UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2026

Commission file number **000-33067**

BIRCHTECH CORP.

(Exact name of Registrant as Specified in its Charter)

Delaware	**87-0398271**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1810 Jester Drive **Corsicana, Texas**	**75109**
(Address of principal Executive offices)	(Zip Code)

(614) 505-6115
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001	BCHT	NYSE American LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes☐ No ☒

State the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date: Common, $0.001 par value per share, 26,305,966 outstanding as of May 13, 2026.

BIRCHTECH CORP.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" that are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 or applicable Canadian securities laws (collectively, "forward-looking statements"). Forward-looking statements reflect management's current expectations regarding our future growth, results of operations, cash flows, performance and business prospects, and opportunities, as well as assumptions made by, and information currently available to, our management. Forward-looking statements are generally identified by using words such as "anticipate," "believe," "plan," "expect," "intend," "will," and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such risks include, without limitation, the following:

- changes in general economic and business conditions;
- risks related to our industry, including regulatory changes and competitive pressures;
- the loss of major customers;
- dependence and availability and retention of key suppliers;
- risks related to advancement in technologies;
- lack of diversification in our business;
- risks related to intellectual property, including the ability to protect intellectual property and the success of any patent litigation;
- changes in demand for coal as a fuel source for electricity production;
- development and growth of our new technologies, particularly in the water treatment market;
- ability to retain key personnel;
- the potential that dividends may never be declared;
- varied, and, at times, limited trading activity for our common stock;
- volatility in our stock price; and
- other factors described in the section entitled "*Risk Factors*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 filed on March 31, 2026 with the U.S. Securities and Exchange Commission, and in other filings with the Securities and Exchange Commission or Canadian securities regulators.

Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this report, and particularly our forward-looking statements, by these cautionary statements.

Except to the extent required by applicable laws or rules, we undertake no obligation to publicly update or revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BIRCHTECH CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2026 (Unaudited)	December 31, 2025
ASSETS		
Current assets		
Cash	$ 14,748,440	$ 2,245,426
Accounts receivable	2,239,383	2,099,641
Inventory	594,148	448,086
Prepaid expenses and other assets	166,756	210,408
Total current assets	17,748,727	5,003,561
Security deposits	6,615	6,615
Deferred offering costs	-	481,250
Property and equipment, net	2,149,925	2,192,443
Right of use asset - operating lease	246,418	258,986
Intellectual property, net	1,243,713	1,294,863
Total assets	$ 21,395,398	$ 9,237,718
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued expenses (related party $179,672 and $37,500 at March 31, 2026 and December 31, 2025, respectively)	$ 2,625,958	$ 3,610,053
Income tax payable	32,190	32,190
Current portion of operating lease liability	53,546	51,158
Customer credits	167,000	167,000
Accrued salaries	56,432	31,961
Profit share liability – related party	7,093,613	6,847,932
Total current liabilities	10,028,739	10,740,294
Operating lease liability, net of current portion	198,066	212,332
Total liabilities	10,226,805	10,952,626
Commitments and contingencies (Note 10)		
Stockholders' equity (deficit)		
Preferred stock, $0.001 par value: 2,000,000 shares authorized, no shares issued	-	-
Common stock, $0.001 par value; 150,000,000 shares authorized, 26,305,966 and 19,455,966 shares issued and outstanding as of March 31, 2026 and December 31, 2025 respectively.	26,306	19,456
Additional paid-in capital	88,267,073	74,044,879
Accumulated deficit	(77,124,786)	(75,779,243)
Total stockholders' equity (deficit)	11,168,593	(1,714,908)
Total liabilities and stockholders' equity (deficit)	$ 21,395,398	$ 9,237,718

See accompanying notes to these condensed consolidated financial statements.

BIRCHTECH CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended March 31, 2026	For the Three Months Ended March 31, 2025
Product revenue	$ 4,187,920	$ 2,676,984
License revenue	-	525,000
Other revenue	52,014	19,027
Revenues	$ 4,239,934	$ 3,221,011
Cost of sales	(2,857,228)	(1,986,665)
Gross profit	1,382,706	1,234,346
Operating expenses:		
Research and development expenses	(550,578)	(406,676)
Selling, general and administrative expenses (related party of $238,917 and $112,500)	(1,981,473)	(2,170,623)
Total operating expenses	(2,532,051)	(2,577,299)
Operating loss	(1,149,345)	(1,342,953)
Other income (expense)		
Interest expense	-	(54)
Loss on change in fair value of profit share and unsecured note	(245,681)	(353,351)
Interest income	49,840	31,273
Total other (expense) income	(195,841)	(322,132)
Loss before provision for income taxes	(1,345,186)	(1,665,085)
Income tax (expense)	(357)	(14,135)
Net loss	$ (1,345,543)	$ (1,679,220)
Basic & Diluted loss per share:		
Basic and diluted net loss per share	$ (0.06)	$ (0.09)
Weighted average common shares outstanding:		
Basic and diluted	21,771,522	19,243,964

See accompanying notes to these condensed consolidated financial statements.

BIRCHTECH CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
(UNAUDITED)

	Three Months Ended March 31, 2026				
	Common Stock		Additional		
	Shares	Par Value	Paid-in Capital	Accumulated (Deficit)	Total
Balance - January 1, 2026	19,455,966	$ 19,456	$ 74,044,879	$ (75,779,243)	$ (1,714,908)
Proceeds from the issuance of common shares	6,850,000	6,850	16,433,150	-	16,440,000
Share issuance costs	-	-	(2,211,383)	-	(2,211,383)
Share based payments	-	-	427	-	427
Net loss	-	-	-	(1,345,543)	(1,345,543)
Balance – March 31, 2026	26,305,966	$ 26,306	$ 88,267,073	$ (77,124,786)	$ 11,168,593

	Three Months Ended March 31, 2025				
	Common Stock		Additional		
	Shares	Par Value	Paid-in Capital	Accumulated (Deficit)	Total
Balance - January 1, 2025	19,235,824	$ 19,236	$ 73,925,861	$ (72,753,236)	$ 1,191,861
Stock issued for delivery of RSUs	10,000	10	(10)	-	-
Share based payments	-	-	60,527	-	60,527
Net loss	-	-	-	(1,679,220)	(1,679,220)
Balance - March 31, 2025	19,245,824	$ 19,246	$ 73,986,378	$ (74,432,456)	$ (426,832)

See accompanying notes to these condensed consolidated financial statements.

BIRCHTECH CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended March 31, 2026	For the Three Months Ended March 31, 2025
Cash flows from operating activities		
Net loss	$ (1,345,543)	$ (1,679,220)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	427	60,527
Amortization of right to use assets	12,568	11,017
Amortization of patent rights	51,150	51,150
Depreciation expense	42,518	10,298
Non-cash interest revenue	(6,879)	(13,271)
Loss on change in fair value of profit share	245,681	353,351
Changes in operating assets and liabilities		
Accounts receivable	(132,863)	558,223
Inventory	(146,062)	29,643
Prepaid expenses and other assets	43,652	58,073
Accrued salaries	24,471	12,388
Accounts payable and accrued liabilities	(984,095)	303,632
Operating lease liability	(11,878)	(10,146)
Net cash used in operating activities	(2,206,853)	(254,335)
Cash flows used in investing activities		
Purchase of property and equipment	-	(14,153)
Net cash used in investing activities	-	(14,153)
Cash flows from financing activities		
Proceeds from the issuance of common shares	16,440,000	-
Share issuance costs	(1,730,133)	-
Net cash provided by financing activities	14,709,867	-
Net increase (decrease) in cash and cash equivalents	12,503,014	(268,488)
Cash and cash equivalents - beginning of period	2,245,426	3,456,082
Cash and cash equivalents - end of period	$ 14,748,440	$ 3,187,594
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ -	$ -
Income taxes	$ 357	$ 14,135
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES		
Deferred financing costs reclassified to APIC upon issuance of common shares	$ 481,250	$ -

See accompanying notes to these condensed consolidated financial statements.

BIRCHTECH CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 (Unaudited)

Note 1 - Organization

Birchtech Corp. and MES, Inc.

Birchtech Corp., formerly Midwest Energy Emissions Corp. (together with its consolidated subsidiaries, the "Company"), is organized under the laws of the State of Delaware. Effective on October 17, 2024, Midwest Energy Emissions Corp. changed its corporate name to Birchtech, Inc. pursuant to a certificate of amendment to its certificate of incorporation filed with the State of Delaware. MES, Inc. is incorporated in the State of North Dakota. MES, Inc. is a wholly owned subsidiary of Birchtech Corp. The Company is a provider of specialty activated carbon technologies and primarily provides patented sorbent technologies for mercury emissions capture for the coal-fired utility sector and is developing water purification technologies with a specialization on forever chemicals such as PFAS and PFOS.

ME2C Sponsor LLC and ME2C Acquisition Corp.

ME2C Sponsor LLC is a limited liability company formed in the State of Delaware and is a wholly owned subsidiary of Birchtech Corp. and owns85% of ME2C Acquisition Corp. A decision was made in January 2023 to liquidate these entities which are inactive.

Note 2 - Liquidity and Financial Condition

Management has assessed the Company's ability to continue as a going concern in accordance with the requirements of ASC 205-40,*Presentation of Financial Statements—Going Concern*. As disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, the Company had previously identified conditions that raised substantial doubt about its ability to continue as a going concern. Subsequent to year end, on February 27, 2026 and March 17, 2026 (following the partial exercise of the underwriters' overallotment option), the Company completed an underwritten public offering of its common stock and received aggregate gross proceeds of $16.4 million, before deducting underwriting discounts and commissions and offering expenses.

As of March 31, 2026, the Company had cash of approximately $14.7 million. Based on the net proceeds from the offering, together with the Company's existing cash, anticipated revenues and additional cash inflows from its current operations, management believes that the Company has sufficient liquidity to fund its operations and meet its obligations for at least twelve months from the date of issuance of these unaudited condensed consolidated financial statements.

Note 3 - Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of Rule 8-03 of Regulation S-X promulgated by the United States Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, these financial statements do not include all of the information and footnotes required for complete financial statements and should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 filed on March 31, 2026, from which the accompanying condensed consolidated balance sheet dated December 31, 2025 was derived.

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of items of a normal and recurring nature) necessary to present fairly the Company's financial position as of March 31, 2026, and results of operations, changes in stockholders' deficit and cash flows for all periods presented. The interim results presented are not necessarily indicative of results that can be expected for a full year.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of Birchtech Corp. (formerly Midwest Energy Emissions Corp.) and its wholly-owned subsidiaries, MES, Inc. and ME2C Sponsor LLC, and ME2C Acquisition Corp. which is 85% owned by ME2C Sponsor LLC. Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, valuation of equity issuances and disclosures of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company uses estimates in accounting for, among other items, profit share liability, revenue recognition, allowance for credit losses, stock-based compensation, income tax provisions, excess and obsolete inventory reserve and impairment of intellectual property. Actual results could differ from those estimates.

Stock Split

On December 26, 2025, the Company effected a 1-for-5 reverse stock split of its issued and outstanding shares of common stock. The stock split did not affect the number of authorized shares. All share and per share information, including share-based compensation, throughout the unaudited condensed financial statements has been retroactively adjusted to reflect the stock split. The shares of common stock retain a par value of $0.001 per share. Accordingly, an amount equal to the par value of the increased shares resulting from the stock split was reclassified from capital in excess of par value to common stock.

Deferred offering costs

At December 31, 2025, Company deferred direct incremental costs associated with the public offering described in Note 11. The Company capitalized $481,250 during the year ended December 31, 2025. Deferred offering costs consist of primarily legal, advisory, and consulting fees incurred in connection with the public offering. After the completion of the public offering, total deferred offering costs were recorded as a reduction to additional paid-in capital generated as a result of the offering.

Recoverability of Long-Lived and Intangible Assets

Long-lived assets and certain identifiable intangibles held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of the long-lived and/or intangible assets would be adjusted, based on estimates of future undiscounted cash flows.

The Company has evaluated the recoverability of the carrying value of the Company's property and equipment, right of use asset and intellectual property. No impairment charges were recognized for the three months ended March 31, 2026 and 2025.

Fair Value of Financial Instruments

The fair value hierarchy has three levels based on the inputs used to determine fair value, which are as follows:

☐ *Level 1* — Unadjusted quoted prices available in active markets for the identical assets or liabilities at the measurement date.

☐ *Level 2* — Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

☐ *Level 3* — Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The profit share liability is the only item measured at fair value on a recurring basis by the Company at March 31, 2026 and December 31, 2025. The profit share liability is considered to be Level 3 measurements.

Financial instruments include cash, accounts receivable, accounts payable, income tax payable, and short-term debt. The carrying amounts of these financial instruments approximated fair value at March 31, 2026 and December 31, 2025 due to their short-term maturities.

At March 31, 2026 and December 31, 2025, the fair value of the profit share liability is calculated using a discounted cash flow model based on estimated future cash payments. These values are determined using pricing models for which the assumptions utilized management's estimates. Significant unobservable inputs include a discount rate of approximately 14.55% and the projection of future cash flows.

The following tables present the Company's liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

		Fair Value Measurement as of March 31, 2026		
	Total	**Level 1**	**Level 2**	**Level 3**
Liabilities:				
Profit share liability – related party (1)	$ 7,093,613	$ -	$ -	$ 7,093,613
Total Liabilities	$ 7,093,613	$ -	$ -	$ 7,093,613

		Fair Value Measurement as of December 31, 2025		
	Total	**Level 1**	**Level 2**	**Level 3**
Liabilities:				
Profit share liability – related party (1)	$ 6,847,932	$ -	$ -	$ 6,847,932
Total Liabilities	$ 6,847,932	$ -	$ -	$ 6,847,932

(1) See Note 7 - Related Party

The following tables present the Company's liabilities that are measured at fair value on a non-recurring basis and are categorized using the fair value hierarchy.

		Fair Value Measurement as of December 31, 2025		
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Property and equipment (Construction in progress)	$ 1,495,000	$ -	$ -	$ 1,495,000
Total Assets	$ 1,495,000	$ -	$ -	$ 1,495,000

There were no changes in the balances of assets classified as Level 3 for the three months ended March 31, 2026 and 2025.

Revenue Recognition

The Company records revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when the Company satisfies its performance obligation under the contract by transferring the promised product to its customer that obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product to a customer. Most of the Company's contracts have a single performance obligation, as the promise to transfer products or services is not separately identifiable from other promises in the contract and, therefore, not distinct.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products. As such, revenue is recorded net of returns, allowances, customer discounts, and incentives. Sales and other taxes are excluded from revenues. Invoiced shipping and handling costs are included in revenue.

Disaggregation of Revenue

The Company generated revenue for the three months ended March 31, 2026 and 2025 by (i) delivering product to its commercial customers, (ii) completing and commissioning equipment projects at commercial customer sites and (iii) performing demonstrations of its technology at customers with the intent of entering into long term supply agreements based on the performance of the Company's products during the demonstrations and (iv) licensing its technology to customers.

Revenue for product sales is recognized at the point of time in which the customer obtains control of the product, at the time title passes to the customer upon shipment or delivery of the product based on the applicable shipping terms.

Licensing revenue includes the licensing of the Company's intellectual property ("IP"). Revenue for IP rights is accounted for based on the nature of the promise to grant the license. In determining whether the Company's promise is to provide a right to access its IP or a right to use its IP, the Company considers the nature of its IP to which the customer will have rights. IP is either functional IP which has significant standalone functionality or symbolic IP which does not have significant standalone functionality. Revenue from functional IP is recognized at the point in time when control of the distinct license is transferred to the customer. Revenue from symbolic IP is recognized over the access period to the Company's IP.

The licenses provide the customer with the right to use the Company's patented technologies as they exist at a point in time when the license is granted, for the duration of the contract term. The patented technology has stand-alone functionality, and the Company has no obligation to provide any future updates. During the three months ended March 31, 2026 the Company recognized $0 (2025 - $525,000) of revenue for licenses for which revenue was recognized at a point in time and $0 (2025 - $0) for licenses for which revenue was recognized over time.

When a license arrangement contains payment terms beyond one year, a significant financing component may exist. The significant financing component is calculated as the difference between the stated value and present value of the license fees and is recognized as interest income over the payment period.

Variable consideration is recorded as revenue only to the extent that a significant reversal of cumulative revenue recognized is not probable of occurring when the uncertainty associated with the variable consideration is subsequently resolved. Significant judgment is required in estimating variable consideration for the performance obligation identified in the contract and this judgment involves assessing factors outside of our influence.

Revenue for equipment sales is recognized upon commissioning and customer acceptance of the installed equipment per the terms of the purchase contract.

Revenue for demonstrations and consulting services is recognized when performance obligations contained in the contract have been completed, typically the completion of necessary field work and the delivery of any required analysis per the terms of the agreement.

The following table presents sales by operating segment disaggregated based on the type of product for the three months ended March 31, 2026 and 2025. All sales were in the United States.

	March 31, 2026	March 31, 2025
Product revenue	$ 4,187,920	$ 2,676,984
License revenue	-	525,000
Demonstrations & Consulting revenue	23,400	9,000
Equipment revenue	28,614	10,027
	$ 4,239,934	$ 3,221,011

Accounts receivable and allowance for credit losses

Accounts receivable are presented net of an allowance for credit losses. This value incorporates an allowance for credit losses to reflect any loss anticipated on accounts receivable balances. The Company applies the current expected credit loss (CECL) model, which requires immediate recognition of expected credit losses over the contractual life of receivables and records the appropriate allowance for credit losses as a charge to operating expenses. The allowance for credit losses is based on a combination of the individual customer circumstances, credit conditions, and historical write-offs and collections. On January 1, 2026, the Company adopted ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets,* which allowed the Company to assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. The Company elected this practical expedient upon adoption, and this adoption did not have an impact on the Company's financial statements and related disclosures. The recovery of accounts receivable previously written off is recorded as a reduction to the allowance for credit losses charged to operating expense.

Management believed that the accounts receivable were fully collectable and no allowance for credit losses was deemed to be required on its accounts receivable at March 31, 2026. The Company historically has not experienced significant uncollectible accounts receivable. As of March 31, 2026 and December 31, 2025, the Company’s allowance for credit losses was $0, and the Company recorded $0 of credit losses for the three months ended March 31, 2026 and 2025.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs consist of costs incurred to discover, research and develop products, and include personnel expenses, facility-related and depreciation expenses, and external costs of outside suppliers.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under FASB ASC 740, Income Taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

FASB ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. There were no unrecognized tax benefits as of March 31, 2026 and December 31, 2025. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is no longer subject to tax examinations by tax authorities for the years prior to 2021.

The Company may be subject to potential examination by federal, state, and city taxing authorities in the areas of income taxes.

These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, and compliance with federal, state, and city tax laws. Management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

Basic and Diluted Loss Per Common Share

Loss per share – basic is calculated by dividing net income (loss) by the weighted average number of shares of stock outstanding during the period, including shares issuable without additional consideration. Income per share – assuming dilution is calculated by dividing net income by the weighted average number of shares outstanding during the period adjusted for the effect of dilutive potential shares from options and warrants calculated using the treasury stock method and the if-converted method for preferred stock. There were no dilutive potential common shares for the periods ended March 31, 2026 and 2025, because the Company incurred a net loss and basic and diluted losses per common share are the same.

Total common stock equivalents excluded from dilutive loss per share are as follows:

	March 31, 2026	March 31, 2025
Stock Options	1,070,000	9,650,000
Total common stock equivalents excluded from dilutive loss per share	1,070,000	9,650,000

Concentration of Credit Risk

Financial instruments that subject the Company to credit risk consist of cash and equivalents on deposit with financial institutions and accounts receivable. The Company's cash as of March 31, 2026 and December 31, 2025 is maintained at high-quality financial institutions and has not incurred any losses to date. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At March 31, 2026, the Company had $14,248,440 (December 31, 2025 - $1,745,426) in excess of FDIC limits.

Customer and Supplier Concentration

For the three month period ended March 31, 2026, three customers represented29%, 20%, and 16% of the Company's revenues, and for the three months ended March 31, 2025, three customers represented 21%, 17%, and 10% of the Company's revenues. The loss of any one of these customers could have an adverse effect on the Company's operations.

At March 31, 2026, four customers represented 56%, 14%, 12% and 10% of the Company's accounts receivable, and at December 31, 2025, two customers represented 51%, and 14% of the Company's accounts receivable.

For the three month period ended March 31, 2026, two suppliers represented42% and 31% of the Company's purchases. For three month period ended March 31, 2025, two suppliers represented 47% and 44% of the Company's purchases. At March 31, 2026 and December 31, 2025, 60% and 63% of the Company's accounts payable and accrued expenses related to two vendors, respectively. The Company believes there are numerous other suppliers that could be substituted should a supplier become unavailable or non-competitive and the adverse effect of losing one of these suppliers would be short-term.

Contingencies

Certain conditions may exist which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's unaudited condensed consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they arise from guarantees, in which case the guarantees would be disclosed.

Recently Issued Accounting Standards

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to provide enhancements to annual income tax disclosures. The standard will require more detailed information in the rate reconciliation table and for income taxes paid, among other enhancements. The standard is effective for years beginning after December 15, 2024 and early adoption is permitted. The Company adopted ASU 2023-09 effective for its Annual Report on Form 10-K for the year ended December 31, 2025 and subsequent interim periods. Since ASU 2023-09 addresses only disclosures, the adoption of ASU 2023-09 did not have a significant impact on its unaudited condensed consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This ASU requires entities to disaggregate expense items in the notes to the financial statements and requires disclosure of specified information related to purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The amendments in this ASU are effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Companies have the option to apply the guidance either on a retrospective or prospective basis, and early adoption is permitted. In January 2025, the FASB issued ASU No. 2025-01, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*. This ASU amends the effective date of ASU No. 2024-03 to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU No. 2024-03 is permitted. The Company does not expect the application of this standard will have a material impact on its financial statements and related disclosures.

On July 30, 2025, the FASB issued ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets* ("ASU 2025-05"), which provides a practical expedient that assumes current conditions as of the balance sheet date remain unchanged when developing forecasts for estimating expected credit losses. Under ASU 2025-05, an entity is required to disclose that it has elected to use the practical expedient and the election should be applied prospectively. ASU 2025-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2025, with early adoption permitted. We adopted ASU 2025-05 on January 1, 2026 and the Company elected the practical expedient upon adoption. The adoption did not have an impact on the Company's financial statements and related disclosures.

Note 4 - Inventory

Inventory was comprised of the following at March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
Raw Materials	$ 344,004	$ 308,613
Finished Goods	250,144	139,473
	$ 594,148	$ 448,086

Note 5 - Property and Equipment, Net

Property and equipment at March 31, 2026 and December 31, 2025 are as follows:

	March 31, 2026	December 31, 2025
Equipment & installation	$ 1,096,979	$ 1,096,979
Leasehold improvements	117,512	117,512
Trucking equipment	911,377	911,377
Lab equipment	753,370	753,370
Office equipment, computer equipment and software	3,426	3,426
Total equipment	2,882,664	2,882,664
Less: accumulated depreciation	(2,227,739)	(2,185,221)
Construction in process	1,495,000	1,495,000
Property and equipment, net	$ 2,149,925	$ 2,192,443

The Company uses the straight-line method of depreciation over estimated useful lives of2 to 5 years. During the three months ended March 31, 2026 and 2025 depreciation expense was $42,518 and $10,298, respectively.

Note 6 - Intellectual Property

License and patent costs capitalized as of March 31, 2026 and December 31, 2025 are as follows:

	March 31, 2026	December 31, 2025
Licenses and patents	$ 3,068,995	$ 3,068,995
Less: Accumulated amortization	(1,825,282)	(1,774,132)
Intellectual property, net	$ 1,243,713	$ 1,294,863

Amortization expense for the three months ended March 31, 2026 and 2025 was $51,150 and $51,150, respectively. Estimated annual amortization for each of the next 5 years and thereafter is as follows:

Annual amortization for the years ended:		
December 31, 2026 (remaining)	$	153,450
December 31, 2027		204,600
December 31, 2028		204,600
December 31, 2029		204,600
December 31, 2030		204,600
Thereafter		271,863
Total	$	1,243,713

Note 7 - Related Party

Profit Share

On February 27, 2024, the Company entered into an Unsecured Debt Restructuring Agreement (the "Debt Restructuring Agreement") with AC Midwest Energy LLC ("AC Midwest"), which replaced and superseded the Unsecured Note Financing Agreement and Reaffirmation of Guaranty entered into with AC Midwest on February 25, 2019, as amended on October 28, 2022 (the "Unsecured Note Financing Agreement"). Pursuant to the Debt Restructuring Agreement, in 2024, the Company repaid the remaining balance due on a secured note held by AC Midwest and the remaining balance due on an unsecured note held by AC Midwest. As a result, as of January 1, 2025, the only remaining debt obligation under the Debt Restructuring Agreement is a profit participation.

Pursuant to the Debt Restructuring Agreement, AC Midwest is entitled to a profit participation preference equal to $7,900,000 (the "Restructured Profit Share"). The Restructured Profit Share is "non-recourse" and shall only be paid from Net Litigation Proceeds (as defined in the Debt Restructuring Agreement) from claims relating to the Company's intellectual property. Following the receipt of any Net Litigation Proceeds, the Company is required to pay the Restructured Profit Share in an amount equal to 75.0% of such Net Litigation Proceeds until the Restructured Profit Share has been paid in full. The Restructured Profit Share completely replaced and superseded the terms and conditions of a profit share in the amount of $17,654,931 provided for in the Unsecured Note Financing Agreement, which is of no further force and effect.

The Company is utilizing the methodology behind the ASC 815, *Derivatives and Hedging* and ASC 480, *Distinguishing Liabilities from Equity* to determine how to account for the profit-sharing portion of a note payable. Although the transaction is not indexed to MEEC's common stock the profit sharing has the characteristics of a freestanding financial instrument because the profit sharing is not callable by the lender, it will be paid out past the maturity of the unsecured note payable (which was repaid in 2024) and, the fair value will fluctuate over time based on payment predictions. The profit share was determined to have a fair value of $3,389,043 upon grant. The fair value of the profit share upon grant included $3,422,400 attributed to the Facilitation Credit which reduced the fair value of the profit share liability. At December 31, 2024, the Facilitation Credit had expired and the fair value attributed to the feature was $0. This increased the fair value of the profit share at December 31, 2024, and increased the loss on change in fair value of the profit share recorded during the year ended December 31, 2024 by $3,422,400. The discounted cash flow model assumptions used at March 31, 2026 and December 31, 2025 to calculate the profit share liability included: the projected full repayment of the profit share liability of $7,900,000 upon the receipt of Net Litigation Proceeds in 2026, and an annual market interest rate of 14.55%. The profit share liability will be marked to market every quarter utilizing management's estimates.

The following are the changes in the profit share liability (the only Level 3 financial instrument) during the three months ended March 31, 2026 and the year ended December 31, 2025:

Profit Share as of January 1, 2025	$	6,853,858
Gain on change in fair value of profit share		(5,926)
Profit Share as of December 31, 2025	$	6,847,932
Profit Share as of January 1, 2025	$	6,847,932
Loss on change in fair value of profit share		245,681
Profit Share as of March 31, 2026	$	7,093,613

Related Party Transactions

Kaye Cooper Kay & Rosenberg, LLP provided certain legal services to the Company through February 28, 2026. David M. Kaye, a Director of the Company, was a partner of the law firm through February 28, 2026 and thereafter has provided legal services to the Company directly. For the three month period ended March 31, 2026, the Company incurred $238,917 (March 31, 2025 - $112,500) for legal services rendered and disbursements from the firm and Mr. Kaye, in the aggregate. At March 31, 2026 $162,500 (December 31, 2025 - $37,500) was owed for services rendered.

At March 31, 2026, the Company owed $17,172 (December 31, 2025 - $Nil) to the Company's Chief Executive Officer and President for the reimbursement of expenses incurred on behalf of the Company.

Note 8 - Operating Leases

On July 1, 2015, the Company entered into a five-year lease for warehouse space in Corsicana, Texas. The Company is also responsible for the pro rata share of the projected monthly expenses for the property taxes. The current pro rata share is $882. On June 1, 2019, the lease was extended to March 31, 2024, and on March 28, 2024, the lease was further extended for an additional five years from March 31, 2024 to March 31, 2029. Rent is $3,750 monthly until March 31, 2026 and then $3,866 per month until March 31, 2029. The Company recorded a right of use asset and an operating lease liability of $161,728. This amount represents the difference between the value from the remaining lease and the extended lease.

On August 1, 2024, the Company entered into a 3-year lease for laboratory space in Grand Forks, North Dakota. The lease contains an option to extend for a further three years that the Company is reasonably certain to exercise. As a result, the additional three year extension is included as part of the lease term. Rent is $1,400 monthly until July 31, 2027, and then effectively $1,540 per month until July 31, 2030. Upon commencement of the lease the Company recorded a right of use asset and an operating lease liability of $69,615.

On November 22, 2024, the Company entered into an approximate 3-year lease for laboratory space in State College, Pennsylvania, commencing December 15, 2024 and ending November 30, 2027. The lease contains an option to extend for a further three years that the Company is reasonably certain to exercise. As a result, the additional three-year extension is included as part of the lease term. Rent is $1,800 monthly until November 30, 2025, $1,860 monthly thereafter until November 30, 2026, and $1,920 monthly thereafter until November 30, 2027. During the option period, rent is $1,980 monthly from December 1, 2027 to November 30, 2028, $2,040 monthly thereafter through November 30, 2029, and $2,100 monthly thereafter through November 30, 2030. Upon commencement of the lease the Company recorded a right of use asset and an operating lease liability of $94,942.

For the three months ended March 31, 2026, and the year ended December 31, 2025, the Company recorded an operating lease right of use asset and liabilities as follows:

	March 31, 2026	**December 31, 2025**
Right of use asset - operating lease	$ 246,418	$ 258,986
Current portion of operating lease liability	53,546	51,158
Operating lease liability	251,612	263,490

Future remaining minimum lease payments under these non-cancelable leases are as follows:

For the twelve months ended March 31,	
2027	$ 85,752
2028	87,592
2029	88,872
2030	43,200
2031	22,960
Total	328,376
Less discount	(76,764)
Total lease liabilities	251,612
Less current portion	(53,546)
Operating lease obligation, net of current portion	$ 198,066

The weighted average remaining lease term for operating leases is 3.95 years and the weighted average discount rate used in calculating the operating lease asset and liability is 14.55%. For the three months ended March 31, 2026 and 2025, payments on lease obligations were $21,030 and $32,100, respectively, and amortization on the right of use assets was $12,568 and $11,017, respectively.

For the three months ended March 31, 2026 and 2025, the Company's lease cost consists of the following components, each of which is included in costs and expenses within the Company's consolidated statements of operations:

	March 31, 2026	March 31, 2025
Operating lease costs	$ 21,721	$ 32,614

Note 9 - Accounts payable and accrued expenses

Current accounts payable and accrued expenses are as follows:

	March 31, 2026	December 31, 2025
Accounts payable		
Professional fees	$ 286,075	$ 676,799
Consulting fees	281,852	572,331
Cost of goods sold	1,035,740	1,178,145
Other	191,522	193,903
Total accounts payable	1,795,189	2,621,178
Accrued expenses		
Professional fees	748,567	868,926
Consulting fees	56,500	68,030
Cost of goods sold	17,050	-
Other	8,652	51,919
Total accounts payable and accrued expenses	$ 2,625,958	$ 3,610,053

Note 10 - Commitments and Contingencies

Fixed Price Arrangements

A substantial portion of the Company's revenues is generated under contracts or blanket purchase orders with commercial customers that expire periodically or must be frequently renegotiated, extended, or replaced from time to time and that often contain fixed prices for product. These arrangements expose the Company to potential risks associated with rising material costs during the term of the applicable contract or blanket purchase order.

Legal proceedings

The Company has commenced multiple patent infringement lawsuits to enforce its proprietary two-part Sorbent Enhancement Additive (SEA®) process for mercury removal from coal-fired power plants. These actions, filed between 2019 and 2025, target various operators of coal-fired power plants and refined coal producers whom the Company alleges have willfully infringed its patent rights. The Company is seeking damages, injunctive relief, and other remedies in each of these proceedings.

Delaware District Court Action

In July 2019, the Company initiated patent litigation against various defendants in the U.S. District Court for the District of Delaware which included (i) Vistra Energy Corp., AEP Generation Resources Inc., NRG Energy, Inc., Talen Energy Corporation, and certain of their respective affiliated entities, all of which are owners and/or operators of coal-fired power plants in the United States, and (ii) Arthur J. Gallagher & Co., DTE REF Holdings, LLC, CERT Coal Holdings LLC, Chem-Mod LLC, and certain of their respective affiliated entities, and additional named and unnamed defendants, all of which operated or were involved in operations of coal facilities in the United States.

Between July 2020 and January 2021, the Company entered into agreements with each of the four major utility defendants which included certain monetary arrangements and pursuant to which the Company dismissed all claims brought against each of them and their affiliates.

In November 2023, the Company entered into a confidential binding term sheet with Arthur J. Gallagher & Co., and various of its affiliated entities, and DTE Energy Resources LLC and various of its affiliated entities, to resolve the patent litigation. Pursuant to the term sheet, all claims and counterclaims asserted by the parties in such patent litigation have been dismissed with prejudice, although such term sheet does not affect any other claim brought against the remaining CERT defendants. In November 2023, Alistar Enterprises, LLC, one of the remaining CERT defendants, entered into a settlement agreement with the Company.

In December 2023, and in connection with the term sheet described above, the Company, along with its wholly-owned subsidiary, MES, Inc., and (a) Chem-Mod LLC ("Chem-Mod"), (b) Arthur J. Gallagher & Co. and AJG Coal, LLC, and (c) DTE Energy Co. and DTE Energy Resources, LLC, entered into a paid license of U.S. Patent No. 8,168,147, U.S. Patent No. 10,343,114, U.S. Patent No. 10,589,225, U.S. Patent No. 10,596,517 and U.S. Patent No. 10,668,430 and their foreign equivalents and related patent applications and patents, which licenses the use of refined coal or the Chem-Mod Solution in conjunction with activated carbon. This license applies to Chem-Mod and certain of its licensees, sub-licensees, and their customers, for the remaining term of such patents. By its terms, the license does not cover the use of activated carbon with coal that is not either refined coal or coal made by or for use with the Chem-Mod Solution in a manner authorized by the license. The parties to the license have mutually released all claims that any past use of the Chem-Mod Solution in connection with the production or use of refined coal with activated carbon by entities other than the CERT defendants and their customers infringes the asserted patents and related intellectual property, and all claims that could have been brought challenging the validity of such patents. The remaining CERT defendants and their customers (for activities relating to the CERT defendants) were not included within the scope of the license.

The case proceeded to trial in February 2024 against the remaining CERT defendants. On March 1, 2024, a federal jury returned a $57.1 million verdict in favor of the Company against the remaining CERT defendants, finding willful infringement of the Company's patented technologies and holding the defendants liable for inducing and contributory infringement. Such group of affiliated defendants included multiple limited liability companies with refined coal industry operations, including CERT Operations II LLC, CERT Operations IV LLC, CERT Operations V LLC, and CERT Operations RCB LLC. Following the trial, the Court entered non-final judgments on the verdict against the CERT defendants and the parties submitted post-trial motions relating to the jury trial. The CERT defendants also asserted that the Company's claims were barred due to their defense that they had an implied license to the asserted patents. A bench trial was held on such issue. On June 10, 2025, the Court ruled that the CERT defendants failed to prove that they had such an implied license and denied their motion to alter or amend the non-final judgment. On September 25, 2025, the Court issued a Memorandum Opinion and Order denying the CERT defendants' post-trial motion that they should not be held liable as a matter of law for induced infringement, contributory infringement or willful infringement, and on November 20, 2025, the Court issued a Memorandum Opinion and Order denying the CERT defendants' post-trial motion for a new trial on the issues of induced infringement, contributory infringement, willful infringement and damages. Thereafter, on December 17, 2025, the Court issued a memorandum order granting the Company's request for pre- and post-judgment interest, and denying the Company's request for enhanced damages. Following resolution of all post-trial motions, the Court issued the final judgment in favor of the Company on December 29, 2025 in the total amount of $78,397,157, which amount includes pre-judgment interest. The Company accounts for the judgement under ASC 450-30, *Contingencies*, which does not allow recognition until cash or claims to cash are realized or realizable. We did not recognize the judgement as of March 31, 2026 because there were inherent uncertainties associated with the realizability of the judgement.

On January 28, 2026, the CERT defendants filed a notice of appeal of the judgment. Under applicable rules, the CERT defendants may seek a stay of execution of the judgment pending appeal by posting a bond or other security in an amount and form approved by the Court. As of the date the unaudited condensed consolidated financial statements were issued, the CERT defendants have not obtained a bonded stay. Although the automatic stay of execution applicable following entry of judgment has expired, the appeal remains pending. Interest continues to accrue on the judgment amount during the pendency of the appeal.

2024-2025 Patent Infringement Actions

In July 2024, the Company commenced three additional patent infringement lawsuits in U.S. District Courts in Arizona, Iowa and Missouri against multiple utilities and related entities. These actions allege willful infringement of the Company's patents related to mercury emissions control. Named as defendants in the action filed in the U.S. District Court for the District of Arizona were Tucson Electric Power Co., San Carlos Resources, Inc., Salt River Project Agricultural Improvement and Power District, Tri-State Generation and Transmission Association, Inc., Springerville Unit 3 Holding LLC, and Springerville Unit 3 Partnership LP. Named as defendants in the action filed in the U.S. District Court for the Southern District of Iowa were Berkshire Hathaway Energy Company, MidAmerican Energy Company, PacifiCorp, Alliant Energy Corporation, Interstate Power and Light Company, and Wisconsin Power and Light Company, and named as defendants in the action filed in the U.S. District Court for the Eastern District of Missouri were Ameren Corp. and Union Electric Co.

In October 2024, the Company entered into an agreement with one of the utility defendants and an affiliated entity in the Arizona action, and in January 2025, the Company entered into an agreement with another utility named in the Arizona action. Such agreements provide such parties and their affiliates with a non-exclusive license to certain Company patents related to the Company's two-part Sorbent Enhancement Additive (SEA®) process for use in connection with a certain designated coal-fired power plant operated by them. The agreements include one-time license fees which have been received by the Company. One agreement provides the Company with a right of first refusal for certain of such utility's product supply for mercury emissions capture at such designated power plant and the other agreement provides the Company with the right to be included in such party's bidding process for certain product supply for mercury emissions capture at such party's designated power plant.

On December 17, 2024, the U.S. Judicial Panel on Multidistrict Litigation ordered the consolidation of the three lawsuits in the U.S. District Court for the Southern District of Iowa for coordinated pretrial proceedings. In January 2025, the Company initiated an additional infringement suit in the Western District of Missouri against several Evergy-affiliated entities. Named as defendants in the action were Evergy, Inc., Evergy Metro Inc., Evergy Missouri West, Inc. and Evergy Kansas Central, Inc. One of such defendants was dismissed from the Western District of Missouri action and named as a defendant in a separate case commenced in the U.S. District Court for the District of Kansas. Such cases were transferred to the Iowa court pursuant to the existing transfer order.

Between January and July 2025, certain defendants in the consolidated Iowa actions filed inter partes review ("IPR") petitions with the U.S. Patent and Trademark Office seeking to invalidate various asserted claims.

Effective as of August 5, 2025, the Company entered into separate agreements with two utilities, which are affiliated with each other, and named as defendants in the Southern District of Iowa action. In addition, as of September 9, 2025, the Company entered into an agreement with a utility and its affiliated entities, named as defendants in the Western District of Missouri and District of Kansas actions. Such agreements provide such parties and their affiliates with a non-exclusive license to certain Company patents related to the Company's two-part SEA® process for use in connection with certain designated coal-fired power plants operated by them. Each agreement includes a one-time license fee. The agreements effective as of August 5, 2025 entered into with the two utilities, provide the Company with the right to be included in each utility's bidding process for certain product supply for mercury emissions capture at such party's operated power plants. Such two utilities have also agreed to withdraw from the IPR petitions.

Effective as of September 30, 2025, the Company entered into an agreement with another utility not named as a defendant in the Company's patent litigations, but a party to the IPR petitions filed with the U.S. Patent and Trademark Office. Such agreement provides such utility and its affiliates with a with a non-exclusive license to certain Company patents related to the Company's two-part SEA® process for use in connection with a certain designated coal-fired power plant operated by them. Such agreement includes a one-time license fee and provides the Company with the right to be included in such party's bidding process for certain product supply for mercury emissions capture at such party's designated power plant. Such party has agreed to withdraw from IPR petitions.

Effective as of October 15, 2025, the Company entered into an agreement with another utility named as a defendant in the Southern District of Iowa action. While the terms of the agreement are confidential, it includes a resolution of the disputes between the Company and that utility and its affiliates and provides for their withdrawal from related proceedings.

As a result of the agreements described above, the Company and several defendants have resolved their respective claims, and those defendants have been dismissed from the applicable actions. There remain two utilities in the consolidated Iowa actions.

As described above, between January and April 2025, certain defendants in the consolidated Iowa actions filed IPR petitions seeking to invalidate various asserted claims of the Company's patents. In September and October 2025, the U.S. Patent Trial and Appeal Board ("PTAB") granted the institution of review of certain of the Company's asserted patents. The Company sought review of those institutional decisions by the PTO Director. The Director has since issued decisions granting reconsideration in part and denying it in part, and certain matters remain subject to further motions and proceedings before the PTAB. In connection with these proceedings, the Court in the consolidated Iowa actions has stayed the litigation pending completion of the IPR process.

Between June and July 2025, certain other defendants in the consolidated Iowa actions filed IPR petitions seeking to invalidate various asserted claims of the Company's patents. These petitions were denied institution by the PTO Director, and requests for reconsideration of those denials have also been denied.

The Company cannot predict the ultimate outcome of the pending IPR proceedings or related matters.

Other than the foregoing, there are no material pending legal proceedings to which the Company is a party or of which any of its property is the subject.

Litigation, including patent litigation, is inherently subject to uncertainties. As such, there can be no assurance that the Company will be successful in litigating and/or settling any of the remaining claims. The Company expenses legal costs relating to patent litigation as incurred.

Contingent Liability

The Company is involved in a dispute with a third party related to invoices and other claimed charges in the amount of $184,079 pertaining to reimbursement for certain alleged costs and legal services. The Company disputes these invoices and charges on the basis that the third party was not entitled to reimbursement.

As of March 31, 2026, the matter remains unresolved. The Company has evaluated the claim in accordance with ASC 450, *Contingencies*, and has determined that a loss is possible, but not probable. Accordingly, no liability has been recorded in the accompanying unaudited condensed consolidated financial statements. While the Company intends to vigorously defend its position, an unfavorable outcome could result in a loss of up to approximately $184,079. At this time, the Company is unable to determine the ultimate resolution of this matter.

Note 11 - Common Stock

On February 27, 2026, the Company completed a public offering of 6,250,000 shares of its common stock, at a price of $2.40 per share, generating gross proceeds of $15,000,000. In connection with the offering, the Company granted the underwriters a 30-day option to purchase up to an additional 937,500 shares of common stock at the offering price of $2.40 per share (the "Over-Allotment Option"). On March 17, 2026, the Company sold to the underwriters pursuant to their partial exercise of their Over-Allotment Option an additional 600,000 shares of common stock resulting in additional gross proceeds of $1,440,000. After giving effect to the partial exercise of the Over-Allotment Option, gross proceeds from the offering were $16,440,000, before deducting underwriting discounts and commissions and other offering expenses payable by the Company of $2,211,383. At December 31, 2025, the Company had deferred $481,250 of offering costs incurred prior to December 31, 2025.

On March 19, 2025, the Company announced that its Board of Directors authorized a share repurchase program under which the Company may purchase up to $1.0 million of its common stock. Purchases under the share repurchase program may be made from time to time, in such amounts as management deems appropriate, through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades, accelerated share repurchase transactions, purchases through 10b5-1 trading plans, or by any combination of such methods. The timing and amount of any repurchases pursuant to the share repurchase program will be determined based upon a variety of factors, including general market conditions, share price, corporate and regulatory requirements and limitations, corporate liquidity requirements and priorities, and other factors. The share repurchase program does not have an expiration date, does not require the Company to repurchase any specific number of shares of its common stock, if any, and may be modified, suspended or terminated at any time without notice. At March 31, 2026, there were no repurchases made under the program.

Note 12 - Stock Based Compensation

Stock Based Compensation

The Company accounts for stock-based compensation awards in accordance with the provisions of ASC 718, which addresses the accounting for employee stock options which requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the unaudited condensed consolidated financial statements over the requisite service period based on the estimated fair value of the awards.

Stock based compensation consists of the amortization of common stock, stock options, restricted share units and warrants issued to employees, directors and consultants. For the three months ended March 31, 2026 and 2025, stock-based compensation expense amounted to $427 and $60,527, respectively. Such expense is classified in selling, general and administrative expenses.

On July 3, 2023, the Board of Directors of the Company approved and adopted the Company's Amended and Restated 2014 Equity Incentive Plan (the "2014 Plan") and the Company's Amended and Restated 2017 Equity Incentive Plan (the "2017 Plan") which amended the Company's previously adopted 2014 Equity Incentive Plan and 2017 Equity Incentive Plans. The 2014 Equity Incentive Plan was first approved by the Board on January 10, 2014. The 2017 Equity Incentive Plan replaced the 2014 Equity Incentive Plan, which was terminated by the Board on April 28, 2017. As a result of such termination, no additional awards may be granted under the 2014 Equity Incentive Plan but previously granted awards shall remain outstanding in accordance with their terms and conditions. The 2017 Plan was adopted by the Board on February 9, 2017. As amended by the Board on July 3, 2023, the maximum number of shares of common stock that may be issued under the 2017 Plan after July 3, 2023 is 2,815,692, and to the extent any award (or portion thereof) outstanding under the 2014 Plan expires, terminates or is cancelled, surrendered or forfeited for any reason on or after July 3, 2023, the shares of common stock subject to such award (or portion thereof) shall be added to and increase the foregoing limit, to a maximum of 955,000 additional shares of common stock. (On July 3, 2023, there were 955,000 options and no other types of awards outstanding under the 2014 Plan.) On October 29, 2024, the Board approved certain non-material amendments to the 2014 Plan and 2017 Plan. As of March 31, 2026, there were 1,518,261 shares remaining available for issuance under the 2017 Plan and no options available or outstanding under the 2014 Plan.

Stock Options

On January 2, 2025, and pursuant to an investor relations consulting agreement effective as of January 1, 2025 with a nonaffiliated third party, the Company granted a nonqualified stock option under the 2017 Plan to such third party to acquire 50,000 shares of the Company's common stock at an exercise price of $2.55 per share, representing the fair market value of the common stock on the date of grant as determined under the 2017 Plan. Twenty-five percent of the option shall vest and become exercisable three months following the grant date and twenty-five percent shall vest every three months thereafter such that the option shall be fully vested one year following the grant date. The option will expire three years after the grant date. Based on a Black-Scholes valuation model, these options were valued at $77,926, in accordance with FASB ASC Topic 718. The fair value of the shares was being amortized to selling, general and administrative expenses within the Company's consolidated statements of operations over twelve months and the Company recorded $427 of expenses during the three months ended March 31, 2026 (2025 – $18,788). The valuation assumptions included an expected duration of 3 years, volatility of 87%, discount rate of 4.29% and dividends of $0.

On January 9, 2025, the Company granted a nonqualified stock option under the 2017 Plan to a new director, who was elected to the Board on December 30, 2024, to acquire 20,000 shares of the Company's common stock at an exercise price of $2.80 per share, representing the fair market value of the common stock on the date of grant as determined under the 2017 Plan. The option is fully vested and exercisable as of the grant date and will expire five years thereafter. Based on a Black-Scholes valuation model, these options were valued at $40,071, in accordance with FASB ASC Topic 718, which was expensed on the issuance date in selling, general and administrative expenses within the Company's consolidated statements of operations. The valuation assumptions included an expected duration of 5 years, volatility of 92%, discount rate of 4.46% and dividends of $0.

A summary of stock option activity is presented below:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)		Aggregate Intrinsic Value
January 1, 2026	1,070,000	$	3.43	1.58	$	769,500
Grants	-		-			
Expirations	-		-			
Exercised	-		-			
March 31, 2026	1,070,000	$	3.43	1.33	$	204,000
Options exercisable at:						
March 31, 2026	1,070,000	$	3.43	1.33	$	204,000

The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company's closing stock price of $1.90 as of March 31, 2026, which would have been received by the option holders had all option holders exercised their options as of that date.

There were no stock options exercised during the three months ended March 31, 2026 or March 31, 2025.

Restricted Share Units

On January 15, 2024, the Company granted 10,000 restricted share units ("RSUs") to a director pursuant to the 2017 Plan.The RSUs will vest one year from the date of grant on January 15, 2025. Once vested, each RSU represents the right to receive one share of the Company's common stock. These shares of common stock were valued at $43,500 in accordance with FASB ASC Topic 718. The fair value of the shares will be amortized as an expense over the vesting period. The shares become fully vested on January 15, 2025. The expense for the three months ended March 31, 2026 and 2025 was $0 and $1,668, respectively.

On January 15, 2025, the Company issued 10,000 shares of common stock to a director due to the vesting on such date of10,000 RSUs which had previously been granted on January 15, 2024 pursuant to the 2017 Plan and had a one-year vesting period.

At March 31, 2026 and December 31, 2025, the Company had no outstanding RSUs.

Note 13 - Warrants

There were no warrants outstanding as of March 31, 2026 and December 31, 2025, and no warrants were issued or exercised during the three months ended March 31, 2026 and 2025.

Note 14 - Segment and Geographic Information

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer (the "CEO"). The Company is a provider of specialty activated carbon technologies and, at March 31, 2026 and December 31, 2025, had one operating segment, which entails the provision of specialty activated carbon technologies for air and water purification in the United States.

There are no segment managers who are held accountable for operations, operating results or plans for levels or components below the consolidated unit level. Accordingly, management has determined that the Company has a single operating and reportable segment. The accounting policies related to operating and reportable segments are the same as those described in Note 3, "Basis of Presentation and Summary of Significant Accounting Policies". The primary measure of segment profit or loss is consolidated net income as presented below and is used the by CEO for the purpose of evaluating segment performance and allocation of budget to support business expansion, new product development and operational efficiencies.

	Three Months Ended March 31,	
	2026	**2025**
Material sales	$ 4,187,920	$ 2,676,984
License fees	-	525,000
Other revenues	52,014	19,027
Total revenues	4,239,934	3,221,011
Material costs	(2,181,122)	(1,449,157)
Blending and milling	(126,193)	(65,378)
Shipping	(251,576)	(205,688)
Other cost of goods sold	(175,838)	(164,610)
Compensation and benefits	(1,228,271)	(1,067,156)
Stock-based compensation	(427)	(60,527)
Amortization and depreciation	(106,237)	(72,465)
Consulting fees	(518,095)	(260,458)
Professional fees	(468,422)	(895,715)
General and administrative	(288,366)	(322,810)
Change in fair value of profit share	(245,681)	(353,351)
Interest expense	-	(54)
Tax benefit (expense)	(357)	(14,135)
Research & development	(44,732)	-
Interest income	49,840	31,273
Segment net (loss) income	(1,345,543)	(1,679,220)
Reconciliation of profit or loss		
Adjustments and reconciling items	-	-
Consolidated net (loss) income	$ (1,345,543)	$ (1,679,220)

The segment assets are not reviewed by the CODM at a different asset level or category and is reviewed at the consolidated level.

Note 15 - Subsequent Events

On May 1, 2026, the Company entered into a second amended and restated employment agreement with Richard MacPherson, which amends and restates his prior amended and restated employment agreement effective as of June 1, 2024. The prior agreement provided for an initial term through May 31, 2027, with one-year renewals thereafter unless terminated by either party. Pursuant to the new agreement, the initial term of Mr. MacPherson's employment has been extended from May 31, 2027 to May 31, 2030. Mr. MacPherson will continue to serve as President and Chief Executive Officer at the same base salary as in effect under the prior agreement, and will receive a cash retention bonus of $500,000 in consideration for his agreement to remain employed through the extended term. If Mr. MacPherson voluntarily terminates his employment prior to May 31, 2030 (other than for good reason as defined therein), or if the Company terminates his employment for cause (as defined therein), he will be required to repay a pro rata portion of the retention bonus.

On May 1, 2026, the Company entered into an amended and restated employment agreement with James Trettel, which amends and restates his prior employment agreement effective as of June 1, 2024. The prior agreement provided for an initial term through May 31, 2027, with one-year renewals thereafter unless terminated by either party. Pursuant to the new agreement, the initial term of Mr. Trettel's employment has been extended from May 31, 2027 to May 31, 2030 . Mr. Trettel will serve as Chief Operating Officer (rather than Executive Vice President of Operations under the prior agreement) at the same base salary as in effect under the prior agreement, and will receive a cash retention bonus of $250,000 in consideration for his agreement to remain employed through the extended term. If Mr. Trettel voluntarily terminates his employment prior to May 31, 2030 (other than for good reason as defined therein), or if the Company terminates his employment for cause (as defined therein), he will be required to repay a pro rata portion of the retention bonus.

Effective May 1, 2026, the Company appointed Michael Mioska as its Chief Financial Officer. The Company entered into an arrangement with a third-party employer of record pursuant to which Mr. Mioska is employed by such third party and assigned to provide services to the Company. Mr. Mioska will be paid an annual base salary of $425,000 CAD (approximately $312,000 USD).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes that appear elsewhere within this report. Certain statements we make under this Item 2 constitute "forward-looking statements" under the U.S. Private Securities Litigation Reform Act of 1995 or applicable Canadian securities laws. See "Forward-Looking Statements" in "Part I" preceding "Item 1 – Financial Statements." You should consider our forward-looking statements in light of the risks discussed under the heading "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2025, as well as our unaudited condensed consolidated financial statements, related notes and other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission or Canadian securities regulators.

Unless indicated otherwise, references in this discussion and analysis to the "Company," "we," "us," or "our" refer collectively to Birchtech Corp. and its consolidated subsidiaries.

Overview

Business Operations

We are a provider of specialty activated carbon technologies, delivering innovative solutions for air and water purification. We provide patented and proprietary technologies for mercury emissions capture to the coal-fired utility sector, and are developing disruptive water purification technologies with a specialization on forever chemicals such as PFAS and PFOS.

Mercury Emissions

We provide mercury capture solutions for coal-fired power plants driven by our patented two-part Sorbent Enhancement Additive (SEA®) process using a powerful combination of science and engineering. Our leading-edge services have been shown to achieve mercury emissions removal at a significantly lower cost and with less operational impact to coal-fired power plants than other used methods, while maintaining and/or increasing power plant output and preserving the marketability of byproducts for beneficial use. We design systems and materials tailored and formulated specifically to each customer's coal-fired units. North America is currently the largest market for our emissions technologies. The market for mercury removal from power plant emissions in the United States has largely been driven by federal regulations. The MATS rule, proposed by the EPA in May 2011 and which became effective in April 2012, is intended to reduce air emissions of heavy metals, including Hg, from all major U.S. power plants burning coal or oil, which are the leading source of non-natural mercury emissions in the U.S. Our mercury removal technologies and systems achieve mercury removal levels which meet or exceed the MATS requirements with lower cost and plant systems impacts than typical PAC or BAC sorbent injection systems. Our products have been shown to be successful across a myriad of fuel and system types, tunable to any configuration, and environmentally friendly, allowing for the recycling of fly ash for beneficial use.

Our SEA® technology provides total mercury control with solutions that are based on a thorough scientific understanding of actual and probable interactions involved in mercury capture in coal-fired flue gas. A complete understanding of the complexity of mercury-sorbent-flue gas interactions and chemisorption mechanisms allows for optimal control strategy and product formulation, resulting in effective mercury capture. Combined with a thorough proprietary audit of the plant and its configuration and instrumentation, we believe our complete science and engineering approach for mercury-sorbent-flue gas interactions are well-understood, highly predictive, and critical to delivering total mercury control.

We believe that a significant percentage of coal-fired power plants in the United States have adopted and are infringing upon our two-part SEA® process for mercury removal from coal-fired power plants.

Beginning in 2019, we began to actively enforce our patent rights against unauthorized use of our patented technologies, and have since initiated patent litigation in various jurisdictions against multiple infringers, claiming infringement of our patents related to our two-part process for mercury removal from coal-fired power plants. We view such litigation as a last resort. Our goal and overall strategy is to convert infringers to our supply chain of sorbent products for mercury removal, or otherwise license our patents to them on a non-exclusive basis in connection with their respective coal-fired power plants.

In April 2023, the EPA issued a proposal to strengthen and update MATS. Such proposal was finalized and published in May 2024 with an effective date of July 8, 2024 which, among other things, strengthens and updates MATS for coal-fired power plants and tightens the emission standard for mercury for existing lignite-fired power plants to a level that is aligned with the mercury standard that other coal-fired power plants have been achieving under MATS.

On March 12, 2025, the newly appointed EPA administrator under the Trump Administration announced plans to roll back dozens of environmental regulations including the reconsideration of the MATS regulation. On April 8, 2025, President Trump signed a Proclamation exempting certain stationary sources, identified in Annex 1 of the Proclamation, from compliance with the 2024 updated MATS Rule. As set out in the Proclamation, the President's exemption lasts for a period of two years beyond the updated Rule's compliance date (i.e., for the period beginning July 8, 2027, and concluding July 8, 2029). During the two-year period these stationary sources identified in Annex 1 are subject to the compliance obligations that they are currently subject to under MATS as the MATS Rule existed prior to the 2024 update. Annex 1 identifies 47 plant owners and over 60 power plants provided such exemption, which list includes a number of our customers.

In June 2025, the EPA proposed to repeal certain amendments finalized in 2024 to the MATS Rule and return compliance obligations to the MATS standards which existed prior to the 2024 update. On December 23, 2025, the EPA submitted a draft of the final action to the OMB for interagency review under Executive Order 12866. On February 19, 2026, following completion of the OMB interagency review process, the EPA finalized the repeal of the 2024 amendments to the MATS Rule which returned compliance to the 2012 MATS Rule requirements.

Water Treatment

In April 2024, the EPA under the Biden Administration issued the first-ever national, enforceable drinking water standard to protect communities from exposure to harmful PFAS, also known as "forever chemicals". The rule as enacted established legally enforceable MCLs (maximum contaminant levels) for six PFAS in drinking water: PFOA, PFOS, PFHxS, PFNA, and HFPO-DA as contaminants with individual MCLs, and PFAS mixtures containing at least two or more of PFHxS, PFNA, HFPO-DA, and PFBS using a Hazard Index MCL to account for the combined and co-occurring levels of these PFAS in drinking water. Under the Rule as enacted, public water systems must monitor these PFAS and must complete initial monitoring by 2027, followed by ongoing compliance monitoring. Water systems must also provide the public with information on the levels of these PFAS in their drinking water beginning in 2027. On May 14, 2025, the EPA under the new Trump Administration announced the agency will keep the regulations for PFOA and PFOS. As part of this action, the EPA also announced its intent to extend the PFOA and PFOS MCL compliance deadlines to 2031 and establish a federal exemption framework. Additionally, the EPA announced its intent to rescind the regulations and reconsider the regulatory determinations for PFHxS, PFNA, HFPO-DA/GenX), and the Hazard Index mixture of these three PFAS plus PFBS to ensure the determinations and any resulting drinking water regulation follow the SDWA process.

In April 2024, we announced the introduction of our new water treatment business to address the growing potable (drinking) water market with next-generation sorbent technologies. These new solutions are being designed to use significantly less activated carbon, offering a more environmentally sustainable approach to water treatment while maintaining or improving contaminant removal performance. Our products target not only compliance with emerging PFAS regulations, but also broader opportunities in water quality improvement positioning us to serve a large and expanding market.

As part of this strategic pivot, we have invested in the commissioning of two state-of-the-art laboratory facilities—one in Pennsylvania and one in North Dakota—referred to as our "Design Centers." The Design Centers are dedicated sites for water treatment innovation and development. Together, we believe these facilities represent the only known facilities that have integrated capability in North America to thermally reactivate spent GAC under controlled conditions and subsequently conduct RSSCTs to directly compare reactivated GAC performance against virgin carbon counterparts. This combination allows us to evaluate reactivated GAC as a sustainable and cost-effective alternative to virgin carbon and address key water utility questions including how to optimize media changeout schedules, strategies to reduce operational costs, and provide lab-based validation of treatment performance for PFAS and other contaminants.

These Design Centers will also function as a direct resource for the water treatment industry, offering thermal reactivation, contaminant analysis, and carbon performance evaluations. By enabling municipal and industrial utilities to lower compliance costs and improve operational efficiency, we expect to build strong technical credibility and customer engagement ahead of large-scale market adoption. Importantly, we believe our technology platform is not solely dependent on PFAS regulations as market demand for improved water treatment solutions is broad.

Our investment in our Design Centers also serves as the basis for our planned commercial thermal reactivation plants which we intend to open and operate in the future. Data generated from the Design Centers is being used to define permitting requirements, capital expenditure parameters, and projected operating costs accelerating the commercialization timeline while avoiding costly future reliance on third-party providers.

In light of evolving water regulations and funding dynamics, we believe the Company is well positioned to capture a meaningful share in the rapidly growing water treatment sector.

Other Recent Developments

Reverse Split

On December 23, 2025, we filed with the Secretary of State of the State of Delaware a certificate of amendment to our Certificate of Incorporation to effect a reverse stock split of our issued and outstanding shares of common stock at a ratio of 1-for-5, effective December 26, 2025. Following the reverse stock split, every five (5) shares of our issued and outstanding common stock were automatically converted into one (1) issued and outstanding share of common stock, without any change in par value per share. No fractional shares were issued in connection with the reverse stock split, and any shareholders who would have received fractional shares of common stock instead were rounded up to the nearest whole number of shares of common stock. The reverse stock split did not affect the number of shares of authorized common stock. The common stock began trading on a reverse stock split-adjusted basis on December 31, 2025.

Patent Litigation

We previously commenced multiple patent infringement lawsuits to enforce our proprietary two-part SEA® process for mercury removal from coal-fired power plants. These actions, filed between 2019 and 2025, targeted various operators of coal-fired power plants and refined coal producers whom we allege have willfully infringed our patent rights.

On December 29, 2025, following resolution of post-trial motions, the U.S. District Court for the District of Delaware entered final judgment in favor of the Company in the amount of $78,397,157, inclusive of pre-judgment interest, in connection with the patent infringement action commenced in 2019. On January 28, 2026, the defendants filed a notice of appeal of the judgment. No stay of execution of the judgment has been obtained, and interest continues to accrue during the pendency of the appeal.

Separately, the Company has entered into agreements with certain utilities resolving disputes and providing for licenses to certain of the Company's patents and withdrawal of related proceedings. As a result, those parties have been dismissed from the applicable actions. Two utilities remain in the consolidated Iowa actions.

In addition, certain defendants have filed inter partes review ("IPR") petitions challenging asserted claims of the Company's patents. The U.S. Patent Trial and Appeal Board ("PTAB") instituted review of certain petitions, and proceedings are ongoing. The U.S. District Court for the Southern District of Iowa has stayed the consolidated litigation pending resolution of the IPR proceedings. Other IPR petitions have been denied institution and requests for reconsideration have also been denied.

The Company cannot predict the ultimate outcome of the pending appeal or IPR proceedings.

Registered Offering

On February 27, 2026, we completed a public offering of 6,250,000 shares of our common stock, at a price of $2.40 per share, generating gross proceeds of $15,000,000. In connection with the offering, we granted Lake Street Capital Markets, LLC as representative of the several underwriters a 30-day option to purchase up to an additional 937,500 shares of common stock at the offering price of $2.40 per share (the "Over-Allotment Option"). On March 17, 2026, the Company sold to the underwriters pursuant to their partial exercise of their Over-Allotment Option an additional 600,000 shares of common stock resulting in additional gross proceeds of $1,440,000. After giving effect to the partial exercise of the Over-Allotment Option, gross proceeds from the offering were $16,440,000, before deducting underwriting discounts and commissions and other estimated offering expenses payable by the Company. The net proceeds to us from the offering were $14,228,617, after deducting underwriting discounts and commissions of $1,150,800, and other offering expenses payable by us in the amount of $1,060,583. We intend to use the net proceeds of the offering, together with our existing cash, for, among other things, continuing operating expenses, working capital and other general corporate purposes.

NYSE American

On February 26, 2026, our shares of common stock commenced trading on the NYSE American under the symbol "BCHT" and ceased being traded on the OTCQB on that date.

Prior Developments

For a discussion of prior developments, see the Company's Form 10-K for the year ended December 31, 2025.

Results of Operations

Revenues

We generated revenues of approximately $4,240,000 and $3,221,000 for the three months ended March 31, 2026 and 2025, respectively. Such revenues were primarily derived from sorbent product sales which were approximately $4,188,000 and $2,677,000 for three months ended March 31, 2026 and 2025, respectively. Revenues in the mercury emissions market can be dependent on natural gas prices, extreme weather, and the maintenance and downtime requirements of customer plants. The increase in revenues for product sales from the prior year was primarily due to the mix of plants running and an increased demand for coal in connection with our mercury emissions business driven by more extreme weather conditions and higher natural gas prices in the current year compared to the prior year period. Additionally, sales were recognized for the water treatment market in 2026 compared to none in the comparable period of 2025.

Licensing revenues were $0 and $525,000 for the three months ended March 31, 2026 and 2025, respectively. Such decrease was primarily due to a new licensing agreement entered into in the first quarter of 2025 with a utility that provided for a one time up front license fee, for which there were no comparable transactions in the first quarter of 2026.

Other revenues, consisting of demonstrations, consulting and equipment sales, were approximately $52,000 and $19,000 for the three months ended March 31, 2026 and 2025, respectively. Other revenues have not been material in relation to total revenues.

Cost of Sales

Cost of sales were approximately $2,857,000 and $1,987,000 for the three months ended March 31, 2026 and 2025, respectively. The increase in cost of sales of approximately $870,000 was primarily attributable to increased product sales in the first three months of 2026 compared to the prior year period, together with a change in the mix of products sold in the first three months of 2026 compared to the prior year period.

Gross Profit

Gross profit was approximately $1,383,000 and $1,234,000 for the three months ended March 31, 2026 and 2025, respectively. The increase in gross profit of approximately $149,000 was primarily driven by greater product sales in the first three months of 2026. This increase was partially offset by a shift in revenue mix as licensing revenues, which typically carry higher margins, were higher in the three months ended March 31, 2025.

Operating Expenses

Operating expenses consisted of selling, general and administrative expenses ("SG&A") and research and development expenses ("R&D") in 2026 and 2025. Operating expenses decreased in the three months ended March 31,2026 compared to the prior year period. SG&A expenses were approximately $1,981,000 and $2,171,000 for the three months ended March 31, 2026 and 2025, respectively. Total SG&A expenses decreased in the three months ended March 31, 2026 compared to the prior year period, as a result of variances in individual categories. This includes decreases in professional fees, along with greater stock-based compensation in the three months ended March 31, 2025 compared to the comparable period of the current year. The decrease in professional fees was primarily due to lower legal fees in 2026.

Total R&D expenses were approximately $551,000 and $407,000 for the three months ended March 31, 2026 and 2025, respectively. R&D expenses relate to research conducted to develop water treatment products utilizing new sorbent technologies, and increased in in the three months ended March 31, 2026 compared to the prior period as the Company did not have all of its R&D strategy implemented at the beginning of 2025. The Company began incurring research and development costs when the lab equipment at the Company's labs was placed into service.

Operating Loss

Our operating loss was approximately $1,149,000 and $1,343,000 for the three months ended March 31, 2026 and 2025, respectively. Such decrease in operating loss was primarily due to our increased revenues in the first three months of 2026 compared to prior year period coupled with a decrease in total operating expenses during the first three months of 2026 as discussed above.

Other Income (Expense)

During the three months ended March 31, 2026 and 2025, we had total other expenses of $196,000 in 2026 compared to total other expenses of $322,000 in 2025.

Interest income was approximately $50,000 and $31,000 for the three months ended March 31, 2026 and 2025.
Loss on change in fair value of profit share liability was approximately $246,000 and loss of approximately $353,000 for the three months ended March 31, 2026 and 2025, respectively.

Net Loss

For the three months ended March 31, 2026, we had a net loss of approximately $1,346,000, an improvement from a net loss of $1,679,000 for the three months ended March 31, 2025. This improvement was primarily due to any increase in revenues in 2026 compared to 2025, and a decrease in expenses.

Liquidity and Capital Resources

We had approximately $14,748,000 in cash at March 31, 2026, compared to approximately $2,245,000 at December 31, 2025. Total current assets were approximately $17,749,000 and total current liabilities were approximately $10,029,000 at March 31, 2026, resulting in working capital of approximately $7,720,000. This compares to total current assets of approximately $5,004,000 and total current liabilities of approximately $10,740,000 at December 31, 2025, resulting in a working capital deficiency of approximately $5,737,000. The increases in cash and working capital were primarily attributable to proceeds from the Company's public offering completed in the first quarter of 2026, as described below. Our accumulated deficit was approximately $77,125,000 at March 31, 2026 compared to $75,779,000 at December 31, 2025.

As disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, the Company had previously identified conditions that raised substantial doubt about its ability to continue as a going concern. Subsequent to year end, on February 27, 2026 and March 17, 2026 (following the partial exercise of the underwriters' overallotment option), the Company completed an underwritten public offering of its common stock and received aggregate gross proceeds of $16.4 million, before deducting underwriting discounts and commissions and offering expenses.

Based on the net proceeds from the offering, together with the Company's existing cash, anticipated revenues and additional cash inflows from its current operations, management believes that the Company has sufficient liquidity to fund its operations and meet its obligations for at least the next twelve months and that the conditions giving rise to the previously disclosed substantial doubt have been alleviated.

Total Assets

Total assets were approximately $21,395,000 at March 31, 2026 versus approximately $9,238,000 at December 31, 2025. The change in total assets is primarily attributable to an approximate $12,503,000 increase in cash primarily due to the proceeds from the Company's public offering completed in the first quarter of 2026, offset by deferred offering costs recognized in 2025 of $481,000 compared to no deferred offering costs in the first quarter of 2026, together with other changes in asset categories consisting of smaller increases and decreases that were not individually significant.

Total Liabilities

Total liabilities were approximately $10,227,000 at March 31, 2026 versus approximately $10,953,000 at December 31, 2025. The change in total liabilities is primarily attributable to an approximate $984,000 decrease in accounts payable and accrued expenses.

Operating Activities

Net cash (used in) provided by operating activities consists of net income (loss), adjusted by certain non-cash items, and changes in operating assets and liabilities.

Net cash used in operating activities was approximately $2,207,000 for the three months ended March 31, 2026 compared to approximately $254,000 for the three months ended March 31, 2025. The increase in net cash used in operating activities was primarily attributable to the following: (i) changes in accounts receivable, which used approximately $133,000 of cash in 2026 compared to providing approximately $558,000 in 2025; (iii) changes in accounts payable and accrued expenses, which used approximately $984,000 in cash in 2026 compared to providing approximately $304,000 of cash in 2025; and (iv) certain other changes in operating assets and liabilities, including accrued salaries, inventory, and prepaid expenses and other assets.

Investing Activities

We had net cash used in investing activities of $0 for the three months ended March 31, 2026 compared to cash used in investing activities of approximately $14,000 for the three months ended March 31, 2025 for the purchase of lab equipment.

Financing Activities

Net cash provided by financing activities was $14,710,000 for the three months ended March 31, 2026 compared to no cash provided or used in financing activities for the three months ended March 31, 2025. During the three months ended March 31, 2026, we completed a public offering of 6,850,000 shares of our common stock, generating net proceeds of approximately $14,229,000.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimated are discussed in our Annual Report on Form 10-K for the year ended December 31, 2025, and there have been no material changes to such policies or estimates during the three months ended March 31, 2026.

Non-GAAP Financial Measures

Adjusted EBITDA

To supplement our consolidated financial statements presented in accordance with GAAP and to provide investors with additional information regarding our financial results, we consider and are including herein Adjusted EBITDA, a Non-GAAP financial measure. We view Adjusted EBITDA as an operating performance measure and, as such, we believe that the GAAP financial measure most directly comparable to it is net loss. We define Adjusted EBITDA as net income adjusted for interest and financing fees, income taxes, depreciation, amortization, stock-based compensation, and other non-cash income and expenses. We believe that Adjusted EBITDA provides us an important measure of operating performance because it allows management, investors, debtholders and others to evaluate and compare ongoing operating results from period to period by removing the impact of our asset base, any asset disposals or impairments, stock based compensation and other non-cash income and expense items associated with our reliance on issuing equity-linked debt securities to fund our working capital.

Our use of Adjusted EBITDA has limitations as an analytical tool, and this measure should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP, as the excluded items may have significant effects on our operating results and financial condition. Additionally, our measure of Adjusted EBITDA may differ from other companies' measure of Adjusted EBITDA. When evaluating our performance, Adjusted EBITDA should be considered with other financial performance measures, including various cash flow metrics, net income and other GAAP results. In the future, we may disclose different non-GAAP financial measures in order to help our investors and others more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

The following table shows our reconciliation of net loss to adjusted EBITDA for the three months ended March 31, 2026 and 2025, respectively:

	For the Three Months Ended	
	March 31, 2026	March 31, 2025
	(In thousands)	
Net loss	$ (1,346)	$ (1,679)
Non-GAAP adjustments:		
Depreciation and amortization	106	72
Change in fair value of profit share	246	353
Income Taxes	-	14
Stock based compensation	-	61
Adjusted EBITDA	$ (994)	$ (1,179)

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive officer and principal financial officer concluded, as of the end of the period covered by this report, that the Company’s disclosure controls and procedures were not effective as a result of material weaknesses in our internal control over financial reporting. The ineffectiveness of our disclosure controls and procedures was due to the following material weaknesses in our internal control over financial reporting: (i) lack of a sufficient complement of personnel commensurate with the Company’s reporting requirements; and (ii) insufficient written documentation or training of our internal control policies and procedures which provide staff with guidance or framework for accounting and disclosing financial transactions.

Despite the existence of the material weaknesses above, we believe that the consolidated financial statements contained in this Form 10-Q fairly present our financial position, results of operations and cash flows as of and for the periods presented in all material respects.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 9 “Commitments and Contingencies” to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this report for a summary of our legal proceedings, which is incorporated by reference herein.

Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

None.

Use of Proceeds

On February 27, 2026, we completed a public offering of 6,250,000 shares of our common stock, at a price of $2.40 per share, generating gross proceeds of $15,000,000. In connection with the offering, we granted Lake Street Capital Markets, LLC as representative of the several underwriters a 30-day option to purchase up to an additional 937,500 shares of common stock at the offering price of $2.40 per share (the “Over-Allotment Option”). On March 17, 2026, the Company sold to the underwriters pursuant to their partial exercise of their Over-Allotment Option an additional 600,000 shares of common stock resulting in additional gross proceeds of $1,440,000. After giving effect to the partial exercise of the Over-Allotment Option, gross proceeds from the offering were $16,440,000, before deducting underwriting discounts and commissions and other estimated offering expenses payable by the Company. The net proceeds to us from the offering were $14,228,617, after deducting underwriting discounts and commissions of $1,150,800, and other offering expenses payable by us in the amount of $1,060,583. No payment for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities, or (iii) any of our affiliates, except $125,000 to David M. Kaye, a director of the Company, for legal services rendered.

We intend to use the net proceeds of the offering, together with our existing cash, for, among other things, continuing operating expenses, working capital and other general corporate purposes.

The shares were offered pursuant to a Registration Statement on Form S-1, as amended (File No. 333-292701), which was declared effective by the SEC on February 17, 2026, including the preliminary prospectus included therein.

Purchases of equity securities by the issuer and affiliated purchasers

On March 19, 2025, we announced that our Board of Directors authorized a share repurchase program under which the Company may purchase up to $5.0 million of its common stock. Purchases under the share repurchase program may be made from time to time, in such amounts as management deems appropriate, through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades, accelerated share repurchase transactions, purchases through 10b5-1 trading plans, or by any combination of such methods. The timing and amount of any repurchases pursuant to the share repurchase program will be determined based upon a variety of factors, including general market conditions, share price, corporate and regulatory requirements and limitations, corporate liquidity requirements and priorities, and other factors. The share repurchase program does not have an expiration date, does not require the Company to repurchase any specific number of shares of its common stock, if any, and may be modified, suspended or terminated at any time without notice. During the three months ended March 31, 2026, there were no repurchases made under the program.

Item 3. Default Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Rule 10b5-1 Trading Arrangements

During the three months ended March 31, 2026, no director or officer of the Companyadopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description
31.1*	Certification by Principal Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
31.2*	Certification by Principal Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act
32.1*	Certification by Principal Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2*	Certification by Principal Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIRCHTECH CORP.

Dated: May 13, 2026

By: */s/ Richard MacPherson*
Richard MacPherson
President and Chief Executive Officer
(Principal Executive Officer)

Dated: May 13, 2026

By: */s/ Michael Mioska*
Michael Mioska
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION

I, Richard MacPherson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Birchtech Corp.;

2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 13, 2026

By: */s/ Richard MacPherson*
Richard MacPherson,
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Michael Mioska, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Birchtech Corp.;

2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 13, 2026

By: */s/ Michael Mioska*
Michael Mioska
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Birchtech Corp. (the “Company”) on Form 10-Q for the period ended March 31, 2026, as filed with the Securities and Exchange Commission (the “Report”), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned’s knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 13, 2026

By: */s/ Richard MacPherson*
Richard MacPherson,
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Birchtech Corp. (the “Company”) on Form 10-Q for the period ended March 31, 2026, as filed with the Securities and Exchange Commission (the “Report”), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned’s knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 13, 2026

By: */s/ Michael Mioska*
Michael Mioska
Chief Financial Officer
(Principal Financial Officer)