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## **BQE WATER INC.**

### **CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BQE Water Inc.

### ***Opinion***

We have audited the consolidated financial statements of BQE Water Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

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

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the



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context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

***Revenue recognition - estimation of labor hours or costs to completion for fixed-fee technical services contracts***

***Description of the matter***

We draw attention to notes 3(j), 4(b)(i) and 21 to the financial statements. For the year ended December 31, 2024 revenue recognized under technical services contracts is \$6,695,329. For fixed-fee contracts where the Entity has enforceable right to payment for performance to date, revenue is recognized based on the extent of progress towards completion of the performance obligation. The extent of progress is measured using the percentage-of-completion method based on actual labor hours or costs incurred relative to the total estimated hours or costs for completion, whichever most faithfully depicts the progress of the Entity's performance based on its efforts inputted. The Entity applies significant judgment and estimates to determine estimated labor hours or costs to completion, which affects the timing of revenue recognized for technical services.

***Why the matter is a key audit matter***

We identified the estimation of labor hours or costs to completion for fixed-fee technical services contracts as a key audit matter. This matter represented an area of significant risk of material misstatement due to the magnitude of the revenues and the high degree of subjectivity and estimation uncertainty in the estimation of labor hours or costs to completion for fixed-fee technical services contracts. Significant auditor judgment was required to evaluate the estimation of labor hours or costs to completion and in evaluating the results of our audit procedures.

***How the matter was addressed in the audit***

The primary procedures we performed to address this key audit matter included the following:

- For a selection of fixed-fee technical services contracts, we inquired with the Entity's project managers responsible for the contracts. We obtained an understanding of the estimated labor hours or costs at contract inception, any changes to the estimated labor hours or costs to completion at year-end and any changes to the estimates subsequent to year-end. We inspected source documents such as contracts, change requests and correspondence, including project budget documents if any, between the Entity and the customer to assess such estimates
- We evaluated the Entity's ability to accurately estimate labor hours or costs to completion by comparing the Entity's prior period estimates to the current year estimated labor hours or costs to completion.

***Other Matter – Comparative Information***

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 25, 2024.



### **Other Information**

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine



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that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single, slightly wavy horizontal line.

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Helen Zhu.

Vancouver, Canada

April 24, 2025

**BQE WATER INC.**

## Consolidated Statements of Financial Position

As at December 31, 2024 and 2023

(Expressed in Canadian dollars)

		December 31 2024 \$	December 31 2023 \$
	note		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		11,771,214	7,927,603
Trade and other receivables	5, 7 (a)	4,462,710	4,374,275
Prepays and other current assets	6	1,081,220	407,717
Total current assets		17,315,144	12,709,595
<b>Non-current assets</b>			
Property and equipment	8	2,154,044	1,816,830
Intangible assets	9	146,895	230,835
Investment in joint ventures	10	6,047,497	4,046,677
Deposits		52,203	52,204
Deferred tax assets	18	1,377,000	-
Total non-current assets		9,777,639	6,146,546
<b>Total assets</b>		<b>27,092,783</b>	<b>18,856,141</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payable and accrued liabilities	11	1,748,719	1,340,240
Loans	12	82,500	82,500
Deferred revenues	21 (d)	1,554,085	37,350
Lease obligations	13	158,419	105,436
Deferred benefits	14	1,178,540	614,612
Total current liabilities		4,722,263	2,180,138
<b>Non-current liabilities</b>			
Loans	12	248,728	229,596
Deferred revenues	21 (d)	141,870	170,244
Lease obligations	13	1,451,030	1,500,346
Total non-current liabilities		1,841,628	1,900,186
Total liabilities		6,563,891	4,080,324
<b>Shareholders' Equity</b>			
Share capital	15	56,807,264	56,302,539
Contributed surplus	14 (a)	11,182,930	11,106,796
Accumulated other comprehensive income		1,598,935	1,231,278
Accumulated deficit		(49,060,237)	(53,864,796)
Total shareholders' equity		20,528,892	14,775,817
<b>Total liabilities and shareholders' equity</b>		<b>27,092,783</b>	<b>18,856,141</b>
Commitments (note 20)			

Approved and authorized by the Board of Directors:

"Peter Gleeson", Executive Chairman"Sara Elford", Director

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

**BQE WATER INC.**

## Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

		<b>Year ended December 31</b>	
		<b>2024</b>	<b>2023</b>
		<b>\$</b>	<b>\$</b>
	note		
Revenues	7 (a), 21	<b>17,178,322</b>	18,137,004
Operating expenses (excluding depreciation)	17	<b>(8,768,893)</b>	(9,074,847)
Gross margin		<b>8,409,429</b>	9,062,157
Share of income from joint ventures	10	<b>2,471,577</b>	418,816
General and administration	17	<b>(3,172,325)</b>	(2,726,934)
Sales and development	17	<b>(3,131,383)</b>	(2,655,360)
Share-based payments	7 (b), 14	<b>(1,016,518)</b>	(466,097)
Depreciation and amortization	8, 9	<b>(439,223)</b>	(430,400)
Income from operations and joint ventures		<b>3,121,557</b>	3,202,182
Finance income, net	16	<b>104,659</b>	204,429
Foreign exchange gain (loss)		<b>223,882</b>	(140,999)
Bad debt expenses	24 (a)	<b>(14,237)</b>	(473,112)
Other income, net		<b>93,157</b>	51,898
Income before income taxes		<b>3,529,018</b>	2,844,398
Income tax recovery (expense)	18	<b>1,275,541</b>	(191,221)
<b>Net income for the year</b>		<b>4,804,559</b>	2,653,177
<b>Other comprehensive income (loss)</b>			
<i>Items that may be reclassified subsequently to income</i>			
Foreign currency translation		<b>367,657</b>	(351,504)
<b>Comprehensive income for the year</b>		<b>5,172,216</b>	2,301,673
<b>Earnings per share</b>			
Basic	15 (c)	<b>3.78</b>	2.12
Diluted	15 (c)	<b>3.75</b>	2.08
<b>Weighted average number of shares outstanding</b>			
Basic	15 (c)	<b>1,270,211</b>	1,251,284
Diluted	15 (c)	<b>1,282,290</b>	1,274,793

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



# BQE WATER INC.

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

		Year ended December 31		Year ended December 31	
		Number of	2024	Number of	2023
		Shares	\$	Shares	\$
	note				
<b>Share Capital</b>					
Balance, beginning of the year	15 (a)	1,246,628	56,302,539	1,256,928	56,654,061
Exercise of stock options	14 (a)	40,440	504,725	3,000	26,250
Shares repurchased	15 (b)	-	-	(13,300)	(377,772)
<b>Balance, end of the year</b>		<b>1,287,068</b>	<b>56,807,264</b>	<b>1,246,628</b>	<b>56,302,539</b>
<b>Contributed surplus</b>					
Balance, beginning of the year			11,106,796		10,919,623
Equity settled share-based payments	14 (a)		76,134		187,173
<b>Balance, end of the year</b>			<b>11,182,930</b>		<b>11,106,796</b>
<b>Accumulated other comprehensive income</b>					
Balance, beginning of the year			1,231,278		1,582,782
Other comprehensive income (loss) for the year			367,657		(351,504)
<b>Balance, end of the year</b>			<b>1,598,935</b>		<b>1,231,278</b>
<b>Accumulated deficit</b>					
Balance, beginning of the year			(53,864,796)		(56,517,973)
Net income for the year			4,804,559		2,653,177
<b>Balance, end of the year</b>			<b>(49,060,237)</b>		<b>(53,864,796)</b>
<b>Total shareholders' equity</b>					
Balance, beginning of the year			14,775,817		12,638,493
Exercise of stock options	14 (a)		504,725		26,250
Shares repurchased	15 (b)		-		(377,772)
Equity settled share-based payments	14 (a)		76,134		187,173
Other comprehensive income (loss) for the year			367,657		(351,504)
Net income for the year			4,804,559		2,653,177
<b>Balance, end of the year</b>			<b>20,528,892</b>		<b>14,775,817</b>

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

**BQE WATER INC.**

## Consolidated Statements of Cash Flow

For the years ended December 31, 2024 and 2023

(Expressed in Canadian dollars)

		Year ended December 31	
		2024	2023
		\$	\$
	note		
<b>Operating activities</b>			
Net income for the year		4,804,559	2,653,177
Adjustments for:			
Bad debt expenses	24 (a)	14,237	473,112
Income tax (recovery) expenses	18	(1,275,541)	-
Other income		(93,157)	(4,285)
Share of income from joint ventures	10	(2,471,577)	(418,816)
Finance income, net	16	(104,659)	(204,429)
Depreciation and amortization	8, 9	439,223	430,400
Unrealized foreign exchange gain		(103,421)	(6,457)
Share-based payments	14	1,016,518	466,097
		2,226,182	3,388,799
Change in non-cash operating working capital items	19	837,795	(2,518,464)
Income taxes paid	18	(105,785)	-
Net cash from operating activities		2,958,192	870,335
<b>Investing activities</b>			
Purchase of property and equipment	8	(581,986)	(180,387)
Proceeds on sale of equipment		-	4,285
Dividends received from joint venture	10 (a)	784,618	1,386,750
Interest received		263,781	103,470
Net cash from investing activities		466,413	1,314,118
<b>Financing activities</b>			
Lease payments on principal portion	13	(181,065)	(264,994)
Lease payments on interest portion	13	(103,832)	(26,467)
Proceeds from exercise of stock options	14 (a)	504,725	26,250
Repurchase of shares	15 (b)	-	(377,772)
Repayment of loan	12	(89,375)	(75,625)
Proceeds from loan	12	176,026	273,699
Interest paid		(97)	(329)
Net cash from (used in) financing activities		306,382	(445,238)
Effect of exchange rate changes on cash balances		112,624	(45,964)
Net increase in cash and cash equivalents		3,843,611	1,693,251
Cash and cash equivalents, beginning of the year		7,927,603	6,234,352
<b>Cash and cash equivalents, end of the year</b>		<b>11,771,214</b>	<b>7,927,603</b>

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

## BQE WATER INC.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

### 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 6<sup>th</sup> Avenue, Vancouver, British Columbia, V5T 1J4, Canada.

### 2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issue on April 24, 2025 by the Company's Board of Directors.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, and have been prepared under the historical cost basis except for those assets and liabilities that are measured at fair values at the end of each reporting period. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### 3. MATERIAL ACCOUNTING POLICIES

The principal accounting policies as set out below have been consistently applied to all periods presented in the consolidated financial statements:

#### a) Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company, and the entities controlled by the Company, and the share of net earnings or losses in entities which the Company is a joint venture partner.

The principal subsidiaries of the Company, which are accounted for under the consolidation method, are as follows:

Entity	Country of incorporation and operation	Ownership interest as at Dec. 31, 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	Beneficial Ownership interest as at Dec. 31, 2024	Beneficial 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%

## **BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

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### *i) Subsidiaries*

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. The activities of any dissolved subsidiary are recorded up to the date of dissolution.

### *ii) Investments in Joint Ventures*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The financial results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the joint venture. The Company records an increase or decrease to the investment in joint venture for subsequent contributions made by the Company or dividends received from the joint venture's profit. When the Company's share of losses in the joint venture exceeds the Company's interest in that joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports a profit, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

When the Company transacts with a joint venture, profits or losses resulting from the transactions with the joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Company.

## **b) Foreign Currency Translation**

### *i) Functional and Presentation Currency*

The consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Company's presentation currency.

Items included in the financial statements of each consolidated entity in BQE Water Inc.'s group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's subsidiaries and its joint ventures, except for BioteQ Water Mexico S.A. de C.V. which is CAD, are respective of their local currency, such as the United States dollars ("USD"), Chilean peso ("CLP") and Chinese renminbi ("RMB").

For the purpose of presenting these consolidated financial statements, entities including joint ventures that have a functional currency different from the presentation currency ("foreign operations") are translated into CAD as follows:

- Assets and liabilities: at the closing rate at the date of the statement of financial position.
- Income and expenses: at the average rate for the period (as this is considered a reasonable approximation of actual rates prevailing at the transaction dates).

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related

## **BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

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to the subsidiary is reallocated between controlling and non-controlling interests.

### *ii) Transactions and Balances*

In preparing the financial statements of each individual BQE Water entity, transactions in currencies other than the entity's functional currency ("foreign currency") are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for the exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

### **c) Cash and Cash Equivalents**

The Company considers all highly liquid investments that are readily convertible to known amounts of cash and short-term guaranteed investment certificates with original maturities of three months or less at the date of acquisition to be cash equivalents.

### **d) Property and Equipment**

#### *i) Recognition and Measurement*

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the assets and costs directly attributable to bringing the assets to a working condition for their intended use. If significant components of a property, plants or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

#### *ii) Subsequent Measurement*

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of income and comprehensive income in the financial period in which they are incurred.

Property and equipment items are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of a property and equipment item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### *iii) Depreciation*

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost net of their residual values, over the shorter of their estimated useful lives and the contract life. Depreciation commences when the asset is fully constructed and available for use. Depreciation methods, useful lives and residual values are reviewed annually and adjusted prospectively, if appropriate. Where an indicator of impairment exists, property and equipment are subject to impairment testing as described in "Impairment" under note 3 (h). Depreciation categories and useful lives for items included in property and equipment are as follows:

## BQE WATER INC.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

Asset	Estimated useful life
Computer equipment	3 years
Furniture, office and lab equipment	5 years
Right-of-use assets & leasehold improvements	Remaining lease term
Water treatment plants within joint ventures	Shorter of contract life or 10 to 20 years

### e) Intangible Assets

Intangible assets are recorded at cost, net of amortization and any provision for impairment.

Intellectual property assets are being amortized over the useful life of 5 years, being the remaining useful life of the related intellectual property assets from acquisition. Residual values and useful lives are reviewed at each reporting date. Where an indicator of impairment exists, intangible assets are subject to impairment testing as described in "Impairment" under note 3 (h).

### f) Financial Instruments

Financial assets and liabilities, including derivatives, are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are required to be initially measured at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

#### i) Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. These levels are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

#### ii) Financial Assets

Based on their nature, the Company classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is based on the contractual cash flow characteristics and the Company's business model for managing the financial asset. On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVTOCI criteria as measured at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Financial assets are derecognized when the contractual cash flows from the asset expire or when the Company transfers the right to receive the contractual cash flows of the asset in a transaction whereby all risks and rewards of the financial asset are

## **BQE WATER INC.**

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transferred. Any retained interest in the financial asset transferred is recognized as a separate financial asset or liability.

Financial assets and liabilities are offset and presented net in the consolidated statements of financial position only when a legal right of offset exists and the Company intends to settle the transaction on a net basis or realize the asset and the liability simultaneously.

### *Financial Assets at Amortized Cost*

Financial assets with fixed or determinable payments that are neither derivatives nor quoted in an active market are classified as financial assets at amortized cost. The objective is to hold such assets to collect contractual cash flows and contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. These financial assets are initially recognized at fair value plus any transaction costs directly attributable to the asset. These assets, including any interest-bearing financial assets, are subsequently measured at amortized cost using the effective interest method, less any impairment losses under note 3 (h).

### *Financial Assets at Fair Value Through Other Comprehensive Income ("FVTOCI")*

Financial assets at FVTOCI represent those non-derivative financial assets that are held to achieve an objective by both collecting contractual cash flows and selling the financial assets, where contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. Financial assets at FVTOCI are initially measured at fair value plus any transaction costs directly attributable to the asset. Subsequent fair value gains or losses are recognized in other comprehensive income, except for impairment.

### *Financial Assets at Fair Value Through Profit or Loss ("FVTPL")*

A financial asset is measured at FVTPL if it does not meet the criteria for assets measured at amortized cost or fair value through other comprehensive income. Financial assets at FVTPL include held for trading assets and derivative instruments. Financial assets are classified as held for trading if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy and have been acquired principally for the purpose of selling in the near term. A financial asset is measured at FVTPL if it is a derivative that is not designated as effective as a hedging instrument. Financial assets at FVTPL are measured at fair value with changes recognized in profit or loss. Transaction costs associated with assets classified as FVTPL are recognized as incurred through profit or loss.

Cash and cash equivalents, and trade and other receivables excluding all tax receivable, such as value added tax ("VAT") and GST/PST/QST/HST/IVA, are classified as financial assets at amortized cost. No financial asset was designated as FVTPL or FVTOCI as at December 31, 2024 and 2023.

### *iii) Financial Liabilities*

The Company classifies its financial liabilities into one of the following categories:

#### *Financial Liabilities at Fair Value Through Profit or Loss*

This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company has classified deferred benefits, which are the provisions related to the Company's Deferred Share Units ("DSU") and Restricted Share Units ("RSU"), as FVTPL. All transaction costs related to financial liabilities designated at FVTPL are expensed as incurred.

#### *Other Financial Liabilities*

This category consists of liabilities carried at amortized cost using the effective interest method. Financial liabilities at amortized costs are initially recognized at fair value minus any transaction costs directly attributable to the liability. The Company has classified trade payable and accrued liabilities, which exclude all tax payable such as VAT and GST/PST/QST/HST/IVA, and loans as financial liabilities at amortized cost.

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The Company initially recognizes financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognized when their contractual obligations are discharged, cancelled or have expired. Any adjustment to the amortized cost of the financial liability arising from a modification or exchange is recognized in profit or loss at the date of the modification or exchange.

### **g) Leases**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether 1) the supplier has a substantive substitution right, 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period; and 3) the Company has the right to direct the use of the asset.

For contracts that contain a lease, the Company recognizes a right-of-use ("RoU") asset and a lease obligation at the lease commencement date in the consolidated statements of financial position. The RoU asset is initially measured based on the initial amount of the lease obligation plus any initial direct costs incurred less any lease incentives received. The RoU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term.

The lease obligation is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease obligation is subsequently measured at amortized cost using the effective interest rate method. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate (such as CPI), initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

A lease modification is accounted for as a separate lease from the original lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets; and the consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. If the lease modification merely extends the Company's right to use an existing leased asset to which it already has access, the modification is not accounted for as a separate lease. Instead, the Company recalculates the existing lease obligations on the effective date of the lease modification to include the lease payments until the end of the extended period and a corresponding adjustment is also made to the RoU asset. The additional RoU asset and lease obligations relating to the extended period are therefore recognized on the date of modification.

Variable rent payments that are not based on an index or rate, including additional rent for operating costs and taxes and non-recoverable goods and services tax, are recognized as rent expense, within general and administrative expense or direct costs, as incurred. For short-term leases (terms of 12 months or less) and leases of low-value assets, the Company has elected to recognize these lease payments as expenses on a straight-line basis over the lease term in the consolidated statements of income and comprehensive income (note 13), as permitted by IFRS 16. This expense is presented within general and administration expenses.



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### h) Impairment

#### i) *Property and equipment & intangible assets*

The Company's property and equipment & intangible assets are reviewed for indications of impairment at each financial position date. Such indications may be based on events or changes in the market environment, or on internal sources of information. If any such indication is present, the recoverable amount of the asset is estimated to determine whether impairment exists. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation can be identified.

An asset's recoverable amount is the higher of its fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recognized in profit and loss for the period. Impairment losses recorded may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. Where impairment is subsequently reversed, the carrying amount is increased to the revised estimate of the recoverable amount but only to the extent that it does not exceed the carrying value that would have been determined (net of depreciation) had no impairment loss been recognized in prior periods.

#### ii) *Financial Assets*

The Company recognizes loss allowances for expected credit loss on financial assets measured at amortized costs, including cash and cash equivalents, trade and other receivables, and contract assets relating to fixed fee revenue contracts. Trade and other receivables and contract assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

The Company applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contract. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles of sales over a period of the 36 months before each reporting date, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due. Impairment losses on trade receivables and contract assets are presented as an expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### iii) *Equity-Accounted Investment in Joint Venture*

An equity accounted investment in joint venture is reviewed for indication of impairment at each financial position date. Indications include observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such

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investment is compared to its recoverable amount, being the higher of its FVLCD and VIU. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in profit or loss in the period in which the reversal occurs.

### **i) Provisions**

A provision is a liability of uncertain timing or amount. Provisions are recognized when: (i) the Company has present legal or constructive obligations as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligations; and (iii) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligations. The increase in the provision due to passage of time is recognized as interest expense.

### **j) Revenue Recognition**

The Company generates revenues from providing operational services on water treatment and technical services for water management. Revenue from contracts with customers is recognized when services are rendered and control of goods are transferred to the customers, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services or products.

The Company's joint ventures in China earn revenues on the sale of metal concentrates recovered from the operation of water treatment plants. For the sale of metal concentrate, the performance obligations are satisfied at a point in time when the control of metal concentrate is passed from the Company's joint ventures to the customer. Revenue is recognized based on the final settlement of weights and assays and is recorded at fair value, based on prevailing market prices adjusted in accordance with agreed upon terms.

#### *i) Operation of Water Treatment Plants*

For revenue on water treatment operations, the performance obligations are satisfied and revenue from operations of water treatment plants is recognized over time when water is treated per discharge limits and discharged into the environment. The Company has agreements with customers for the operation of different water treatment plants, and considerations for such plants are earned based on a fixed monthly fee, a quarterly fee, or water treatment fee based on the volume of water treated and discharged into the environment. Some agreements have a combination of the above as total considerations for water treatment operation services.

#### *ii) Technical Services Relating to Water Management*

Technical services include both water management consulting and technical innovation services. Water management consulting services include feasibility and assessment studies, toxicity investigations, process engineering design, plant commissioning and plant optimization. Technical innovation services include field pilot demonstrations, laboratory treatability assessments, designing and conducting experiments, and delivery of final reports on the results. For technical service contracts, the customer either receives and uses the benefits simultaneously as services are provided or the Company is creating a work product with no alternative use. Technical services contracts can be remunerated on a time and material basis, or a fixed-fee commitment for the scope of the contract.

For time and material technical service contracts, revenue is recognized over time based on agreed upon hourly rates and actual hours and costs incurred as services are rendered and transferred to the customer. For fixed-fee contracts where the Company has enforceable right to payment for performance to date, revenue is recognized based on the extent of progress towards completion of the performance obligation. The extent of progress is measured using the percentage-of-completion

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method based on actual labor hours or costs incurred relative to the total estimated hours or costs for completion, whichever most faithfully depicts the progress of the Company's performance based on its efforts inputted. Estimates of extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. For fixed-fee technical service contracts without enforceable right to payment for performance completed to date, revenue is recognized at a point of time upon delivery of the work product, such as a written report for completion of a performance test or a feasibility study, when control of the work product is transferred to the customer.

From time to time, the Company enters into contracts with multiple products and services. For revenue recognition, the Company considers whether the promises in the contract are separate performance obligations that are distinct from each other. In assessing if each promise is a distinct performance obligation, management considers if the Company provides a significant service of integrating the goods or services to produce an output specified by the customer, or goods or services are highly interdependent, highly inter-related, or one significantly modifies or customizes the other. Significant judgement is required in assessing if a good or a service is a performance obligation that is capable of being distinct and distinct within the context of the contract. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

### **k) Contract Assets and Deferred Revenue**

Contract assets primarily relate to the Company's right to consideration for work completed but not billed at the report date for fixed-fee contracts. In the case of fixed-fee contracts, the customer pays the amount based on a payment schedule. Any excess of revenue recognized over progress billings is carried as a contract asset in the consolidated statements of financial position. In most cases, the specific contract asset is amortized with reference to the same pattern of recognition as the revenue recognized on the associated project.

Deferred revenue primarily relates to the advance consideration received from customers before the Company transfers related services or goods. Any advance payments received from a customer based on progress billings are recorded as deferred revenue in the consolidated financial statements and recognized as revenue when the Company performs under the contract.

### **l) Government Grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Grants that compensate the Company for expenses incurred are deferred and recognized in the consolidated statements of income and comprehensive income on a systematic basis in the periods in which the intended expenses are recognized.

### **m) Employee Benefits**

#### *i) Bonus Plans*

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the key performance indicators of the Company. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *ii) Defined Contribution Plans*

Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which the related service is provided by the employees.

#### *iii) Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination

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benefits at the earlier of the following dates:

- When the Company can no longer withdraw the offer of those benefits.
- When the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.
- When benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### **n) Share-based Payments**

The Company maintains a Deferred Share Unit (“DSU”) plan, a Restricted Share unit (“RSU”) plan and a stock option plan for employees and directors of the Company. The DSU plan and the RSU plan are considered as cash-settled share-based payments and the stock option plan is considered as equity-settled share-based payments.

RSUs are measured initially at the fair value and the amount payable is recognized as an expense with a corresponding increase in liabilities over the vesting period. The Company will settle all RSUs in cash, and all RSUs vest over three years in equal installments, with each vesting tranche considered a separate award with its own vesting period. Compensation expense relating to the award and changes in the market price at each reporting date is recognized on a straight-line basis in profit or loss over the vesting period with a corresponding increase in deferred benefits liability. The liability is remeasured at each reporting date until it is settled and any changes in the fair value of the liability are recognized in profit or loss.

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. They are measured initially at the fair value and the amount payable is recognized as an expense immediately in the period of grant with a corresponding increase in deferred benefits liability. The liability is remeasured at each reporting date until it is settled, with any changes in fair value of the liability recognized in profit or loss.

Stock options are measured at the fair value of the equity instruments at the grant date using the Black-Scholes pricing model. The stock options vest over three years in equal installments and the Company will settle all options by issuing shares. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company’s estimate of equity instruments that will eventually vest, with a corresponding increase in contributed surplus. Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche’s vesting period by increasing contributed surplus based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the contributed surplus. Upon exercise of stock options, the consideration paid by the option holder is recorded as an increase to share capital.

Equity-settled share-based payments with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### **o) Income Tax**

The Company follows the asset and liability method of accounting for income taxes. Income tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination. Income tax comprises of two components: current and deferred.

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### *i) Current Tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxes as reported in the consolidated statements of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax comprises the expected tax payable or receivable on the taxable profit for the year and any adjustment to tax payable or receivable in respect of previous years. Current tax also includes any tax arising from dividends. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

### *ii) Deferred Tax*

Under the asset and liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against those deductible temporary differences which can be utilized.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets and liabilities are not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries, associates and joint arrangements, and interests in joint ventures, to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse or the tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. Management believes that its tax liabilities for uncertain tax positions are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### **p) Share Capital**

Common shares are classified as share capital. When the Company purchases its own share capital, the consideration paid, including any directly attributable incremental costs if any, is deducted from the Company's equity.

### **q) Earnings Per Share**

Basic earnings per share is calculated by dividing the net income for the year attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method by adjusting the weighted average number of common shares outstanding for dilutive instruments. Stock options are considered dilutive when the average market price of the Company's common shares during the period disclosed exceeds the exercise price of the stock option. If the Company incurs net losses in a fiscal year,

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basic and diluted losses per share are the same.

### **r) New and Amended Standards Adopted**

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2024 that have been applied in preparing the consolidated financial statements for the year ended December 31, 2024. These standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements.

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1;
- Lease Liability in Sale and Leaseback – Amendments to IFRS 16; and
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

The amendments listed above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

### **s) Future Accounting Changes**

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and amendments is set out below:

- i) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after January 1, 2026)*

On May 30, 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Company does not expect these amendments to have a material impact on its operations or financial statements.

- ii) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027)*

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Company's consolidated financial statements. The Company will apply the new standard from its mandatory effective date of January 1, 2027.

Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026

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will be restated in accordance with IFRS 18.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the application of the Company's accounting policies and amounts reported in the consolidated financial statements and related notes to the consolidated 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 areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### **a) Critical Judgments**

Critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements are:

- i) Management's assessment of the Company's ability to continue as a going concern, as the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business.
- ii) Management's judgment on revenue recognition, when determining the performance obligations that exist in an arrangement and the timing of the transfer of control and satisfaction of performance obligations of either at a point in time or over time.
- iii) Management's assessment of impairment indicators for asset impairment on long-term assets such as property and equipment or investment in joint ventures.

#### **b) Key Sources of Estimation Uncertainty and Assumptions**

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the reported amounts of assets and liabilities, income and expenses within the next fiscal year.

##### *i) Revenue Recognition*

Revenue for fixed-fee technical services relating to water management are recognized over time using the percentage of completion method based on labor hours or project costs as input. The Company applies significant judgment and estimates to determine estimated labor hours or costs to completion, which affects the timing of revenue recognized for technical services. For the revenue arrangements comprise multiple performance obligations, judgments are required to determine whether products and services are considered distinct performance obligations, and estimates are required when determining the relative fair value of each performance obligation utilizing standalone prices for similar deliverables where it exists or internally generated estimates of standalone price.

##### *ii) Expected Credit Loss*

Trade and other receivables are assessed for impairment at each reporting date by applying the expected credit loss impairment model. Expected credit loss represents management's best estimate and assumptions based on actual credit loss experience and informed credit assessment, and also takes into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

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*iii) Right-of-Use Assets & Lease Obligations*

To determine the value of the initial recognition and subsequent re-measurement of RoU assets and lease obligations, management is required to exercise judgment and estimates in several areas. Management has reviewed its lease agreements to estimate the lease term by evaluating the probability of exercising its option to extend or renew its lease contracts. Further judgment and estimates are required to determine the discount rate on lease payments by assessing its incremental borrowing rate at each of the Company's locations.

*iv) Taxation*

Provisions for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

**5. TRADE AND OTHER RECEIVABLES**

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Trade receivables (note 7 (a))	2,775,202	3,783,087
Allowance for expected credit loss (note 24 (a))	(16,025)	(1,788)
Contract assets (note 21 (c))	940,268	506,866
Other receivables	763,265	86,110
	<u>4,462,710</u>	<u>4,374,275</u>

**6. PREPAID AND OTHER CURRENT ASSETS**

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Prepays	767,160	354,969
Current deposits	16,491	52,748
Other current assets	297,569	-
	<u>1,081,220</u>	<u>407,717</u>

In 2024, the Company contracted with a customer to implement a new treatment system including engineering design, equipment supply, site installation, commissioning, and start-up of the water treatment plant for a legacy site in the Yukon. As of December 31, 2024, the Company recorded \$343,137 in prepaids for deposits made for purchase orders on this project and had \$297,569 recognized under other current assets for equipment acquired which remained undelivered to the customer (\$nil in 2023).



**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

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**7. RELATED PARTY TRANSACTIONS AND BALANCES**

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

**a) Transactions with Joint Ventures**

The Company earns fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services and technical services in the Nunavik region. Revenue earned from this joint venture for the year ended December 31, 2024 was \$2,168,681 (\$2,200,877 in 2023). As of December 31, 2024, included in trade and other receivable are \$193,308 (\$382,837 at December 31, 2023) of trade receivables due from the joint venture.

In 2024, the Company also received dividends from JCC-BioteQ Environmental Technologies Co. Ltd. Other details of the Company's interest in joint ventures are set out in note 10 (a).

Transaction balances with joint ventures are nonsecure, non-interest bearing and are to be settled in cash. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by joint ventures.

**b) Key Management Compensation**

For the years ended December 31, 2024 and 2023, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	2024	2023
	\$	\$
Salaries, fees and short-term benefits	1,146,232	865,362
Share-based payments (note 14 (a) and 14 (c))	206,067	150,250
	<u>1,352,299</u>	<u>1,015,612</u>

As of December 31, 2024 and 2023, the Company does not have any unpaid salaries or fees to key management.

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
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**8. PROPERTY AND EQUIPMENT**

	Right-of-use assets <sup>1</sup>	Pilot plants	Other <sup>2</sup>	Total
	\$	\$	\$	\$
<b>Cost</b>				
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)
<b>As at December 31, 2023</b>	<b>2,209,745</b>	<b>580,593</b>	<b>901,278</b>	<b>3,691,616</b>
Additions	101,206	-	581,986	683,192
Disposals	-	-	-	-
Foreign exchange translation	22,296	-	(648)	21,648
<b>As at December 31, 2024</b>	<b>2,333,247</b>	<b>580,593</b>	<b>1,482,616</b>	<b>4,396,456</b>
<b>Accumulated Depreciation</b>				
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
<b>As at December 31, 2023</b>	<b>(765,203)</b>	<b>(580,593)</b>	<b>(528,990)</b>	<b>(1,874,786)</b>
Depreciation for the year	(263,439)	-	(91,844)	(355,283)
Disposals	-	-	-	-
Foreign exchange translation	(12,992)	-	649	(12,343)
<b>As at December 31, 2024</b>	<b>(1,041,634)</b>	<b>(580,593)</b>	<b>(620,185)</b>	<b>(2,242,412)</b>
<b>Carrying Amount</b>				
As at December 31, 2023	1,444,542	-	372,288	1,816,830
<b>As at December 31, 2024</b>	<b>1,291,613</b>	<b>-</b>	<b>862,431</b>	<b>2,154,044</b>

<sup>1</sup>Right-of-use assets comprise leased assets (note 13), including leased office buildings, vehicles and office equipment.

<sup>2</sup>Other comprises leasehold improvements, furniture, office equipment and lab equipment.

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
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**9. INTANGIBLE ASSETS**

	Total \$
<b>Cost</b>	
<b>As at December 31, 2022 &amp; 2023 &amp; 2024</b>	<b>419,700</b>
<b>Accumulated Depreciation</b>	
As at December 31, 2022	(104,925)
Depreciation for the year	(83,940)
As at December 31, 2023	(188,865)
Depreciation for the year	(83,940)
<b>As at December 31, 2024</b>	<b>(272,805)</b>
<b>Carrying Amount</b>	
As at December 31, 2023	230,835
<b>As at December 31, 2024</b>	<b>146,895</b>

**10. INVESTMENT IN JOINT VENTURES**

The Company's share of investment in joint ventures on December 31, 2024 was \$6,047,497 (\$4,046,677 on December 31, 2023), comprised of:

	JCC-BQE \$	MWT-BQE \$	NVM-BQE \$
Balance, January 1, 2023	5,264,299	-	36,928
Share of net income	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 comprehensive income	-	111,777	-
Balance, December 31, 2023	3,972,123	-	74,554
Share of net income (loss)	2,451,435	(159,506)	20,142
Share of translation gain on foreign operation	313,861	1,292	-
Dividends received	(784,618)	-	-
Unrecognized share of comprehensive income	-	158,214	-
Balance, December 31, 2024	5,952,801	-	94,696

**BQE WATER INC.**

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**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 is structured as a separate vehicle and formed through a 50/50 share company between BQE Water and JCC, is called JCC-BioteQ Environmental Technologies Co. Ltd. ("JCC-BQE"). The Company has joint control in the JCC-BQE joint venture and a 50 percent ownership interest in its net assets. Accordingly, the Company has classified its interest in JCC-BQE as a joint venture. The joint venture builds and operates water treatment plants utilizing BQE Water's technologies. The agreement includes a license contract whereby BQE Water will provide its patented technology on a royalty-free basis to the joint venture company for use at Dexing Mine and up to five potential additional sites owned and operated by JCC. The JCC-BQE joint venture is not publicly listed.

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

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

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

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

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Assets		
Cash and cash equivalents	1,160,351	1,861,985
Short-term investments	3,153,600	-
Other current assets	356,671	546,913
Non-current assets	2,166,551	2,405,888
Total assets	6,837,173	4,814,786
Current liabilities	884,372	842,663
Partner's Equity	5,952,801	3,972,123
Total liabilities and partner's equity	6,837,173	4,814,786

**BQE WATER INC.**

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

	2024	2023
	\$	\$
Revenues	7,617,332	4,376,419
Operating expenses (excluding depreciation)	(3,471,220)	(2,812,355)
	4,146,112	1,564,064
Non-operating expenses	(713,166)	(636,096)
Depreciation of plant and equipment	(462,577)	(470,638)
Income tax expense	(518,934)	(76,140)
Net income for the year	2,451,435	381,190
Other comprehensive income (loss)	313,861	(286,616)
Comprehensive income for the year	2,765,296	94,574

**b) Shandong MWT BioteQ Environmental Technologies Co. Ltd.**

In 2016, BQE Water signed a joint venture agreement with Beijing MWT Water Treatment Project Limited Company ("MWT") for the construction and operation of a water treatment plant located in Shandong Province, China. BQE Water and MWT formed a new joint venture called Shandong MWT BioteQ Environmental Technologies Co., Ltd. ("MWT-BQE"). Upon the establishment of MWT-BQE, the Company paid a cash contribution of \$96,400 (RMB \$500,000) as registered capital, which represents 4.35% of the total registered capital of the joint venture. Accordingly, the Company has classified its interest in MWT-BQE as a joint venture. The MWT-BQE joint venture is not publicly listed.

The joint venture built a water treatment plant at a smelter owned by Shandong Zhaojin Group Zhaoyuan Gold Smelting Co., Ltd ("Zhaoye"), and operates the plant using BQE Water's patented technology to recover and sell copper and zinc from Zhaoye's industrial wastewater stream to generate revenues. The joint venture derives its revenue from recovered metal sales, which are subject to risks that are beyond the control of the joint venture. The metal recovery rate is dependent on the grade of metal found in the smelter's waste feed into the treatment plant, while the revenue is exposed to global commodity price risk.

BQE Water is entitled to 20% of the after-tax profits of the joint venture, but does not have a commitment to fund the losses of MWT-BQE, the share of comprehensive income of the joint venture will be recognized on the investments of MWT-BQE when the unrecognized share of net losses are reduced to zero. As of December 31, 2024, the balance of unrecognized share of net losses for MWT-BQE is \$398,481 (\$240,267 on December 31, 2023).

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

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Current assets	70,200	49,040
Plant and equipment	22,883	24,447
Current liabilities	104,271	50,264
Non-current liabilities	-	-
Partner's equity	-	-

The statement of loss of BQE Water's 20% interest in the MWT-BQE joint venture are presented as follows:

	2024	2023
	\$	\$
Revenues	3,011	212,474
Operating expenses (excluding depreciation)	(43,632)	(174,677)
	(40,621)	37,797
Non-operating expenses (including depreciation)	(118,885)	(137,109)
Net loss for the year	(159,506)	(99,312)
Other comprehensive income (loss)	1,292	(12,465)
Comprehensive loss for the year	(158,214)	(111,777)

**c) BQE Water Nuvumiut Development Inc.**

In 2021, BQE Water entered into a joint venture agreement with Nuvumiut Development Inc. ("NVM"), as partners with the Inuit community, to jointly provide water management and treatment services in the Nunavik regions, located in Northern Quebec, Canada. The separated vehicle, BQE Water Nuvumiut Development Inc. ("NVM-BQE") was federally incorporated on December 2, 2021, with 49% ownership belonging to BQE and 51% to NVM. BQE Water has joint control in the NVM-BQE joint venture with 50% voting rights and a 49% ownership interest in its net assets. Accordingly, the Company has classified its interest in NVM-BQE as a joint venture. The NVM-BQE joint venture is not publicly listed.

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

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Current assets	196,400	280,439
Current liabilities	101,704	205,885
Partner's equity	94,696	74,554

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

	2024	2023
	\$	\$
Revenues	1,168,572	1,160,879
Operating expenses	(1,121,204)	(1,113,951)
	47,368	46,928
Non-operating expenses	(27,226)	(9,302)
Net income for the year	20,142	37,626

**11. TRADE PAYABLE AND ACCRUED LIABILITIES**

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Trade payable and accruals	1,016,362	661,989
Payroll liabilities	670,862	654,118
Tax payable	61,495	24,133
	1,748,719	1,340,240

**12. LOANS**

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

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Balance at January 1	192,500	268,125
Repayments	(89,375)	(75,625)
Ending Balance	103,125	192,500
Less: current portion of WINN loan	82,500	82,500
Non-current portion of WINN loan	20,625	110,000

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

	Dec. 31, 2024 \$	Dec. 31, 2023 \$
Balance at January 1	119,596	-
Additions	82,869	118,120
Interest expense on loan	25,638	1,476
Ending Balance, non-current portion of BSP loan	228,103	119,596
Undiscounted value of BSP loan	449,725	273,699

**13. LEASES**

The Company recognizes right-of-use assets (note 8) and lease obligations in relation to office, vehicle and equipment leases. The assets and liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates at the time the leases were assumed or entered into. The incremental borrowing rates used are between 12% to 15% and it varies depending on the geographic area of the leases. The total cash outflow for leases for the year ended December 31, 2024 was \$284,897 (\$291,461 in 2023) and the carrying value of lease obligations are as follows:

	Dec. 31, 2024 \$	Dec. 31, 2023 \$
Balance at January 1	1,605,782	277,790
Additions	101,206	1,470,048
Adjustments	(14,032)	-
Interest expense	194,672	151,368
Payments on interest portion	(103,832)	(26,467)
Payments on principal portion	(181,065)	(264,994)
Foreign exchange translation	6,718	(1,963)
Ending Balance	1,609,449	1,605,782
Less: current portion of lease obligations	158,419	105,436
Non-current portion of lease obligations	1,451,030	1,500,346



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

	2024	2023
	\$	\$
Short-term or as low value	68,293	82,713
Leases with variable lease payments	187,960	129,293
	<u>256,253</u>	<u>212,006</u>

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

	Dec. 31, 2024
	\$
2025	341,088
2026	275,222
2027	252,114
2028	253,205
2029	280,588
2030 – 2034	1,239,709
Total undiscounted lease payments	2,641,926
Less: imputed interest	(1,032,477)
Total carrying value of lease obligations	<u>1,609,449</u>

**14. SHARE-BASED PAYMENT EXPENSES**

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

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Stock options (a)	76,134	187,173
Deferred share units (b)	229,376	10,264
Restricted share units (c)	711,008	268,660
	<u>1,016,518</u>	<u>466,097</u>

**a) Stock Options**

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

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

	Number of options	Weighted average exercise price \$
Balance, January 1, 2023	90,340	21.10
Exercised	(3,000)	8.75
Forfeited	(3,000)	30.00
Balance, December 31, 2023	84,340	21.22
Exercised	(40,440)	12.48
Balance, December 31, 2024	43,900	29.27

As at December 31, 2024, the Company has 27,400 stock options outstanding which were exercisable with a weighted average exercise price of \$28.84 (51,340 stock options on December 31, 2023 with a weighted average exercise price of \$15.58). The weighted average market price per common share on the days of exercise during the year ended December 31, 2024 was \$54.39 (\$27.50 in 2023).

The expiry date by exercise price at December 31, 2024 and 2023 are as follows:

Exercise price	Expiry Date	No. of outstanding share options, Dec. 31, 2024	No. of exercisable share options, Dec. 31, 2024	No. of outstanding share options, Dec. 31, 2023	No. of exercisable share options, Dec. 31, 2023
\$8.75	January 8, 2025	1,500	1,500	34,840	34,840
\$30.00	April 22, 2027	42,400	25,900	49,500	16,500

**b) Deferred Share Units**

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

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

	Number of units	Value \$
Balance, January 1, 2023	10,574	311,933
Fair value adjustment	(2,737)	(85,449)
Redeemed	-	10,264
Balance, December 31, 2023	7,837	236,748
Fair value adjustment	-	229,376
Balance, December 31, 2024	7,837	466,124

**c) Restricted Share Units**

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

RSUs granted are accounted for and fair valued by recognizing share-based payment expenses on a straight-line basis over the vesting period. The fair value per RSU on grant date was determined based on the five-day volume weighted average price of the Company's share price on the day of grant. The initial fair values determined upon each grant date between January 1, 2023 and December 31, 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

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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	-
Forfeited	(1,180)	-
Redeemed	(9,136)	(279,812)
Fair value adjustment	-	268,660
Balance, December 31, 2023	18,321	377,864
Granted	11,144	-
Forfeited	(1,204)	-
Redeemed	(8,973)	(376,455)
Fair value adjustment	-	711,007
Balance, December 31, 2024	19,288	712,416

**15. SHARE CAPITAL****a) Authorized**

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

**b) Normal Course Issuer Bid (NCIB)**

In 2022, the Company obtained the approval of the TSX Venture Exchange to commence a NCIB to repurchase for cancellation over a 12-month period starting on December 12, 2022. On December 6, 2023, the Company renewed the NCIB to repurchase for cancellation up to 62,351, representing 5% of common shares issued and outstanding, over a 12-month period starting on December 13, 2023. On December 9, 2024, the Company again renewed the NCIB for a 12-month period starting on December 14, 2024 to repurchase for cancellation up to 64,120, representing 5% of common shares issued and outstanding. In 2024, no common shares were purchased and cancelled under the NCIB (13,300 common shares at a weighted average price per share of \$28.40 in 2023). Subsequent to the reporting year, between January 1, 2025 to April 24, 2025, the Company purchased 500 common shares for cancellation under the NCIB.

**c) Earnings Per Share**

The calculation of earnings per share for the year ended December 31, 2024 and 2023 are as follows:

	2024 \$	2023 \$
Net income	4,804,559	2,653,177
Basic weighted average number of shares outstanding	1,270,211	1,251,284
Dilution of securities (effect of stock options)	12,079	23,509
Diluted weighted average number of shares outstanding	1,282,290	1,274,793
<b>Earnings per share:</b>		
Basic	3.78	2.12
Diluted	3.75	2.08

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
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**16. FINANCE INCOME**

The net of finance income is comprised as follows:

	2024	2023
	\$	\$
Finance income	325,043	357,602
Interest expense	(220,384)	(153,173)
	<u>104,659</u>	<u>204,429</u>

**17. EXPENSES BY NATURE**

	2024	2023
	\$	\$
<b>Operating expenses (excluding depreciation)</b>		
Employee benefits	6,857,491	6,378,215
Consulting and contractor expenses	717,208	1,368,292
Travel expenses	796,906	1,043,324
Raw materials and consumables used	232,576	140,670
Other expenses	164,712	144,346
	<u>8,768,893</u>	<u>9,074,847</u>
<b>General and administration</b>		
Employee benefits	1,421,596	1,360,546
Consulting and contractor expenses	776,814	522,218
Insurance expenses	425,204	395,063
Rental expenses	220,015	149,894
Travel expenses	74,025	73,160
Director fees	89,912	78,400
Other expenses	164,759	147,653
	<u>3,172,325</u>	<u>2,726,934</u>
<b>Sales and development</b>		
Employee benefits	2,540,886	2,039,223
Consulting and contractor expenses	177,143	151,334
Travel expenses	188,816	207,181
Rental expenses	36,238	62,113
Other expenses	188,300	195,509
	<u>3,131,383</u>	<u>2,655,360</u>

For the year ended December 31, 2024, the Company has expenses from employee benefits of \$10,819,973 (\$9,777,984), which is included in operating expenses (excluding depreciation), general and administration, and sales and development.

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

**18. INCOME TAXES**

Income tax expense differs from that computed by applying the applicable Canadian federal and provincial statutory rate of 27% (2023 – 27%) before taxes as follows:

	2024	2023
	\$	\$
Expected income tax expense at statutory rates	952,835	767,987
Non-taxable income	(647,694)	(63,411)
Withholding tax	81,373	182,354
Functional currency adjustments and other	(181,646)	(13,064)
Different statutory tax rates on foreign subsidiaries	(59,019)	26,865
Change in unrecognized deferred tax assets	(1,421,390)	(709,510)
Income tax (recovery) expense	(1,275,541)	191,221

	2024	2023
	\$	\$
Current tax expense	101,459	191,221
Deferred tax recovery	(1,377,000)	-
Income tax (recovery) expense	(1,275,541)	191,221

The Company's unrecognized deductible temporary differences and non-capital losses at December 31, 2024 and 2023 are as follows:

	2024	2023
	\$	\$
<b>Canada</b>		
Property and equipment	890,166	532,513
Net capital losses	16,113,423	8,056,712
Non-capital losses	16,943,492	24,596,264
Deferred benefits and others	2,714,813	2,137,564
	36,661,894	35,323,053
<b>Foreign Jurisdictions</b>		
Property and equipment	172,890	334,209
Unrealized foreign exchange loss	1,082,059	346,754
Non-capital losses	1,571,430	1,474,209
Other	230,732	53,562
	3,057,111	2,208,734
Total unrecognized deductible temporary differences	39,719,005	37,531,787

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

As at December 31, 2024, the Company has recognized deferred income tax assets of \$1,377,000 (\$nil in 2023) related to non-capital losses in Canada. During the year ended December 31, 2024, the change in deferred income taxes was \$1,377,000 (\$nil in 2023) and is included in income tax recovery on the consolidated statements of income and comprehensive income.

No deferred tax liability has been recognized at December 31, 2024 on temporary differences associated with earnings related in the Company's investment in joint ventures in which it has an equity percentage. The Company is able to control the timing of the reversal of these differences and currently has no plans in the foreseeable future to repatriate any funds in excess of its investment.

The Company has non-capital loss carryforwards of approximately \$22,043,493 (2023: \$24,596,264) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	\$
2026	330,979
2027	-
2028	-
2029	1,990,067
2030	965,964
2031 - 2039	18,756,483
	<u>22,043,493</u>

In addition, the Company has available tax losses in other jurisdictions that total \$1,571,430 (\$1,474,209 in 2023). These losses can be carried forward to offset against future taxable income in those jurisdictions with expiry periods from 5 years to indefinitely, with losses of \$664,687 beginning to expire in 2025.

**19. SUPPLEMENTAL CASH FLOW INFORMATION**

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

	2024	2023
	\$	\$
<b>Change in non-cash working capital items</b>		
Changes in trade and other receivables	(12,125)	(1,567,042)
Changes in restricted cash	-	172,364
Changes in prepaids and other assets	(675,444)	(105,540)
Changes in trade payable and accrued liabilities	409,972	(2,049)
Changes in deferred revenues	1,488,071	(512,562)
Changes in deferred benefits and other liabilities	(372,679)	(503,635)
Change in non-cash working capital items	<u>837,795</u>	<u>(2,518,464)</u>

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

**20. COMMITMENTS**

Commitments under lease obligations are detailed in note 13. The Company has non-lease obligation commitments of \$2,494,658 for operating cost for office premises, short-term apartment rentals, and for laboratory assay services, as follows:

	\$
2025	416,973
2026	376,386
2027	376,386
2028	211,986
2029	211,986
2030 - 2034	900,941
	<u>2,494,658</u>

**21. REVENUE**

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

**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 customers into operations contracts and technical services contracts.

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

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

The disaggregated revenue of the Company are as follows:

	2024 \$	2023 \$
Operations contracts	10,482,993	8,278,022
Technical services contracts	6,695,329	9,858,982
	<u>17,178,322</u>	<u>18,137,004</u>



**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
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**b) Remaining Performance Obligations**

As at December 31, 2024, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is \$7,188,750, compared to \$465,196 as at December 31, 2023. The remaining performance obligations of the Company are expected to be fully completed in the 12 months following the reporting date. The value of remaining performance obligations does not include amounts for non-contracted future services or for estimated future work orders where the value of work is not specified. Therefore, the Company's anticipated future work to be performed at a given time is greater than what is reported as remaining performance obligations.

**c) Changes in Contract Assets**

The Company's contract assets are grouped within trade and other receivables (note 5), and the changes in contract assets are as follows:

	2024 \$	2023 \$
Contract assets, beginning of the year	506,866	715,237
Amounts invoiced included in the beginning balance	(389,987)	(715,237)
Net increase in contract assets recognized	823,389	506,866
Contract assets, end of the year	940,268	506,866

**d) Changes in Deferred Revenue**

The Company's changes in deferred revenue are as follows:

	2024 \$	2023 \$
Deferred revenue, beginning of the year	207,594	719,779
Revenue recognized included in the beginning balance	(170,844)	(529,535)
Net increase in deferred revenue recognized	1,659,205	17,350
Deferred revenue, end of the year	1,695,955	207,594
Less: Non-current portion of deferred revenue	(141,870)	(170,244)
Current portion of deferred revenue	1,554,085	37,350

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

**22. SEGMENTED INFORMATION**

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

**a) Geographic Information**

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

	2024	2023
	\$	\$
Revenue		
Canada	8,080,262	6,276,818
USA	7,818,471	8,330,613
China	825,218	1,141,626
Latin America	427,522	2,387,947
Other	26,849	-
	<u>17,178,322</u>	<u>18,137,004</u>

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

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Canada	2,250,864	2,000,758
USA	50,596	92,215
China	6,046,976	4,001,369
	<u>8,348,436</u>	<u>6,094,342</u>

**b) Information about Major Customers**

The following table presents revenue for individual customers exceeding 10% of annual revenue for the year ended December 31, 2024 and 2023:

	2024	2023
	\$	\$
Customer A	2,168,681	2,200,877
Customer B	6,530,194	6,654,814
Customer C	1,183,299	2,080,762
Customer D	2,400,106	-
Total	<u>12,282,280</u>	<u>10,936,453</u>

Represents percentage of total revenue for the year	71%	60%
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## BQE WATER INC.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

### 23. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure that the Company has the financial capacity to support its current and anticipated volume and geographical mix of business, to manage unforeseen operational and project requirements, and to provide its investors with maximum long-term returns on equity.

In the management of capital, the Company defines capital as shareholder's equity and non-current liabilities, which includes loans, lease obligations, and deferred revenues. In order to facilitate the management of its capital requirements, the Company prepares annual budgets, which are approved by the Board of Directors annually. Working capital is total current assets less total current liabilities. As a component of working capital, the Company maintains balances of cash, which are intended to cover current liabilities. To maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to a normal course issuer bid, raise additional debt financing or refinance existing debt with different characteristics. There were no changes in the Company's approach to capital management during the year.

The amounts of shareholders' equity, working capital and non-current liabilities at December 31, 2024 and 2023 as are follows:

	2024	2023
	\$	\$
Shareholders' equity	20,528,892	14,775,817
Working capital	12,592,881	10,529,457
Non-current liabilities	1,841,628	1,900,186

### 24. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to various risks, including credit risk, market risks such as foreign currency risk, liquidity risk, and commodity price risk. The Company's risk management activities are designed to mitigate possible adverse effects on the Company's performance, having regard for the size and scope of the Company's operations, with a primary focus on the preservation of capital. Risk management activities are managed by the Company's finance and accounting department, with oversight from the Board of Directors. The Company's risk management policies and procedures have not changed from 2023.

#### a) Credit Risk

Credit risk is the risk of financial loss if a counterparty to the Company's financial instruments fails to meet their contractual obligations. The Company's financial assets are primarily comprised of cash and cash equivalents, and trade and other receivables, including contract assets and excluding taxes receivable. Credit risk is primarily associated with trade and other receivables; however, it also arises on cash and cash equivalents.

The Company's maximum exposure to credit risk is as follows:

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Cash and cash equivalents	11,771,214	7,927,603
Trade and other receivables (exclude tax receivable)	4,462,710	4,374,275
	16,233,924	12,301,878

The Company invests its cash and cash equivalents with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The cash and cash equivalents are held with bank and financial

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

institution counterparties with high credit quality as assessed by reputable rating agencies. The Company considers that its cash and cash equivalent are subject to minimal credit risk based on the external credit ratings of the counterparties.

The Company transacts with customers with strong credit ratings and strives to minimize credit risk by performing credit reviews, ongoing credit evaluation and account monitoring procedures. The definition of receivables that are past due is determined by reference to terms agreed upon with individual customers, typically ranging between 15 to 60 days. The credit risk associated with trade receivables and contract assets with aging balances over 90 days is considered higher than normal. The aging of trade and other receivables is as follows:

	Dec. 31, 2024			Dec. 31, 2023	
	0-30 days	31-90 days	Over 90 days	Total	Total
	\$	\$	\$	\$	\$
Trade and other receivables (exclude tax receivable)	2,217,936	1,029,905	1,214,869	4,462,710	4,374,275

Collection of the Company's trade receivables over 90 days is reasonably assured since approximately 98% of trade receivables as of December 31, 2024 has been collected subsequent to the reporting period (96% in 2023). Aside from those mentioned below, no trade receivables have been challenged by the respective customers and are considered for impairment. The Company continues to conduct business with its existing customers on an ongoing basis.

The Company uses a historical 3-year trend and future expectations to make estimates on expected credit losses. The Company's changes in allowance for expected credit loss for the year ended December 31, 2024 and 2023 are as follows:

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Allowance for expected credit loss, beginning of the year	(1,788)	-
Net remeasurement of expected credit loss	(14,237)	(474,900)
Amounts written off	-	473,112
Allowance for expected credit loss, end of the year	(16,025)	(1,788)

Amounts written off during the year ended December 31, 2023 were primarily related to a trade receivable from a Yukon-based customer. The customer ceased their operations at the mine site in May 2023 and the government later appointed a receiver for certain mining assets at site. The amounts written off during 2023 are still subject to enforcement activity.

**b) Currency Risk**

The Company conducts business in Canada, United States, Mexico, Chile and China. As a result, the Company has foreign currency exposure with respect to items not denominated in Canadian dollars. The two main types of foreign exchange risk for the Company can be categorized as follows:

*i) Transaction Exposure*

The Company's operations sell mainly services and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

*ii) Foreign Exchange Exposure*

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

the Canadian dollar: cash and cash equivalents, trade and other receivable excluding tax receivable, and trade payable and accrued liabilities excluding tax payable. The currencies of the Company's financial assets and liabilities exposed to currency risk, based on notional amounts and presented in CAD, were as follows:

	December 31, 2024			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash and cash equivalents	2,585,449	32,932	23,199	478,829
Trade and other receivables (exclude tax)	1,358,313	-	15,397	527,996
Trade and other payables (exclude tax)	(199,853)	30,644	(426,832)	(97,373)
Gross balance sheet exposure	3,743,909	63,576	(388,236)	909,452

	December 31, 2023			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash and cash equivalents	1,085,117	26,393	510,378	225,906
Trade and other receivables (exclude tax)	2,834,344	159	22,990	624,120
Trade and other payables (exclude tax)	(52,814)	19,002	(422,985)	(4,308)
Gross balance sheet exposure	3,866,647	45,554	110,383	845,718

A 10% strengthening (weakening) of the Canadian dollar against the following currencies would have decreased (increased) the Company's net income from its financial instruments presented by the amounts shown below.

	2024	2023
	\$	\$
U.S. dollar	374,391	386,665
Mexican peso	6,358	4,555
Chilean peso	(38,824)	11,038
Chinese RMB	90,945	84,572
	432,870	486,830

**c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations from cash and cash equivalents. The ability to do this relies on the Company collecting its trade and other receivables in a timely manner and maintaining sufficient cash in excess of anticipated needs. As of December 31, 2024, the Company has working capital of \$12,592,881 (\$10,529,457 as of December 31, 2023). To further improve the Company's access to liquidity, there are credit facilities available with the Royal Bank of Canada including credit card facilities of approximately \$70,000 and a revolving demand credit facility of \$1,000,000. As of December 31, 2024 and 2023, the revolving demand credit facility remains undrawn. The Company believes that it has access to sufficient funding through its cash to meet its foreseeable operating requirements without the use of the credit facility.

The following table shows the contractual maturities of financial liabilities at the reporting date. The amounts presented are gross undiscounted, and include contractual principal and interest payments, and therefore, do not equate to the carrying

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

amounts on the consolidated statements of financial position.

	Dec. 31, 2024			Dec. 31, 2023	
	< 1 year	1 to 3 years	> 3 years	Total	Total
	\$	\$	\$	\$	\$
Trade payable and other payables (excludes tax payable)	1,687,224	-	-	1,687,224	1,316,107
Deferred benefits	1,178,540	-	-	1,178,540	614,612
Loans	82,500	88,084	382,266	552,850	466,199
Lease obligations	341,088	527,336	1,773,502	2,641,926	2,825,015
	3,289,352	615,420	2,155,768	6,060,540	5,221,933

Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company continues to review expenditures to ensure adequate liquidity. A period of extended depression in the mining industry, as the Company's main customer base, may necessitate the Company to seek financing opportunities in accordance with its capital management strategy (note 23).

**d) Price Risk**

The Company's net income and financial condition are subject to price risk due to fluctuations of the following:

*i) Commodity Price Risk*

The profitability of the Company's investment in JCC-BQE joint venture will be significantly affected by changes in the commodity price of recovered base metals being sold by the joint venture of the Company. Copper and zinc prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for copper and zinc, the level of interest rates, the rate of inflation, investment decisions by large holders of base metals, including governmental reserves, and the stability of exchange rates can all cause significant fluctuations in metal prices. A 10% change in base copper and zinc prices would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by \$762,127 in 2024 (\$437,642 in 2023).

*ii) Common Stock Price Risk*

The Company is subject to price risk for changes in the Company's common stock price per share. The Company has implemented, as part of its long-term incentive plan, the DSU and RSU plans that the Company is required to satisfy in cash. The Company considers the plans a financial liability and are required to fair value the outstanding liabilities with the resulting changes included in stock-based compensation expense in each reporting period: an increase in share unit award prices would decrease the Company's net income or loss. A 10% change in common stock prices would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by \$160,851 in 2024 (\$77,192 in 2023).

**BQE WATER INC.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023

**25. FAIR VALUE MEASUREMENT**

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparties to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

The Company's financial assets and liabilities by category and information about financial assets and liabilities in the consolidated statements of financial position are classified and measured as follows:

	Category	Dec. 31, 2024 \$	Dec. 31, 2023 \$
<b>Financial assets</b>			
Cash and cash equivalents	Financial assets at amortized cost	11,771,214	7,927,603
Trade and other receivables (excludes tax receivable)	Financial assets at amortized cost	4,462,710	4,374,275
<b>Financial liabilities</b>			
Trade payable and other payables (excludes tax payable)	Financial liabilities at amortized cost	1,687,224	1,316,107
Loans	Financial liabilities at amortized cost	331,228	312,096
Lease obligation	Financial liabilities at amortized cost	1,609,449	1,605,782
Deferred benefits	Financial liabilities at fair value	1,178,540	614,612

The carrying values of the financial assets and liabilities at amortized cost presented above other than long-term portion of loans and lease obligation approximate their fair values due to the short-term maturities of these instruments. The carrying amounts of loans and lease obligation approximate fair values due to prevailing interest rates and the risk characteristics of the instruments. The Company has not offset financial assets with financial liabilities.

The fair value hierarchy establishes three levels to classify the significance of inputs to valuation techniques used to measure fair value as described in note 3(f). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's deferred benefits, which consist of DSUs and RSUs, are held at fair value, measured by Level 1 inputs based on quoted stock prices. There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2024 and 2023. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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## **Management's Discussion and Analysis**

For the years ended December 31, 2024 and 2023

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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 have 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 2024 MD&A should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2024, under IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). All financial information in this MD&A is derived from the Company's Financial Statements, prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business operations for the foreseeable future. Our accounting policies are described in Note 3 of our audited consolidated financial statements. All financial information is presented in **Canadian dollars** (the presentation currency of the Company's consolidated financial statements) and all tabular amounts are in \$000s, unless otherwise noted. This MD&A has been prepared as at April 24, 2025.

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 speak 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 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](http://www.bqewater.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## OUR STRATEGY

The Company's strategy is to apply our unique expertise and intellectual property ("IP") related to the treatment of mine water and metallurgical bleed streams to help clients minimize their life cycle costs and risks associated with water. Additionally, we recognize that sustained growth and the financial success of our business are linked to ongoing innovation and the expansion of our IP portfolio, activities we are actively engaged in through our own operations and through inquiries from clients evaluating new projects.

The Company monetizes the value of its IP and expertise through services that span the full life cycle of mining projects from pre-permitting to post-closure. The Company's primary service is the long-term operation of water treatment plants, designed by our team, to generate recurring revenues linked to plant performance. As the period between the identification of new projects and treatment plants entering their operating phase can be lengthy, we also generate revenues from technical services that are project specific and generally non-recurring in nature. As such, our services are grouped into two key areas:

### **Operational Services**

Revenues from operational services provided by the Company are recurring in nature and are earned through water treatment fees, support fees or through the sale of recovered base metals. Water treatment fees are either based on an agreed upon tolling for water treated and discharged into the environment or based on a fixed monthly or quarterly fee, or a combination of the two. Support fees are earned for the Company's expertise linked to operational targets and delivered through supervisory and ongoing operational support services. The Company also monetizes the value of its IP through joint ventures by sharing in the value of base metals recovered from treating wastewater.

### **Technical Services**

Technical services provided by the Company can be grouped into consulting and technical innovation services. Consulting services help mining companies define water problems, identify opportunities for improving project performance and present solutions to address specific water management issues. Such services include feasibility & assessment studies, toxicity investigations, process engineering design, construction of water treatment plants, treatment plant commissioning and plant optimization. Technical innovation services offer our clients beneficial design and technological improvements drawn from our unique knowledge and expertise acquired from ongoing plant operations services. This also provides the Company with opportunities to develop new technologies, through either laboratory treatability assessments or field pilot demonstrations, based on industry needs. These services allow us to follow projects through the entirety of their development and implementation phases, and to provide our clients with recurring operational services.

## NON-GAAP MEASURES

The Company uses non-GAAP financial measures to supplement our consolidated financial statements presented in accordance with generally accepted accounting principles (IFRS), 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 Revenues

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 year ended December 31, 2024 and 2023 are as follows:

<i>(in \$'000s)</i>	2024	2023
	\$	\$
Reported revenues under GAAP	17,178	18,137
Share of revenues from joint ventures in China	7,620	4,589
Proportional Revenues for the year	24,798	22,726

### Adjusted EBITDA

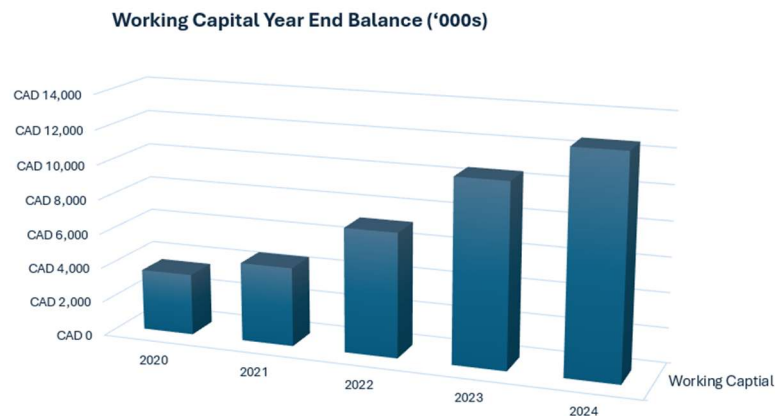
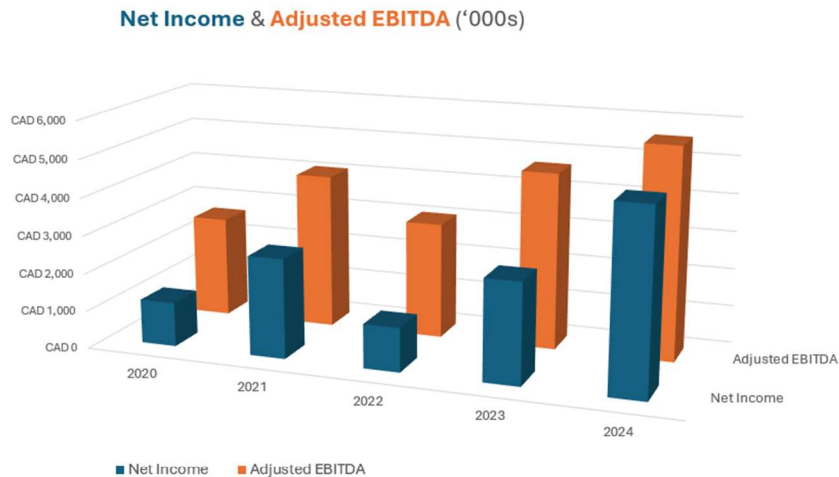
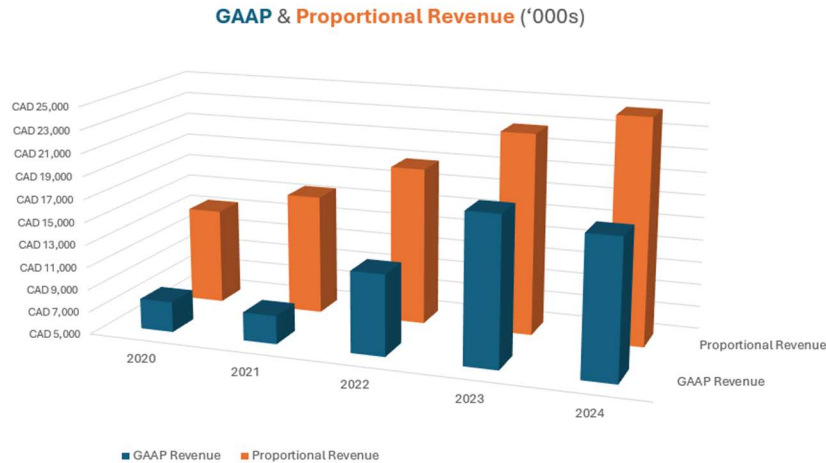
Adjusted EBITDA ("earnings before interest, taxes, depreciation and amortization") is intended to provide additional information only and does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. It should not be considered in isolation 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:

<i>(in \$'000s)</i>	2024	2023
	\$	\$
GAAP: Net income	4,806	2,654
deduct: interest income	(92)	(211)
add/deduct: income tax (recovery) expenses	(757)	268
add: depreciation and amortization	915	916
EBITDA	4,872	3,627
add: share-based payment expenses	1,017	466
add/deduct: other (income)	(96)	(51)
add: bad debt expense	14	473
add/deduct: net foreign exchange	(224)	141
Adjusted EBITDA	5,583	4,656

# FINANCIAL HIGHLIGHTS

- Revenues of \$17.2 million in 2024, a decrease of 5% or \$959,000 compared to 2023.
- Achieved record Proportional Revenues of \$24.8 million in 2024, a \$2.1 million or 9% increase from 2023.
- Net income and earnings per share for the year were \$4.8 million and \$3.78, compared to \$2.6 million and \$2.12 in the prior year, representing increases of 81% and 78%, respectively.
- Adjusted EBITDA was \$5.6 million compared to \$4.6 million the year prior, a 20% increase.
- Increased working capital by \$2.1 million, or 20% year-over-year, to \$12.6 million as at December 31, 2024.
- Grew net cash and cash equivalents by \$3.8 million, or 48% year-over-year, to \$11.8 million as of December 31, 2024.

Selected financial results for the last 5 years are as follows:



Selected financial results for the 3 and 12 months ended December 31, 2024 are as follows:

(in '000s)	3 months ended Dec. 31		12 months ended Dec. 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenues under GAAP	<b>5,088</b>	5,014	<b>17,178</b>	18,137
Proportional Revenues	<b>5,765</b>	5,431	<b>24,798</b>	22,726
Net income	<b>1,214</b>	249	<b>4,806</b>	2,654
Adjusted EBITDA	<b>(2)</b>	541	<b>5,583</b>	4,656

## 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 12 months ended December 31, 2024 and 2023 are as follows:

(in '000s)	2024	2023
Water treated (cubic metres)	21,842	19,493
Copper recovered (pounds)	2,662	1,935
Zinc recovered (pounds)	1,231	-

During 2024, all three plants met mechanical availability and process performance set by the Company. The volume of water treated increased by 12% year-over-year and the mass of copper recovered increased by 37%. Starting in 2024, the Yinshan water treatment plant began to recover zinc as part of their normal operations. 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.

### MWT-BQE Joint Venture Operations

Our 20% share of 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. The operating results for the 12 months ended December 31, 2024 and 2023 are as follows:

<i>(in '000s)</i>	2024	2023
Water treated (cubic metres)	296	285
Zinc recovered (pounds)	96	162
Copper recovered (pounds)	50	49

Copper recovery remained consistent with the previous year, while the mass of zinc decreased by 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. In 2024, the plant operated intermittently to reduce costs, as the value of zinc and copper in the feed was lower than the recovery cost of the metals.

### BQE Water Operations

The number of operating days contributing to water treatment or support fees for the 12 months ended December 31, 2024 and 2023 are as follows:

<i>(in days)</i>	2024	2023
Raglan Mine water treatment plants	202	206
Minto Mine water treatment plant	96	312
Zhongkuang SART plant	356	364
Zhaojin SART plant	358	354
Water treatment plant in Eastern USA	264	238
Water treatment plants in Southwest USA	365	363

The volume of water treated by geographic location for the 12 months ended December 31, 2024 and 2023 are as follows:

<i>(in '000s cubic metres)</i>	2024	2023
Raglan Mine water treatment plants	2,075	2,218
Minto Mine water treatment plant	435	938
SART plants in China	652	602
Water treatment plants in USA	1,566	168

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation (“Glencore”). From May to December 2024, we mobilized our operations team for the 21st operating season at the mine. The total volume of water treated across all four plants at Raglan Mine in 2024 decreased by 6% compared to 2023.

Since 2022, the Company is contracted with the Yukon Government to treat and discharge clean water at the Minto Mine in the Yukon in support of environmental protection. In 2024, our operating season was shortened as we demobilized our team in late August to assist with an environmental emergency caused by a heap leach failure at the Eagle Gold Mine in the Yukon.

In 2021, we began operations of the Zhongkuang SART (sulphidation-acidification-recycling-thickening) 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 2024 without disruption.

In 2022, we began operations of a treatment plant utilizing our Selen-IX™ process in Eastern USA to remove selenium from ash pond water for WesTech Engineering (“WesTech”). In 2024, our operations team continued 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 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. Highlights of some of our technical services and technical innovation projects during 2024 are summarized below.

### Trusted Advisory Services (Water Management and Water Studies)

- Completed the engineering design and began procurement for a water treatment facility to support the clean-up of legacy tailings site in the Yukon.
- Provided ongoing advisory and water treatment services in response to the environmental emergency caused by a heap leach failure at the Eagle Gold Mine in the Yukon.
- Completed lab testing and preliminary engineering for selenium removal plant at a new uranium project in development in Canada.
- Continued plant operations support and engineering services to an actively producing mine requiring improvements to their existing treatment in the Yukon.
- Completed a field pilot campaign for thiosalts removal at a mine in Eastern Canada.
- Continued with engineering services for the design, procurement, and construction of another selenium removal plant using BQE’s Selen-IX™ to meet end-of-pipe limit of less than 2 parts per billion at a gold mine in Central US.
- Assisted an integrated lead smelter-recycling facility in Eastern Canada with completing upgrades to existing treatment system and implementation of new sulphate removal stage to a discharge limit less than 1,500 mg/L and initiated operations support for the newly upgraded facility.
- Completed the plant automation scope for a new water treatment plant for water recycle at a gold mine in Mexico.
- Continued selenium stability test program simulating conditions in semi-passive treatment systems to support holistic risk assessment of selenium treatment options for a client based in BC.

### Cyanide Management (Destruction and Recycle)

- Continued to provide on-site engineering and laboratory services for cyanide removal from impacted water at the Eagle Gold Mine in the Yukon and proceeded with a chosen method that best integrates into the emergency temporary water treatment at site that targets less than 25 ppb residual cyanide at the end-of-pipe.
- Completed the engineering design for a cyanide removal facility requiring the end-of-pipe cyanide concentration below 8 ppb in the US.
- Continued to provide engineering services for Shandong Gold to support the construction of the third SART plant in China.

## 2024 COMMENTARY AND OUTLOOK FOR 2025

Our 2024 financial results delivered another set of new highs in several key metrics including year-end Proportional Revenue, net income, Adjusted EBITDA, and working capital. Overall, BQE Water's financial performance in 2024 reflects the success of our long-term business strategy, including growing our recurring revenue from water treatment plant operations. The Company's performance can be summarized as follows:

- 1) Proportional annual recurring revenue of \$18.1 million achieved a record high, with \$10.5 million in revenue from operating treatment fees and \$7.6 million from our proportional share of joint venture revenue from the sale of recovered metals. Operating fees reached a new record high, while sales of recovered metals returned to their long-term mean following a drop in 2023.
- 2) Non-recurring technical services revenue decreased by \$3.2 million or 32% compared to 2023.

The first point demonstrates the progress we have made in executing our business strategy and confirms the growing importance of recurring revenue from water treatment fees in terms of the overall financial performance of the Company. It also highlights the upside potential from our exposure to copper and zinc prices associated with metals recovered from the joint ventures.

The second point reaffirms that our technical services revenue is lumpy. This lumpiness stems from the unpredictable timing and progression of mining projects in general, as well as the wide range of technical services contract values – from \$30,000 to \$3.0 million depending on the stage of the project. Smaller contracts are associated with the earliest stages of a mining project. As the project advances, contract values typically increase, culminating in plant commissioning and ultimately new operating contracts. While one or two larger short-term technical services contracts can boost our fees in any given period, they can also create a temporary drop in fees in subsequent periods. This was the situation in the first half of 2024 when we initiated work on multiple new early-stage projects while certain larger contracts had been completed or delayed. Earning lower fees from many small contracts remains very valuable for the Company's long-term strategic growth.

Several items in the consolidated financial statements also deserve commentary and explanation:

- 1) Recorded deferred revenue of \$1.6 million under current liabilities on the statement of financial position, primarily representing milestone payments from a customer for a major project in the Yukon. This deferred revenue will be recognized as technical services revenue in 2025.
- 2) Recognition of deferred income tax asset of \$1.4 million under non-current assets, which also is included in the income tax recovery of \$1.3 million. The deferred tax asset stems from the cumulative prior year losses carry forward in Canada available to offset future income taxes. The recognition of a deferred tax asset in 2024 is due to the Company's track record of taxable profits over the past few years and management's forecast of taxable profits in the future. We expect the deferred tax asset and matching income tax recovery may increase in the next few years before declining as the sum of the total accumulated losses are depleted.

With respect to our outlook for 2025:

We presently have good visibility and certainty over several larger technical services contracts and expect strong results in the first half of the year on this front; specifically,

- 1) Installation and commissioning of the Valley Tailings plant in the Yukon.
- 2) Commissioning of the fourth Selen-IX™ plant in the North Central region of the US.
- 3) Detailed design of a sulphate removal plant that will subsequently go into construction in BC.
- 4) Commissioning of the third SART plant for Shandong Gold in China.

Our operating contract for Minto Mine ended in 2024 and we will not be operating the Minto plant in 2025. The Selkirk First Nation has become the key player in deciding next steps, but no clear direction has been set for the future of this project



yet. Our partnership with the Selkirk Development Corporation remains strong and enables us to stay abreast of developments that may benefit from our involvement beyond 2025. In the meantime, our Minto operations team is fully utilized operating the emergency response water treatment system at the Eagle Gold Mine in the Yukon. This contract is set to conclude in June 2025 but may get extended depending on the water situation at site post spring freshet. We anticipate that the Eagle project will more than offset the revenue loss from Minto in 2025.

We engaged with our customer in the Southwestern US on the renewal and restructuring of our operating contracts for two plants on the same site where the operating term was set to expire in 12 to 18 months, respectively. Our contract was renewed early for a 5-year term, at a lower monthly fee, as we reduced our scope from full operations to operations support. While this may reduce the Company's revenue from operations in the short term, we are pleased to gain certainty and longevity of recurring revenue from these operations over the coming five years. We expect to cover the shortfall in 2025 with revenue from other projects and then increase recurring revenue from new sites such as those undergoing commissioning in 2025.

There has been no immediate impact from trade tariffs on BQE Water since we don't manufacture goods and/or generate profit by exporting or importing goods. Services have so far been exempted from tariffs. Nevertheless, tariffs may create economic uncertainty, and this may impact access to funding in the mining sector, which may delay capital projects. The drop in global trade may also produce a global economic recession. As a result, we may see a market slowdown, especially in some of our projects being developed by junior mining companies. In the medium to long term, the shift towards self-dependency may produce growth in the mining and metal extraction sector in Canada and the US. Announcements by various governments aimed at accelerating permitting and/or allocating direct government support for critical minerals projects as well as development of nuclear power generation capacity is an early sign of this.

We live in uncertain times and despite our relatively positive outlook for 2025, we caution readers about the risks that may create headwinds for us and our business. These include geopolitical risks with China, weak inflows of capital into the mining sector, a global recession, and/or prolonged weakness in commodity prices. For these reasons, we remain focused on fiscal prudence and maintaining our working capital at a level that allows us to withstand exogenous impacts and even be positioned to take advantage of opportunities. Our strong balance sheet will allow us to navigate the economic uncertainties ahead.

## SELECTED FINANCIAL INFORMATION

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

	2024	2023	2022
	\$	\$	\$
Revenues	17,178	18,137	12,158
Operating expenses (excluding depreciation)	(8,769)	(9,075)	(7,107)
Gross margin	8,409	9,062	5,051
Share of income from joint ventures	2,472	419	1,487
General and administration	(3,172)	(2,727)	(2,464)
Sales and development	(3,131)	(2,655)	(1,768)
Share-based payments	(1,017)	(466)	(671)
Depreciation and amortization	(439)	(430)	(264)
Income from operations and joint ventures	3,122	3,203	1,371
Other income, net	422	115	108
Bad debt expense	(14)	(473)	(8)
Income tax recovery (expenses)	1,276	(191)	(309)
<b>Net income for the year</b>	<b>4,806</b>	<b>2,654</b>	<b>1,162</b>
Earnings per share (basic)	3.78	2.12	0.93
Earnings per share (diluted)	3.75	2.08	0.92
Proportional Revenues (Non-GAAP measures)	24,798	22,726	18,879
Adjusted EBITDA (Non-GAAP measures)	5,583	4,656	3,059
Comprehensive income	5,174	2,302	994
	at Dec 31	at Dec 31	at Dec 31
	2024	2023	2022
	\$	\$	\$
Cash and cash equivalents	11,771	7,928	6,234
Working capital	12,593	10,529	7,165
Total assets	27,093	18,856	15,988
Total non-current liabilities	1,842	1,900	555
Shareholders' equity	20,529	14,776	12,638

## COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	<b>Dec-24</b>	<b>Sept-24*</b>	<b>Jun-24</b>	<b>Mar-24</b>	<b>Dec-23</b>	<b>Sept-23</b>	<b>Jun-23</b>	<b>Mar-23</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	<b>5,088</b>	6,165	3,417	2,508	5,014	6,246	4,186	2,691
Operating expenses	<b>(3,058)</b>	(2,497)	(1,810)	(1,403)	(2,260)	(2,959)	(2,162)	(1,694)
	<b>2,030</b>	3,668	1,607	1,105	2,754	3,287	2,024	997
Share of results from joint ventures	<b>(567)</b>	1,577	1,129	332	(452)	382	407	81
General and administration	<b>(810)</b>	(771)	(892)	(700)	(695)	(610)	(750)	(672)
Sales and development	<b>(704)</b>	(576)	(928)	(924)	(930)	(555)	(557)	(613)
Share-based payments	<b>(201)</b>	(199)	(343)	(273)	(138)	(109)	(29)	(190)
Depreciation and amortization	<b>(129)</b>	(106)	(103)	(101)	(126)	(111)	(111)	(82)
Income (loss) from operations	<b>(381)</b>	3,593	470	(561)	413	2,284	984	(479)
Other income (expenses), net	<b>232</b>	2	100	87	68	(13)	(83)	143
Bad debt expense	<b>(14)</b>	-	-	-	(214)	-	(259)	-
Income tax recovery (expense)	<b>1,377</b>	(78)	(10)	(12)	(18)	(140)	(27)	(6)
Net income (loss)	<b>1,214</b>	3,517	560	(486)	249	2,131	615	(342)
Translation gain (loss)	<b>187</b>	123	14	43	39	71	(471)	10
Comprehensive income (loss)	<b>1,401</b>	3,640	574	(443)	288	2,202	144	(332)

*\*Certain revenues and operating expenses, with a net impact of \$206,000 to net income, have been restated from Q3 2024 to Q4 2024. There are no changes to the annual figures.*

### **Non-GAAP Measures:**

Proportional Revenue	<b>5,765</b>	9,540	6,083	3,410	5,431	7,964	5,772	3,560
Adjusted EBITDA	<b>(2)</b>	4,362	1,342	(121)	541	2,742	1,451	(80)

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 certain sites also impacts the timing of revenues. Operations located at Northern Quebec and in the Yukon will operate in the warmer months, typically from May to October of each year. The Company is actively adding new operations that are not affected by seasonality to smooth out the operations revenue from period to period. For variations in Proportional Revenue, which includes our share of revenue from the Dexing joint venture, metal production typically 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 Q4 2024 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended December 31, 2024 and 2023.

### Revenues and Proportional Revenues

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

<i>(in \$'000s)</i>	Q4 2024		Q4 2023		
Revenue source	\$	% of total	\$	% of total	% Change
Water treatment fees from operations	2,260	39%	2,843	52%	(21%)
Technical services	2,828	49%	2,171	40%	30%
Total Revenues	5,088		5,014		1%
Sale of recovered metals from operations	677	12%	417	8%	62%
Total Proportional Revenues	5,765	100%	5,431	100%	6%

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. The \$583,000 decrease in water treatment fees in Q4 2024 is due to shorter operating seasons in 2024 at Raglan Mine and at Minto Mine, as less water was required for treatment when compared Q4 2023. Our treatment fees earned in the US and the operation support fees from the two SART plants in China are comparable with Q4 2023.

Technical services revenues increased by \$657,000 in Q4 2024 compared to Q4 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. During Q4 2024, the Company worked on several larger onsite technical support contracts across Canada, namely in the Yukon, Northern BC, and in Quebec.

Revenues from the sale of base metals recovered comprise the Company's share of revenues from its joint ventures in China. During Q4 2024, the JCC-BQE joint venture contributed \$675,000 to the Company's Proportional Revenue compared to \$416,000 in Q4 2023. The 62% increase was due to an approximate 5% increase in the quantity of copper recovered and a 41% increase in the average copper price, plus \$63,000 of additional revenue attributed to zinc recovered and sold from the Yinshan plant. During Q4 2024, the MWT-BQE joint venture was operating intermittently and contributed comparable amounts to the Company's share of Proportional Revenue compared Q4 2023. The share of results from the Chinese joint ventures, which is net of cost of sales and expenses, is mostly driven by the sale of metals recovered during the operation of water treatment plants and is affected by the amount and market price of metal concentrate sold.

### Expenses

Total operating expenses in Q4 2024 were \$3.1 million compared to \$2.3 million in Q4 2023, an increase of 35%, which is consistent with the resources required for the larger technical support contracts during the quarter. Each individual project requires different levels of technical expertise and resources depending on the specific mine conditions and treatment solutions.

In Q4 2024, general and administration costs were \$810,000 compared to \$695,000 in Q4 2023. The \$115,000 increase, or 17%, was mainly due to the \$45,000 increase in professional services, along with marginal increases in employee benefits, insurance premiums, rent expenses, and travel expenses.

Sales and development costs in Q4 2024 were \$704,000 compared to \$930,000 in Q4 2023, representing a decrease of \$226,000 or 24%. The decrease was largely attributable to \$134,000 in labor resources allocated to operating expenses to fulfill technical services contracts, a \$25,000 decrease in travel and event expenses related to business development, and a \$55,000 decrease in professional services.

## Income Tax

During Q4 2024, income tax recovery was \$1.4 million compared to an expense of \$18,000 in the prior year, mainly due to the Company's recognition of \$1.4 million of deferred tax assets for Canadian based unused tax losses from prior years, which will be used against probable future taxable profits.

## Net Income

Overall, net income for the quarter was \$1.2 million compared to \$249,000 in Q4 2023.

## SUMMARY OF 2024 FINANCIAL RESULTS

The following is a summary of selected financial results for the years ending December 31, 2024 and 2023.

### Revenues and Proportional Revenues

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

<i>(in \$'000s)</i>	2024		2023		
Revenue source	\$	% of total	\$	% of total	% Change
Water treatment fee from operations	10,483	42%	8,278	36%	27%
Technical services	6,695	27%	9,859	44%	(32%)
Total Revenues	17,178		18,137		(5%)
Sale of recovered metals from operations	7,620	31%	4,589	20%	66%
Total Proportional Revenues	24,798	100%	22,726	100%	9%

Water treatment fee revenues increased by \$2.2 million or 27% 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 \$2.9 million of additional recurring revenues in 2024. This increase was partially offset by a \$803,000 decrease from Canada based operations. Both the operations at Minto Mine and Raglan Mine had shorter operating seasons due to lower temperatures and with less water requiring treatment when compared to 2023. In 2024, we continued to earn support fees in our SART plants in China totaling \$718,000 compared to \$719,000 from the prior year.

Revenues from technical services decreased by \$3.2 million in 2024 compared to 2023. The 32% decrease is due to a reduction in project scope during 2024, as most of the projects completed or processed in 2024 are in their earlier stages, compared to several late-stage projects completed in 2023, which included commissioning activities in the US and two pilot demonstrations in Chile.

Revenues from the sale of base metals recovered comprises the Company's share of revenues from joint ventures in China. During 2024, our share of revenues from the JCC-BQE joint venture was \$7.6 million compared to \$4.4 million in 2023, representing a \$3.2 million or 74% increase. This increase was attributable to a 37% increase in the quantity of copper recovered and a 12% increase in the average copper price during the period, compounded by \$863,000 of additional revenue arising from the recovery and sale of zinc at the Yinshan plant in 2024. The share of revenues from the MWT-BQE joint venture was \$3,000 in 2024 compared to \$212,000 in 2023. While the treatment plant was recovering traces of zinc and copper in 2024, majority of the inventory was not sold as at December 31, 2024. The Company's share of income from joint ventures in 2024, which includes the above noted sale of recovered metals from operations, partially offset by cost of sales and expense, was \$2.5 million compared to \$418,000 in 2023, an increase of \$2.1 million. The change in net result from joint ventures are predominantly driven by the sale of metals recovered during the operation of water treatment plants in China and is affected by the amount and market price of metal concentrate sold.

## Operating Expenses

Total operating expenses in 2024 were \$8.8 million compared to \$9.1 million in 2023, a decrease of \$306,000. The 3% decrease in operating expenses is primarily attributable to the mix of operations services and project activity related to technical services completed in the year, as each operation site and individual project calls for varying levels of technical

expertise and resources depending on the specific mine conditions and treatment needs. During 2024, the Company's gross margin ratio was 49% compared to 50% in 2023.

### **Expenses**

General and administration expenses in 2024 were \$3.2 million compared to \$2.7 million in 2023, representing a \$445,000 or 16% increase. The increase was attributable to a \$257,000 increase in professional services, \$71,000 increase in employee benefits, and a \$100,000 increase in rent expense and insurance premiums for the year.

Sales and development costs in 2024 were \$3.1 million compared \$2.7 million in 2023, an increase of 18%. The \$476,000 increase was largely attributed to a \$502,000 increase in employee benefits and partially offset by marginal decreases in expenses related to business and technology development.

Share-based payment expenses were \$1.0 million in 2024 compared to \$466,000 in 2023, an increase of \$551,000. Share-based payment expenses mainly consist of non-cash compensation expenses relating to stock options which are expensed 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 an increase in the Company share price throughout 2024.

Depreciation and amortization expenses were \$439,000 in 2024 compared to \$430,000 in 2023. The increase was due to the addition of furniture and equipment assets during 2024.

### **Other Income and Expenses**

The net of other income was \$422,000 in 2024 compared to \$115,000 in 2023. Other income consists of net finance income, foreign exchange and other income.

Net finance income was \$105,000 in 2024 compared to \$204,000 in 2023. Finance income consists of interest income earned primarily from on-demand guaranteed investment certificates within cash and cash equivalents and is netted against finance costs, which consist of interest paid and interest accrued for loans and lease obligations.

Foreign exchange gain was \$224,000 in 2024 compared to a loss of \$141,000 in 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 functional currency of the Company and each of its subsidiaries.

The remaining variance is from other income of \$93,000 in 2024 compared to an income of \$52,000 in 2023. Other income consists of fair value adjustments on interest-free loans, and other gains and fees earned which are non-operating in nature.

2023 had a one-time bad debt expense of \$473,000 from a customer going into receivership.

### **Income Tax**

Income tax includes deferred income tax and current income tax. In 2024, income tax recovery was \$1.3 million compared to an expense of \$191,000 in the prior year. In 2024, the Company recognized \$1.4 million of deferred tax assets for Canadian based unused tax losses from prior years, which will be used against probable future taxable profits. Such taxes losses are not able to be offset against accumulated tax benefits in other jurisdictions.

Current income tax expenses are mainly attributed to 10% withholding taxes deducted from annual dividends received during quarter from the Company's investment from joint venture income earned in China during the preceding fiscal years.

### **Net Income**

Overall, net income for the year was \$4.8 million compared to \$2.6 million in 2023.

## SUMMARY OF OPERATIONAL SERVICES

### JCC-BQE Joint Venture Operation, Jiangxi Province, China

In 2007, BQE Water entered into a 50/50 joint venture arrangement with JCC, China's largest copper producer. In April 2008, the joint venture completed the construction and commissioning of its first water treatment plant at JCC's Dexing Mine, an active copper mine in China. The plant utilizes our patented ChemSulphide® process to remove and recover dissolved copper and zinc from acid mine drainage generated by waste dumps and low-grade stockpiles. The recovered high-grade copper or zinc concentrate is shipped to JCC's refinery. In 2014, the joint venture completed the construction and commissioning of two additional water treatment plants at JCC's Yinshan Mine and Dexing Mine sites. Both plants also utilize the ChemSulphide® process.

All three water treatment plants were designed by BQE Water and are operated by the joint venture. The plants are managed jointly whereby BQE Water is responsible for technical operations and JCC is responsible for local administrative, procurement and government activities. The joint venture partners share 50% of the revenues and costs. Revenues are generated through the sale of recovered metals from the plants based on the metal price during the day when the concentrate is shipped.

Operating results for all three plants during the year were as follows:

<i>(in '000s)</i>	2024	2023
<b><i>Dexing 1</i></b>		
Water treated (cubic metres)	8,379	7,057
Copper produced (pounds)	1,045	720
<b><i>Dexing 2</i></b>		
Water treated (cubic metres)	8,293	8,206
Copper produced (pounds)	947	677
<b><i>Yinshan</i></b>		
Water treated (cubic metres)	5,170	4,230
Copper produced (pounds)	670	538
Zinc produced (pounds)	1,231	-
<b><i>Total</i></b>		
Water treated (cubic metres)	21,842	19,493
Copper produced (pounds)	2,662	1,935
Zinc produced (pounds)	1,231	-

The volume of water treated will fluctuate depending on precipitation levels and pounds of metals recovered at all three plants is driven by climatic conditions such as temperature, humidity, and frequency and duration of rain events. Over time, the mass of base metals recovered is expected to decline over time which is driven by resource depletion in the waste rock piles that the copper containing wastewater comes from. The two plants, Dexing 1 and Dexing 2, treat water from the same source and water may be diverted from one plant to the other to optimize operations.

During 2024, all three plants met or exceeded mechanical availability and process performance. Changes in water volume and feed grade are largely the result of environmental conditions beyond the control of the joint venture and will vary from period to period. Starting in 2024, the Yinshan water treatment plant began to recover zinc as part of their normal operations.

### MWT-BQE Joint Venture Operation, Shandong Province, China

In 2016, BQE Water entered into a joint venture agreement with MWT for the design, construction and operation of a treatment plant that recovers copper and zinc from wastewater generated by the Guoda gold smelter and refinery owned by Zhaoyuan Gold Smelting Co., Ltd (“Zhaoye”). BQE Water provides its technology and plant operating experience in exchange for an ongoing 20% share of the profit from metals recovered and technical support fees. Copper concentrate produced by the plant is sold back to Zhaoye and the zinc concentrate is sold to local metal traders.

Operating results for the plant during the year were as follows:

<i>(in '000s)</i>	2024	2023
Water treated (cubic metres)	296	285
Zinc recovered (pounds)	96	162
Copper recovered (pounds)	50	49

### Raglan Mine Operation for Glencore Canada Corporation, Québec, Canada

BQE Water, with our joint venture partner Nuvumit Development, operates four water treatment plants at Raglan Mine, an active nickel mine in Northern Québec which is owned by Glencore. The four plants include: BQE Water’s ChemSulphide® process plant, BQE Water’s Met-IX™ process plant, the lime neutralization plant at Spoon pit and the lime plant at Katinniq. All four plants discharge the treated water into the environment. The ChemSulphide® and Met-IX™ plants also recover nickel from wastewater which is blended into the nickel concentrate produced by the mine. Because of the harsh winter conditions in Northern Québec, water is not available for processing until the spring thaw; the plant runs seasonally, typically from late spring to fall. BQE Water, through the joint venture, is responsible for all aspects of plant operations and receives a treatment fee per cubic metre of water treated and discharged.

The volume of water treated for the four plants during the year were as follows:

<i>(in '000s cubic metres)</i>	2024	2023
ChemSulphide® and Met-IX™ plants	1,001	901
Spoon plant	444	457
Katinniq plant	630	860
Total	2,075	2,218

### Minto Mine Operation for Yukon Government, Yukon, Canada

In 2022, BQE Water entered into an operational services agreement with Minto Metals to operate an existing water treatment plant at Minto Mine. As part of the operational services, BQE Water provides operations labor and coordination of mechanical and electrical maintenance to ensure effluent from the water treatment plant meets the specific discharge limits set within the permit parameters. In May 2023, the Government of Yukon assumed control of the mine to ensure the water management at the site complies with environmental protection. During 2024, our team was mobilized to site during the warmer months, from May to August, as only a limited amount of water is required for treatment.

Operating results for the plant during the year were as follows:

	2024	2023
Operating days	96	312
Water treated <i>(in '000s cubic metres)</i>	435	938



**Kemess Property Operation for Centerra Gold, British Columbia, Canada**

In 2020, we completed the commissioning of the first industrial scale plant utilizing our patented Selen-IX™ process for selenium management at the Kemess property in Northern BC owned by Centerra Gold. Upon commissioning, the plant operated continuously for a month treating up to 5,600 m³/day of mine impacted water to produce clean water containing selenium concentrations of less than 2 parts per billion. In December 2020, the Kemess site was declared to be in a state of care and maintenance. With the site requiring active water treatment only during mine construction, operation and closure but not during care and maintenance, the water treatment plant is not expected to operate until the site status changes. During 2024, we completed annual maintenance activities required to maintain the water treatment plant during this state.

**China Metallurgical Facilities Operations for MWT Water Treatment Ltd., Shandong Province, China**

In 2021, BQE Water completed the commissioning of two SART plants at two metallurgical facilities located in Eastern China, owned by Shandong Zhongkuang Group Co., Ltd. (“Zhongkuang”) and Zhaojin Mining Industry Co., Ltd. (“Zhaojin”). The Zhongkuang SART plant began operations in January 2021 and the Zhaojin SART plant in April 2021. Both SART plants are operated under the ongoing technical supervision of BQE Water. During operations, the SART plants are expected to recover cyanide, copper and zinc. Recovered cyanide will be re-used within the metallurgical process and the copper and zinc will be sold to generate incremental revenues for each owner.

The volume of water treated for the two plants during the year were as follows:

<i>(in '000s cubic metres)</i>	2024	2023
Zhongkuang SART plant	174	178
Zhaojin SART plant	478	424

**Ash Pond Clean-up Operations for WesTech Engineering, Virginia, USA**

At the end of 2021, BQE Water completed the commissioning of our first project in the power generation industry, a treatment plant utilizing our Selen-IX™ process to remove selenium from ash pond water for WesTech. The Selen-IX™ plant has a treatment capacity of 1,500 US gallons per minute and is designed to remove selenium down to below 7.7 parts per billion. BQE Water operates the Selen-IX™ plant under contract to WesTech who manages overall site operations. During 2024, our team was onsite providing water treatment services and utilizing the Selen-IX™ circuit, when selenium is present to remove selenium.

**Base Metal Mine in Southwestern, USA**

In 2022, BQE Water completed the commissioning of a treatment plant utilizing a combination of nanofiltration and our proprietary selenium electro-reduction process to simultaneously remove selenium and sulphate from mine water for a base metal project in the American Southwest. Upon completion of commissioning, we began providing ongoing plant operations services in exchange for water treatment fees comprised of a fixed guaranteed minimum and a variable fee linked to the volume of water treated.

In August 2023, BQE Water completed the commissioning of a second water treatment plant for the same base metal mine. Since being operational, the treatment plant treats mine impacted waters, removing selenium to below 2 ppb (Parts Per Billion) and dissolved metals, in compliance with applicable effluent quality regulations. Compensation for operations services consists of a base monthly fee, regardless of the volume of water reporting to treatment, plus a supplemental fee for additional water treated over and above the base. The plant has been operating year-round 24/7, with an overall plant availability more than 95%, and treat up to 4,500 gallons of water per minute, making it the largest Selen-IX™ plant currently in operation.

In 2024, our operations team was onsite operating both plants for the full year.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2024, BQE Water had 1,287,068 common shares issued (1,246,628 at December 31, 2023) and 43,900 stock options outstanding (84,340 at December 31, 2023).

In 2022, the Company obtained the approval of the TSX Venture Exchange to commence a NCIB to repurchase for cancellation over a 12-month period starting on December 12, 2022. On December 6, 2023, the Company renewed the NCIB to repurchase for cancellation up to 62,351 common shares, representing 5% of common shares issued and outstanding, over a 12-month period starting on December 13, 2023. On December 9, 2024, the Company again renewed the NCIB for a 12-month period starting on December 14, 2024 to repurchase for cancellation up to 64,120 common shares, representing 5% of common shares issued and outstanding. In 2024, no common shares were purchased and cancelled under the NCIB (13,300 common shares at a weighted average price per share of \$28.40 as of December 31, 2023).

Subsequent to the reporting year, as of the date of this MD&A on April 24, 2025, the Company had 1,293,268 common shares issued and outstanding, and 37,400 stock options outstanding, and have purchased and cancelled 500 shares under the NCIB.

At December 31, 2024, we had cash and cash equivalents of \$11.8 million, an increase of approximately \$3.8 million from December 31, 2023. For the 12 months ended December 31, 2024, our net cash provided by operating activities was \$2.9 million (\$870,000 in 2023).

Working capital is defined as current assets minus current liabilities. At December 31, 2024, the Company had a consolidated working capital position of \$12.6 million, an increase of \$2.1 million from December 31, 2023. At December 31, 2024, significant working capital items, aside from cash and cash equivalents, include trade and other receivables of \$4.5 million (\$4.4 million at December 31, 2023) and trade payables and accrued liabilities of \$1.7 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 December 31, 2024, the WINN and BSP loan balance was \$331,000, both with obligations to repay the loan with 60 equal monthly installments (\$312,000 at December 31, 2023). Additionally, there are credit facilities available with the Royal Bank of Canada including a credit card facility of \$70,000 and a revolving demand credit facility of \$1.0 million which had not been utilized as at December 31, 2024.

The Company has non-lease obligation commitments of \$2.5 million until 2034 under operating leases for office and laboratory premises, and assay services.

Management of the Company believes it will have sufficient working capital resources to finance current operations beyond the next 12 months.

## RELATED PARTY TRANSACTIONS AND BALANCES

### Key Management Compensation

For the years ended December 31, 2024 and 2023, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	2024 \$	2023 \$
Salaries, fees and short-term benefits	1,146,232	865,362
Share-based payments	206,067	150,250
	<u>1,352,299</u>	<u>1,015,612</u>

As of December 31, 2024 and 2023, the Company does not have any unpaid salaries or fees to key management.

### Transactions with Joint Ventures

The Company earns fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services and technical services in the Nunavik region. Revenue earned from this joint venture for the year ended December 31, 2024 was \$2,168,681 (\$2,200,877 in 2023). As of December 31, 2024, included in trade and other receivable are \$193,308 (\$382,837 at December 31, 2023) of trade receivables due from the joint venture.

In 2024, the Company received dividends from JCC-BioteQ Environmental Technologies Co. Ltd. of \$1.4 million (\$785,000 in 2023).

Transaction balances with joint ventures are nonsecure, non-interest bearing and are to be settled in cash. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by joint ventures.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the application of the Company's accounting policies and amounts reported in the consolidated financial statements and related notes to the consolidated 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 areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

## Critical Judgments

Critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statement are:

- i) Management's assessment of the Company's ability to continue as a going concern, as the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business.
- ii) Management's judgment on revenue recognition, when determining the performance obligations that exist in an arrangement and the timing of the transfer of control and satisfaction of performance obligations of either at a point in time or over time.
- iii) Management's assessment of impairment indicators for asset impairment on long-term assets such as property and equipment or investment in joint ventures.

## Key Sources of Estimation Uncertainty and Assumptions

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the reported amounts of assets and liabilities, income and expenses within the next fiscal year.

### Revenue Recognition

Revenue for fixed-fee technical services relating to water management are recognized over time using the percentage of completion method based on labor hours or project costs as input. The Company applies significant judgment and estimates to determine estimated labor hours or costs to completion, which affects the timing of revenue recognized for technical services. For the revenue arrangements comprise multiple performance obligations, judgements are required to determine whether products and services are considered distinct performance obligations, and estimates are required when determining the relative fair value of each performance obligation utilizing standalone prices for similar deliverables where it exists or internally generated estimates of standalone price.

### Expected Credit Loss

Trade and other receivables are assessed for impairment at each reporting date by applying the expected credit loss impairment model. Expected credit loss represents management's best estimate and assumptions based on actual credit loss experience and informed credit assessment, and also takes into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

### Right-of-Use Assets & Lease Obligations

To determine the value of the initial recognition and subsequent re-measurement of RoU assets and lease obligations, management is required to exercise judgment and estimates in several areas. Management has reviewed its lease agreements to estimate the lease term by evaluating the probability of exercising its option to extend or renew its lease contracts. Further judgment and estimates are required to determine the discount rate on lease payments by assessing its incremental borrowing rate at each of the Company's locations.

### Taxation

Provisions for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

## GENERAL

### Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected.

There has been no change in BQE Water's internal controls over financial reporting during the year ended December 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

### Future Accounting Standards and Amendments

The Company's material accounting policies and future changes in accounting policies are presented in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2024 and have been consistently applied in the preparation of the consolidated financial statements.

## FINANCIAL RISK MANAGEMENT

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, market risks such as foreign currency risk, liquidity risk, and commodity price risk. The Company determines the fair value of its financial instruments as outlined in Note 25 of the Company's audited consolidated financial statements.

### a) Credit Risk

Credit risk is the risk of financial loss if a counterparty to the Company's financial instruments fails to meet their contractual obligations. The Company's financial assets are primarily comprised of cash and cash equivalents, and trade and other receivables, including contract assets and excluding taxes receivable. Credit risk is primarily associated with trade and other receivables; however, it also arises on cash and cash equivalents.

The Company's maximum exposure to credit risk is as follows:

	Dec. 31, 2024	Dec. 31, 2023
	\$	\$
Cash and cash equivalents	11,771,214	7,927,603
Trade and other receivables (exclude tax receivable)	4,462,710	4,374,275
	16,233,924	12,301,878

The Company invests its cash and cash equivalents with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The cash and cash equivalents are held with bank and financial institution counterparties with high credit quality as assessed by reputable rating agencies. The Company considers that its cash and cash equivalent are subject to minimal credit risk based on the external credit ratings of the counterparties.

The Company transacts with customers with strong credit ratings and strives to minimize credit risk by performing credit reviews, ongoing credit evaluation and account monitoring procedures. The definition of receivables that are past due is determined by reference to terms agreed upon with individual customers, typically ranging between 15 to 60 days. The credit risk associated with trade receivables and contract assets with aging balances over 90 days is considered higher than normal. The aging of trade and other receivables is as follows:

	Dec. 31, 2024			Dec. 31, 2023	
	0-30 days \$	31-90 days \$	Over 90 days \$	Total \$	Total \$
Trade and other receivables (exclude tax receivable)	2,217,936	1,029,905	1,214,869	4,462,710	4,374,275

Collection of the Company's trade receivables over 90 days is reasonably assured since approximately 98% of trade receivables as of December 31, 2024 has been collected subsequent to the reporting period (96% in 2023). Aside from those mentioned below, no trade receivables have been challenged by the respective customers and are considered for impairment. The Company continues to conduct business with its existing customers on an ongoing basis.

The Company uses a historical 3-year trend and future expectations to make estimates on expected credit losses. The Company's changes in allowance for expected credit loss for the year ended December 31, 2024 and 2023 are as follows:

	Dec. 31, 2024 \$	Dec. 31, 2023 \$
Allowance for expected credit loss, beginning of the year	(1,788)	-
Net remeasurement of expected credit loss	(14,237)	(474,900)
Amounts written off	-	473,112
Allowance for expected credit loss, end of the year	(16,025)	(1,788)

## b) Currency Risk

The Company conducts business in Canada, United States, Mexico, Chile and China. As a result, the Company has foreign currency exposure with respect to items not denominated in Canadian dollars. The two main types of foreign exchange risk for the Company can be categorized as follows:

### i) Transaction Exposure

The Company's operations sell mainly services and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

### ii) Foreign Exchange Exposure

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the Canadian dollar: cash and cash equivalents, trade and other receivable excluding tax receivable, and trade payable and accrued liabilities excluding tax payable. The currencies of the Company's financial assets and liabilities exposed to currency risk, based on notional amounts and presented in CAD, were as follows:

	December 31, 2024			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash and cash equivalents	2,585,449	32,932	23,199	478,829
Trade and other receivables (exclude tax)	1,358,313	-	15,397	527,996
Trade and other payables (exclude tax)	(199,853)	30,644	(426,832)	(97,373)
Gross balance sheet exposure	3,743,909	63,576	(388,236)	909,452

	December 31, 2023			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash and cash equivalents	1,085,117	26,393	510,378	225,906
Trade and other receivables (exclude tax)	2,834,344	159	22,990	624,120
Trade and other payables (exclude tax)	(52,814)	19,002	(422,985)	(4,308)
Gross balance sheet exposure	3,866,647	45,554	110,383	845,718

A 10% strengthening (weakening) of the Canadian dollar against the following currencies would have decreased (increased) the Company's net income from its financial instruments presented by the amounts shown below.

	2024 \$	2023 \$
U.S. dollar	374,391	386,665
Mexican peso	6,358	4,555
Chilean peso	(38,824)	11,038
Chinese RMB	90,945	84,572
	432,870	486,830

### c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations from cash and cash equivalents. The ability to do this relies on the Company collecting its trade and other receivables in a timely manner and maintaining sufficient cash in excess of anticipated needs. As of December 31, 2024, the Company has working capital of \$12,592,881 (\$10,529,457 as of December 31, 2023). To further improve the Company's access to liquidity, there are credit facilities available with the Royal Bank of Canada including credit card facilities of approximately \$70,000 and a revolving demand credit facility of \$1,000,000. As of December 31, 2024 and 2023, the revolving demand credit facility remains undrawn. The Company believes that it has access to sufficient funding through its cash to meet its foreseeable operating requirements without the use of the credit facility.

The following table shows the contractual maturities of financial liabilities at the reporting date. The amounts presented are gross undiscounted, and include contractual principal and interest payments, and therefore, do not equate to the carrying amounts on the consolidated statements of financial position.

	Dec. 31, 2024			Dec. 31, 2023
	< 1 year \$	1 to 3 years \$	> 3 years \$	Total \$
Trade payable and other payables (excludes tax payable)	1,687,224	-	-	1,687,224
Deferred benefits	1,178,540	-	-	1,178,540
Loans	82,500	88,084	382,266	552,850
Lease obligations	341,088	527,336	1,773,502	2,641,926
	3,289,352	615,420	2,155,768	6,060,540

Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company continues to review expenditures to ensure adequate liquidity. A

period of extended depression in the mining industry, as the Company's main customer base, may necessitate the Company to seek financing opportunities in accordance with its capital management strategy.

#### **d) Price Risk**

The Company's net income and financial condition are subject to price risk due to fluctuations of the following:

##### *i) Commodity Price Risk*

The profitability of the Company's investment in JCC-BQE joint venture will be significantly affected by changes in the commodity price of recovered base metals being sold by the joint venture of the Company. Copper and zinc prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for copper and zinc, the level of interest rates, the rate of inflation, investment decisions by large holders of base metals, including governmental reserves, and the stability of exchange rates can all cause significant fluctuations in metal prices. A 10% change in base copper and zinc prices would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by \$762,127 in 2024 (\$437,642 in 2023).

##### *ii) Common Stock Price Risk*

The Company is subject to price risk for changes in the Company's common stock price per share. The Company has implemented, as part of its long-term incentive plan, the DSU and RSU plans that the Company is required to satisfy in cash. The Company considers the plans a financial liability and are required to fair value the outstanding liabilities with the resulting changes included in stock-based compensation expense in each reporting period: an increase in share unit award prices would decrease the Company's net income or loss. A 10% change in common stock prices would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by \$160,851 in 2024 (\$77,192 in 2023).

## **RISKS AND UNCERTAINTIES**

Companies operating in the process technology sector face many and varied risks. While we strive to manage such risks to the extent possible and practical, risk management cannot eliminate risk completely. Following are the risk factors which management believes are most important in the context of the Company's business. It should be noted that this list may not be exhaustive and other risks may apply. An investment in the Company may not be suitable for all investors.

### **Dependence on Key Personnel**

The Company is substantially dependent upon a number of key management, technical, project and business development personnel. The loss of any one or more key employees or consultants could have an adverse material effect on our business. Additionally, the Company's ability to develop, manufacture and market its services and compete with current and future competitors depends, in large part, on its ability to attract and retain qualified personnel. Competition for qualified personnel may prove to be intense and it may have to compete for personnel with companies that have substantially greater financial and other resources than it does. Failure to attract and retain qualified personnel could have an adverse material effect on the Company's business operating results and financial condition.

### **Maintaining Safety and Protecting the Environment**

Despite the Company's efforts to minimize the risk of safety and environmental incidents, they can occur from time to time and, if and when they do, the impact on the Company can be significant. Our success in the water management and treatment space is highly dependent on our ability to keep project and work sites safe and any failure to do so can have serious impact on the personal safety of our employees and others. In addition, it can expose the Company to contract termination, fines, regulatory sanctions or even criminal prosecution.

Our safety record and operational safety practices also have a direct bearing on our ability to secure new project work. Certain clients will not engage contractors or consultants to perform work if their safety practices do not conform to predetermined standards or if they have an unacceptably high incidence of safety infractions or incidents.



We adhere to very rigorous safety policies and procedures which are continually reinforced on project and work sites. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of our operations or competitive position.

### **Management of Growth**

The Company's current growth trajectory could put a significant strain on each of the Company's managerial, operational and financial resources. The Company must implement and constantly improve its operational and financial systems and expand, train and manage its employee base to manage growth. As the Company establishes additional water treatment facilities and streams of recurring revenue, it would create additional operational and management complexities. In addition, the Company expects that its operational and management systems will face increased strain as a result of the expansion of the Company's technologies and services. The Company might not be able to effectively manage the expansion of its operations and systems, and its procedures and controls might not be adequate to support its operations. In addition, management might not be able to make and execute decisions rapidly enough to exploit market opportunities for the expansion of the Company's technologies and services. If the Company is unable to manage its growth effectively, its business, results of operations and financial condition could suffer.

### **Tariffs and Global Financial Conditions**

Tariffs imposed by one country on goods or services being imported into that country from another country can cause disruption in global trade that affects prices, exchange rates, availability of tariffed goods or services in certain countries and changes in consumption and production levels on tariffed goods or services. If one country imposes tariffs on another countries, other countries may impose retaliatory tariffs as a response. There is currently a rise in threatened and imposed tariffs as well as threatened or imposed retaliatory tariffs between countries. While the Company is not directly impacted by tariffs on goods, the Company can be affected by the consequent disruptions in global trade, including increased cost or decreased availability of plant supplies and impacts on exchange rates. Global financial conditions have been subject to continued volatility. Disruptions in the credit and capital markets can have a negative impact on the availability and terms of credit and capital for our customers, which could lead to a potential reduction or delay in the Company's pipeline and technical services revenue.

### **Economic and Project Site Dependence**

The Company currently derives its revenues from a limited number of contracts and customers. For certain contracts, we have made significant investments in fixed plants that are dependent on conditions at the project site that may be beyond our control. Changes in site conditions and/or the loss of any one contract could result in a materially adverse effect to our financial condition.

### **Commodity Prices**

The Company's joint venture operations generate revenues by selling recovered metals of value from treated water. These recovered metals face commodity price risk based on world supply and demand variables. There can be no assurance that the prices of these metals will be sustained at current levels.

### **Competition**

The Company faces competition for water treatment opportunities. There is a possibility that other companies will enter our markets and compete with the Company. Such competitors could possess greater financial resources and technical capabilities. Increased competition could result in significant price competition, reduced profit margins or loss of market share. The Company believes its technologies for water treatment solutions is far beyond the capabilities of others available in the market, but the Company may not be able to compete successfully with future competitors and cannot ensure that competitive pressures will not materially and adversely affect its business, operating results and financial condition.

### **Credit Risk**

The Company's credit risk is primarily associated with trade and other receivables; however, it also arises with cash and cash equivalents. The Company invests its cash with counterparties that it believes are of high credit quality as assessed by reputable rating agencies. To manage credit risk on trade and other receivables, the Company transacts with customers with strong credit ratings and follows ongoing credit evaluation and account monitoring procedures. The credit risk associated with trade receivables with aging balances over 90 days are generally considered higher than normal.

## **Technology Risk**

The Company has completed the construction and commissioning of a number of plants. The operating and engineering data from these plants is used in estimates for new projects under evaluation and/or in the design engineering stage. Notwithstanding the foregoing, each new commercial venture undertaken by the Company has the inherent technical risk of any continuous biological and/or chemical process, which could include the loss of the biological feedstock.

## **Intellectual Property Protection**

The Company cannot provide any assurance that any further intellectual property applications will be approved. Even if they are approved, such patents, trademarks or other intellectual property registrations may be successfully challenged by others or invalidated. The success of the Company and its ability to compete are substantially dependent on its internally developed technologies and processes which the Company will need to protect through a combination of patent, copyright, trade secret and trademark law.

The trademark, copyright and trade secret positions of the Company's business are uncertain and involve complex and evolving legal and factual questions. In addition, there can be no assurance that competitors will not seek to apply for and obtain trademarks and trade names that will prevent, limit or interfere with the Company's BioSulphide®, ChemSulphide®, Met-IX™, Sulf-IX™ and Selen-IX™ processes. Litigation or regulatory proceedings, which could result in substantial cost and uncertainty to the Company, may also be necessary to enforce the intellectual property rights of the Company or to determine the scope and validity of other parties' proprietary rights. There can be no assurance that the Company will have the financial resources to defend its patents, trademarks and copyrights from infringement or claims of invalidity.

The patent positions of emerging companies can be highly uncertain and involve complex legal and factual questions. Thus, there can be no assurance that any patent applications made by or on behalf of the Company will result in the issuance of patents, that the Company will develop additional proprietary products that are patentable, that any patents issued or licensed to the Company will provide the Company with any competitive advantages or will not be challenged by any third parties, that the patents of others will not impede the ability of the Company to do business or that third parties will not be able to circumvent the patents assigned or licensed to the Company. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or, if patents are issued and licensed to the Company, design around the patented product developed for the benefit of the Company.

Since patent applications are maintained in secrecy for a period of time after filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that the inventors of the patents were the first creators of inventions covered by pending applications, or that it was the first to file patent applications for such inventions. There can be no assurance that the Company's patents, if issued, would be valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

The Company is not currently aware of any claims asserted by third parties that the Company's intellectual property infringes on their intellectual property. However, in the future, a third party may assert a claim that the Company infringes on their intellectual property. If the Company is forced to defend against these claims, which may be with or without any merit or whether they are resolved in favour or against the Company, the Company may face costly litigation and diversion of management's attention and resources. As a result of such a dispute, the Company may have to develop costly non-infringement technology or enter into license agreements which may not be available at favourable terms.

## **Information Systems and Cyber-Security Risk**

The Company relies on information technology to manage, process, store and transmit electronic information. Complete, accurate, available and secure information is vital to the Company's operations and any compromise in such information could result in improper decision making, inaccurate or delayed operational and/or financial reporting, delayed resolution to problems, breach of privacy and/or unintended disclosure of confidential information. Failure in the completeness, accuracy, availability or security of the Company's information systems, the risk of system interruption or failure during system upgrades or implementation, or a breach of data security could adversely affect the Company's operations and financial results.

In addition, cyber-security incidents relating to the Company's information technology systems may disrupt operations and impact operating results. Cyber-security incidents may occur from a range of techniques, from phishing or hacking attacks to sophisticated malware, hardware or network attacks. While the Company has implemented systems, policies, procedures, practices, hardware and backups designed to prevent and limit the effect of cyber-security attacks, there can be no assurance that these measures will be sufficient to prevent, detect or address the attacks in a timely matter or at all. A successful cyber-attack may allow unauthorized interception, destruction, use or dissemination of the Company's confidential information, which could have a material adverse effect on the business.

### **Currency Risk**

The Company conducts significant business in Canada, the United States, Mexico, Chile and China. As a result, the Company has foreign currency exposure with respect to items not denominated in Canadian dollars. The Company's joint venture operations sell and incur costs mainly in Chinese renminbi. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations. The Company is also exposed to currency risk through assets and liabilities denominated in currencies other than the Canadian dollar.

### **Access to Proprietary Information**

The Company generally controls access to and distribution of its technologies, documentation and other proprietary information. Despite efforts by the Company to protect its proprietary rights from unauthorized use or disclosure, parties may attempt to disclose, obtain or use its solutions or technologies. There can be no assurance that the steps the Company has taken or will be taking will prevent misappropriation of its solutions or technologies, particularly in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in Canada or the United States.

### **Environmental Regulation**

The Company's business and operations are subject to environmental regulations in various jurisdictions in which it operates. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business and operations.

### **Possible Volatility of Share Price**

The market price of the Company's common shares could be subject to wide fluctuations in response to, and may be adversely affected by, quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. Broad market fluctuations or any failure of the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of the Company's common shares.