leases for the year ended December 31, 2025 was \$377,780 (\$284,897 in 2024) and the carrying value of lease obligations are as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Balance at January 1	1,609,449	1,605,782
Additions	224,570	101,206
Adjustments	7,386	(14,032)
Interest expense	206,564	194,672
Payments on interest portion	(206,117)	(103,832)
Payments on principal portion	(171,663)	(181,065)
Foreign exchange translation	8,804	6,718
Ending Balance	1,678,993	1,609,449
Less: current portion of lease obligations	143,086	158,419
Non-current portion of lease obligations	1,535,907	1,451,030

The Company's lease expense, which is not included under lease obligations, are as follows:

	2025	2024
	\$	\$
Short-term or as low value	46,069	68,293
Leases with variable lease payments	200,141	187,960
	246,210	256,253

The following is a schedule of the Company's future lease payments under lease obligations:

	Dec. 31, 2025
	\$
2026	330,842
2027	309,599
2028	312,198
2029	341,132
2030	347,001
2031 – 2034	954,853
Total undiscounted lease payments	2,595,625
Less: imputed interest	(916,632)
Total carrying value of lease obligations	1,678,993

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15. SHARE-BASED PAYMENT EXPENSES

The Company's share-based payment expenses are comprised as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Stock options (a)	15,636	76,134
Deferred share units (b)	36,991	229,376
Restricted share units (c)	850,806	711,008
	<u>903,433</u>	<u>1,016,518</u>

a) Stock Options

Under the Company's Stock Option Plan (the "Plan"), the maximum number of shares reserved for exercise of all stock options granted by the Company may not exceed 10% of the Company's shares issued and outstanding at the time the stock options are granted. The exercise price of each stock option granted under the Plan is determined at the discretion of the Board at no less than the five-day volume weighted average share price preceding the grant date. Stock options granted under the Plan expire no later than the fifth anniversary of the date the options were granted and vesting provisions for issued stock options are determined at the discretion of the Board although the Company has a practice of having stock options vest over 3 years in equal installments.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price \$
Balance, January 1, 2024	84,340	21.22
Exercised	(40,440)	12.48
Balance, December 31, 2024	43,900	29.27
Exercised	(12,100)	27.37
Forfeited	(3,300)	30.00
Balance, December 31, 2025	<u>28,500</u>	<u>30.00</u>

As at December 31, 2025, the Company has 28,500 stock options outstanding which were exercisable with a weighted average exercise price of \$30.00 (27,400 stock options on December 31, 2024 with a weighted average exercise price of \$28.84). The weighted average market price per common share on the days of exercise during the year ended December 31, 2025 was \$55.74 (\$54.39 in 2024).

The expiry date by exercise price at December 31, 2025 and 2024 are as follows:

Exercise price	Expiry Date	No. of outstanding share options, Dec. 31, 2025	No. of exercisable share options, Dec. 31, 2025	No. of outstanding share options, Dec. 31, 2024	No. of exercisable share options, Dec. 31, 2024
\$8.75	January 8, 2025	-	-	1,500	1,500
\$30.00	April 22, 2027	28,500	28,500	42,400	25,900

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b) Deferred Share Units

The Company implemented a deferred share unit (“DSU”) plan pursuant to which DSUs may be granted to management and non-employee members of the Board of Directors on an annual basis. The number of DSUs granted to a participant is calculated by dividing: (i) a specified dollar amount of the participant’s compensation amount paid in DSUs in lieu of cash by (ii) the five-day volume weighted average trading price of the shares of the Company traded through the facilities of the Toronto Venture Exchange on the trading days immediately preceding the date of grant. Each DSU entitles the holder to receive a cash payment equal to the five-day volume weighted average trading price of the shares preceding the date of redemption. The DSUs vest immediately upon issuance and may only be redeemed on the date a holder ceases to be a participant under the plan, with payment no later than December 31 of the following calendar year.

As the Company is required to settle this award in cash, it records these awards as a liability and a corresponding charge, along with subsequent changes to the fair value of the liability to share-based payment expense. The DSU is fair valued at each reporting date based on the five-day volume weighted average price of the Company’s common shares. The following table presents the changes to the DSU plan:

	Number of units	Value \$
Balance, January 1, 2024	7,837	236,748
Fair value adjustment	-	229,376
Balance, December 31, 2024	7,837	466,124
Fair value adjustment	-	36,991
Balance, December 31, 2025	7,837	503,115

c) Restricted Share Units

The Company implemented a restricted share unit (“RSU”) plan pursuant to which RSUs may be granted to the officers and employees of the Company. Under this plan, notional RSUs are granted and vest annually over a three-year term in general or otherwise as determined by the Board. Upon vesting, the Company will settle the RSUs immediately in cash, with payment equal to the five-day volume weighted average trading price of the number of RSUs held preceding the date of redemption. The RSU plan was amended by the Board of Directors on January 8, 2020. Under the new amendment, any unvested RSUs shall be forfeited upon separation of employment with the Company.

RSUs granted are accounted for and fair valued by recognizing share-based payment expenses on a straight-line basis over the vesting period. The fair value per RSU on grant date was determined based on the five-day volume weighted average price of the Company’s share price on the day of grant. The initial fair values determined upon each grant date between January 1, 2024 and December 31, 2025 are as follows:

Grant date	Number of RSUs	Fair value \$
April 25, 2024	11,144	575,365
February 3, 2025	13,605	811,674
April 24, 2025	10,260	545,114
August 12, 2025	1,112	60,070

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The following table presents the changes to the RSU plan:

	Number of units	Value \$
Balance, January 1, 2024	18,321	377,864
Granted	11,144	-
Forfeited	(1,204)	-
Redeemed	(8,973)	(376,455)
Fair value adjustment and recognition of expenses	-	711,007
Balance, December 31, 2024	19,288	712,416
Granted	24,977	-
Forfeited	(5,565)	-
Redeemed	(10,539)	(590,446)
Fair value adjustment and recognition of expenses	-	850,805
Balance, December 31, 2025	28,161	972,775
Less: current portion of RSU	11,052	572,834
Non-current portion of RSU	17,109	399,941

16. SHARE CAPITAL

a) Authorized

An unlimited number of common shares, without nominal or par value.

b) Normal Course Issuer Bid (NCIB)

In 2022, the Company obtained the approval of the TSX Venture Exchange to commence a NCIB to repurchase for cancellation over a 12-month period starting on December 12, 2022. On December 6, 2023, the Company renewed the NCIB to repurchase for cancellation up to 62,351, representing 5% of common shares issued and outstanding, over a 12-month period starting on December 13, 2023. On December 9, 2024, the Company again renewed the NCIB for a 12-month period starting on December 14, 2024 to repurchase for cancellation up to 64,120, representing 5% of common shares issued and outstanding. In 2025, the Company purchased and cancelled 1,000 common shares under the NCIB (nil in 2024).

c) Earnings Per Share

The calculation of earnings per share for the year ended December 31, 2025 and 2024 are as follows:

	2025 \$	2024 \$
Net income	8,063,053	4,804,559
Basic weighted average number of shares outstanding	1,294,481	1,270,211
Dilution of securities (effect of stock options)	12,809	12,079
Diluted weighted average number of shares outstanding	1,307,290	1,282,290
Earnings per share:		
Basic	6.23	3.78
Diluted	6.17	3.75

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17. FINANCE INCOME

The net of finance income is comprised as follows:

	2025	2024
	\$	\$
Finance income	345,710	325,043
Interest expense	(273,105)	(220,384)
	<u>72,605</u>	<u>104,659</u>

18. EXPENSES BY NATURE

	2025	2024
	\$	\$
Operating expenses (excluding depreciation)		
Employee benefits	8,775,388	6,857,491
Consulting and contractor expenses	6,362,087	717,208
Travel expenses	1,496,650	796,906
Raw materials and consumables used	2,940,949	232,576
Other expenses	703,654	164,712
	<u>20,278,728</u>	<u>8,768,893</u>
General and administration		
Employee benefits	1,713,264	1,421,596
Consulting and contractor expenses	881,079	776,814
Insurance expenses	458,914	425,204
Rental expenses	239,305	220,015
Travel expenses	114,778	74,025
Director fees	100,950	89,912
Other expenses	216,831	164,759
	<u>3,725,121</u>	<u>3,172,325</u>
Sales and development		
Employee benefits	3,134,540	2,540,886
Consulting and contractor expenses	389,553	177,143
Travel expenses	231,131	188,816
Rental expenses	6,906	36,238
Other expenses	183,980	188,300
	<u>3,946,110</u>	<u>3,131,383</u>

For the year ended December 31, 2025, the Company has expenses from employee benefits of \$13,623,192 (\$10,819,973 in 2024), which is included in operating expenses (excluding depreciation), general and administration, and sales and development.

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19. INCOME TAXES

Income tax expense differs from that computed by applying the applicable Canadian federal and provincial statutory rate of 27% (2024 – 27%) before taxes as follows:

	2025	2024
	\$	\$
Expected income tax expense at statutory rates	1,743,971	952,835
Non-taxable income	(36,311)	(647,694)
Expired non-capital loss	136,005	-
Withholding tax	172,962	81,373
Change in tax rates	(1,163)	-
Functional currency adjustments and other	79,073	(181,646)
Different statutory tax rates on foreign subsidiaries	(3,130)	(59,019)
Change in unrecognized deferred tax assets	(3,695,307)	(1,421,390)
	<u>(1,603,900)</u>	<u>(1,275,541)</u>
Income tax recovery	(1,603,900)	(1,275,541)
	<u>(1,603,900)</u>	<u>(1,275,541)</u>
	2025	2024
	\$	\$
Current tax expense	178,100	101,459
Deferred tax recovery	(1,782,000)	(1,377,000)
	<u>(1,603,900)</u>	<u>(1,275,541)</u>
Income tax recovery	(1,603,900)	(1,275,541)
	<u>(1,603,900)</u>	<u>(1,275,541)</u>

The Company's unrecognized deductible temporary differences and non-capital losses at December 31, 2025 and 2024 are as follows:

	2025	2024
	\$	\$
Canada		
Property and equipment	1,298,243	890,166
Net capital losses	16,113,423	16,113,423
Non-capital losses	3,272,815	16,943,492
Deferred benefits and others	2,998,166	2,714,813
	<u>23,682,647</u>	<u>36,661,894</u>
Foreign Jurisdictions		
Property and equipment	(48,500)	172,890
Unrealized foreign exchange loss	523,499	1,082,059
Non-capital losses	1,815,288	1,571,430
Other	75,743	230,732
	<u>2,366,030</u>	<u>3,057,111</u>
Total unrecognized deductible temporary differences	<u>26,048,677</u>	<u>39,719,005</u>

BQE WATER INC.

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As at December 31, 2025, the Company has recognized deferred income tax assets of \$3,159,000 (\$1,377,000 in 2024) related to \$11,700,000 in non-capital losses in Canada. During the year ended December 31, 2025, the change in deferred income taxes was \$1,782,000 (\$1,377,000 in 2024) and is included in income tax recovery on the consolidated statements of income and comprehensive income.

No deferred tax liability has been recognized at December 31, 2025 on temporary differences associated with earnings related in the Company's investment in joint ventures in which it has an equity percentage. The Company is able to control the timing of the reversal of these differences and currently has no plans in the foreseeable future to repatriate any funds in excess of its investment.

The Company has non-capital loss carryforwards of approximately \$14,972,816 (\$22,043,493 for 2024) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	<u>\$</u>
2026	231,104
2027	-
2028	-
2029	-
2030	-
2031 - 2039	<u>14,741,712</u>
	<u>14,972,816</u>

Based on management's assessment of forecast future taxable income, the Company has concluded that it is probable that sufficient taxable income will be available against which the non-capital tax loss carryforwards that have been recognized as a deferred income tax asset can be utilized.

In addition, the Company has available tax losses in other jurisdictions that total \$1,815,288 (\$1,571,430 for 2024). These losses can be carried forward to offset against future taxable income in those jurisdictions with expiry periods from 5 years to indefinitely, with losses of \$370,096 beginning to expire in 2026.

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20. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information (included within operating activities) is as follows:

	2025	2024
	\$	\$
Change in non-cash working capital items		
Changes in trade and other receivables	(1,345,691)	(12,125)
Changes in prepaids and other assets	79,558	(675,444)
Changes in trade payable and accrued liabilities	979,643	409,972
Changes in deferred revenues	(1,321,695)	1,488,071
Changes in deferred benefits and other liabilities	(590,447)	(372,679)
	<u>(2,198,632)</u>	<u>837,795</u>
Change in non-cash working capital items	<u>(2,198,632)</u>	<u>837,795</u>

Non-cash investing activities for the year ended December 31, 2025 include additions to right-of-use assets and lease liability of \$ 237,993 (\$101,206 for 2024).

21. COMMITMENTS

Commitments under lease obligations are detailed in note 14. The Company has non-lease obligation commitments of \$2,165,905 for operating cost for office premises, short-term apartment rentals, and for laboratory assay services, as follows:

	\$
2026	411,424
2027	391,924
2028	227,524
2029	227,524
2030	227,524
2031 - 2034	<u>679,985</u>
	<u>2,165,905</u>

22. REVENUE

The Company monetizes the value of its intellectual property and expertise primarily through the services of long-term operations and maintenance of water treatment plants to generate recurring revenue. As the period between the identification of new projects and treatment plants entering their operating phase can be lengthy, the Company also generates revenues from technical services relating to water management that are project specific and generally non-recurring in nature.

a) Disaggregation of Revenue

The Company functions as providers of operational services of water treatment plants and as providers of technical services relating to water management. The Company disaggregates revenues from contracts with customers into operations contracts and technical services contracts.

Operations contracts are when the Company is appointed to operate water treatment plants and to provide operations support for a customer. Operations contracts generate recurring revenue for the Company, which is either based on an agreed upon tolling fee for water treated and discharged into the environment or based on a fixed monthly or quarterly operation support fee, or a combination of the two.

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Technical services contracts are when the Company is appointed to provide water management consulting services and technical innovation services to its customers. Such services include feasibility & assessment studies, toxicity investigation, process engineering design, plant commissioning, plant optimization, laboratory treatability assessments and field pilot demonstrations. Depending on the need of the customer or the project requirements, technical services contracts may be in the form of a fixed fee contract or a time-and-material contract.

The disaggregated revenue of the Company are as follows:

	2025	2024
	\$	\$
Operations contracts	7,289,656	10,482,993
Technical services contracts	28,251,694	6,695,329
	<u>35,541,350</u>	<u>17,178,322</u>

b) Remaining Performance Obligations

As at December 31, 2025, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is \$991,212, compared to \$7,188,750 as at December 31, 2024. The remaining performance obligations of the Company are expected to be fully completed in the 12 months following the reporting date. The value of remaining performance obligations does not include amounts for non-contracted future services or for estimated future work orders where the value of work is not specified. Therefore, the Company's anticipated future work to be performed at a given time is greater than what is reported as remaining performance obligations.

c) Changes in Contract Assets

The Company's contract assets are grouped within trade and other receivables (note 6), and the changes in contract assets are as follows:

	2025	2024
	\$	\$
Contract assets, beginning of the year	940,268	506,866
Amounts invoiced included in the beginning balance	(940,268)	(389,987)
Net increase in contract assets recognized	<u>457,880</u>	<u>823,389</u>
Contract assets, end of the year	<u>457,880</u>	<u>940,268</u>

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d) Changes in Deferred Revenue

The Company's changes in deferred revenue are as follows:

	2025	2024
	\$	\$
Deferred revenue, beginning of the year	1,695,955	207,594
Revenue recognized included in the beginning balance	(1,634,705)	(170,844)
Net increase in deferred revenue recognized	320,572	1,659,205
Deferred revenue, end of the year	381,822	1,695,955
Less: Non-current portion of deferred revenue	-	(141,870)
Current portion of deferred revenue	381,822	1,554,085

23. SEGMENTED INFORMATION

Segmented information is reviewed by the Company's chief operating decision maker to assess performance and allocate resources within the Company. Management applies judgement in the aggregation of the Company's operating segments and has determined that the Company operates in one reportable segment, principally being an integrated water management services and treatment solutions provider. The Company functions as a provider of operational services of water treatment plants and as providers of technical services relating to water management.

a) Geographic Information

The Company primarily generates revenue in North America and from other countries. The Company's revenue by geographic location, presented based on the location in which the sale originated from, is as follows:

	2025	2024
	\$	\$
Revenue		
Canada	26,423,333	8,080,262
USA	7,436,954	7,818,471
China	884,281	825,218
Latin America	785,262	427,522
Other	11,520	26,849
	35,541,350	17,178,322

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The Company's non-current assets, excluding non-current deposits and deferred income tax assets, by location of assets are as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Canada	2,065,704	2,250,864
China	4,377,018	6,046,976
Chile	266,386	-
USA	14,059	50,596
	<u>6,723,167</u>	<u>8,348,436</u>

b) Information about Major Customers

The following table presents revenue for individual customers exceeding 10% of annual revenue for the year ended December 31, 2025 and 2024:

	2025	2024
	\$	\$
Customer A	2,330,713	2,168,681
Customer B	4,048,213	6,530,194
Customer C	14,045,361	2,400,106
Customer D	6,721,657	337,413
Customer E	-	1,183,299
Total	<u>27,145,944</u>	<u>12,619,693</u>
Represents percentage of total revenue for the year	76%	73%

24. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure that the Company has the financial capacity to support its current and anticipated volume and geographical mix of business, to manage unforeseen operational and project requirements, and to provide its investors with maximum long-term returns on equity.

In the management of capital, the Company defines capital as shareholder's equity and non-current liabilities, which includes loans, lease obligations, and deferred revenues. In order to facilitate the management of its capital requirements, the Company prepares annual budgets, which are approved by the Board of Directors annually. Working capital is total current assets less total current liabilities. As a component of working capital, the Company maintains balances of cash and cash equivalents, which are intended to cover current liabilities. To maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to a normal course issuer bid, raise additional debt financing or refinance existing debt with different characteristics. There were no changes in the Company's approach to capital management during the year.

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The amounts of shareholders' equity, working capital and non-current liabilities at December 31, 2025 and 2024 as are follows:

	2025	2024
	\$	\$
Shareholders' equity	28,795,276	20,528,892
Working capital	21,409,980	12,592,881
Non-current liabilities	2,149,133	1,841,628

25. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to various risks, including credit risk, market risks such as foreign currency risk, liquidity risk, and commodity price risk. The Company's risk management activities are designed to mitigate possible adverse effects on the Company's performance, having regard for the size and scope of the Company's operations, with a primary focus on the preservation of capital. Risk management activities are managed by the Company's finance and accounting department, with oversight from the Board of Directors. The Company's risk management policies and procedures have not changed from 2024.

a) Credit Risk

Credit risk is the risk of financial loss if a counterparty to the Company's financial instruments fails to meet their contractual obligations. The Company's financial assets are primarily comprised of cash and cash equivalents, short-term investments and trade and other receivables, including contract assets and excluding taxes receivable. Credit risk is primarily associated with trade and other receivables; however, it also arises on cash and cash equivalents.

The Company's maximum exposure to credit risk is as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Cash and cash equivalents	18,982,257	11,771,214
Short-term investments	524,000	-
Trade and other receivables (exclude tax receivable)	5,653,162	4,462,710
	<u>25,159,419</u>	<u>16,233,924</u>

The Company invests its cash and cash equivalents with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The cash and cash equivalents are held with bank and financial institution counterparties with high credit quality as assessed by reputable rating agencies. The Company considers that its cash and cash equivalents are subject to minimal credit risk based on the external credit ratings of the counterparties.

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The Company transacts with customers with strong credit ratings and strives to minimize credit risk by performing credit reviews, ongoing credit evaluation and account monitoring procedures. The definition of receivables that are past due is determined by reference to terms agreed upon with individual customers, typically ranging between 15 to 60 days. The credit risk associated with trade receivables and contract assets with aging balances over 90 days is considered higher than normal. The aging of trade and other receivables is as follows:

				Dec. 31, 2025	Dec. 31, 2024
	0-30 days	31-90 days	Over 90 days	Total	Total
	\$	\$	\$	\$	\$
Trade and other receivables (exclude tax receivable)	2,978,383	2,510,931	163,848	5,653,162	4,462,710

Collection of the Company's trade receivables over 90 days is reasonably assured since approximately 91% of trade receivables as of December 31, 2025 has been collected subsequent to the reporting period (98% in 2024). Aside from those mentioned below, no trade receivables have been challenged by the respective customers and are considered for impairment. The Company continues to conduct business with its existing customers on an ongoing basis.

The Company uses a historical 3-year trend and future expectations to make estimates on expected credit losses. The Company's changes in allowance for expected credit loss for the year ended December 31, 2025 and 2024 are as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Allowance for expected credit loss, beginning of the year	(16,025)	(1,788)
Net remeasurement of expected credit loss	(57,577)	(14,237)
Allowance for expected credit loss, end of the year	(73,602)	(16,025)

b) Currency Risk

The Company conducts business in Canada, United States, Mexico, Chile and China. As a result, the Company has foreign currency exposure with respect to items not denominated in Canadian dollars. The two main types of foreign exchange risk for the Company can be categorized as follows:

i) Transaction Exposure

The Company's operations sell mainly services and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

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ii) Foreign Exchange Exposure

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the Canadian dollar: cash and cash equivalents, trade and other receivable excluding tax receivable, and trade payable and accrued liabilities excluding tax payable. The currencies of the Company's financial assets and liabilities exposed to currency risk, based on notional amounts and presented in CAD, were as follows:

	December 31, 2025			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash and cash equivalents	5,074,940	64,096	340,219	694,066
Trade and other receivables (exclude tax)	1,050,116	12,778	120,868	358,935
Trade and other payables (exclude tax)	(245,932)	(32,725)	(781,313)	(35,468)
Gross balance sheet exposure	5,879,124	44,149	(320,226)	1,017,533

	December 31, 2024			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash and cash equivalents	2,585,449	32,932	23,199	478,829
Trade and other receivables (exclude tax)	1,358,313	-	15,397	527,996
Trade and other payables (exclude tax)	(199,853)	30,644	(426,832)	(97,373)
Gross balance sheet exposure	3,743,909	63,576	(388,236)	909,452

A 10% strengthening (weakening) of the Canadian dollar against the following currencies would have decreased (increased) the Company's net income from its financial instruments presented by the amounts shown below.

	2025	2024
	\$	\$
U.S. dollar	587,912	374,391
Mexican peso	4,415	6,358
Chilean peso	(32,023)	(38,824)
Chinese RMB	101,753	90,945
	662,057	432,870

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations from cash and cash equivalents. The ability to do this relies on the Company collecting its trade and other receivables in a timely manner and maintaining sufficient cash in excess of anticipated needs. As of December 31, 2025, the Company has working capital of \$21,409,980 (\$12,592,881 as of December 31, 2024). To further improve the Company's access to liquidity, there are credit facilities available with the Royal Bank of Canada including credit card facilities of approximately \$70,000 and an undrawn revolving demand credit facility of \$1,000,000. The Company believes that it has access to sufficient funding through its cash to meet its foreseeable operating requirements without the use of the credit facility.

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The following table shows the contractual maturities of financial liabilities at the reporting date. The amounts presented are gross undiscounted, and include contractual principal and interest payments, and therefore, do not equate to the carrying amounts on the consolidated statements of financial position.

				Dec. 31, 2025	Dec. 31, 2024
	< 1 year	1 to 3 years	> 3 years	Total	Total
	\$	\$	\$	\$	\$
Trade payable and other payables (excludes tax payable)	2,568,925	-	-	2,568,925	1,687,224
Deferred benefits	1,475,890	-	-	1,475,890	1,178,540
Loans	20,625	351,613	652,996	1,025,234	552,850
Lease obligations	330,842	621,797	1,642,985	2,595,624	2,641,926
	4,396,282	973,410	2,295,981	7,665,673	6,060,540

Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company continues to review expenditures to ensure adequate liquidity. A period of extended depression in the mining industry, as the Company's main customer base, may necessitate the Company to seek financing opportunities in accordance with its capital management strategy (note 24).

d) Price Risk

The Company's net income and financial condition are subject to price risk due to fluctuations of the following:

i) Commodity Price Risk

The profitability of the Company's investment in JCC-BQE joint venture will be significantly affected by changes in the commodity price of recovered base metals being sold by the joint venture of the Company. Copper and zinc prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for copper and zinc, the level of interest rates, the rate of inflation, investment decisions by large holders of base metals, including governmental reserves, and the stability of exchange rates can all cause significant fluctuations in metal prices. A 10% change in base copper and zinc prices would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by \$385,610 in 2025 (\$762,127 in 2024).

ii) Common Stock Price Risk

The Company is subject to price risk for changes in the Company's common stock price per share. The Company has implemented, as part of its long-term incentive plan, the DSU and RSU plans that the Company is required to satisfy in cash. The Company considers the plans a financial liability and are required to fair value the outstanding liabilities with the resulting changes included in stock-based compensation expense in each reporting period: an increase in share unit award prices would decrease the Company's net income or loss. A 10% change in the Company's common stock price would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by \$230,387 in 2025 (\$160,851 in 2024).

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26. FAIR VALUE MEASUREMENT

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparties to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

The Company's financial assets and liabilities by category and information about financial assets and liabilities in the consolidated statements of financial position are classified and measured as follows:

	Category	Dec. 31, 2025 \$	Dec. 31, 2024 \$
Financial assets			
Cash and cash equivalents	Financial assets at amortized cost	18,982,257	11,771,214
Trade and other receivables (excludes tax receivable)	Financial assets at amortized cost	5,653,162	4,462,710
Short-term investments	Financial assets at amortized cost	524,000	-
Financial liabilities			
Trade payable and other payables (excludes tax payable)	Financial liabilities at amortized cost	2,568,925	1,687,224
Loans	Financial liabilities at amortized cost	633,851	331,228
Lease obligation	Financial liabilities at amortized cost	1,678,993	1,609,449
Deferred benefits	Financial liabilities at fair value	1,475,890	1,178,540

The carrying values of the financial assets and liabilities at amortized cost presented above other than long-term portion of loans and lease obligation approximate their fair values due to the short-term maturities of these instruments. The carrying amounts of loans and lease obligation approximate fair values due to prevailing interest rates and the risk characteristics of the instruments. The Company has not offset financial assets with financial liabilities.

The fair value hierarchy establishes three levels to classify the significance of inputs to valuation techniques used to measure fair value as described in note 3(g). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's deferred benefits, which consist of DSUs and RSUs, are held at fair value, measured by Level 1 inputs based on quoted stock prices. There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2025 and 2024. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.