BQE WATER INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian Dollars unless stated otherwise)
(Unaudited)

For the three and six months ended June 30 2026 and 2025

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 June 30, 2026 and December 31, 2025
(Unaudited – expressed in Canadian dollars)

	note	**June 30 2026 $**	December 31 2025 $
Assets			
Current assets			
Cash and cash equivalents		**16,642,942**	18,982,257
Short-term investments	5	**524,000**	524,000
Trade and other receivables	6, 8 (a)	**8,243,554**	5,749,554
Prepaids and deposits	7	**444,810**	519,443
Total current assets		**25,855,306**	25,775,254
Non-current assets			
Property and equipment	9	**3,149,903**	2,187,297
Intangible assets	10	**20,985**	62,955
Investment in joint ventures	11	**5,679,158**	4,472,915
Deposits		**67,913**	52,203
Deferred tax assets		**3,159,000**	3,159,000
Total non-current assets		**12,076,959**	9,934,370
Total assets		**37,932,265**	35,709,624
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	8 (b), 12	**3,260,724**	2,743,792
Loans	13	**-**	20,625
Deferred revenues		**329,959**	381,822
Lease obligations	14	**170,628**	143,086
Deferred benefits	15	**1,076,485**	1,075,949
Total current liabilities		**4,837,796**	4,365,274
Non-current liabilities			
Loans	13	**1,189,901**	613,226
Deferred benefits		**266,627**	399,941
Lease obligations	14	**1,812,267**	1,535,907
Total non-current liabilities		**3,268,795**	2,549,074
Total liabilities		**8,106,591**	6,914,348
Shareholders' Equity			
Share capital	16	**57,174,143**	57,090,143
Contributed surplus	15 (a)	**11,198,566**	11,198,566
Accumulated other comprehensive income		**1,876,946**	1,503,751
Accumulated deficit		**(40,423,981)**	(40,997,184)
Total shareholders' equity		**29,825,674**	28,795,276
Total liabilities and shareholders' equity		**37,932,265**	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 and Other Comprehensive Income
For the three and six months ended June 30, 2026 and 2025
(Unaudited – expressed in Canadian dollars)

		3 months ended June 30		6 months ended June 30	
		2026	2025	**2026**	2025
		$	$	**$**	$
	note				
Revenues	8 (a), 20	**9,245,402**	11,276,403	**14,045,565**	18,722,166
Operating expenses (excluding depreciation)		**(4,987,250)**	(7,574,546)	**(8,608,833)**	(11,814,482)
Gross margin		**4,258,152**	3,701,857	**5,436,732**	6,907,684
Share of income from joint ventures	11	**838,272**	426,963	**882,343**	487,539
General and administration		**(1,312,170)**	(1,029,213)	**(2,371,109)**	(1,795,686)
Sales and development		**(1,606,023)**	(804,001)	**(2,915,910)**	(1,479,842)
Share-based payments	8 (b), 15	**(369,038)**	(191,162)	**(629,132)**	(273,782)
Depreciation and amortization	9, 10	**(169,568)**	(133,834)	**(315,406)**	(260,363)
Income from operations and joint ventures		**1,639,625**	1,970,610	**87,518**	3,585,550
Finance income (expense), net		**25,495**	(6,474)	**53,514**	20,036
Foreign exchange gain (loss)		**139,245**	(192,132)	**234,386**	(202,462)
Other income		**51,079**	143,799	**203,559**	234,758
Income before income taxes		**1,855,444**	1,915,803	**578,977**	3,637,882
Income tax expenses		**(5,774)**	(7,517)	**(5,774)**	(4,393)
Net income for the period		**1,849,670**	1,908,286	**573,203**	3,633,489
Other comprehensive income					
Items that will be reclassified subsequently to income					
Foreign currency translation		**193,526**	(262,021)	**373,195**	(252,554)
Total comprehensive income for the period		**2,043,196**	1,646,265	**946,398**	3,380,935
Net earnings per share					
Basic	16 (c)	**1.42**	1.48	**0.44**	2.81
Diluted	16 (c)	**1.41**	1.46	**0.44**	2.78
Weighted average number of shares outstanding					
Basic	16 (c)	**1,300,800**	1,293,010	**1,299,712**	1,291,624
Diluted	16 (c)	**1,315,581**	1,307,166	**1,314,121**	1,306,917

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 six months ended June 30, 2026 and 2025
(Unaudited – expressed in Canadian dollars)

	note	**Number of Shares**	**6 months ended June 30, 2026 $**	Number of Shares	6 months ended June 30, 2025 $
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)	**2,800**	**84,000**	9,700	259,125
Shares repurchased	16(c)	**-**	**-**	(1,000)	(48,246)
Balance, end of the period		**1,300,968**	**57,174,143**	1,295,768	57,018,143
Contributed surplus					
Balance, beginning of the period			**11,198,566**		11,182,930
Equity settled share-based payments	15(a)		**-**		15,636
Balance, end of the period			**11,198,566**		11,198,566
Accumulated other comprehensive income					
Balance, beginning of the period			**1,503,751**		1,598,935
Other comprehensive income (loss) for the period			**373,195**		(252,554)
Balance, end of the period			**1,876,946**		1,346,381
Accumulated deficit					
Balance, beginning of the period			**(40,997,184)**		(49,060,237)
Net income for the period			**573,203**		3,633,489
Balance, end of the period			**(40,423,981)**		(45,426,748)
Total shareholders' equity					
Balance, beginning of the period			**28,795,276**		20,528,892
Exercise of stock options	15(a)		**84,000**		259,125
Shares repurchased	16(c)		**-**		(48,246)
Equity settled share-based payments	15(a)		**-**		15,636
Net income for the period			**573,203**		3,633,489
Other comprehensive income (loss) for the period			**373,195**		(252,554)
Balance, end of the period			**29,825,674**		24,136,342

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 six months ended June 30, 2026 and 2025
(Unaudited – expressed in Canadian dollars)

		6 months ended June 30	
		2026	2025
		$	$
	note		
Operating activities			
Net income for the period		**573,203**	3,633,489
Adjustments for:			
Income tax recovery		**5,774**	4,393
Other income		**(203,559)**	(234,758)
Share of income from joint ventures	11	**(882,343)**	(487,539)
Finance income, net		**(53,514)**	(20,036)
Depreciation and amortization	9, 10	**315,406**	260,363
Unrealized foreign exchange (gain) loss		**(210,184)**	144,937
Share-based payments	15	**629,132**	273,782
		173,915	3,574,631
Change in non-cash operating working capital items	18	**(2,579,762)**	(1,846,887)
Income taxes recovered (paid)		**15,405**	(16,404)
Net cash (used in) from operating activities		**(2,564,357)**	1,711,340
Investing activities			
Purchase of property and equipment	9	**(870,686)**	(114,031)
Interest received		**226,652**	150,352
Net cash (used in) from investing activities		**(644,034)**	36,321
Financing activities			
Lease payments on principal portion	14	**(67,462)**	(63,389)
Lease payments on interest portion	14	**(105,280)**	(104,098)
Proceeds from exercise of stock options	15(a)	**84,000**	259,125
Repurchase of shares	16(c)	**-**	(48,246)
Repayment of loan	13	**(20,625)**	(41,250)
Proceeds from loan	13	**720,391**	554,884
Interest paid		**(154)**	(57)
Net cash from financing activities		**610,870**	556,969
Effect of exchange rate changes on cash balances		**258,206**	(164,976)
Net (decrease) increase in cash and cash equivalents		**(2,339,315)**	2,139,654
Cash and cash equivalents, beginning of the period		**18,982,257**	11,771,214
Cash and cash equivalents, end of the period		**16,642,942**	13,910,868

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

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 August 27, 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 Jun. 30, 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 Jun. 30, 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%

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 letter of credit 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

	Jun. 30, 2026	Dec. 31, 2025
	$	$
Trade receivables (note 8 (a))	7,544,797	5,219,878
Allowance for expected credit loss	-	(73,602)
Contract assets	575,027	457,880
Tax receivables	123,730	96,392
Other receivables	-	49,006
	8,243,554	5,749,554

7. PREPAIDS AND DEPOSITS

	Jun. 30, 2026	Dec. 31, 2025
	$	$
Prepaids	433,376	394,948
Current deposits	11,434	124,495
	444,810	519,443

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 and six months ended June 30, 2026 was $359,583 and $417,361 respectively ($241,973 and $266,514 for June 30, 2025). As of June 30, 2026, included in trade and other receivables, the trade receivable due from the joint venture was $53,909 ($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 and six months ended June 30, 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 Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Salaries, fees and short-term benefits	444,544	396,595	755,945	697,386
Share-based payments (note 15(a) & (c))	94,080	29,634	144,219	59,019
	538,624	426,229	900,164	756,405

Included in trade payables and accrued liabilities as of June 30, 2026 is $44,850 ($nil at December 31, 2025) of director fees.

9. PROPERTY AND EQUIPMENT

	Right-of-use assets[1]	Leasehold improvements	Plant, Machinery & Equipment	Other[2]	Total
	$	$	$	$	$
Cost					
As at December 31, 2024	2,333,247	631,312	580,593	851,304	4,396,456
Additions	237,993	69,772	-	149,580	457,345
Foreign exchange translation	1,735	2,636	-	1,024	5,395
As at December 31, 2025	2,572,975	703,720	580,593	1,001,908	4,859,196
Additions	360,099	277,004	382,437	211,245	1,230,785
Foreign exchange translation	24,675	865	-	580	26,120
As at June 30, 2026	**2,957,749**	**981,589**	**963,030**	**1,213,733**	**6,116,101**
Accumulated Depreciation					
As at December 31, 2024	(1,041,634)	(59,317)	(580,593)	(560,868)	(2,242,412)
Depreciation for the year	(259,594)	(69,612)	-	(103,695)	(432,901)
Foreign exchange translation	4,516	(280)	-	(822)	3,414
As at December 31, 2025	(1,296,712)	(129,209)	(580,593)	(665,385)	(2,671,899)
Depreciation for the period	(146,416)	(37,527)	(19,122)	(70,371)	(273,436)
Foreign exchange translation	(20,480)	(100)	-	(283)	(20,863)
As at June 30, 2026	**(1,463,608)**	**(166,836)**	**(599,715)**	**(736,039)**	**(2,966,198)**
Carrying Amount					
As at December 31, 2025	1,276,263	574,511	-	336,523	2,187,297
As at June 30, 2026	**1,494,141**	**814,753**	**363,315**	**477,694**	**3,149,903**

[1]Right-of-use assets comprise leased assets (note 14), including leased office buildings, vehicles and office equipment.
[2]Other comprises furniture, office equipment and lab equipment.

10. INTANGIBLE ASSETS

	Total $
Cost	
As at December 31, 2024 & 2025	419,700
As at June 30, 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	(41,970)
As at June 30, 2026	**(398,715)**
Carrying Amount	
As at December 31, 2025	62,955
As at June 30, 2026	**20,985**

11. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on June 30, 2026 was $5,679,158 ($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)	878,897	(31,881)	3,446
Share of translation gain on foreign operation	323,900	6,046	-
Unrecognized share of net losses	-	25,835	-
Balance, June 30, 2026	5,544,371	-	134,787

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:

	Jun. 30, 2026 $	Dec. 31, 2025 $
Assets		
Cash and cash equivalents	1,238,275	884,303
Short-term investments	2,094,000	1,960,000
Other current assets	1,202,989	555,329
Non-current assets	1,567,409	1,699,677
Total assets	6,102,673	5,099,309
Current liabilities	558,302	757,735
Partner's Equity	5,544,371	4,341,574
Total liabilities and partner's equity	6,102,673	5,099,309

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 Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Revenues	2,019,051	1,434,646	2,492,101	1,936,605
Operating expenses (excluding depreciation)	(761,559)	(724,792)	(1,010,518)	(1,014,049)
	1,257,492	709,854	1,481,583	922,556
Other operating expenses	(166,627)	(111,423)	(278,010)	(222,794)
Depreciation of plant and equipment	(120,473)	(115,968)	(238,201)	(234,230)
Finance income, net	5,644	11,113	5,719	20,543
Income tax expense	(138,944)	(71,992)	(92,194)	(5,488)
Net income for the period	837,092	421,584	878,897	480,587
Other comprehensive income (loss)	187,934	(237,063)	323,900	(206,622)
Comprehensive income for the period	1,025,026	184,521	1,202,797	273,965

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 June 30, 2026, the balance of unrecognized share of net losses for MWT-BQE is $264,510 ($238,675 on December 31, 2025).

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

	Jun. 30, 2026	Dec. 31, 2025
	$	$
Current assets	41,859	44,503
Plant and equipment	19,727	19,920
Current liabilities	43,636	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 Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Revenues	27,360	197,087	58,341	197,337
Operating expense (excluding depreciation)	(23,823)	4,474	(45,759)	(77,144)
	3,537	201,561	12,582	120,193
Non-operating expenses	(16,670)	(21,975)	(37,613)	(52,202)
Depreciation of plant and equipment	(3,466)	(3,308)	(6,850)	(6,718)
Net (loss) income for the period	(16,599)	176,278	(31,881)	61,273
Other comprehensive income	2,983	5,576	6,046	4,849
Comprehensive (loss) income for the period	(13,616)	181,854	(25,835)	66,122

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:

	Jun. 30, 2026	Dec. 31, 2025
	$	$
Current assets	162,836	380,910
Current liabilities	28,049	249,569
Partner's equity	134,787	131,341

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

	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Revenues	25,837	130,423	82,158	169,577
Operating expenses	(24,648)	(125,154)	(78,693)	(162,725)
	1,189	5,269	3,465	6,852
Non-operating expense	(9)	(118)	(19)	(128)
Income tax recovery	-	228	-	228
Net income for the period	1,180	5,379	3,446	6,952

12. TRADE PAYABLE AND ACCRUED LIABILITIES

	Jun. 30, 2026	Dec. 31, 2025
	$	$
Trade payable and accruals	1,927,038	1,377,598
Payroll liabilities	1,139,182	1,191,327
Tax payable	194,504	174,867
	3,260,724	2,743,792

13. LOANS

In 2023, the Company entered into a loan agreement with the Minister responsible for Pacific Economic Development Canada under the Business Scale-Up & Productivity Program ("BSP"). As of June 30, 2026, the BSP program advanced the Company interest-free loan contributions in multiple tranches to an aggregate of $1,725,000. The BSP loan was granted to assist the Company to scale-up its water treatment plant commissioning capacity. 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. 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:

	Jun. 30, 2026	Dec. 31, 2025
	$	$
Balance at January 1	613,226	228,103
Additions	517,372	320,126
Interest expense on loan	59,303	64,997
Ending Balance, non-current portion of BSP loan	1,189,901	613,226
Undiscounted value of BSP loan	1,725,000	1,004,609

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 Company assumed or entered into the leases. The incremental borrowing rates used are between 9% to 15% and it vary depending on the geographic area of the leases. The total cash outflow for leases for the six months ended June 30, 2026 was $172,742 ($167,487 for June 30, 2025) and the carrying value of lease obligations is as follows:

	Jun. 30, 2026 $	Dec. 31, 2025 $
Balance at January 1	1,678,993	1,609,449
Additions	360,099	224,570
Adjustments	-	7,386
Interest expense	113,141	206,564
Payments on interest portion	(105,280)	(206,117)
Payments on principal portion	(67,462)	(171,663)
Foreign exchange translation	3,404	8,804
Ending Balance	1,982,895	1,678,993
Less: current portion of lease obligations	170,628	143,086
Non-current portion of lease obligations	1,812,267	1,535,907

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

	3 months ended Jun. 30		6 months ended Jun. 30	
	2026 $	2025 $	2026 $	2025 $
Short-term or as low value	11,410	9,527	27,659	27,652
Leases with variable lease payments	32,829	50,605	87,683	99,776
	44,239	60,132	115,342	127,428

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

	Jun. 30 2026
	$
2026	204,946
2027	385,763
2028	388,382
2029	418,762
2030 – 2034	1,539,843
Total undiscounted lease payments	
Less: imputed interest	(954,801)
Total carrying value of lease obligations	1,982,895

15. SHARE-BASED PAYMENT EXPENSES

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

	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Stock options (a)	-	3,071	-	15,636
Deferred share units (b)	34,806	(5,387)	44,095	(47,003)
Restricted share units (c)	334,232	193,478	585,037	305,149
	369,038	191,162	629,132	273,782

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 eighth 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, 2025	43,900	29.27
Exercised	(12,100)	27.37
Forfeited	(3,300)	30.00
Balance, December 31, 2025	28,500	30.00
Exercised	(2,800)	30.00
Forfeited	(900)	30.00
Balance, June 30, 2026	24,800	30.00

As at June 30, 2026, the Company has 24,800 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 June 30, 2026 and December 31, 2025 are as follows:

Exercise price	Expiry Date	No. of outstanding share options, Jun. 30, 2026	No. of exercisable share options, Jun. 30, 2026	No. of outstanding share options, Dec. 31, 2025	No. of exercisable share options, Dec. 31, 2025
$30.00	April 22, 2027	24,800	24,800	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.

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	-	44,095
Balance, June 30, 2026	7,837	547,210

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 June 30, 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
April 23, 2026	11,253	813,929

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	12,449	-
Forfeited	(929)	-
Redeemed	(10,278)	(761,909)
Fair value adjustment and recognition of expenses	-	585,036
Balance, June 31, 2026	29,403	795,902
Less: current portion of RSU	13,869	529,275
Non-current portion of RSU	15,534	266,627

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 and six months ended June 30, 2026, no common shares were purchased and cancelled under the NCIB (1,000 common shares for the three and six months ended June 30, 2025).

c) Earnings Per Share

The calculation of earnings per share for the three and six-month ended June 30, 2026 and 2025 are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Net income	1,849,670	1,908,286	573,203	3,633,489
Basic weighted average number of shares outstanding	1,300,800	1,293,010	1,299,712	1,291,624
Dilution of securities	14,781	14,156	14,409	15,293
Diluted weighted average number of shares outstanding	1,315,581	1,307,166	1,314,121	1,306,917
Net earnings per share:				
Basic	1.42	1.48	0.44	2.81
Diluted	1.41	1.46	0.44	2.78

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 and six-month period ended June 30, 2026 was 27% (27% at December 31, 2025).

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	6 months ended Jun. 31	
	2026	2025
Change in non-cash working capital items	$	$
Changes in trade and other receivables	(2,449,480)	(2,192,807)
Changes in prepaids and other assets	38,638	774,965
Changes in trade payable and accrued liabilities	473,859	1,614,018
Changes in deferred revenues	(54,784)	(1,482,347)
Changes in deferred benefits and other liabilities	(761,910)	(560,716)
Change in non-cash working capital items	(2,753,677)	(1,846,887)

19. COMMITMENTS

Commitments under lease obligations are detailed in note 14. The Company has non-lease obligation commitments of $ 2,420,062 for operating cost for office premises, short-term apartment rentals, and for laboratory assay services, as follows:

	$
2026	283,279
2027	503,467
2028	272,777
2029	272,777
2030 - 2034	1,087,762
	2,420,062

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, 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 Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Operations contracts	3,063,443	1,147,391	5,044,328	3,109,769
Technical services contracts	6,181,959	10,129,012	9,001,237	15,612,397
	9,245,402	11,276,403	14,045,565	18,722,166

d) Remaining Performance Obligations

As at June 30, 2026, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is $726,943, 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 Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Canada	7,521,733	8,820,982	11,042,288	13,695,020
USA	1,154,930	1,923,947	2,179,271	4,155,442
Latin America	344,142	288,775	507,042	375,402
China	118,415	242,699	187,022	496,302
Other	106,182	-	129,942	-
	9,245,402	11,276,403	14,045,565	18,722,166

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

	Jun. 30, 2026	Dec. 31, 2025
	$	$
Canada	3,042,354	2,065,704
China	5,560,596	4,377,018
Chile	242,842	266,386
USA	4,254	14,059
	8,850,046	6,723,167

b) Information about Major Customers

The following table presents revenue for individual customers exceeding 10% of revenue for the three and six months ended June 30, 2026 and 2025:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Customer A	733,637	694,524	1,432,881	2,548,011
Customer B	3,642,306	3,467,284	4,980,946	6,709,730
Customer C	1,308,143	-	2,071,953	-
	5,684,086	4,161,808	8,485,780	9,257,741
Represents percentage of total revenue for the period	61%	37%	60%	49%