



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian Dollars unless stated otherwise)
(Unaudited)

For the three and six months ended June 30, 2024

NOTICE TO READER

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

BQE WATER INC.

Condensed Consolidated Interim Statements of Financial Position
For the period ended June 30, 2024 and December 31, 2023
(Unaudited – expressed in Canadian dollars)

		June 30 2024 \$	December 31 2023 \$
	note		
Assets			
Current assets			
Cash and cash equivalents		7,790,739	7,927,603
Trade and other receivables	5, 6 (b)	3,931,714	4,374,275
Prepaid and deposits		271,136	407,717
Total current assets		11,993,589	12,709,595
Non-current assets			
Property and equipment	7	1,725,776	1,816,830
Intangible assets	8	188,865	230,835
Investment in joint ventures	9	5,551,085	4,046,677
Deposits		52,203	52,204
Total non-current assets		7,517,929	6,146,546
Total assets		19,511,518	18,856,141
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	6, 10	1,049,044	1,340,240
Loans	11	82,500	82,500
Deferred revenues		90,625	37,350
Lease obligations	12	62,287	105,436
Deferred benefits	13	850,704	614,612
Total current liabilities		2,135,160	2,180,138
Non-current liabilities			
Loans	11	273,595	229,596
Deferred revenues		170,244	170,244
Lease obligations	12	1,574,866	1,500,346
Total non-current liabilities		2,018,705	1,900,186
Total liabilities		4,153,865	4,080,324
Shareholders' Equity			
Share capital	14	56,704,553	56,302,539
Contributed surplus		11,156,766	11,106,796
Accumulated other comprehensive income		1,288,850	1,231,278
Accumulated deficit		(53,792,516)	(53,864,796)
Total shareholders' equity		15,357,653	14,775,817
Total liabilities and shareholders' equity		19,511,518	18,856,141
Commitments (note 17)			

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

BQE WATER INC.

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

For the three and six months ended June 30, 2024 and 2023

(Unaudited – expressed in Canadian dollars)

		3 months ended June 30		6 months ended June 30	
		2024	2023	2024	2023
		\$	\$	\$	\$
	note				
Revenues	18	3,416,840	4,185,999	5,924,397	6,877,183
Operating expenses (excluding depreciation)		(1,810,300)	(2,161,888)	(3,213,195)	(3,855,491)
Gross margin		1,606,540	2,024,111	2,711,202	3,021,692
Share of income from joint ventures	9	1,129,375	407,002	1,461,218	488,137
General and administration		(891,667)	(749,792)	(1,591,630)	(1,421,608)
Sales and development		(927,814)	(557,465)	(1,851,569)	(1,170,314)
Share-based payments	6, 13	(343,378)	(29,040)	(616,557)	(219,274)
Depreciation and amortization	7, 8	(103,072)	(111,275)	(204,571)	(192,832)
Income (loss) from operations and joint ventures		469,984	983,541	(91,907)	505,801
Finance income (costs), net		88,703	(5,727)	115,937	31,310
Foreign exchange income (loss)		11,117	(78,204)	71,149	(18,822)
Bad debt expenses		-	(258,737)	-	(258,737)
Other income		-	665	-	47,613
Income before income taxes		569,804	641,538	95,179	307,165
Income tax expenses		(10,472)	(27,418)	(22,899)	(33,002)
Net income for the period		559,332	614,120	72,280	274,163
Other comprehensive income (loss)					
<i>Items that will be reclassified subsequently to income</i>					
Translation income (loss) on foreign operations		14,336	(471,172)	57,572	(461,039)
Total comprehensive income (loss) for the period		573,668	142,948	129,852	(186,876)
Net earnings per share					
Basic	14 (d)	0.44	0.49	0.06	0.22
Diluted	14 (d)	0.43	0.48	0.06	0.21
Weighted average number of shares outstanding					
Basic	14 (d)	1,265,060	1,252,682	1,259,575	1,254,147
Diluted	14 (d)	1,286,817	1,278,879	1,277,508	1,281,026

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

BQE WATER INC.

Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended June 30, 2024 and 2023

(Unaudited – expressed in Canadian dollars)

		Number of Shares	6 months ended June 30, 2024 \$	Number of Shares	6 months ended June 30, 2023 \$
	note				
Share Capital					
Balance, beginning of the period	14(b)	1,246,628	56,302,539	1,256,928	56,654,061
Exercise of stock options	13(a)	30,523	402,014	-	-
Shares repurchased	14(c)	-	-	(6,300)	(187,427)
Balance, end of the period		1,277,151	56,704,553	1,250,628	56,466,634
Contributed surplus					
Balance, beginning of the period			11,106,796		10,919,623
Equity settled share-based payments	13(a)		49,970		119,801
Balance, end of the period			11,156,766		11,039,424
Accumulated other comprehensive income					
Balance, beginning of the period			1,231,278		1,582,782
Other comprehensive income (loss) for the period			57,572		(461,039)
Balance, end of the period			1,288,850		1,121,743
Accumulated deficit					
Balance, beginning of the period			(53,864,796)		(56,517,973)
Net income for the period			72,280		274,163
Balance, end of the period			(53,792,516)		(56,243,810)
Total shareholders' equity					
Balance, beginning of the period			14,775,817		12,638,493
Exercise of stock options	13(a)		402,014		-
Shares repurchased	14(c)		-		(187,427)
Equity settled share-based payments	13(a)		49,970		119,801
Net income for the period			72,280		274,163
Other comprehensive income (loss) for the period			57,572		(461,039)
Balance, end of the period			15,357,653		12,383,991

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

BQE WATER INC.

Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2024 and 2023
(Unaudited – expressed in Canadian dollars)

		6 months ended June 30	
		2024	2023
		\$	\$
	note		
Operating activities			
Net income for the period		72,280	274,163
Items not affecting cash			
Bad debt expenses		-	258,737
Share of income from joint ventures	9	(1,461,218)	(488,137)
Finance income, net		(115,937)	(31,310)
Depreciation and amortization	7, 8	204,571	192,832
Unrealized foreign exchange gain		(39,942)	(11,930)
Share-based payments	13	616,557	219,274
		(723,689)	413,629
Change in non-cash operating working capital items	16	154,589	(1,412,352)
Income taxes paid		(13,981)	-
Net cash from (used in) operating activities		(583,081)	(998,723)
Investing activities			
Purchase of property and equipment	7	(68,187)	(29,880)
Purchase of intangible assets	8	-	(142,000)
Interest received		115,522	62,549
Net cash from (used in) investing activities		47,335	(109,331)
Financing activities			
Lease payments on principal portion	12	(60,726)	(87,693)
Lease payments on interest portion	12	(7,457)	(58,346)
Proceeds from exercise of stock options	13(a)	402,014	-
Repurchase of shares	14(c)	-	(187,427)
Repayment of loan	11	(48,125)	(41,250)
Proceeds from loan	11	82,869	-
Interest paid		(91)	(228)
Net cash from (used in) financing activities		368,484	(374,944)
Effect of exchange rate changes on cash balances		30,398	(19,672)
Change in cash and cash equivalents		(136,864)	(1,502,670)
Cash and cash equivalents, beginning of the period		7,927,603	6,234,352
Cash and cash equivalents, end of the period		7,790,739	4,731,682

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

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

BQE Water Inc. ("BQE Water" or the "Company") is the ultimate parent company of its consolidated group. BQE Water is an integrated water management services and treatment solutions provider with unique expertise and intellectual property to support the mining and metallurgical industry in reducing life cycle costs and risks associated with water.

The Company is a publicly listed company incorporated and domiciled in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange trading under the symbol BQE. The address of its registered office is Suite 200 – 30 East 6th Avenue, Vancouver, British Columbia, V5T 1J4, Canada.

2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC") on a basis consistent with the accounting policies disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2023. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

The Board of Directors of the Company approved these unaudited condensed consolidated interim financial statements on August 27, 2024.

b) Basis of Measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis except for deferred share units and restricted share units, which are measured at fair value through profit or loss.

c) Basis of Consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company, and the entities controlled by the Company, and the share of net assets and net earnings or losses in entities which the Company is a joint venture partner. The principal subsidiaries of the Company, which are accounted for under the consolidation method, are as follows:

Entity	Country of incorporation and operation	Ownership interest as at Jun. 30, 2024	Ownership interest as at Dec. 31, 2023
Biomet Mining Corporation	Canada	100%	100%
BioteQ Water (Chile) SpA	Chile	100%	100%
BioteQ Water Mexico S.A. de C.V.	Mexico	100%	100%
BQE Water (Hangzhou) Co. Ltd.	China	100%	100%
BQE Water Delaware, Inc.	USA	100%	100%

The joint ventures of the Company, which are accounted for under the equity method, are as follows:

Entity	Country of incorporation and operation	Ownership interest as at Jun. 30, 2024	Ownership interest as at Dec. 31, 2023
JCC-BioteQ Environmental Technologies Co. Ltd.	China	50%	50%
Shandong MWT BioteQ Environmental Technologies Co. Ltd.	China	20%	20%
BQE Water Nuvumiut Development Inc.	Canada	49%	49%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023 which includes information necessary or useful to understand the Company's business and financial statement presentation. In particular, the Company's significant accounting policies are presented as Note 3 in the audited consolidated financial statements for the year ended December 31, 2023 and have been consistently applied to all periods presented in the preparation of these unaudited condensed consolidated interim financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the condensed consolidated interim financial statements. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The judgments, estimates and assumptions applied in these condensed consolidated interim financial statements, including key sources of estimation uncertainty are consistent with those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2023.

5. TRADE AND OTHER RECEIVABLES

	Jun. 30, 2024	Dec. 31, 2023
	\$	\$
Trade receivables, net	2,799,175	3,781,299
Contract assets	377,271	506,866
Other receivables	755,268	86,110
	<u>3,931,714</u>	<u>4,374,275</u>

6. RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions were carried out with related parties of the Company:

a) Management Compensation

Included in trade payables and accrued liabilities as of June 30, 2024 is \$42,260 (\$nil at December 31, 2023) of director fees.

For the three and six months ended June 30, 2024 and 2023, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Salaries, fees and short-term benefits	308,731	232,357	531,689	438,656
Share-based payments (note 13(a) & (c))	59,911	26,212	101,478	85,832
	<u>368,642</u>	<u>258,569</u>	<u>633,167</u>	<u>524,488</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

b) Revenue Earned from Joint Venture

The Company earns operating fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services in the Nunavik region. Revenue earned from the joint venture for the three and six months ended June 30, 2024 was \$224,668 and \$230,242 (\$317,092 and \$405,660 for June 30, 2023). Included in trade and other receivables as of June 30, 2024 is \$203,542 (\$382,837 at December 31, 2023) of trade receivables due from the joint venture.

7. PROPERTY AND EQUIPMENT

	Right-of-use assets ¹	Pilot plants	Other ²	Total
	\$	\$	\$	\$
Cost				
As at December 31, 2022	747,911	580,593	799,149	2,127,653
Additions	1,470,048	-	300,773	1,770,821
Adjustment	-	-	(192,991)	(192,991)
Foreign exchange translation	(8,214)	-	(5,653)	(13,867)
As at December 31, 2023	2,209,745	580,593	901,278	3,691,616
Additions	-	-	68,187	68,187
Foreign exchange translation	6,179	-	(669)	5,510
As at June 30, 2024	2,215,924	580,593	968,796	3,765,313
Accumulated Depreciation				
As at December 31, 2022	(464,199)	(580,593)	(687,405)	(1,732,197)
Depreciation for the year	(306,232)	-	(40,228)	(346,460)
Disposals	-	-	192,991	192,991
Foreign exchange translation	5,228	-	5,652	10,880
As at December 31, 2023	(765,203)	(580,593)	(528,990)	(1,874,786)
Depreciation for the period	(130,485)	-	(32,117)	(162,602)
Foreign exchange translation	(2,818)	-	669	(2,149)
As at June 30, 2024	(898,506)	(580,593)	(560,438)	(2,039,537)
Carrying Amount				
As at December 31, 2023	1,444,542	-	372,288	1,816,830
As at June 30, 2024	1,317,418	-	408,358	1,725,776

¹Right-of-use assets (note 12) comprises lease assets such as office buildings and office equipment.

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

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

8. INTANGIBLE ASSETS

	Total \$
Cost	
As at December 31, 2022 & 2023	419,700
As at June 30, 2024	419,700
Accumulated Depreciation	
As at December 31, 2022	(104,925)
Depreciation for the year	(83,940)
As at December 31, 2023	(188,865)
Depreciation for the period	(41,970)
As at June 30, 2024	(230,835)
Carrying Amount	
As at December 31, 2023	230,835
As at June 30, 2024	188,865

On September 3, 2021 (the “Acquisition Date”), the Company entered into an intellectual property purchase agreement and a consulting agreement (together as the “Agreements”) with R&S Environmental Consulting Services Inc. and its sole owner Randy Aguis (together as “R&S”). Under the terms of the Agreements, R&S would receive an aggregate cash payment of \$250,000 and an earn-out bonus payable on the second anniversary of the Acquisition Date, for intangible asset rights pertaining to cyanide destruction. Intangible asset rights include all intellectual properties, such as the know-how, results, trade secrets, methods, and designs related to cyanide destruction. The total cost of the acquisition of \$419,700 includes the total cash consideration of \$250,000, plus the contingent consideration, or the earn-out bonus. The fair value of the earn-out bonus was contingent on net profits generated from the newly acquired intellectual properties, which was fair valued at \$169,700 at the time of acquisition.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

9. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on June 30, 2024 is \$5,551,085 (\$4,046,677 on December 31, 2023), and is comprised of:

	JCC-BQE \$	MWT-BQE \$	NVM-BQE \$
Balance, January 1, 2023	5,264,299	-	36,928
Share of net income (loss)	381,190	(99,312)	37,626
Share of translation loss on foreign operation	(286,616)	(12,465)	-
Dividends received	(1,386,750)	-	-
Unrecognized share of net income and translation loss	-	111,777	-
Balance, December 31, 2023	3,972,123	-	74,554
Share of net income (loss)	1,462,857	(61,734)	(1,639)
Share of translation gain on foreign operation	43,190	1,101	-
Unrecognized share of net income and translation loss	-	60,633	-
Balance, June 30, 2024	5,478,170	-	72,915

a) JCC-BioteQ Environmental Technologies Co. Ltd.

In 2007, BQE Water entered into a definitive joint venture agreement with Jiangxi Copper Corporation ("JCC") for the operation of a water treatment facility located at JCC's Dexing Mine in Jiangxi Province, China. The joint venture, which forms a 50/50 share joint venture company between BQE Water and JCC, is called JCC-BioteQ Environmental Technologies Co. Ltd. ("JCC-BQE"). The joint venture builds and operates water treatment plants utilizing BQE Water's technologies. The agreement includes a license contract whereby BQE Water will provide its patented technology on a royalty-free basis to the joint venture company for use at Dexing Mine and up to five potential additional sites owned and operated by JCC.

The joint venture sells the metal concentrate recovered in its operations to the joint venture partner, JCC. All related party sales are recorded on the date of sale at the fair market price of the metal with adjustments in accordance with the agreed upon terms. Currently, the joint venture operates three water treatment plants.

Any cash distributions from the joint venture to BQE Water must be unanimously approved by both partners and comply with Chinese tax and regulatory requirements. Distributions are also subject to Chinese withholding taxes and minimum capital requirements as applicable. Currently, BQE Water and JCC have a standing agreement to distribute excess cash reserves annually. The partners take into consideration factors such as operating performance of the plants, future capital requirements and working capital flexibility in determining the cash amount to be distributed in a given year.

The joint venture derives its revenue from recovered copper sales, which are subject to risks that are beyond the control of the joint venture. The copper recovery rate is dependent on the rainfall in the region and the grade of copper in the water treated, while the revenue is exposed to global commodity price risk.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

The statement of financial position of the Company's 50% interest in the JCC-BQE joint venture are presented as follows:

	Jun. 30, 2024	Dec. 31, 2023
	\$	\$
Assets		
Cash and cash equivalents	2,584,132	1,861,985
Other current assets	1,633,520	546,913
Non-current assets	2,223,857	2,405,888
Total assets	6,441,509	4,814,786
Liabilities	963,339	842,663
Partner's Equity	5,478,170	3,972,123
Total liabilities and partner's equity	6,441,509	4,814,786

The condensed statement of income and comprehensive income of the Company's 50% interest in the JCC-BQE joint venture are presented as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenues	2,665,652	1,584,658	3,568,000	2,252,403
Operating expenses (excluding depreciation)	(1,012,666)	(755,069)	(1,445,336)	(1,140,646)
	1,652,986	829,589	2,122,664	1,111,757
Non-operating expenses	(115,641)	(97,007)	(169,443)	(176,276)
Depreciation of plant and equipment	(115,349)	(117,975)	(230,041)	(242,031)
Income tax expense	(289,722)	(203,817)	(260,323)	(203,817)
Net income for the period	1,132,274	410,790	1,462,857	489,633
Other comprehensive income (loss)	17,776	(414,151)	43,190	(395,617)
Comprehensive income (loss) for the period	1,150,050	(3,361)	1,506,047	94,016

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

b) Shandong MWT BioteQ Environmental Technologies Co. Ltd.

In 2016, BQE Water signed a joint venture agreement with Beijing MWT Water Treatment Project Limited Company (“MWT”) for the construction and operation of a water treatment plant located in Shandong Province, China. The joint venture between BQE Water and MWT is called Shandong MWT BioteQ Environmental Technologies Co., Ltd. (“MWT-BQE”). The joint venture built a water treatment plant at a smelter owned by Shandong Zhaojin Group Zhaoyuan Gold Smelting Co., Ltd (“Zhaoye”). The joint venture operates the plant using BQE Water’s patented technology to recover and sell copper and zinc metals from Zhaoye’s industrial wastewater stream to generate revenues. BQE Water is entitled to 20% of the after-tax profits of the joint venture. Upon the establishment of MWT-BQE, the Company paid a cash contribution of \$96,400 (RMB \$500,000) as registered capital, which represents 4.35% of the total registered capital of the joint venture.

As BQE Water does not have a commitment to fund the losses of MWT-BQE, the share of comprehensive income of the joint venture will be recognized on the investments of MWT-BQE when the unrecognized share of net losses is reduced to zero. As of June 30, 2024, the balance of the unrecognized share of net losses for MWT-BQE is \$300,900 (\$240,267 on December 31, 2023).

The sections of the statement of financial position of BQE Water’s portion of interest in the MWT-BQE joint venture are presented as follows:

	Jun. 30, 2024	Dec. 31, 2023
	\$	\$
Current assets	56,574	49,040
Plant and equipment	23,290	24,447
Current liabilities	69,828	50,264
Non-current liabilities	-	-
Partner’s equity	-	-

The condensed statement of income (loss) of BQE Water’s 20% interest in the MWT-BQE joint venture is presented as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenues	-	1,188	84	201,800
Operating expense (excluding depreciation)	(3,871)	(13,436)	(16,962)	(126,613)
	(3,871)	(12,248)	(16,878)	75,187
Non-operating expenses	(16,538)	(16,861)	(38,539)	(54,636)
Depreciation of plant and equipment	(3,291)	(3,858)	(6,582)	(7,837)
Income tax recovery (expense)	265	(268)	265	(268)
Net (loss) income for the period	(23,435)	(33,235)	(61,734)	12,446
Other comprehensive income (loss)	393	(17,918)	1,101	(17,278)
Comprehensive loss for the period	(23,042)	(51,153)	(60,633)	(4,832)

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
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(Unaudited)

c) BQE Water Nuvumiut Development Inc.

In 2021, BQE Water entered into a joint venture agreement with Nuvumiut Development Inc. ("NVM"), as partners with the Inuit community, to jointly provide water management and treatment services in the Nunavik regions, located in Northern Quebec, Canada. The joint venture, BQE Water Nuvumiut Development Inc. ("NVM-BQE") was federally incorporated on December 2, 2021, with a 49% ownership belonging to BQE and 51% to NVM.

The sections of the statement of financial position of BQE Water's 49% interest in the NVM-BQE joint venture are presented as follows:

	Jun. 30, 2024	Dec. 31, 2023
	\$	\$
Current assets	180,158	280,439
Current liabilities	107,243	205,885
Partner's equity	72,915	74,554

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

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenues	121,096	170,938	149,520	218,676
Operating expenses	(116,203)	(164,007)	(143,479)	(209,817)
	4,893	6,931	6,041	8,859
Non-operating expenses	(583)	(790)	(471)	(426)
Income tax expense	(7,209)	(9,929)	(7,209)	(9,929)
Net loss for the period	(2,899)	(3,788)	(1,639)	(1,496)

10. TRADE PAYABLE AND ACCRUED LIABILITIES

	Jun. 30, 2024	Dec. 31, 2023
	\$	\$
Trade payable and accruals	354,903	661,989
Payroll liability	680,594	654,118
Tax payable	13,547	24,133
	1,049,044	1,340,240

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

11. LOANS

In 2018, the Company entered into the first loan agreement with the Minister responsible for Western Economic Diversification Canada under the Western Innovation Initiative ("WINN"). The WINN program offers the Company an interest-free loan contribution up to a maximum of \$412,500. The WINN loan was granted to the Company to assist in the commercialization of its selenium removal technology in the resource sector. Under the loan agreement, the Company is required to repay the total contribution in 60 equal monthly installments, equal to \$6,875 per month, which began April 1, 2021 and continues until March 1, 2026. The Company's carrying value of the WINN loan are as follows:

	Jun. 30, 2024 \$	Dec. 31, 2023 \$
Balance at January 1	192,500	268,125
Repayments	(48,125)	(75,625)
Ending Balance	144,375	192,500
Less: current portion of loan	82,500	82,500
Non-current portion of loan	61,875	110,000

In 2023, the Company entered into a second loan agreement with Minister responsible for Pacific Economic Development Canada under the Business Scale-Up & Productivity Program ("BSP"). The BSP program offers the Company an interest-free loan contribution up to a maximum of \$1,725,000. The BSP loan was granted to assist the Company to scale-up its water treatment plant commissioning capacity, with activities including marketing, recruiting, hiring, and training of new staff for plant commissioning and operation expansion. Under the loan agreement, the Company shall repay the total contribution in 60 equal monthly installments commencing on April 1, 2027 until March 1, 2032. The BSP loan will be advanced in multiple tranches throughout the program. Cash received under this loan agreement will be initially recorded at fair value, discounted by the effective interest rate of 15%. The Company's carrying value of the BSP loan as of June 30, 2024 is \$211,720 (\$119,596 on December 31, 2023).

	Jun. 30, 2024 \$	Dec. 31, 2023 \$
Balance at January 1	119,596	-
Additions	82,869	118,120
Interest expense on loan	9,255	1,476
Ending Balance	211,720	119,596
Non-current portion of loan	211,720	119,596

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

12. LEASES

The Company recognizes right-of-use assets (note 7) and lease obligations in relation to office and equipment leases. The assets and liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates at the time the lease was assumed or entered into. The incremental borrowing rates used are between 12% to 15% and it varies depending on the geographic area of the lease. The Company's carrying value of lease obligations are as follows:

	Jun. 30, 2024 \$	Dec. 31, 2023 \$
Balance at January 1	1,605,782	277,790
Additions	-	1,470,048
Interest expense	97,148	151,368
Payments on interest portion	(7,457)	(26,467)
Payments on principal portion	(60,726)	(264,994)
Foreign exchange translation	2,406	(1,963)
Ending Balance	1,637,153	1,605,782
Less: current portion of lease obligations	62,287	105,436
Non-current portion of lease obligations	1,574,866	1,500,346

Lease contracts with components of variable lease payments and leases that are classified as short-term and as low value assets are not counted under lease obligations. The Company's lease expense, which is not counted under lease obligations, for the three and six months ended June 30, 2024 are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Classified as short-term or as low value	17,799	18,918	35,261	38,146
Leases with variable lease payments	58,387	32,230	75,602	65,495
	76,186	51,148	110,863	103,641

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

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

	Jun. 30, 2024
	\$
2024	196,000
2025	282,145
2026	265,073
2027	252,114
2028	253,205
2029	280,588
2030	284,856
2031	289,123
2032	293,391
2033	297,658
2034	74,681
Total undiscounted lease payments	2,768,834
Less: imputed interest	(1,131,681)
Total carrying value of lease obligations	1,637,153

13. SHARE-BASED PAYMENT EXPENSES

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

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Stock options (a)	17,630	44,262	49,970	119,801
Deferred share units (b)	101,381	(41,361)	185,846	(26,198)
Restricted share units (c)	224,367	26,139	380,741	125,671
	343,378	29,040	616,557	219,274

a) Stock Options

Under the Company's Stock Option Plan (the "Plan"), the maximum number of shares reserved for exercise of all options granted by the Company may not exceed 10% of the Company's shares issued and outstanding at the time the options are granted. The exercise price of each option granted under the Plan is determined at the discretion of the Board at no less than the five-day volume weighted average share price preceding the grant date. Options granted under the Plan expire no later than the fifth anniversary of the date the options were granted and vesting provisions for issued options are determined at the discretion of the Board although the Company has a practice of having options vest over 3 years in equal installments.

Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the grant date using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

	Number of options	Weighted average exercise price \$
Balance, January 1, 2023	90,340	21.10
Exercised	(3,000)	8.75
Forfeited	(3,000)	30
Balance, December 31, 2023	84,340	21.22
Exercised	(30,523)	13.17
Balance, June 30, 2024	53,817	25.79

As at June 30, 2024, 37,317 of share options outstanding were exercisable with a weighted average exercise price of \$23.93 (51,340 on December 31, 2023 with a weighted average exercise price of \$15.58).

The Company uses the Black-Scholes option pricing model in determining the fair value of the stock options. During the three and six months ended June 30, 2024, the Company recognized \$17,630 and \$49,970 (\$44,262 and \$119,801 in 2023) of non-cash compensation expense related to stock options. The expiry date by exercise price at June 30, 2024 is as follows:

Exercise price \$	Expiry Date	number of outstanding share options	number of exercisable share options
8.75	January 8, 2025	10,667	10,667
30.00	April 22, 2027	43,150	26,650

b) Deferred Share Units

The Company implemented a deferred share unit ("DSU") plan pursuant to which DSUs may be granted to management and non-employee members of the Board of Directors on an annual basis. The number of DSUs granted to a participant is calculated by dividing: (i) a specified dollar amount of the participant's compensation amount paid in DSUs in lieu of cash by (ii) the five-day volume weighted average trading price of the shares of the Company traded through the facilities of the Toronto Venture Exchange on the trading days immediately preceding the date of grant. Each DSU entitles the holder to receive a cash payment equal to the five-day volume weighted average trading price of the shares preceding the date of redemption. The DSUs vest immediately upon issuance and may only be redeemed on the date a holder ceases to be a participant under the plan, with payment no later than December 31 of the following calendar year.

As the Company is required to settle this award in cash, it records these awards as a liability and a corresponding charge including changes to the fair value to stock-based compensation expense. The DSU is a financial instrument that is fair valued at each reporting date based on the five-day volume weighted average price of the Company's common shares. The following table presents the changes to the DSU plan:

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

	Number of units	Value \$
Balance, January 1, 2023	10,574	311,933
Redeemed	(2,737)	(85,449)
Fair value adjustment	-	10,264
Balance, December 31, 2023	7,837	236,748
Fair value adjustment	-	185,846
Balance, June 30, 2024	7,837	422,594

c) Restricted Share Units

The Company implemented a restricted share unit ("RSU") plan pursuant to which RSUs may be granted to the officers and employees of the Company. Under this plan, notional RSUs are granted and vested annually over a three-year term in general or otherwise determined by the Board. Upon vesting, the Company will settle the RSUs immediately in cash, with payment equal to the five-day volume weighted average trading price of the number of RSUs held preceding the date of redemption. The RSU plan was amended by the Board of Directors on January 8, 2020. Under the new amendment, any unvested RSUs shall be forfeited upon separation of employment with the Company.

RSUs granted are accounted for and fair valued by recognizing share-based payment expenses on a straight-line basis over the vesting period. The fair value per RSU on grant date was determined based on the Company's share price on the day of grant. The initial fair values determined upon each grant date between January 1, 2023 and June 30, 2024 are as follows:

Grant date	Number of RSUs	Fair value \$
April 27, 2023	3,651	109,843
September 20, 2023	847	25,003
April 25, 2024	11,144	575,365

The following table presents the changes to the RSU plan:

	Number of units	Value \$
Balance, January 1, 2023	24,139	389,016
Granted	4,498	-
Redeemed	(9,136)	(279,812)
Forfeited	(1,180)	-
Fair value adjustment	-	268,660
Balance, December 31, 2023	18,321	377,864
Granted	11,144	-
Redeemed	(8,132)	(330,495)
Forfeited	(738)	-
Fair value adjustment	-	380,741
Balance, June 30, 2024	20,595	428,110

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

14. SHARE CAPITAL**a) Authorized**

An unlimited number of common shares, without nominal or par value.

b) Issued

As at June 30, 2024, the Company had 1,277,151 common shares outstanding (1,246,628 on December 31, 2023).

c) Normal course issuer bid (NCIB)

On December 6, 2022, the Company obtained the approval of the TSX Venture Exchange to commence a NCIB to repurchase for cancellation up to 62,556 common shares over a 12-month period starting on December 12, 2022. On December 6, 2023, the Company renewed the NCIB to repurchase for cancellation up to 62,351, representing 5% of common shares issued and outstanding, over a 12-month period starting on December 13, 2023.

For the three and six months ended June 30, 2024, and for the period subsequent to the reporting period between July 1, 2024 to August 27, 2024, no common shares were purchased and cancelled under the NCIB.

d) Earnings Per Share

The calculation of earnings per share for the three and six months ended June 30, 2024 and 2023 are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Net income	559,332	614,120	72,280	274,163
Basic weighted average number of shares outstanding	1,265,060	1,252,682	1,259,575	1,254,147
Dilution of securities	21,757	26,197	17,933	26,879
Diluted weighted average number of shares outstanding	1,286,817	1,278,879	1,277,508	1,281,026
Net earnings per share:				
Basic	0.44	0.49	0.06	0.22
Diluted	0.43	0.48	0.06	0.21

15. INCOME TAXES

The income tax charge is a result of profits and withholding tax in two jurisdictions which are taxable and cannot be offset by accumulated tax benefits in other jurisdictions. Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the three-month period ended June 30, 2024 was 27% (27% at December 31, 2023).

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	6 months ended Jun. 30	
	2024	2023
	\$	\$
Change in non-cash working capital items		
Changes in trade receivables	555,703	(720,040)
Changes in other assets	136,465	40,422
Changes in accounts payable and accrued liabilities	(270,884)	(196,529)
Changes in deferred revenue	53,318	(301,431)
Changes in other liabilities	(320,013)	(234,774)
 Change in non-cash working capital items	 154,589	 (1,412,352)

17. COMMITMENTS

The Company has commitments of \$2,141,250 under operating leases for office and laboratory premises, and for laboratory assay services, as follows:

	\$
2024	211,611
2025	242,621
2026	204,487
2027	204,487
2028	204,487
2029	204,487
2030	204,487
2031	204,487
2032	204,487
2033	204,487
2034	51,122
	<u>2,141,250</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

18. REVENUE

The Company monetizes the value of its intellectual property and expertise primarily through the services of long-term operations and maintenance of water treatment plants to generate recurring revenue that is linked to plant performance. As the period between the identification of new projects and treatment plants entering their operating phase can be lengthy, the Company also generates revenues from technical services relating to water management that are project specific and generally non-recurring in nature.

a) Disaggregation of Revenue

The Company functions as providers of operational services of water treatment plants and as providers of technical services relating to water management. The Company disaggregates revenues from contracts with customer into operations contracts and technical services contracts.

Operations contracts are when the Company is appointed to operate water treatment plants and to provide operations support for a customer. Operations contracts generate recurring revenue for the Company, which is either based on an agreed upon tolling fee for water treated and discharged into the environment or based on an operation support fee, or a combination of the two.

Technical services contracts are when the Company is appointed to provide water management consulting services and technical innovation services to its customer. Such services include feasibility & assessment studies, toxicity investigation, process engineering design, plant commissioning, plant optimization, laboratory treatability assessments and field pilot demonstrations. Depending on the need of the customer or the project requirements, technical services contracts may be in the form of a fixed priced contract or a time-based contract.

The disaggregated revenue of the Company are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Operations contracts	2,560,939	1,433,746	4,350,184	2,268,814
Technical services contracts	855,901	2,752,253	1,574,213	4,608,369
	<u>3,416,840</u>	<u>4,185,999</u>	<u>5,924,397</u>	<u>6,877,183</u>

b) Remaining Performance Obligations

As at June 30, 2024, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is \$906,177, compared to \$465,196 as at December 31, 2023. The remaining performance obligations of the Company are expected to be fully completed in the next 12 months of the reporting date. The value of remaining performance obligations does not include amounts for non-contracted future services or for estimated future work orders where the value of work is not specified. Therefore, the Company's anticipated future work to be performed at a given time is greater than what is reported as remaining performance obligations.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2024
(Unaudited)

19. SEGMENTED INFORMATION

Segmented information is reviewed by the Company's chief decision maker to assess performance and allocate resources within the Company. The Company has one operating segment, principally being an integrated water management services and treatment solutions provider. The Company functions as a provider of operational services of water treatment plants and as providers of technical services relating to water management.

a) Geographic Information

The Company mainly generates revenue from North America and occasionally from other foreign countries. The Company's revenue by geographic locations, presented based on the location in which the sale originated from, are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Canada	1,237,226	1,412,057	1,582,889	2,034,913
USA	1,926,862	1,481,054	3,831,487	2,420,024
Latin America	43,262	922,776	95,865	1,768,270
China	209,490	370,112	387,307	653,976
Other	-	-	26,849	-
	<u>3,416,840</u>	<u>4,185,999</u>	<u>5,924,397</u>	<u>6,877,183</u>

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

	Jun. 30, 2024	Dec. 31, 2023
	\$	\$
Canada	1,899,320	2,000,758
USA	71,778	92,215
China	5,494,628	4,001,369
	<u>7,465,726</u>	<u>6,094,342</u>

b) Information About Major Customers

The following table presents revenue from individual customers exceeding 10% of total revenue for the three and six months ended June 30, 2024 and 2023:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Customer A	1,576,867	1,282,531	3,089,865	2,040,803
Customer B	515,059	592,596	515,059	820,598
	<u>2,091,926</u>	<u>1,875,127</u>	<u>3,604,924</u>	<u>2,861,401</u>
Represents percentage of total revenue for the period	61%	45%	61%	42%

Interim Management's Discussion and Analysis (Quarterly Highlights)

For the three and six months ended June 30, 2024 and 2023

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three and six months ended June 30, 2024 and 2023

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. Management of the Company has prepared this document in conjunction with their broader responsibilities for reasonable assurance regarding the reliability of the financial reporting and the establishment and maintenance of adequate information systems and internal controls to ensure that the financial information is complete and reliable. Management also believes that any internal controls and procedures for financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. The Audit Committee of the Board of Directors, consisting of independent directors, has reviewed this document and all other publicly reported financial information, for integrity, usefulness, reliability and consistency.

This Q2 2024 Interim MD&A updates disclosure previously provided in our Annual MD&A, up to the date of this Interim MD&A, and should be read in conjunction with our unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2024 and 2023 (our "Interim Financial Statements"), our audited consolidated financial statements for the years ended December 31, 2023 and 2022 (our "Audited Financial Statements") and our Annual MD&A for the year ended December 31, 2023.

Our Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective as of June 30, 2024. Our accounting policies are described in Note 3 of our Audited Financial Statements. All financial information is presented in **Canadian dollars** unless otherwise noted. This MD&A has been prepared as at August 27, 2024.

Certain statements contained in the MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which are reflective only as of the date the statements were made and readers are advised to consider such forward-looking statements in light of the risks.

OUR BUSINESS

BQE Water Inc. ("BQE Water" or the "Company") is helping to make the mining and metallurgical industry more environmentally sustainable and profitable by implementing innovative water management and treatment solutions that support and improve operations in this sector. Central to our business model, BQE Water produces clean water and stable residues or saleable by-products, and we monetize the value of our unique process know-how through recurring revenues generated from plant operations services.

BQE Water is headquartered in Vancouver, British Columbia, Canada. The Company has regional offices in Chile and China, which are two key geographical markets for our business. The Company has been in operation for over 25 years and draws upon the extensive experience of over 100 employees to deliver exceptional operational and technical services. BQE Water is listed on the TSX Venture Exchange under the symbol "BQE". Additional information may be found on our website at www.bqewater.com and on SEDAR at www.sedar.com.

NON-GAAP MEASURES

The Company uses non-GAAP financial measures to supplement our consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP, to enhance overall understanding of the Company's current financial performance with investors and observers. Non-GAAP financial measures have limitations in that they do not reflect all amounts associated with our operational results as determined in accordance with GAAP. In addition, non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are unlikely to be comparable to similar non-GAAP financial measures presented by other companies. Non-GAAP financial measures should only be used to evaluate our operational results in conjunction with the corresponding GAAP measures.

Proportional Results

To provide additional insight into our financial results, certain statements in this MD&A disclose the effective portion of results we would have reported if our Chinese joint venture operations had been proportionately integrated and are referred to as BQE Water's proportional share ("Proportional"). All Proportional financial measures disclosed in this MD&A are non-GAAP measures.

Proportional Revenue

This non-GAAP financial measure of Proportional Revenue adds BQE Water's share of revenues from its China joint ventures to the Company's revenues reported under GAAP. Proportional Revenues for the three and six-month periods ended June 30, 2024 and 2023 are as follows:

(in \$'000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Reported revenues under GAAP	3,417	4,186	5,924	6,877
Share of revenues from joint ventures in China	2,666	1,586	3,568	2,454
Proportional Revenue for the period	6,083	5,772	9,492	9,331

Adjusted EBITDA

Adjusted EBITDA ("earnings before interest, taxes, depreciation and amortization") is intended to provide additional information only and does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Consequently, the presentation of Adjusted EBITDA enables shareholders to better understand the underlying financial performance of our business through the eyes of management. Adjusted EBITDA includes adjustments of the Company's Proportional share of joint venture results. The following table reconciles this non-GAAP measure to the most directly comparable IFRS measure of net income:

(in \$'000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
GAAP: Net income	560	615	70	274
add/deduct: interest (income) expense	(88)	5	(118)	(32)
add: income tax expenses	300	232	283	237
add: depreciation and amortization	222	233	441	443
EBITDA	994	1,085	676	922
add: share-based payment expenses	343	29	617	219
add/deduct: other expense (income)	16	-	(3)	(47)
add: bad debt expense	-	259	-	259
add/deduct: net foreign exchange	(11)	78	(71)	19
Adjusted EBITDA	1,342	1,451	1,219	1,372

FINANCIAL HIGHLIGHTS

- Recorded Proportional and GAAP revenues of \$6.1 million and \$3.4 million in Q2 2024 respectively, compared to \$5.7 million and \$4.2 million in Q2 2023.
- Gross margin of \$1.6 million in Q2 2024 compared to \$2.0 million in Q2 2023, a \$417,000 or 21% decrease.
- Net income of \$560,000 in Q2 2024 compared to \$615,000 in Q2 2023, a \$55,000 or 9% decrease.
- Adjusted EBITDA of \$1.3 million in Q2 2024 compared to \$1.5 million in Q2 2023, a \$109,000 or 8% decrease.
- Net cash and cash equivalents of \$7.8 million at June 30, 2024, compared to \$7.9 million at December 31, 2023.
- Working capital of \$9.9 million at June 30, 2024, compared to \$10.5 million at December 31, 2023.

Selected financial results for the three and six months ended June 30, 2024 are as follows:

(in '000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
Revenue from Operation Services	2,561	1,434	4,350	2,269
Revenue from Technical Services	856	2,752	1,574	4,608
Revenue from joint ventures in China	2,666	1,586	3,568	2,454
Proportional Revenues	6,083	5,772	9,492	9,331
Net income	560	615	70	274
Adjusted EBITDA	1,342	1,451	1,219	1,372

OPERATIONAL SERVICES HIGHLIGHTS

Our operational services consist of the operation or technical supervision of water treatment plants, which generate recurring revenues from three main sources: sales of recovered metals, water treatment fees and operations support fees. The Company's operations by source of revenue are as follows:

Operations	Location	Revenue Source
JCC-BQE Joint Venture	Jiangxi province, China	Sales of recovered metals
MWT-BQE Joint Venture	Shandong province, China	Sales of recovered metals
Raglan Mine for Glencore	Northern Québec, Canada	Water treatment fees
Minto Mine for Government of Yukon	Yukon, Canada	Water treatment fees
Zhongkuang Metallurgical Facilities for MWT	Shandong province, China	Operations support fees
Zhaojin Metallurgical Facilities for MWT	Shandong province, China	Operations support fees
Power utility ash pond for WesTech	Eastern USA	Water treatment fees
Base metal project for a metal producer	Southwestern USA	Water treatment fees

JCC-BQE Joint Venture Operations

Our 50/50 joint venture with partner Jiangxi Copper Company (“JCC”) operates three water treatment plants at Dexing Mine and at Yinshan Mine in Jiangxi province of China. The volume of water treated, and metals recovered by the plants fluctuate seasonally depending on precipitation levels in the region. The operating results for the three and six months ended June 30, 2024 are as follows:

(in '000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
Water treated (cubic metres)	8,249	7,538	12,452	10,437
Copper recovered (pounds)	919	725	1,299	1,016
Zinc recovered (pounds)	430	-	532	-

In Q2 2024, all three plants met mechanical availability and process performance targets set by the Company. The volume of water treated increased by 9% and the mass of copper recovered increased by 27% compared to Q2 2023. Such changes in water volume and metal grade in feed water from period to period are largely the result of environmental conditions beyond the control of the joint venture. In 2024, the Yinshan water treatment plant began to recover zinc as part of their normal operations and recovered 430,000 pounds in Q2 2024

MWT-BQE Joint Venture Operations

Our 20% share in MWT-BQE is with our 80% partner Beijing MWT Water Treatment Project Limited Company (“MWT”) and together we operate a water treatment plant at a smelter in Shandong province of China. MWT-BQE generates revenues from the sale of zinc and copper recovered from smelter wastewater. Operating results for the three and six months ended June 30, 2024 are as follows:

(in '000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
Water treated (cubic metres)	63	13	130	122
Zinc recovered (pounds)	18	1	49	79
Copper recovered (pounds)	5	-	10	41

The smelter periodically operated its production lines with ores from different sources which led to varying concentrations of zinc and copper in the feed and a fluctuation in the volume of wastewater treated by the plant. The joint venture has no control over the composition and volume of feed that flows into the plant.

BQE Water Operations

The number of operating days contributing to water treatment or support fees for the three and six months ended Jun 30, 2024 are as follows:

(in days)	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
Raglan Mine water treatment plants	26	40	26	40
Minto Mine water treatment plant	35	91	35	181
Zhongkuang SART plant	86	90	177	180
Zhaojin SART plant	87	87	178	177
Water treatment plant in Eastern USA	69	63	136	127
Water treatment plants in Southwest USA	91	91	182	179

The volume of water treated by geographic location for the three and six months ended June 30, 2024 are as follows:

(in '000s cubic metres)	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
Raglan Mine water treatment plants	210	221	210	221
Minto Mine water treatment plant	156	279	156	502
SART plants in China	150	176	286	307
Water treatment plants in USA	183	4	384	9

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation ("Glencore"). During Q2 2024, we mobilized our operations team to site to commence our 21st operating season at the mine. Operational activities were initiated in June and treated water discharge began the same month.

In 2022, we began to provide water treatment services at Minto Mine in the Yukon and in 2023, the Company contracted directly with the Yukon Government to treat and discharge clean water at the mine in support of environmental protection. In Q2 2024, we mobilized our operations team to site in May and treated water discharge began in June.

In 2021, we began operations of the Zhongkuang SART plant and the Zhaojin SART plant at metallurgical facilities in China. Both plants have been under our technical supervision since the start of full production. Both SART plants operated fully throughout Q2 2024 without disruption.

In 2022, we began operations of a treatment plant utilizing our Selen-IX™ process to remove selenium from ash pond water for WesTech Engineering ("WesTech"). In Q2 2024, our team continued at site providing water treatment services with the Selen-IX™ circuit to manage the presence of selenium in the feed.

In 2022, we completed the commissioning of a treatment plant utilizing a combination of nanofiltration and our proprietary selenium electro-reduction process for the simultaneous removal of selenium and sulphate from mine water for a base metal project in the American Southwest. In August 2023, our team completed the performance test milestone for a second newly constructed selenium removal water treatment plant which entered the operation phase. In Q2 2024, we continued to provide water treatment operation services for both Selen-IX™ water treatment plants in the American Southwest.

TECHNICAL SERVICES HIGHLIGHTS

BQE Water's technical expertise and IP are applicable globally across broad areas of water management. The highlights of technical services provided to clients and technical innovation projects during Q2 2024 are summarized below.

Trusted Advisory Services (Water Management and Water Studies)

- Completed laboratory treatability assessment and preliminary water treatment engineering for a new uranium project in Canada.
- Continued engineering services for the design and construction of a fourth selenium removal plant in the US using Selen-IX™ at a gold mine to meet end-of-pipe limit of less than 2 parts per billion.
- Continued to provide plant upgrade design and automation services to include sulphate removal to a discharge limit less than 1,500 mg/L at an integrated lead smelter-recycling facility in Eastern Canada.
- Completed a laboratory treatability test program on mine water for selenium removal from an existing mine in the US.
- Completed METSIM modelling of a build-up on impurities in metallurgical process water for a new project in the US.
- Performed peer reviews of water management and water quality predictions reports aiming to revise water treatment design for permitting for a new precious metals project in the Yukon.

- Assisted provincial regulators and First Nation groups on their questions about water treatment to be implemented at the Blackwater mine in BC.
- Completed technical assessment of options for the disposal of large quantities of elemental sulphur at a mine in BC.
- Continued to provide engineering design services for three water treatment plants to support permitting of the KSM gold-copper project in British Columbia.
- Initiated plant automation services for a new water treatment plant for water recycle at a gold mine in Mexico.
- Initiated selenium stability testing simulating conditions in semi-passive treatment systems to support holistic risk assessment of selenium treatment options.

Cyanide Management (Destruction and Recycle)

- Continued to provide engineering services to a project requiring cyanide recycle currently in development in Mexico.
- Continued with the engineering design for a third SART plant for Shandong Gold in China.

COMMENTARY AND OUTLOOK

Improved financial performance in Q2 2024 allowed us to narrow the gap for the six-month period in 2024 when compared to the same period a year ago. Important structural differences underlying our performance on a year-to-date basis in 2024 when compared to 2023 are:

- Recurring revenue from plant operations increased 92% year-over-year as new plants have come online.
- Revenue from technical advisory services fell 66% year-over-year mostly due to the timing of new project starts and the fact that these are typically smaller contracts linked to the earlier phases of larger multi-stage projects.
- Our share of revenue from the sale of base metals recovered in our Chinese joint venture with JCC increased 45% year-over-year due, primarily, to a higher tonnage of metal recovered and, to a lesser extent, an increase in the copper price.

The growth in recurring revenue was anticipated based on projects that entered the operations phase. As expected, demand for engineering support and operator training is higher for new operations than for well-established operations. Consequently, some of our engineering resources normally involved in new projects were deployed to assist in these new operations. Additionally, lower demand for technical advisory services also allowed us to redirect more resources towards strategic business development initiatives. Finally, the higher year-over-year tonnage of metals recovered from mine water in our Chinese joint venture with JCC strengthens our view that the low copper production experienced in 2023 was climate driven rather than due to an accelerated depletion of metal in the stockpiles.

Looking ahead, we anticipate a strong second half in 2024. Several new large projects being initiated during Q3 2024 are expected to increase the technical advisory services portion of our GAAP revenue over the next 12 months. Meanwhile, all our water treatment operations are now fully operational, and we expect the full year production from China joint venture to exceed 2023 levels. A stronger Q3 2024 is expected to set us up for growth in 2024. Our assessment of our longer-term prospects, the drivers for our growth, as well as the risks remain unchanged from our commentary in Q1 2024.

SELECTED FINANCIAL INFORMATION

(in \$'000 except for per share amounts)

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenues	3,417	4,186	5,924	6,877
Operating expenses (excluding depreciation)	(1,810)	(2,162)	(3,213)	(3,855)
Operating margin	1,607	2,024	2,711	3,022
Share of income from joint ventures	1,129	407	1,461	488
General and administration	(892)	(750)	(1,592)	(1,422)
Sales and development	(928)	(557)	(1,852)	(1,170)
Share-based payments	(343)	(29)	(617)	(219)
Depreciation and amortization	(103)	(111)	(205)	(193)
Income (loss) from operations and joint ventures	470	984	(94)	506
Other income (expenses)	100	(83)	187	60
Bad debt expenses	-	(259)	-	(259)
Income tax expenses	(10)	(27)	(23)	(33)
Net income for the period	560	615	70	274
Net earnings per share (basic)	0.44	0.49	0.06	0.22
Net earnings per share (diluted)	0.43	0.48	0.06	0.21
Proportional Revenues (Non-GAAP measures)	6,083	5,772	9,492	9,331
Adjusted EBITDA (Non-GAAP measures)	1,342	1,451	1,219	1,372
Comprehensive income (loss)	574	144	128	(187)

	at Jun. 30,	at Dec. 31,
	2024	2023
	\$	\$
Cash	7,791	7,928
Proportional cash (Non-GAAP measures)	10,375	9,790
Working capital	9,858	10,529
Total assets	19,512	18,856
Total non-current liabilities	2,019	1,900
Shareholders' equity	15,358	14,776

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	Jun-24	Mar-24	Dec-23	Sept-23	Jun-23	Mar-23	Dec-22	Sept-22
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	3,417	2,508	5,014	6,246	4,186	2,691	3,465	3,503
Operating expenses	(1,810)	(1,403)	(2,260)	(2,959)	(2,162)	(1,694)	(2,044)	(1,759)
	1,607	1,105	2,754	3,287	2,024	997	1,421	1,744
Share of results from								
joint ventures	1,129	332	(452)	382	407	81	(256)	281
General and administration	(892)	(700)	(695)	(610)	(750)	(672)	(690)	(591)
Sales and development	(928)	(924)	(930)	(555)	(557)	(613)	(564)	(414)
Share-based payments	(343)	(273)	(138)	(109)	(29)	(190)	(209)	(172)
Depreciation and amortization	(103)	(101)	(126)	(111)	(111)	(82)	(80)	(70)
Income (loss) from operations	470	(561)	413	2,284	984	(479)	(378)	778
Other income (expenses), net	100	87	68	(13)	(83)	143	142	84
Bad debt expenses	-	-	(214)	-	(259)	-	(8)	-
Income tax expenses	(10)	(12)	(18)	(140)	(27)	(6)	-	(289)
Net income (loss)	560	(486)	249	2,131	615	(342)	(244)	573
Translation gain (loss)	14	43	39	71	(471)	10	80	-
Comprehensive income (loss)	574	(443)	288	2,202	144	(332)	(164)	573
Non-GAAP Measures:								
Proportional Revenue	6,083	3,410	5,431	7,964	5,772	3,560	4,479	5,707
Adjusted EBITDA	1,342	(121)	541	2,742	1,451	(80)	(90)	1,361

Quarterly results can fluctuate based on the number of plants operating, variations in the volume and grade of water treated, and movements in commodity prices. Seasonality at each site also impacts the timing of revenues. Operations at Raglan Mine and Minto Mine run in the warmer months, typically from May to October of each year. Copper production at the Dexing operations traditionally increases between April and September and declines during the winter months due to lower seasonal precipitation and the annual maintenance schedule. Revenues from contracts for technical services related to water management and technical innovation projects occur based on the timing of client requirements.

SUMMARY OF Q2 2024 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended June 30, 2024 and 2023.

Proportional Revenue

The change in Proportional Revenue from each revenue source is shown in the table below:

<i>(in \$'000s)</i>	Q2 2024		Q2 2023		
Revenue source	\$	% of total	\$	% of total	% Change
Sale of recovered metals from operations	2,666	44%	1,586	27%	68%
Water treatment fee from operations	2,561	42%	1,434	25%	79%
Technical services	856	14%	2,752	48%	(69%)
Total Proportional Revenues	6,083	100%	5,772	100%	5%

Revenues from the sale of base metals recovered comprises the Company's share of revenues from its joint ventures in China. The sale of copper and zinc recovered during the operation of water treatment plants is affected by the amount and market price of metal concentrate sold. During Q2 2024, our share of revenues from the JCC-BQE joint venture increased by \$1.1 million or 68% compared to the same period in 2023. The increase is attributed to the 11% increase in average copper prices and a 27% increase in the quantity of copper recovered, and in combination with \$427,000 of additional revenue attributed to zinc recovered and sold from Yinshan plant. The MWT-BQE joint venture did not have any sales of metals in Q2 2024.

The Company earns water treatment fee revenues, including monthly fees and tolling fees from the volume of water treated and operations support fees, at four different sites including Raglan Mine in Nunavik through our partnership with Inuit company Nuvumiut Development, at Minto Mine in the Yukon, and at the three selenium removal plants in the US. Our Canadian operations in Raglan and Minto Mine began water treatment in June 2024 and provided \$740,000 during Q2 2024 when compared to \$794,000 in Q2 2023. The selenium treatment plants in the US operate year-round and provided \$1.6 million of recurring revenues during Q2 2024 compared to \$459,000 in Q2 2023. Our operations support fees are comprised of recurring technical support services at two SART plants in China that generated revenues of \$178,000 in Q2 2024 compared to \$181,000 in Q2 2023.

Revenues from technical services decreased by \$1.9 million or 69% in Q2 2024 compared to Q2 2023. These revenues are non-recurring in nature and are related to water management services such as treatability assessments, permitting assistance, engineering and plant design, construction and commissioning of water treatment plants, laboratory testing and pilot demonstrations. These revenues represent the sum of multiple contracts from various clients of varying contract values. Unlike Q2 2023, when revenues from technical services were particularly strong due to a large project at the commissioning stage, the technical services executed in Q2 2024 were associated with multiple new projects at early stages which typically contribute less than \$50,000 per project.

Operating Expenses

Total operating expenses during Q2 2024 were \$1.8 million compared to \$2.2 million in Q2 2023, a decrease of \$352,000 or 16%. The decrease in operating expenses is directly attributable to the decrease in project activity related to technical services completed in the quarter. Each individual project requires different levels of technical expertise and resources depending on the specific mine conditions and treatment solutions.

Expenses

In Q2 2024, general and administration costs were \$892,000 compared to \$750,000 in Q2 2023, representing a \$142,000 increase. The increase was largely attributable to the \$86,000 increase in professional service and financial audit fees along with higher overhead expenses such as operating expenses in rent, insurance, and payroll.

Sales and development costs during Q2 2024 were \$928,000 compared to \$557,000 in Q2 2023, an increase of \$371,000 or 67%. The increase was mainly attributable to a \$323,000 increase in labour resources allocated to fulfill technological and

business development initiatives, and a \$55,000 increase in professional services, travel and event expenses related to business development and investor relations.

Share-based payment expenses were \$343,000 in Q2 2024 compared to \$29,000 in Q2 2023. Share-based payment expenses mainly consist of non-cash compensation expenses relating to the recently issued stock option and RSUs, both of which are amortized on a straight-line basis over the vesting period. Other share-based payment expenses were due to fair value adjustments of deferred and restricted share units resulting from changes in the Company's share price during the reporting period.

Depreciation and amortization expenses were \$103,000 in Q2 2024 compared to \$111,000 in Q2 2023, from the recently added office building lease assets and related inducement improvements.

Other Income and Expenses

The net of other income was \$100,000 in Q2 2024 compared to expenses of \$343,000 in Q2 2023. Other income or expenses consists of net finance cost, foreign exchange and bad debt expenses.

Net finance income was \$89,000 in Q2 2024 compared to expense of \$6,000 in Q2 2023. Finance income and cost consists of interest income earned primarily from on-demand guaranteed investment certificates and is netted against finance costs, which consist of interest paid and interest accrued for loans and lease obligations.

Foreign exchange gain was \$11,000 in Q2 2024 compared to a loss of \$78,000 in Q2 2023. Exchange gains and losses arise mainly from changes in the value of the US dollar, Mexican peso, Chilean peso, and Chinese renminbi relative to the Company's reporting currency of Canadian dollars.

The remaining variance is the one-time bad debt expense of \$259,000 during Q2 2023, to write off the accounts receivables of a mining client in the Yukon.

Net Income

After income tax, overall net income for Q2 2024 was \$560,000 compared to \$615,000 for the same period in 2023.

SUMMARY OF YEAR-TO-DATE Q2 2024 FINANCIAL RESULTS

The following is a summary of selected financial results for the six-month periods ended June 30, 2024 and 2023.

Proportional Revenues

The change in Proportional Revenues from each revenue source is shown in the table below:

(in \$'000s) Revenue source	YTD 2024		YTD 2023		% Change
	\$	% of total	\$	% of total	
Sale of recovered metals from operations	3,568	38%	2,454	26%	45%
Water treatment fees from operations	4,350	46%	2,269	24%	92%
Technical services	1,574	16%	4,608	50%	(66%)
Total Proportional Revenues	9,492	100%	9,331	100%	2%

Sales of recovered metals increased by \$1.1 million or 45%, primarily due to higher revenues from the JCC-BQE joint venture. This increase was attributable to a 28% increase in the quantity of copper recovered and a 6% increase in the average copper prices during the period, compounded by \$528,000 of addition revenue arising from the recovery and sale of zinc in Yinshan plant in 2024. Changes in water volumes and, by extension, metal recoveries are largely the result of environmental conditions beyond the control of the joint venture and will vary from period to period. The share of revenues from the MWT-BQE joint venture was \$nil in the first half of 2024 compared to \$202,000 for the same period in 2023, while the treatment plant was recovering traces of zinc and copper, none of the inventory was sold as of June 30, 2024.

Year-to-date water treatment fee revenues increased by \$2.1 million or 92% compared to 2023, mainly due to the start of operations of a selenium removal plant in the US in August 2023, contributing a total of \$2.2 million in new recurring revenues in 2024. The Canadian operations in Raglan Mine and Minto Mine operations began discharging water in June, as it typically starts in May, and earned \$245,000 less revenue when compared to 2023. The Company earned support fees in China of \$355,000 for the first six months of 2024 compared to \$367,000 for the same period in 2023.

Revenues from technical services during the first half of the year decreased by \$3.0 million from the same period in 2023. The 66% decrease is attributable to decrease in project scope in 2024 as most of the projects are in their early stages, compared to several late-stage projects in 2023, which included commissioning activities in the US and two pilot demonstrations in Chile.

Operating Expenses

Year-to-date operating expenses in 2024 were \$3.2 million compared to \$3.9 million for the same period in 2023, a decrease of \$643,000. This 17% decrease is consistent with the decrease in revenues from technical services. Year-to-date operating margin in 2024 increased to 46% compared to 44% for the same period in 2023.

Expenses

Year-to-date general and administration expenses were \$1.6 million compared to \$1.4 million for the same period in 2023. The \$170,000 increase was due to increases in professional service and financial audit fees.

Year-to-date sales and development expenses were \$1.9 million compared to \$1.2 million for the same period in 2023, an increase of \$682,000. The increase was due to the deployment of additional labour resources for technical development initiatives and increases in travel related to business development.

Net Income

Overall, net income year-to-date for 2024 was \$70,000 compared to \$274,000 in the same period in 2023.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2024, BQE Water had 1,277,151 common shares issued and outstanding (1,246,628 at December 31, 2023), and 53,817 stock options outstanding (84,340 at December 31, 2023).

In 2022, the Company obtained the approval of the TSX Venture Exchange to commence a Normal Course Issuer Bid (NCIB) to repurchase for cancellation up to 62,556 common shares, representing 5% of common shares issued and outstanding, over a 12-month period starting December 12, 2022. The NCIB was renewed for another 12-month period starting December 13, 2023. During the first two quarters of 2024, the Company did not repurchase for cancellation any common shares under the terms of the NCIB (13,300 common shares at a weighted average price per share of \$28.40 as of December 31, 2023).

As of the date of this MD&A on August 27, 2024, there were 1,277,901 common shares issued and outstanding, and 53,067 stock options outstanding, and no additional common shares have been purchased and cancelled under the NCIB.

At June 30, 2024, we had cash and cash equivalents of \$7.8 million, a decrease of approximately \$137,000 from December 31, 2023. For the six months ended June 30, 2024, net cash used in operating activities was \$583,000 compared to net cash used of \$1.0 million for the same period in 2023.

Working capital is defined as current assets minus current liabilities. At June 30, 2024, the Company had a consolidated working capital position of \$9.9 million, a decrease of \$671,000 from December 31, 2023. At June 30, 2024, significant working capital items, aside from cash, include trade and other receivables of \$3.9 million (\$4.4 million at December 31, 2023) and trade payables and accrued liabilities of \$1.0 million (\$1.3 million at December 31, 2023).

The Company has interest-free loans with the Minister of Western Economic Diversification Canada under the Western Innovation Initiative ("WINN") program and with Pacific Economic Development Canada under the Business Scale-Up & Productivity Program ("BSP"). At June 30, 2024, the combined balance of the WINN and BSP loans was \$356,000, both with obligations to repay the loan with 60 equal monthly installments upon completion of the initiative (\$312,000 at December 31, 2023). Additionally, there are credit facilities available with the Royal Bank of Canada including credit card facilities in aggregate of \$70,000, and a revolving demand credit facility of \$1.0 million which had not been utilized as of June 30, 2024.

The Company has commitments of \$2.1 million until 2034 under operating leases for office and laboratory premises and for assay services.

We believe we have sufficient working capital resources to finance current operations beyond the next 12 months.

RELATED PARTY TRANSACTIONS

Management Compensation

Included in trade payables and accrued liabilities as of June 30, 2024 is \$42,260 (\$nil at December 31, 2023) of director fees.

For the three and six months ended June 30, 2024 and 2023, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Salaries, fees and short-term benefits	308,731	232,357	531,689	438,656
Share-based payments	59,911	26,212	101,478	85,832
	<u>368,642</u>	<u>258,569</u>	<u>633,167</u>	<u>524,488</u>

Revenue Earned from Joint Venture

The Company earns operating fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services in Nunavik. Revenue earned from the joint venture for the three and six months ended June 30, 2024 was \$224,668 and \$230,242 (\$317,092 and \$405,660 for June 30, 2023). Included in trade and other receivables as of June 30, 2024 is \$203,542 (\$382,837 at December 31, 2023) of trade receivables due from the joint venture.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed consolidated interim financial statements and related notes to the financial statements. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The judgments, estimates and assumptions applied in these condensed consolidated interim financial statements, including key sources of estimation uncertainty were the same as those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2023.