



BQE WATER INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian Dollars unless stated otherwise)

(Unaudited)

For the three months ended March 31, 2026 and 2025

BQE WATER INC.

Condensed Consolidated Interim Statements of Financial Position
For the period ended March 31, 2026 and December 31, 2025
(Unaudited – expressed in Canadian dollars)

NOTICE TO READER

The accompanying condensed consolidated interim financial statements of the Company have been prepared by the Company's management and reviewed by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

BQE WATER INC.

Condensed Consolidated Interim Statements of Financial Position
For the period ended March 31, 2026 and December 31, 2025
(Unaudited – expressed in Canadian dollars)

		March 31 2026 \$	December 31 2025 \$
	note		
Assets			
Current assets			
Cash and cash equivalents		17,683,919	18,982,257
Short-term investments	5	524,000	524,000
Trade and other receivables	6, 8 (a)	4,822,813	5,749,554
Prepays and other current assets	7	587,137	519,443
Total current assets		23,617,869	25,775,254
Non-current assets			
Property and equipment	9	3,150,181	2,187,297
Intangible assets	10	41,970	62,955
Investment in joint ventures	11	4,652,952	4,472,915
Deposits		58,616	52,203
Deferred tax assets		3,159,000	3,159,000
Total non-current assets		11,062,719	9,934,370
Total assets		34,680,588	35,709,624
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	8 (b), 12	2,131,362	2,743,792
Loans	13	-	20,625
Deferred revenues		304,514	381,822
Lease obligations	14	155,591	143,086
Deferred benefits	15	1,095,356	1,075,949
Total current liabilities		3,686,823	4,365,274
Non-current liabilities			
Loans	13	1,013,237	613,226
Deferred benefits		376,225	399,941
Lease obligations	14	1,830,825	1,535,907
Total non-current liabilities		3,220,287	2,549,074
Total liabilities		6,907,110	6,914,348
Shareholders' Equity			
Share capital	16	57,165,143	57,090,143
Contributed surplus	15 (a)	11,198,566	11,198,566
Accumulated other comprehensive income		1,683,420	1,503,751
Accumulated deficit		(42,273,651)	(40,997,184)
Total shareholders' equity		27,773,478	28,795,276
Total liabilities and shareholders' equity		34,680,588	35,709,624
Commitments (note 18)			

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

BQE WATER INC.

Condensed Consolidated Interim Statements of Income (Loss) and Other Comprehensive Income (Loss)

For the three months ended March 31, 2026 and 2025

(Unaudited – expressed in Canadian dollars)

		3 months ended March 31	
		2026	2025
		\$	\$
	note		
Revenues	8 (a), 20	4,800,163	7,445,763
Operating expenses (excluding depreciation)		(3,621,583)	(4,239,936)
Gross margin		1,178,580	3,205,827
Share of income from joint ventures	11	44,071	60,576
General and administration		(1,058,939)	(766,473)
Sales and development		(1,309,887)	(675,841)
Share-based payments	8 (b), 15	(260,094)	(82,620)
Depreciation and amortization	9, 10	(145,838)	(126,529)
(Loss) Income from operations and joint ventures		(1,552,107)	1,614,940
Finance income, net		28,019	26,510
Foreign exchange gain (loss)		95,141	(10,330)
Other income, net		152,480	90,959
(Loss) Income before income taxes		(1,276,467)	1,722,079
Income tax recovery		-	3,124
Net (loss) income for the period		(1,276,467)	1,725,203
Other comprehensive income (loss)			
<i>Items that may be reclassified subsequently to income</i>			
Foreign currency translation		179,669	9,467
Comprehensive (loss) income for the period		(1,096,798)	1,734,670
Earnings (loss) per share			
Basic	16 (c)	(0.98)	1.34
Diluted	16 (c)	(0.97)	1.33
Weighted average number of shares outstanding			
Basic	16 (c)	1,298,612	1,290,224
Diluted	16 (c)	1,313,273	1,300,369

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

BQE WATER INC.

Condensed Consolidated Interim Statements of Changes in Equity

For the three months ended March 31, 2026 and 2025

(Unaudited – expressed in Canadian dollars)

		3 months ended		3 months ended	
		Number of	March 31, 2026	Number of	March 31, 2025
		Shares	\$	Shares	\$
	note				
Share Capital					
Balance, beginning of the period		1,298,168	57,090,143	1,287,068	56,807,264
Exercise of stock options	15 (a)	2,500	75,000	6,200	154,125
Balance, end of the period		1,300,668	57,165,143	1,293,268	56,961,389
Contributed surplus					
Balance, beginning of the period			11,198,566		11,182,930
Equity settled share-based payments	15 (a)		-		12,565
Balance, end of the period			11,198,566		11,195,495
Accumulated other comprehensive income					
Balance, beginning of the period			1,503,751		1,598,935
Other comprehensive income for the period			179,669		9,467
Balance, end of the period			1,683,420		1,608,402
Accumulated deficit					
Balance, beginning of the period			(40,997,184)		(49,060,237)
Net (loss) income for the period			(1,276,467)		1,725,203
Balance, end of the period			(42,273,651)		(47,335,034)
Total shareholders' equity					
Balance, beginning of the period			28,795,276		20,528,892
Exercise of stock options	15 (a)		75,000		154,125
Equity settled share-based payments	15 (a)		-		12,565
Other comprehensive income for the period			179,669		9,467
Net (loss) income for the period			(1,276,467)		1,725,203
Balance, end of the period			27,773,478		22,430,252

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

BQE WATER INC.

Condensed Consolidated Interim Statements of Cash Flow
For the three months ended March 31, 2026 and 2025
(Unaudited – expressed in Canadian dollars)

		3 months ended March 31	
		2026	2025
		\$	\$
	note		
Operating activities			
Net (loss) income for the period		(1,276,467)	1,725,203
Adjustments for:			
Income tax recovery		-	(3,124)
Other income		(152,480)	(90,959)
Share of income from joint ventures	11	(44,071)	(60,576)
Finance income, net		(28,019)	(26,510)
Depreciation and amortization	9, 10	145,838	126,529
Unrealized foreign exchange gain		(74,777)	(6,943)
Share-based payments	15	260,094	82,620
		(1,169,882)	1,746,240
Change in non-cash operating working capital items	18	(84,347)	(2,695,483)
Income taxes paid		(8,302)	(3,335)
Net cash used in operating activities		(1,262,531)	(952,578)
Investing activities			
Purchase of property and equipment	9	(729,936)	(68,607)
Interest received		112,931	91,095
Net cash (used in) from investing activities		(617,005)	22,488
Financing activities			
Lease payments on principal portion	14	(49,690)	(42,646)
Lease payments on interest portion	14	(56,877)	(46,021)
Proceeds from exercise of stock options	15 (a)	75,000	154,125
Repayment of loan	13	(20,625)	(20,625)
Proceeds from loan	13	524,293	203,729
Interest paid		(120)	-
Net cash from financing activities		471,981	248,562
Effect of exchange rate changes on cash balances		109,217	927
Net decrease in cash and cash equivalents		(1,298,338)	(680,601)
Cash and cash equivalents, beginning of the period		18,982,257	11,771,214
Cash and cash equivalents, end of the period		17,683,919	11,090,613

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

BQE WATER INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2026
(Unaudited)

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

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") on a basis consistent with the accounting policies disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2025. These unaudited condensed consolidated interim financial statements were authorized for issue on May 28, 2026 by the Company's Board of Directors

These condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Basis of Consolidation

These condensed consolidated interim 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 Mar. 31, 2026	Ownership interest as at Dec. 31, 2025
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 Mar. 31, 2026	Beneficial Ownership interest as at Dec. 31, 2025
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%

BQE WATER INC.

Notes to the Condensed Consolidated Interim Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2025 which includes information necessary or useful to understand the Company's business and financial statement presentation. In particular, the Company's significant accounting policies are presented as Note 3 in the audited consolidated financial statements for the year ended December 31, 2025 and have been consistently applied to all periods presented in the preparation of these unaudited condensed consolidated interim financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's condensed consolidated interim 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 condensed consolidated interim 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 judgments, estimates and assumptions applied in these condensed consolidated interim financial statements, including key sources of estimation uncertainty are consistent with those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2025.

5. SHORT-TERM INVESTMENTS

In 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. 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

	Mar. 31, 2026	Dec. 31, 2025
	\$	\$
Trade receivables (note 8 (a))	4,394,637	5,219,878
Allowance for expected credit loss	(73,602)	(73,602)
Contract assets	363,411	457,880
Tax receivables	104,221	96,392
Other receivables	34,146	49,006
	<u>4,822,813</u>	<u>5,749,554</u>

BQE WATER INC.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

7. PREPAID AND OTHER CURRENT ASSETS

	Mar. 31, 2026	Dec. 31, 2025
	\$	\$
Prepays	571,284	394,948
Current deposits	15,853	124,495
	<u>587,137</u>	<u>519,443</u>

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 three months ended March 31, 2026 was \$57,777 (\$24,541 for March 31, 2025). As of March 31, 2026, included in trade and other receivables, the trade receivables due from the joint venture was \$nil (\$477,037 at December 31, 2025).

Transaction balances with joint ventures are unsecured, 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 three months ended March 31, 2026 and 2025, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Salaries, fees and short-term benefits	311,401	300,792
Share-based payments (note 15)	50,138	29,385
	<u>361,539</u>	<u>330,177</u>

Included in trade payables and accrued liabilities as of March 31, 2026 is \$18,475 (\$nil at December 31, 2025) of director fees.

BQE WATER INC.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

9. PROPERTY AND EQUIPMENT

	Right-of-use assets ¹	Pilot plants	Plant, Machinery & Equipment	Other ²	Total
	\$	\$	\$	\$	\$
Cost					
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
Additions	360,099	-	382,437	347,499	1,090,035
Foreign exchange translation	6,280	-	-	(1,060)	5,220
As at March 31, 2026	2,939,354	580,593	382,437	2,052,067	5,954,451
Accumulated Depreciation					
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)
Depreciation for the period	(74,520)	-	-	(50,333)	(124,853)
Foreign exchange translation	(7,931)	-	-	413	(7,518)
As at March 31, 2026	(1,379,163)	(580,593)	-	(844,514)	(2,804,270)
Carrying Amount					
As at December 31, 2025	1,276,263	-	-	911,034	2,187,297
As at March 31, 2026	1,560,191	-	382,437	1,207,553	3,150,181

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

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

BQE WATER INC.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

10. INTANGIBLE ASSETS

	Total \$
Cost	
As at December 31, 2024 & 2025	419,700
As at March 31, 2026	419,700
Accumulated Depreciation	
As at December 31, 2024	(272,805)
Depreciation for the year	(83,940)
As at December 31, 2025	(356,745)
Depreciation for the period	(20,985)
As at March 31, 2026	(377,730)
Carrying Amount	
As at December 31, 2025	62,955
As at March 31, 2026	41,970

11. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on March 31, 2026 was \$4,652,952 (\$4,472,915 on December 31, 2025), comprised of:

	JCC-BQE \$	MWT-BQE \$	NVM-BQE \$
Balance, January 1, 2025	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
Share of net income (loss)	41,994	(15,282)	2,266
Share of translation gain on foreign operation	135,777	3,063	-
Unrecognized share of net losses	-	12,219	-
Balance, March 31, 2026	4,519,345	-	133,607

BQE WATER INC.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited)

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, structured as a separate vehicle and formed through a 50/50 share company between BQE Water and JCC, 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:

	Mar. 31, 2026	Dec. 31, 2025
	\$	\$
Assets		
Cash and cash equivalents	558,875	884,303
Short-term investments	2,021,000	1,960,000
Other current assets	658,215	555,329
Non-current assets	1,632,471	1,699,677
Total assets	4,870,561	5,099,309
Current liabilities	351,216	757,735
Partner’s Equity	4,519,345	4,341,574
Total liabilities and partner’s equity	4,870,561	5,099,309

BQE WATER INC.

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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:

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Revenues	473,050	501,959
Operating expenses (excluding depreciation)	(248,959)	(289,257)
	224,091	212,702
Other operating expenses	(111,383)	(111,371)
Depreciation of plant and equipment	(117,728)	(118,262)
Finance income, net	75	9,430
Income tax recovery	46,750	66,504
Net income for the period	41,805	59,003
Other comprehensive income	135,966	30,441
Comprehensive income for the period	177,771	89,444

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 March 31, 2026, the balance of unrecognized share of net losses for MWT-BQE is \$250,894 (\$238,675 on December 31, 2025).

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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:

	Mar. 31, 2026	Dec. 31, 2025
	\$	\$
Current assets	38,336	44,503
Plant and equipment	19,789	19,920
Current liabilities	37,213	40,853
Non-current liabilities	-	-
Partner's equity	-	-

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

	3 months ended Mar. 31 2026	2025
	\$	\$
Revenues	30,981	250
Operating expenses (excluding depreciation)	(21,936)	(81,618)
	9,045	(81,368)
Non-operating expenses	(20,943)	(30,227)
Depreciation of plant and equipment	(3,384)	(3,410)
Net loss for the period	(15,282)	(115,005)
Other comprehensive income (loss)	3,063	(727)
Comprehensive loss for the period	(12,219)	(115,732)

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:

	Mar. 31, 2026	Dec. 31, 2025
	\$	\$
Current assets	134,028	380,910
Current liabilities	421	249,569
Partner's equity	133,607	131,341

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

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Revenues	56,321	39,154
Operating expenses	(54,045)	(37,571)
	2,276	1,583
Non-operating expenses	(10)	(10)
Net income for the period	2,266	1,573

12. TRADE PAYABLE AND ACCRUED LIABILITIES

	Mar. 31, 2026	Dec. 31, 2025
	\$	\$
Trade payable and accruals	1,164,731	1,377,598
Payroll liabilities	842,888	1,191,327
Tax payable	123,743	174,867
	2,131,362	2,743,792

13. LOANS

In 2023, the Company entered into a 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 9% to 15%. The Company's carrying value of the BSP loan is as follows:

	Mar. 31, 2026	Dec. 31, 2025
	\$	\$
Balance at January 1	613,226	228,103
Additions	372,353	320,126
Interest expense on loan	27,658	64,997
Ending Balance, non-current portion of BSP loan	1,013,237	613,226
Undiscounted value of BSP loan	1,528,902	1,004,609

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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 9% to 15% and it varies depending on the geographic area of the leases. The total cash outflow for leases for the three months ended March 31, 2026 was \$106,567 (\$88,667 for March 31, 2025) and the carrying value of lease obligations are as follows:

	Mar. 31, 2026	Dec. 31, 2025
	\$	\$
Balance at January 1	1,678,993	1,609,449
Additions	360,099	224,570
Adjustments	-	7,386
Interest expense	56,594	206,564
Payments on interest portion	(56,877)	(206,117)
Payments on principal portion	(49,690)	(171,663)
Foreign exchange translation	(2,703)	8,804
	<u>1,986,416</u>	<u>1,678,993</u>
Ending Balance	1,986,416	1,678,993
Less: current portion of lease obligations	<u>155,591</u>	<u>143,086</u>
Non-current portion of lease obligations	<u>1,830,825</u>	<u>1,535,907</u>

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

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Short-term or as low value	16,249	18,124
Leases with variable lease payments	54,854	49,171
	<u>71,103</u>	<u>67,295</u>

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

	Mar. 31, 2026
	\$
2026	269,957
2027	384,175
2028	386,752
2029	417,090
2030 – 2034	1,538,126
Total undiscounted lease payments	2,996,100
Less: imputed interest	(1,009,684)
Total carrying value of lease obligations	1,986,416

15. SHARE-BASED PAYMENT EXPENSES

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

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Stock options (a)	-	12,565
Deferred share units (b)	9,289	(41,616)
Restricted share units (c)	250,805	111,671
	260,094	82,620

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.

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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, 2025	43,900	29.27
Exercised	(12,100)	27.37
Forfeited	(3,300)	30.00
Balance, December 31, 2025	28,500	30.00
Exercised	(2,500)	30.00
Balance, March 31, 2026	26,000	30.00

As at March 31, 2026, the Company has 26,000 stock options outstanding which were exercisable with a weighted average exercise price of \$30.00 (28,500 stock options on December 31, 2025 with a weighted average exercise price of \$30.00).

The expiry date by exercise price at March 31, 2026 and December 31, 2025 are as follows:

Exercise price	Expiry Date	No. of outstanding share options, Mar. 31, 2026	No. of exercisable share options, Mar. 31, 2026	No. of outstanding share options, Dec. 31, 2025	No. of exercisable share options, Dec. 31, 2025
\$30.00	April 22, 2027	26,000	26,000	28,500	28,500

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.

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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, 2025	7,837	466,124
Fair value adjustment	-	36,991
Balance, December 31, 2025	7,837	503,115
Fair value adjustment	-	9,289
Balance, March 31, 2026	7,837	512,404

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. 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, 2025 and March 31, 2026 are as follows:

Grant date	Number of RSUs	Fair value \$
February 3, 2025	13,605	811,674
April 24, 2025	10,260	545,114
August 12, 2025	1,112	60,070
February 1, 2026	1,196	85,143

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The following table presents the changes to the RSU plan:

	Number of units	Value \$
Balance, January 1, 2025	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
Granted	1,196	-
Forfeited	(396)	-
Redeemed	(3,683)	(264,403)
Fair value adjustment and recognition of expenses	-	250,805
Balance, March 31, 2026	25,278	959,177
Less: current portion of RSU	11,283	582,952
Non-current portion of RSU	13,995	376,225

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. For the three months ended March 31, 2026 and 2025, no common shares were purchased and cancelled under the NCIB.

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c) Earnings Per Share

The calculation of earnings (loss) per share for the three-month ended March 31, 2026 and 2025 are as follows:

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Net (loss) income	(1,276,467)	1,725,203
Basic weighted average number of shares outstanding	1,298,612	1,290,224
Dilution of securities (effect of stock options)	14,661	10,145
Diluted weighted average number of shares outstanding	1,313,273	1,300,369
Earnings (loss) per share:		
Basic	(0.98)	1.34
Diluted	(0.97)	1.33

17. INCOME TAXES

The income tax charge is a result of profits and withholding tax in two jurisdictions which are taxable and cannot be offset by accumulated tax benefits in other jurisdictions. Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the three-month period ended March 31, 2026 was 27% (27% at December 31, 2025).

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18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	3 months ended Mar. 31	
	2026	2025
Change in non-cash working capital items	\$	\$
Changes in trade and other receivables	941,369	(1,921,720)
Changes in prepaids and other assets	(66,141)	(213,191)
Changes in trade payable and accrued liabilities	(620,628)	323,585
Changes in deferred revenues	(74,544)	(600,414)
Changes in deferred benefits and other liabilities	(264,403)	(283,743)
Change in non-cash working capital items	<u>(84,347)</u>	<u>(2,695,483)</u>

19. COMMITMENTS

Commitments under lease obligations are detailed in note 14. The Company has non-lease obligation commitments of \$2,456,427 for operating cost for office premises, short-term apartment rentals, and for laboratory assay services, as follows:

	\$
2026	371,754
2027	449,272
2028	272,872
2029	272,872
2030 - 2034	<u>1,089,657</u>
	<u>2,456,427</u>

20. 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.

c) 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.

Technical services contracts are when the Company is appointed to provide short-term operations, water management consulting services and technical innovation services to its customers. Such services include feasibility & assessment studies,

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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-materials contract.

The disaggregated revenue of the Company are as follows:

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Operations contracts	1,980,886	1,962,378
Technical services contracts	2,819,277	5,483,385
	<u>4,800,163</u>	<u>7,445,763</u>

d) Remaining Performance Obligations

As at March 31, 2026, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is \$948,825, compared to \$991,212 as at December 31, 2025. 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.

21. SEGMENTED INFORMATION

Segmented information is reviewed by the Company's chief 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:

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Revenue		
Canada	3,520,555	4,874,039
USA	1,024,341	2,231,494
China	68,607	253,603
Latin America	162,900	86,627
Other	23,760	-
	<u>4,800,163</u>	<u>7,445,763</u>

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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:

	Mar. 31, 2026	Dec. 31, 2025
	\$	\$
Canada	3,042,353	2,065,704
China	4,545,984	4,377,018
Chile	249,465	266,386
USA	7,301	14,059
	<u>7,845,103</u>	<u>6,723,167</u>

b) Information about Major Customers

The following table presents revenue for individual customers exceeding 10% of revenue for the three months ended March 31, 2026 and 2025:

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Customer A	-	829,435
Customer B	699,243	1,810,524
Customer C	1,338,640	3,242,446
Customer D	763,810	-
Total	<u>2,801,693</u>	<u>5,882,405</u>
Represents percentage of total revenue for the period	58%	79%