

BacTech Environmental Corporation

Annual Consolidated Financial Statements
For years ended December 31, 2025 and 2024

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For years ended December 31, 2025 and 2024

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Independent Auditor's Report

To the Shareholders of BacTech Environmental Corporation

Opinion

We have audited the consolidated financial statements of BacTech Environmental Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2025 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material uncertainty related to going concern* section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
April 29, 2026

BacTech Environmental Corporation
Annual Consolidated Statements of Financial Position

(Expressed in Canadian dollars, unless otherwise stated)

	As at December 31 2025	As at December 31 2024
	\$	\$
Assets		
Current assets		
Cash	19,425	5,361
Sales taxes receivable	8,719	7,036
Investments, marketable securities <i>(note 22)</i>	372,500	755,000
Prepays and deposits	15,930	17,010
Total current assets	416,574	784,407
Non-Current assets		
Land <i>(note 15)</i>	980,564	980,564
Guarantee and other deposits	97,515	101,080
Total non-current assets	1,078,079	1,081,644
Total assets	1,494,653	1,866,051
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities <i>(notes 6 and 7)</i>	1,892,838	3,017,447
Government assistance <i>(note 20)</i>	60,000	60,000
Payable to Aquila Resources Inc. <i>(note 5)</i>	161,294	161,294
Debentures <i>(note 8a)</i>	100,000	100,000
Convertible debentures <i>(note 8b)</i>	-	1,275,857
Total current liabilities	2,214,132	4,614,598
Liabilities related to abandoned subsidiary <i>(note 19)</i>	180,647	180,647
Old Payables <i>(note 6)</i>	768,551	-
Total liabilities	3,163,330	4,795,245
Shareholders' deficiency		
Share capital <i>(note 9)</i>	12,135,714	10,494,623
Option reserve <i>(note 11 and 8b)</i>	1,627,989	1,084,631
Warrant reserve <i>(note 10)</i>	598,606	233,731
Equity conversions feature <i>(note 8b)</i>	-	188,838
Deficit	(16,303,986)	(14,931,017)
Total shareholders' deficiency	(1,668,677)	(2,929,194)
Total liabilities and shareholders' deficiency	1,494,653	1,866,051

Nature of Operations and Going Concern *(note 1)*

Commitments and Contingencies *(note 18)*

Subsequent Event *(note 24)*

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

Approved by the Board
 Signed: "R Orr"
 Director

Signed: "J Richardson"
 Director

BacTech Environmental Corporation
Annual Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, unless otherwise stated)

	Year ended	
	December 31	
	2025	2024
	\$	\$
Expenses		
Operating and administrative costs <i>(note 13)</i>	1,543,476	1,338,607
Finance charges <i>(note 14)</i>	165,804	330,383
Project expenditures	30,781	100,494
Total expense	1,740,061	1,769,484
Net loss for the period before the undernoted	(1,740,061)	(1,769,484)
Loss from other items		
Gain from change in terms of convertible debenture <i>(note 8b)</i>	-	178,376
Gain from SCI Silver Stream <i>(note 22)</i>	-	833,000
Unrealized loss from change in fair value of marketable securities <i>(note 22)</i>	(1,960)	(78,000)
Realized loss from selling shares of SCI <i>(note 22)</i>	(53,818)	-
Net loss and comprehensive loss for the year	(1,795,839)	(836,108)
Basic and diluted loss per share <i>(note 12)</i>	(0.01)	(0.005)
Weighted average number of common shares outstanding <i>(note 12)</i>	213,653,555	193,035,834

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

BacTech Environmental Corporation
Annual Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian dollars, unless otherwise stated)

	Share Capital #	Share Capital \$	Option Reserve \$	Warrant Reserve \$	Equity Conversion Reserve \$	Deficit \$	Deficit \$
Balance, December 31, 2023	193,036,128	10,494,623	960,901	1,205,090	188,838	(15,066,268)	(2,216,816)
Expired warrants	-	-	-	(971,359)	-	971,359	-
Share based payments (<i>note 11</i>)	-	-	123,730	-	-	-	123,730
Net loss for the year	-	-	-	-	-	(836,108)	(836,108)
Balance, December 31, 2024	193,036,128	10,494,623	1,084,631	233,731	188,838	(14,931,017)	(2,929,194)
Shares issued pursuant to private placement (<i>note 9 (i)</i>)	25,334,000	885,487	-	381,213	-	-	1,266,700
Shares issued pursuant to settlement of debenture (<i>note 8(b)</i>)	19,500,000	780,000	-	339,635	-	-	1,119,635
Settlement of debenture (<i>note 8(b)</i>)	-	-	690,552	-	(188,838)	188,838	690,552
Share issue costs (<i>9 (i)</i>)	-	(24,396)	-	3,865	-	-	(20,531)
Expired options	-	-	(147,194)	-	-	147,194	-
Expired warrants	-	-	-	(359,838)	-	359,838	-
Net loss for the year	-	-	-	-	-	(1,795,839)	(1,795,839)
Balance, December 31, 2025	237,870,128	12,135,714	1,627,989	598,606	-	(16,030,986)	(1,668,677)

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

BacTech Environmental Corporation
Annual Consolidated Statements of Cash Flows
(Expressed in Canadian dollars, unless otherwise stated)

	Year ended December 31, 2025	Year ended December 31, 2024
	\$	\$
Cash flow from operating activities		
Cash paid to suppliers, employees and consultants	(1,563,160)	(67,838)
Net cash used in operating activities	(1,563,160)	(67,838)
Cash flow from investing activities		
Gross proceeds from sale of marketable securities	331,055	-
Net cash provided by financing activities	331,055	-
Cash flow from financing activities		
Gross proceeds from private placements	1,266,700	-
Share issue costs from financings	(20,531)	-
Net cash provided by financing activities	1,246,169	-
Increase(decrease) in cash	14,064	(67,838)
Cash, beginning of the year	5,361	73,199
(Indebtedness) Cash, end of the year	19,425	5,361

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

Supplemental information:

Issuance of broker warrants	3,865	-
Shares and warrants issued for debt settlement	1,119,635	-

1. Nature of Operations and Going Concern

BacTech Environmental Corporation (the "Company" or "BacTech") was incorporated by REBgold Corporation ("REBgold" and formerly BacTech Mining Corporation) on October 5, 2010 under the Canada Business Corporations Act. The Company has the primary rights and know-how to use a bioleaching technology. The technology utilizes bacteria to extract precious and base metals and has been traditionally used to treat difficult-to-treat sulphide ores and concentrates.

The business plan for the Company is to apply bioleaching technology to abatement and reclamation projects to remove the harmful elements such as arsenic and sulphur from the environment, where this can be assisted by a positive cash flow from metal recovery. Examples of metals which could potentially be extracted include gold, silver, cobalt, nickel, copper, uranium and zinc. The Company's head office is located at 37 King Street East, Suite 409, Toronto, Ontario, M5C 1E9.

These annual consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Company has no sources of recurring revenue, has realized net loss of \$1,795,839 during the year ended December 31, 2025, has working capital deficit of \$1,797,558 at December 31, 2025, and is dependent on financings to fund its operations. The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are materially uncertain and which, taken together, cast significant and substantial doubt over the ability of the Company to continue as a going concern. These Annual consolidated financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related statement of financial position and statement of loss classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management but could be material.

The Company funded its operations for years ended December 31, 2025 from existing cash reserves, a private placement for gross proceeds of \$1,226,700 and proceeds from selling shares of SCI. The Company does not have sufficient cash reserves to fund its administrative costs and fund any project development initiatives for the coming twelve months, nor to repay its liabilities to trade creditors and debt holders. These matters represent material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. Management is actively involved in identifying reclamation and abatement ventures amenable to the application of the Company's technology license, and is seeking new equity or debt financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

2. Basis of Consolidation and Presentation

Statement of Compliance with IFRS Accounting Standards

Statement of Compliance

These annual consolidated financial statements have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") effective December 31, 2025.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 29, 2026.

Basis of Preparation and Presentation

These annual consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these annual consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The annual consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Basis of Consolidation

These annual consolidated financial statements comprise the financial statements of the Company and its subsidiaries, Empresa Minera Ambiental BacTech S.A. incorporated in Bolivia, and BacTechVerde S.A.S incorporated in Ecuador. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Company.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the annual consolidated financial statements.

3. Material Accounting Policies

Critical Judgements and Estimation Uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

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

- Assets' carrying values and impairment charges:

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount and fair value less costs to sell in the case of assets and at objective evidence of significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

3. Material Accounting Policies – (continued)

Critical Judgements and Estimation Uncertainties – (continued)

- Estimation of decommissioning and restoration costs and the timing of expenditure:

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations are measured at their estimated fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of a mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Taxes, income taxes and deferred taxes:

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

- Share-Based Payments:

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Convertible Debentures:

Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Management has made significant judgement with regards to the equity conversion feature. See note 8(b).

- Commitments and Contingencies:

Refer to Note 18.

- Investments – Shares and warrants of a public company

The fair value of investments in securities quoted in an active market is based on the market closing price as of the determination date. Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are

3. Material Accounting Policies – (continued)

Critical Judgements and Estimation Uncertainties – (continued)

determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

- Research and Development:

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible assets and use or sell it;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Foreign Currency Translation

The Company has determined that its operations and those of its subsidiary occur primarily in an economic environment where the functional currency is the Canadian dollar. Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in a currency other than the Canadian dollar are translated into Canadian dollars at the exchange rate as at the end of the reporting period. Non-monetary assets and liabilities are translated at historical exchange rates at the transaction date. Depreciation is translated at historical exchange rates at the transaction date. The calculated exchange gains and losses are included in net loss for the year.

3. Material Accounting Policies – (continued)

Critical Judgements and Estimation Uncertainties – (continued)

Environmental Liability, Contingency, and Other Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A legal or constructive obligation to incur restoration, rehabilitation, or environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against net loss over the economic life of the related asset, through depreciation using either a unit-of-production or the straight-line method, as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2025 and 2024, no such material obligation has been identified.

Impairment of Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets and its deferred assessment and evaluation costs to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Fair value is determined as the reasonable amount that would be obtained from the asset's arm's length sale. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions of the time value of money and the specific asset's risks. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss is recognized in profit or loss. To test impairment, assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the new estimated net recoverable amount. The new carrying amount will not be greater than the carrying amount that would have existed if no impairment loss had been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

3. Material Accounting Policies – (continued)

Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses recognized in other comprehensive loss. The Company does not have any assets or liabilities measured at FVTOCI.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively. Financial assets and liabilities measured at amortized cost are subsequently measured at the end of each reporting period of amortized cost using the effective interest rate (“EIR”) method. Amortized cost is calculated by taking into account any discounts to premiums on acquisitions and any fees or costs that are an integral part of the EIR. The EIR amortization is included in accretion in the consolidated statements of loss.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss.

Impairment of financial assets at amortized cost

The Company’s only financial asset subject to impairment are the receivables, which are measured at amortized cost. The Company recognizes an allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. Material Accounting Policies – (continued)

Financial Instruments - (continued)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss.

Exploration and Development Activities

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants, options, and convertible debentures outstanding that may add to the total number of common shares unless their effect would be anti-dilutive.

3. Material Accounting Policies – (continued)

Share Based Payments, Option Reserve and Warrant Reserve

The fair values of employee share option plan issuances are measured at the date of grant of the options using the Black-Scholes pricing model, taking into consideration the terms and conditions upon which the options were granted. The resulting cost, as adjusted for the expected and actual level of vesting of the options, is charged to income over the period in which the options vest. At the end of each reporting period before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments grants, measured at the date the entity obtains the goods or the counterparty renders the service. The value of options outstanding is recorded in the option reserve. The value of expired options is transferred to deficit. The value of warrants outstanding is recorded in the warrant reserve. The value of expired warrants is transferred to deficit.

Income Taxes

Income tax on the net loss for the years presented comprises current and deferred tax. Current income tax expense is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regard to previous periods. Deferred income tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

No deferred income tax is recognized for temporary differences arising from the initial recognition of assets or liabilities that affect either accounting or taxable profit or loss.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted that are expected to be applied to taxable income in the years in which the temporary differences are expected to be recovered or settled.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Investment Tax Credits

The Company claims research and development deductions and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation under The Canadian Income Tax Act. These claims are subject to review by the Canada Revenue Agency.

The investment tax credits recoverable are comprised of federal and provincial investment tax credit claims with respect to qualifying scientific research and development expenditures incurred by the Company. The benefit to these investment tax credits is accrued when there is reasonable assurance that the credits will be realized. The amount recoverable is deducted from the related project expenditures on the consolidated statements of loss and comprehensive loss.

3. Material Accounting Policies – (continued)

Cash

Cash comprises cash in bank and in hand.

4. Adoption and Future Changes in Accounting Standards

Change in accounting policy

In order to enhance the relevance to the decision-making needs of users and improve comparability with its peers, the Company has voluntarily changed its accounting policy with respect to exploration and evaluation activities consistent with the guidance provided in IFRS 6 – Exploration for and Evaluation of Mineral Resources and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. In prior periods the Company’s policy was to capitalize deferred assessment and evaluation costs including the direct costs related to mineral properties, including costs of acquiring mining properties and deferred exploration and evaluation costs. The Company elected to change this accounting policy to expense all future deferred assessment and evaluation costs. The new accounting policy was applied retrospectively. However, as there was no capitalized exploration asset value as at December 31, 2025, 2024 or 2023, no changes were required to these financial statements, including to comparative figures.

New pronouncements

Certain pronouncements were issued by the IASB that are mandatory for accounting years on or after January 1, 2026 or later years. Many are not applicable or do not have significant impact on the Company and have been excluded.

In addition, the following standards have been issued by IASB and the Company is currently assessing the impact on the consolidated financial statements. These have not been adopted for the current period.

- *Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7)* with mandatory application of the standard in Annual reporting periods beginning on or after January 1, 2026.
- *IFRS 18 Presentation and Disclosure in Financial Statements* with mandatory application of the standard in the Annual reporting periods beginning on or after January 1, 2027.

5. Payable to Aquila Resources Inc.

REBgold completed a divisive reorganization by way of a Plan of Arrangement whereby a subsidiary, BacTech, was granted rights and interests in REBgold’s existing and proposed tailings remediation. During the year ended December 31, 2013, REBgold amalgamated with Aquila Resources Inc. The balance is unsecured, non-interest bearing, and is due on demand.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as at:

	December 31 2025	December 31 2024
	\$	\$
Trade payables	638,051	825,520
Accrued liabilities - other	1,254,787	2,191,927
Total	1,892,838	3,017,447

During the years ended December 31, 2025 the Company transferred \$768,551 of accounts payable incurred in the Province of Ontario (the “Statute-barred Claims”) to Old payables in non-current liabilities on the basis that these claims are understood to be statute-barred under the Limitations Act (Ontario). The Statute-barred Claims related to expenses billed by and third party liabilities. However, for accounting purposes under IFRS, a debt can only be removed from the Company’s Statement of Financial Position when it is extinguished meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation but it does not formally extinguish the debt for accounting purposes. It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company’s Statement of Financial Position under IFRS, but they are classified as non-current liabilities since the Company has no intention to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims.

See note 7 for related party amounts included in accrued liabilities and trade payables.

7. Related Party Transactions

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Related party transactions are in the normal course of business and are recorded at the amount agreed to between the parties.

Related party transactions consist of the following for years ended:

	December 31 2025	December 31 2024
	\$	\$
Salaries and management fees	444,500	444,500
Share based payments	-	52,493
Total	444,500	496,993

Included in accounts payable and accrued liabilities is \$776,000 due to related parties at December 31, 2025 (December, 2024 - \$748,200). These amounts relate to accrued salaries and management fees and are unsecured, non-interest bearing and due on demand. Also refer to Note 8 for debentures issued and Note 9 for equity transactions with related parties.

8. Debentures

(a) Debentures with Bonus Interest

As of December 31, 2025 and December 31, 2024, the remaining debenture of \$100,000 is past its maturity date and is currently due on demand. As such, it is presented as a current liability in the annual consolidated statement of financial position.

During years ended December 31, 2025, interest expense of \$12,000 (2024 – \$12,000) was recorded under finance charges in the annual consolidated statement of loss.

(b) Convertible Debentures

On April 21, 2022, the Company completed a \$1,000,000 convertible debenture issuance with an existing strategic investor. The terms of the convertible debentures allow for a conversion at \$0.15 per share at the option of the holder, an annual interest rate of 8% and a term of 18 months.

On March 14, 2023, BacTech closed a \$250,000 convertible debenture with the same investor who previously completed a \$1.0 million convertible debenture. On September 1, 2023 the same investor advanced an additional \$150,000. The convertible debenture terms are the same as the prior debenture, but now with the full principal balance of \$1,400,000 was not due until September 4, 2024. The debenture extension was agreed to by the debenture holder for a 1% royalty of the Company's Ecuador project, defined and described in the same manner as the royalty as announced for the May 5, 2022, and February 28, 2022, private placements, making a total of 2% NSR having been granted on the Project.

Transaction costs included a cash commission of \$60,000 and 399,999 broker warrants. Each broker warrant entitled the holder to purchase one common share at an exercise price of \$0.15 for a year of 24 months and were valued at \$29,100 (see Note 10). The fair value of the convertible debenture at the time of issue was calculated assuming an effective interest rate of 20% based on market analysis of peer companies. In addition, the fair value of the convertible debenture conversion option was determined to be \$202,134 with an allocated cost of capital of \$13,296. The aggregate transaction cost, which included the cash commission and warrants, was recorded against the debenture and is being amortized over the life of the debenture and shown as accretion expense.

Balance, December 31, 2023	\$ 1,283,027
Gain on modification	(178,376)
Accretion expense	171,206
Balance, December 31, 2024	1,275,857
Accretion expense	124,143
Settlement of convertible debenture	(1,400,000)
Balance, December 31, 2025	\$ -

On November 4, 2025, the Company announced revised terms and completion of the redemption of the obligation which includes the convertible debenture of \$1,400,000, accrued interest of \$290,187 and demand loan balance of \$120,000. The Debenture holder received:

- 19,500,000 common shares of BacTech. The fair value of the shares issued was \$780,000, which is determined based on the quoted market price of the shares on the date of the transaction.
- 19,500,000 three-year common share purchase warrants, exercisable at \$0.15 per share. The estimated fair value of the warrants was \$339,635, determined using the Black-Scholes option pricing model. The valuation was based on a quoted market share price of \$0.04, an exercise price of \$0.15, a risk-free rate of 2.42%, expected yield of nil, expected volatility of 111.10%, and an expected term of three years.
- 1% royalty on the Company's projects. The additional 1% brings the overall royalty to 2% on any BacTech projects. Management determined the arrangement resulted in a partial disposal of its interests associated with the underlying projects and technology. The carrying value of the related assets recorded on the Company's statement of financial position is \$nil.

Based on the above, the Company recognized a contribution from a shareholder under the option reserve of \$690,552 during the year ended December 31, 2025 (December 31, 2024 – \$nil).

9. Share Capital

Authorized share capital is made up of unlimited common shares without par value:

- (i) On March 4, 2025, March 28, 2025, and May 30, 2025, BacTech completed three tranches of a private placement financing for \$1,266,700 in gross proceeds through the issuance of 25,334,000 Units.

Each Unit consists of one common share of BacTech and one, two-year warrant exercisable at \$0.10. The warrant includes an acceleration clause. In the event the common shares trade at or above \$0.20 for 10 consecutive trading days, as indicated on the CSE Exchange, the Company shall have the right to give notice by way of a press release that the Warrants' expiry date will expire 20 trading days thereafter.

The fair value of the 25,334,000 common share purchase warrants issued in this placement was estimated at \$381,213 using the Black-Sholes option pricing model. Share issue costs incurred on this private placement were cash costs of \$20,531 and the issue of 256,000 broker warrants valued at \$3,865 using the Black-Sholes option pricing model. Each Broker warrants expires two years from date of closing with an exercisable price of \$0.10.

Certain officers and directors participated in the private placement for gross proceeds of \$174,200 through issuance of 3,484,000 Units.

10. Warrant Reserve

The movements in the number and estimated fair value of outstanding broker warrants and share purchase warrants are as follows:

	Year ended December 31, 2025		Year ended December 31, 2024	
	Number Outstanding	Weighted Average Exercise Price \$	Number Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	15,674,290	0.12	28,100,304	0.19
Issued	45,090,000	0.12	-	-
Expired	(15,674,290)	0.12	(12,426,014)	0.27
Balance, end of year	45,090,000	0.12	15,674,290	0.12

The exercise price, expiry date, and the fair value assigned to warrants issued and outstanding as at December 31, 2025 are as follows:

Expiry Date	Weighted Average Exercise Price \$	Grant Date Fair Value \$	Warrants Outstanding	Remaining Contractual Life (yr)
May 30, 2027	0.10	185,837	12,200,000	1.41
May 30, 2027	0.10	2,437	160,000	1.41
March 28, 2027	0.10	96,691	6,500,000	1.24
March 4, 2027	0.10	98,685	6,634,000	1.17
March 4, 2027	0.10	1,428	96,000	1.17
October 31, 2028	0.15	339,635	19,500,000	2.84
	0.12	724,713	45,090,000	1.97

The fair values of the warrants issued during years ended December 31, 2025 and year ended December 31, 2024 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2025	2024
Risk free interest rate	2.50 to 2.59%	3.75 to 3.99%
Expected dividend yield	Nil	Nil
Exercise price	\$0.10	\$0.08 to \$0.12
Share price	\$0.045	\$0.07 to \$0.08
Expected volatility	115 to 118%	85% to 96%
Expected life	2 years	2 years

Option pricing models require the input of subjective assumptions regarding the expected volatility, which is calculated based on the historical price of the Company's common shares. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Company's warrants at the date of issue.

11. Stock Options

The Company has a stock option plan (the “Plan”), under which the Company may grant options to directors, officers, employees, and third party service providers. Under the terms of the Plan that was re-approved by the shareholders on September 17, 2025, the Company is authorized to issue a maximum of 10% of the issued and outstanding shares.

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. The options granted under the Plan are non-assignable, have a term of up to five years and vest over a period of up to three years from the date of issue.

	Year ended December 31, 2025		Year ended December 31, 2024	
	Number Outstanding	Weighted Average Exercise Price \$	Number Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	15,150,000	0.11	12,950,000	0.11
Granted	-	-	2,200,000	0.10
Expired	(2,300,000)	0.12	-	-
Balance, end of year	12,850,000	0.10	15,150,000	0.11

Options to purchase common shares outstanding at December 31, 2025 carry exercise prices and remaining terms to maturity as follows:

Expiry Date	Weighted Average Exercise Price \$	Grant Date Fair Value \$	Number of Options Outstanding	Number of Options Exercisable	Remaining Weighted Average Contractual Life (yr.)
March 26, 2026	0.12	197,381	2,000,000	2,000,000	0.23
August 10, 2026	0.15	19,697	200,000	200,000	0.61
September 16, 2026	0.15	102,840	1,100,000	1,100,000	0.71
January 4, 2027	0.15	151,578	1,100,000	1,100,000	1.01
December 12, 2027	0.10	263,993	3,500,000	3,500,000	1.95
March 13, 2028	0.10	20,762	250,000	250,000	2.20
November 27, 2029	0.10	7,990	300,000	300,000	3.91
May 31, 2029	0.10	90,058	1,900,000	1,900,000	3.42
August 20, 2030	0.05	74,900	2,500,000	2,500,000	4.64
	0.10	929,199	12,850,000	12,850,000	2.27

For years ended, December 31, 2025, the Company granted no new options. The Company recognized share-based payment expense of \$Nil for the year ending December 31, 2025.

BacTech Environmental Corporation
Notes to the Annual Consolidated Financial Statements
For years ended December 31, 2025 and 2024

For the year ended December 31, 2024, the Company granted 2,200,000 options with a life of 5 years and vesting immediately. The Company recognized share-based payment expense of \$123,730 for the year ended December 31, 2024.

The fair values of the options issued during the year ended December 31, 2024 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2024
Risk free interest rate	3.09% - 3.88%
Expected dividend yield	Nil
Exercise price	\$0.10
Share price	\$0.02 - \$0.05
Expected volatility	163% - 183%
Expected life	5 years

Option pricing models require the input of subjective assumptions regarding the expected volatility, which is calculated based on the historical price of the Company's common shares. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Company's warrants at the date of issue.

12. Loss per Share

The calculation of basic and diluted loss per share for years ended December 31, 2025 includes a net loss attributable to common shareholders of \$1,105,287 (2024 - \$836,108) and the weighted average number of common shares outstanding of 213,653,555 (2024 - 193,035,834). The calculation of basic and diluted loss per share did not include the effect of share purchase options and warrants outstanding as they would be anti-dilutive.

13. Operating and Administrative

Operating and administrative expense consists of the following:

	Year ended December 31	
	2025	2024
	\$	\$
Salaries and management fees <i>(note 7)</i>	562,935	599,627
Share based payments <i>(note 11)</i>	-	123,730
Professional fees	606,846	142,518
Shareholder information and filing fees	201,869	387,882
Travel	89,983	31,251
General office expenses	81,176	49,453
Foreign exchange gain	667	4,146
Total	1,543,476	1,338,607

14. Finance Charges

Finance charges consist of the following:

	Year ended	
	December 31	
	2025	2024
	\$	\$
Interest and bank charges	5,378	35,177
Debenture interest	36,283	124,000
Accretion expense	124,143	171,206
Total	165,804	330,383

15. Land Purchase

The Company acquired a parcel of land for its proposed processing plant in Tenguel, Ecuador which closed in September 2022.

16. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to sales tax receivable is remote.

Liquidity risk

As at December 31, 2025, the Company had a cash balance at year end of \$19,425 (December 31, 2024 - \$5,361) against current liabilities of \$2,214,132 (December 31, 2024 - \$4,614,598). The Company does not have sufficient cash reserves to fund its administrative costs and fund any project development initiatives for the coming year, and to repay its liabilities to trade creditors and debt holders. Management is actively involved in identifying reclamation ventures amenable to the application of the Company's technology and in seeking new equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

While the multiple debt conversions and forgiveness have substantially improved the Company's Statement of Financial Position, its liquidity remains at a parlous low level and it continues to incur costs that will require continued success in additional financings.

Market risk

(a) Interest rate risk

The Company has cash earning interest at a low variable interest rate and debentures bearing interest at 12% per annum. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. Major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative expenses using United States dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is not exposed to price risk with respect to commodity prices because the Company is not a producing entity.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows.

	December 31 2025	December 31 2024
Financial assets at amortized cost:		
Cash	\$ 19,425	\$ 5,391
Financial assets at fair value:		
Investments, marketable securities	\$ 372,500	\$ 755,000

Financial liabilities included in the statement of financial position are as follows.

	December 31 2025	December 31 2024
Financial liabilities at amortized cost:		
Payable to Aquila Resources Inc.	\$ 161,294	\$ 161,294
Accounts payable and accrued liabilities	\$ 1,892,838	\$ 3,017,447
Government assistance	\$ 60,000	\$ 60,000
Debentures	\$ 100,000	\$ 1,500,000

Fair value

The Annual consolidated statements of financial position carrying amounts for cash, receivables and trade payables, approximate fair value due to their short-term nature.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. This includes SCI shares held by the Company which the shares are traded on a public stock exchange;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2025 the Company has financial instruments measured at fair value which include the Silver Crown shares valued at \$346,500 as of December 31, 2025 (\$708,000- December 31, 2024) that are classified as Level 1 and the Silver Crown warrants valued at \$26,000 as of December 31, 2025 (\$47,000- December 31, 2024) that are classified at Level 2, within the fair value hierarchy. See note 22 for details.

17. Capital Management

The Company defines capital as shareholders' equity. The Company's objective when managing its capital is to restore its deficit to a positive balance in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support the acquisition, assessment and evaluation, and development of mineral reclamation properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is currently in the early stages of evaluation and assessment of projects; as such, the Company is dependent on external financing to fund its activities. In order to carry out the assessment and evaluation of the projects and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties, if it feels there is sufficient geologic or economic potential, and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company does not have externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during years ended December 31, 2025 and December 31, 2024.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Canadian Securities Exchange ("CSE"). The impact of any violation of CSE policy is not known and is ultimately dependent on the discretion of the CSE.

18. Commitments and Contingencies

Management contract

The Company currently has employment agreements with the provision of termination and change of control benefits with the three officers of the Company. The agreements for each officer provides that in the event that their employment is terminated by the Company other than for cause then the officer shall be entitled to a lump sum payment amount up to twelve months base salary plus 1 month salary for each year of service (\$755,000) to a maximum of thirty-six months base salary. If a change of control were to occur, the officer would be entitled up to two years of compensation (\$1,330,000). As a triggering event has not taken place, the contingent payments have not been reflected in these Annual consolidated financial statements. The annual commitment in relation to these employment contracts would be \$444,500.

Environmental matters

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company

has made, and expects to make in the future, expenditures to comply with such laws and regulations (*Note 22*).

19. Liabilities related to abandoned Subsidiary

On May 24, 2016, BacTech announced that its 98% owned Bolivian subsidiary Empresa Minera Ambiental BacTech S.A. ("EMABSA"), had signed an Association Contract with Corporación Minera de Bolivia ("COMIBOL"), the state mining company of Bolivia. On September 15, 2016, the Bolivian government approved and ratified the agreement.

On September 9, 2019, the Company announced that it would not proceed with the reclamation of the Telamayu tailings project in Bolivia. The Company has abandoned the Bolivian subsidiary which is inactive. Management believes that there will be no impact on the business of the Company and accounts payable amounts will not be pursued by vendors beyond their recourse against the abandoned subsidiary.

The liabilities have been included in the Company's balance sheet from the abandoned subsidiary in the amount of \$180,647 for years ended December 31, 2025 (\$180,647 -December 31, 2024).

20. Government assistance

Canada Business Emergency Account

In fiscal 2020, the Company received a \$60,000 emergency business loan under the federal government Canada Business Emergency Account ("CEBA") initiative. The Company did not repay the balance prior to January 19, 2024, and as such the loan was renewed for a three year term with a fixed annual rate of interest of 5%. No repayments have been made as of December 31, 2025 and 2024.

21. Proceeds from Intellectual Property

BacTech is in the process of developing a "zero-waste" preliminary patent and aims to generate a portfolio of saleable products from re-treatment of tailings near Sudbury, Canada. BacTech has received \$75,000 as a deposit against a potential sale of a 10% interest in its "Zero Waste" technology. As no agreement has yet been executed as of December 31, 2025, \$75,000 (December 31, 2024 - \$75,000) is included in accrued liabilities.

The Company is currently in the research phase for its "zero-waste" preliminary patent and all related expenditures are recorded as research expenses under operating and administrative costs.

22. Royalty Purchase Agreement with Silver Crown Royalties Inc.

On October 28, 2024, BacTech announced the completion of the Royalty Purchase Agreement for the sale of a portion of its anticipated annual silver production with Silver Crown Royalties Inc. ("Silver Crown"). The silver is expected to be a byproduct of its planned bioleach gold production in Tenguel, Ecuador. On November 21, 2024, BacTech announced the closing of the transaction.

Under the terms of the agreement, Silver Crown acquires a royalty on BacTech's planned bioleaching facility in Tenguel, Ecuador (the "Project"). The 10 year term for the annual royalty equates to the cash equivalent of the greater of (i) 90% of the silver processed at the facility, or (ii) minimum annual payment of 35,000 ounces of silver. Royalty payments become due on a quarterly basis after one year from the commencement of commercial operation of the Project.

22. Royalty Purchase Agreement with Silver Crown Royalties Inc. – (continued)

In exchange, Silver Crown will pay \$4,000,000 in common shares, issued in three (3) tranches:

- The first tranche, received upon closing of this transaction, includes 100,000 common shares issued at a value of \$10.00 share plus 100,000 share purchase warrants exercisable at \$16.00 for 3 years from closing;
- The second installment of 100,000 common shares issued at a value of \$10.00 will be received upon BacTech successfully securing the Project financing for the building of the Tenguel plant; and
- The final instalment of 200,000 common shares issued at a value of \$10.00 will be received once commercial production begins at the Project.

According to the terms of the contract there is no obligation to pay any royalty until the facility in Tenguel, Ecuador is built and commissioned for operations. The future contingent installments of shares to be received upon successfully completing future milestones have not been included in these Annual consolidated financial statements as it is not certain these milestones will be reached.

The value of the 100,000 Silver Crown shares and 100,000 warrants at the time the transaction closed in October 2024 had a fair market value of \$774,000 for the shares based on the quoted market value of Silver Crown’s shares and the warrants had an estimated fair value of \$59,000. As at December 31, 2024, the estimated fair market value of the 100,000 Silver Crown shares was \$708,000 based on the quoted market value of Silver Crown’s shares, and the warrants had an estimated fair value of \$47,000, resulting in an unrealized loss of \$78,000 .

During year ended December 31, 2025, the Company sold 53,800 Silver Crown common shares for gross proceeds of \$331,055. As at December 31, 2025, the estimated fair market value of the remaining 46,200 Silver Crown shares was \$346,500 based on the quoted market value of Silver Crow’s shares, and the warrants had an estimated fair value of \$26,000, which translates to an unrealized a loss of \$1,960 and realized loss of \$53,818 as at December 31, 2025.

The fair values of the warrant for years ended December 31, 2025 and year ended December 31, 2024 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2025	2024
Risk free interest rate	2.17 to 2.75%	2.87% to 3.35%
Expected dividend yield	Nil	Nil
Exercise price	16.00	\$16.00
Share price	\$6.14 to \$6.25	\$7.08 to \$7.10
Expected volatility	40%	40% to 41%
Expected life	2 years or less	3 years or less

23. Income Tax

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2024 - 26.5%) were as follows:

	2025	2024
	\$	\$
Loss before income taxes	(1,795,839)	(836,108)
Expected income tax recovery based on statutory rate	(484,000)	(222,000)
Adjustment to expected income tax benefit:		
Tax rate changes and other adjustments		
Non-deductible expenses	247,000	(218,000)
Other	(5,000)	-
Change in unrecorded deferred tax asset	242,000	440,000
Deferred income tax recovery	-	-

23. Income tax (continued)

b) Deferred Income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2025	2024
	\$	\$
Non-capital losses carried forward	15,248,000	14,402,000
SR&ED pool	594,000	594,000
Research and development tax credits	123,000	123,000
Donations	3,000	3,000
Share issue and finance costs	68,000	-
Mineral interests	1,535,000	1,535,000
Equipment and intangible assets	1,958,000	1,958,000
Investment in marketable securities	-	14,000
Equipment and intangible assets	19,529,000	18,629,000

Share issue and finance costs will be fully amortized by December 31, 2027.

Research and development tax credits expire 2033 to 2043. The remaining deductible temporary differences other than non-capital losses are expected to carry forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2031	\$ 731,000
2032	747,000
2033	962,000
2034	200,000
2035	455,000
2036	684,000
2037	919,000
2038	1,082,000
2039	939,000
2040	-
2041	1,330,000
2042	2,523,000
2043	1,352,000
2044	1,255,000
2045	1,515,000
Total	14,694,000

24.Subsequent Events

Option Grant

Subsequent to December 31, 2025, the board of directors of the Company approved the an aggregate of 4,600,000 stock options to employees and consultants of BacTech. The options are exercisable at a price of \$0.10 per share for a period of five (5) years from the date of grant.

Option expiry

Subsequent to December 31, 2025, 2,000,000 options expired on March 26, 2026 unexercised.