BQE WATER INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian Dollars unless stated otherwise)
(Unaudited)

For the three months ended March 31, 2025 and 2024

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, 2025 and December 31, 2024
(Unaudited – expressed in Canadian dollars)

		March 31 2025 $	December 31 2024 $
	note		
Assets			
Current assets			
Cash and cash equivalents		**11,090,613**	11,771,214
Trade and other receivables	5, 7 (a)	**6,434,379**	4,462,710
Prepaids and other current assets	6	**1,311,098**	1,081,220
Total current assets		**18,836,090**	17,315,144
Non-current assets			
Property and equipment	8	**2,352,841**	2,154,044
Intangible assets	9	**125,910**	146,895
Investment in joint ventures	10	**6,138,514**	6,047,497
Deposits		**52,203**	52,203
Deferred tax assets		**1,377,000**	1,377,000
Total non-current assets		**10,046,468**	9,777,639
Total assets		**28,882,558**	27,092,783
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	7 (b), 11	**2,147,747**	1,748,719
Loans	12	**82,500**	82,500
Deferred revenues		**1,095,699**	1,554,085
Lease obligations	13	**188,704**	158,419
Deferred benefits	14	**964,852**	1,178,540
Total current liabilities		**4,479,502**	4,722,263
Non-current liabilities			
Loans	12	**352,039**	248,728
Deferred revenues		**-**	141,870
Lease obligations	13	**1,620,765**	1,451,030
Total non-current liabilities		**1,972,804**	1,841,628
Total liabilities		**6,452,306**	6,563,891
Shareholders' Equity			
Share capital	15	**56,961,389**	56,807,264
Contributed surplus	14 (a)	**11,195,495**	11,182,930
Accumulated other comprehensive income		**1,608,402**	1,598,935
Accumulated deficit		**(47,335,034)**	(49,060,237)
Total shareholders' equity		**22,430,252**	20,528,892
Total liabilities and shareholders' equity		**28,882,558**	27,092,783

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, 2025 and 2024
(Unaudited – expressed in Canadian dollars)

		3 months ended March 31	
		2025	2024
		$	$
	note		
Revenues	7 (a), 19	**7,445,763**	2,507,557
Operating expenses (excluding depreciation)		**(4,239,936)**	(1,402,895)
Gross margin		**3,205,827**	1,104,662
Share of income from joint ventures	10	**60,576**	331,843
General and administration		**(766,473)**	(699,963)
Sales and development		**(675,841)**	(923,755)
Share-based payments	7 (b), 14	**(82,620)**	(273,179)
Depreciation and amortization	8, 9	**(126,529)**	(101,499)
Income (loss) from operations and joint ventures		**1,614,940**	(561,891)
Finance income, net		**26,510**	27,234
Foreign exchange (loss) gain		**(10,330)**	60,032
Other income, net		**90,959**	-
Income (loss) before income taxes		**1,722,079**	(474,625)
Income tax recovery (expense)		**3,124**	(12,427)
Net income for the period		**1,725,203**	(487,052)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to income			
Foreign currency translation		**9,467**	43,236
Comprehensive income (loss) for the period		**1,734,670**	(443,816)
Earnings (loss) per share			
Basic	15 (c)	**1.34**	(0.39)
Diluted	15 (c)	**1.33**	(0.38)
Weighted average number of shares outstanding			
Basic	15 (c)	**1,290,224**	1,254,090
Diluted	15 (c)	**1,300,369**	1,275,456

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, 2025 and 2024
(Unaudited – expressed in Canadian dollars)

	note	**Number of Shares**	**3 months ended March 31, 2025 $**	Number of Shares	3 months ended March 31, 2024 $
Share Capital					
Balance, beginning of the period	15(b)	**1,287,068**	**56,807,264**	1,246,628	56,302,539
Exercise of stock options	14 (a)	**6,200**	**154,125**	9,000	78,750
Balance, end of the period		**1,293,268**	**56,961,389**	1,255,628	56,381,289
Contributed surplus					
Balance, beginning of the period			**11,182,930**		11,106,796
Equity settled share-based payments	14 (a)		**12,565**		32,340
Balance, end of the period			**11,195,495**		11,139,136
Accumulated other comprehensive income					
Balance, beginning of the period			**1,598,935**		1,231,278
Other comprehensive income for the period			**9,467**		43,236
Balance, end of the period			**1,608,402**		1,274,514
Accumulated deficit					
Balance, beginning of the period			**(49,060,237)**		(53,864,796)
Net income (loss) for the period			**1,725,203**		(487,052)
Balance, end of the period			**(47,335,034)**		(54,351,848)
Total shareholders' equity					
Balance, beginning of the period			**20,528,892**		14,775,817
Exercise of stock options	14 (a)		**154,125**		78,750
Equity settled share-based payments	14 (a)		**12,565**		32,340
Other comprehensive income for the period			**9,467**		43,236
Net income (loss) for the period			**1,725,203**		(487,052)
Balance, end of the period			**22,430,252**		14,443,091

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, 2025 and 2024
(Unaudited – expressed in Canadian dollars)

	note	3 months ended March 31 **2025** $	2024 $
Operating activities			
Net income (loss) for the period		**1,725,203**	(487,052)
Adjustments for:			
Income tax recovery		**(3,124)**	-
Other income		**(90,959)**	-
Share of income from joint ventures	10	**(60,576)**	(331,843)
Finance income, net		**(26,510)**	(27,234)
Depreciation and amortization	8, 9	**126,529**	101,499
Unrealized foreign exchange gain		**(6,943)**	(15,946)
Share-based payments	14	**82,620**	273,179
		1,746,240	(487,397)
Change in non-cash operating working capital items	17	**(2,695,483)**	821,232
Income taxes paid		**(3,335)**	(3,426)
Net cash (used in) from operating activities		**(952,578)**	330,409
Investing activities			
Purchase of property and equipment	8	**(68,607)**	(49,252)
Interest received		**91,095**	12,622
Net cash from (used in) investing activities		**22,488**	(36,630)
Financing activities			
Lease payments on principal portion	13	**(42,646)**	(32,752)
Lease payments on interest portion	13	**(46,021)**	(3,608)
Proceeds from exercise of stock options	14 (a)	**154,125**	78,750
Repayment of loan	12	**(20,625)**	(27,500)
Proceeds from loan	12	**203,729**	-
Interest paid		**-**	(3)
Net cash from financing activities		**248,562**	14,887
Effect of exchange rate changes on cash balances		**927**	(3,842)
Net (decrease) increase in cash and cash equivalents		**(680,601)**	304,824
Cash and cash equivalents, beginning of the period		**11,771,214**	7,927,603
Cash and cash equivalents, end of the period		**11,090,613**	8,232,427

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 International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee (“IFRIC”) on a basis consistent with the accounting policies disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2024. These unaudited condensed consolidated interim financial statements were authorized for issue on May 29, 2025 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, 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 Mar. 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%

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, 2024 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, 2024 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, 2024.

5. TRADE AND OTHER RECEIVABLES

	Mar. 31, 2025	Dec. 31, 2024
	$	$
Trade receivables (note 7 (a))	5,836,219	2,775,202
Allowance for expected credit loss	(16,025)	(16,025)
Contract assets	542,543	940,268
Other receivables	71,642	763,265
	6,434,379	4,462,710

6. PREPAID AND OTHER CURRENT ASSETS

	Mar. 31, 2025	Dec. 31, 2024
	$	$
Prepaids	1,294,489	767,160
Current deposits	16,609	16,491
Other current assets	-	297,569
	1,311,098	1,081,220

In 2024, the Company contracted with a customer to implement a new treatment system including engineering design, equipment supply, site installation, commissioning, and start-up of the water treatment plant for a legacy site in the Yukon. As at March 31, 2025, the Company recorded $976,245 in prepaids for deposits made for purchase orders on this project ($343,137 at December 31, 2024).

7. 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, 2025 was $24,541 ($5,575 for March 31, 2024). As at March 31, 2025, included in trade and other receivable are $83,301 ($193,308 at December 31, 2024) of trade receivables due from the joint venture.

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 period or prior year comparable period for bad or doubtful debts in respect of amounts owed by joint ventures.

b) Key Management Compensation

For the three months ended March 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:

	3 months ended Mar. 31	
	2025	2024
	$	$
Salaries, fees and short-term benefits	300,792	222,959
Share-based payments (note 14 (a) and 14 (c))	29,385	57,859
	330,177	280,818

Included in trade payables and accrued liabilities as of March 31, 2025 is $23,225 ($nil at December 31, 2024) of director fees.

8. 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	228,880	-	64,135	293,015
Foreign exchange translation	11,668	-	1,184	12,852
As at March 31, 2025	**2,573,795**	**580,593**	**1,547,935**	**4,702,323**
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 period	(71,128)	-	(34,416)	(105,544)
Foreign exchange translation	(804)	-	(722)	(1,526)
As at March 31, 2025	**(1,113,566)**	**(580,593)**	**(655,323)**	**(2,349,482)**
Carrying Amount				
As at December 31, 2024	1,291,613	-	862,431	2,154,044
As at March 31, 2025	**1,460,229**	**-**	**892,612**	**2,352,841**

[1]Right-of-use assets comprise leased assets (note 13), including leased office buildings, vehicles and office equipment.
[2]Other comprises leasehold improvements, furniture, office equipment and lab equipment.

9. INTANGIBLE ASSETS

	Total $
Cost	
As at December 31, 2023 & 2024	419,700
As at March 31, 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 period	(20,985)
As at March 31, 2025	**(293,790)**
Carrying Amount	
As at December 31, 2024	146,895
As at March 31, 2025	**125,910**

10. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on March 31, 2025 was $6,138,514 ($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 comprehensive income	-	158,214	-
Balance, December 31, 2024	5,952,801	-	94,696
Share of net income (loss)	59,003	(115,005)	1,573
Share of translation gain (loss) on foreign operation	30,441	(727)	-
Unrecognized share of comprehensive income	-	115,732	-
Balance, March 31, 2025	6,042,245	-	96,269

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, 2025 $	Dec. 31, 2024 $
Assets		
Cash and cash equivalents	901,150	1,160,351
Short-term investments	2,971,500	3,153,600
Other current assets	517,240	356,671
Non-current assets	2,091,724	2,166,551
Total assets	6,481,614	6,837,173
Current liabilities	439,369	884,372
Partner's Equity	6,042,245	5,952,801
Total liabilities and partner's equity	6,481,614	6,837,173

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	
	2025	2024
	$	$
Revenues	501,959	902,348
Operating expenses (excluding depreciation)	(289,257)	(432,670)
	212,702	469,678
Non-operating expenses	(101,941)	(53,802)
Depreciation of plant and equipment	(118,262)	(114,692)
Income tax recovery	66,504	29,399
Net income for the period	59,003	330,583
Other comprehensive income	30,441	25,414
Comprehensive income for the period	89,444	355,997

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. 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. 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 grade of metal found in the smelter's waste feed into the treatment plant, while the revenue is exposed to global commodity price risk.

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, 2025, the balance of unrecognized share of net losses for MWT-BQE is $514,213 ($398,481 on December 31, 2024).

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

	Mar. 31, 2025 $	Dec. 31, 2024 $
Current assets	64,128	70,200
Plant and equipment	22,254	22,883
Current liabilities	122,743	104,271
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	
	2025 $	2024 $
Revenues	250	84
Operating expenses (excluding depreciation)	(81,618)	(13,091)
	(81,368)	(13,007)
Non-operating expenses	(30,227)	(22,001)
Depreciation of plant and equipment	(3,410)	(3,291)
Net loss for the period	(115,005)	(38,299)
Other comprehensive (loss) income	(727)	708
Comprehensive loss for the period	(115,732)	(37,591)

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. 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, 2025 $	Dec. 31, 2024 $
Current assets	139,640	196,400
Current liabilities	43,371	101,704
Partner's equity	96,269	94,696

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	
	2025	2024
	$	$
Revenues	39,154	28,424
Operating expenses	(37,571)	(27,276)
	1,583	1,148
Non-operating (income) expenses	(10)	112
Net income for the period	1,573	1,260

11. TRADE PAYABLE AND ACCRUED LIABILITIES

	Mar. 31, 2025	Dec. 31, 2024
	$	$
Trade payable and accruals	1,419,465	1,016,362
Payroll liabilities	715,181	670,862
Tax payable	13,101	61,495
	2,147,747	1,748,719

12. 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:

	Mar. 31, 2025	Dec. 31, 2024
	$	$
Balance at January 1	103,125	192,500
Repayments	(20,625)	(89,375)
Ending Balance	82,500	103,125
Less: current portion of WINN loan	82,500	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 trenches throughout the program. Cash received under the BSP program are initially recorded at fair value, measured at present values discounted by the effective market interest rate at the time of receipt. The Company's carrying value of the BSP loan is as follows:

	Mar. 31, 2025 $	Dec. 31, 2024 $
Balance at January 1	228,103	119,596
Additions	112,770	82,869
Interest expense on loan	11,166	25,638
Ending Balance, non-current portion of BSP loan	352,039	228,103
Undiscounted value of BSP loan	653,454	449,725

13. LEASES

The Company recognizes right-of-use assets (note 8) 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 10% 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, 2025 was $88,667 ($36,360 for March 31, 2024) and the carrying value of lease obligations are as follows:

	Mar. 31, 2025 $	Dec. 31, 2024 $
Balance at January 1	1,609,449	1,605,782
Additions	224,570	101,206
Adjustments	-	(14,032)
Interest expense	53,420	194,672
Payments on interest portion	(46,021)	(103,832)
Payments on principal portion	(42,646)	(181,065)
Foreign exchange translation	10,697	6,718
Ending Balance	1,809,469	1,609,449
Less: current portion of lease obligations	188,704	158,419
Non-current portion of lease obligations	1,620,765	1,451,030

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

	3 months ended Mar. 31	
	2025	2024
	$	$
Short-term or as low value	18,124	17,463
Leases with variable lease payments	49,171	17,215
	67,295	34,678

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

	Mar. 31, 2025
	$
2025	292,324
2026	329,389
2027	307,450
2028	309,992
2029	338,867
2030 – 2034	1,299,530
Total undiscounted lease payments	2,877,552
Less: imputed interest	(1,068,082)
Total carrying value of lease obligations	1,809,470

14. SHARE-BASED PAYMENT EXPENSES

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

	3 months ended Mar. 31	
	2025	2024
	$	$
Stock options (a)	12,565	32,340
Deferred share units (b)	(41,616)	84,465
Restricted share units (c)	111,671	156,374
	82,620	273,179

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	(6,200)	24.86
Forfeited	(300)	30.00
Balance, March 31, 2025	37,400	30.00

As at March 31, 2025, the Company has 21,200 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 expiry date by exercise price at March 31, 2025 and December 31, 2024 are as follows:

Exercise price	Expiry Date	No. of outstanding share options, Mar. 31, 2025	No. of exercisable share options, Mar. 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	37,400	21,200	42,400	25,900

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	-	(41,616)
Balance, March 31, 2025	7,837	424,508

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 March 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

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	-	711,007
Balance, December 31, 2024	19,288	712,416
Granted	13,605	-
Forfeited	(1,114)	-
Redeemed	(4,756)	(283,743)
Fair value adjustment	-	111,671
Balance, March 31, 2025	27,023	540,344

15. 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 2024 and for the three months ended March 31, 2025, no common shares were purchased and cancelled under the NCIB. For the period subsequent to the reporting period between April 1, 2025 to May 29, 2025, the Company purchased 1,000 common shares for cancellation under the NCIB.

c) Earnings Per Share

The calculation of earnings (loss) per share for the three-month ended March 31, 2025 and 2024 are as follows:

	3 months ended Mar. 31	
	2025	2024
	$	$
Net income (loss)	1,725,203	(487,052)
Basic weighted average number of shares outstanding	1,290,224	1,254,090
Dilution of securities (effect of stock options)	10,145	21,366
Diluted weighted average number of shares outstanding	1,300,369	1,275,456
Earnings (loss) per share:		
Basic	1.34	(0.39)
Diluted	1.33	(0.39)

16. 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, 2025 was 27% (27% at December 31, 2024).

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	3 months ended Mar. 31	
	2025	2024
Change in non-cash working capital items	$	$
Changes in trade and other receivables	(1,921,720)	1,184,993
Changes in prepaids and other assets	(213,191)	51,848
Changes in trade payable and accrued liabilities	323,585	(254,728)
Changes in deferred revenues	(600,414)	(600)
Changes in deferred benefits and other liabilities	(283,743)	(160,281)
Change in non-cash working capital items	(2,695,483)	821,232

18. COMMITMENTS

Commitments under lease obligations are detailed in note 13. The Company has non-lease obligation commitments of $2,469,277 for operating cost for office premises, short-term apartment rentals, and for laboratory assay services, as follows:

	$
2025	308,187
2026	393,067
2027	393,067
2028	228,667
2029	228,667
2030 - 2034	917,622
	2,469,277

19. 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 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:

	3 months ended Mar. 31	
	2025	2024
	$	$
Operations contracts	1,962,378	1,789,244
Technical services contracts	5,483,385	718,313
	7,445,763	2,507,557

d) Remaining Performance Obligations

As at March 31, 2025, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is $6,748,593, 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.

20. SEGMENTED INFORMATION

Segmented information is reviewed by the Company's chief decision maker to assess performance and allocate resources within the Company. The Company has one operating 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	
	2025	2024
	$	$
Revenue		
Canada	4,874,039	345,662
USA	2,231,494	1,904,625
China	253,603	177,817
Latin America	86,627	52,604
Other	-	26,849
	7,445,763	2,507,557

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

	Mar. 31, 2025	Dec. 31, 2024
	$	$
Canada	2,459,660	2,250,864
USA	38,130	50,596
Latin America	283,221	-
China	5,836,254	6,046,976
	8,617,265	8,348,436

b) Information about Major Customers

The following table presents revenue for individual customers exceeding 10% of revenue for the three months ended March 31, 2025 and 2024:

	3 months ended Mar. 31	
	2025	2024
	$	$
Customer A	829,435	-
Customer B	1,810,524	1,512,998
Customer C	3,242,446	-
Total	5,882,405	1,512,998
Represents percentage of total revenue for the period	79%	60%