BQE Water

Management's Discussion and Analysis
(Quarterly Highlights)

For the three and six months ended June 30, 2025 and 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three and six months ended June 30, 2025 and 2024

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 Q2 2025 Interim MD&A updates disclosure previously provided in our Annual MD&A, up to the date of this Interim MD&A, and should be read in conjunction with our unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2025 and 2024 (our “Interim Financial Statements”), our audited consolidated financial statements for the years ended December 31, 2024 and 2023 (our “Audited Financial Statements”) and our Annual MD&A for the year ended December 31, 2024.

Our Interim Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee (“IFRIC”), effective as of June 30, 2025. Our accounting policies are described in Note 3 of our Audited Financial Statements. All financial information is presented in **Canadian dollars** unless otherwise noted. This MD&A has been prepared as at August 28, 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 considering 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 and on SEDAR+ at www.sedarplus.ca.

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 three and six-month periods ended June 30, 2025 and 2024 are as follows:

(in $'000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2025	2024	**2025**	2024
	$	$	**$**	$
Reported revenues under GAAP	**11,276**	3,417	**18,722**	5,924
Share of revenues from joint ventures in China	**1,632**	2,666	**2,134**	3,568
Proportional Revenue for the period	**12,908**	6,083	**20,856**	9,492

Adjusted EBITDA

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

(in $'000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2025	2024	**2025**	2024
	$	$	**$**	$
GAAP: Net income	**1,908**	560	**3,635**	70
add/deduct: interest expense (income)	**2**	(88)	**(28)**	(118)
add: income tax expenses	**80**	300	**10**	283
add: depreciation and amortization	**253**	222	**501**	441
EBITDA	**2,243**	994	**4,118**	676
add: share-based payment expenses	**191**	343	**274**	617
add/deduct: other (income) expense	**(144)**	16	**(235)**	(3)
add/deduct: net foreign exchange	**192**	(11)	**202**	(71)
Adjusted EBITDA	**2,482**	1,342	**4,359**	1,219

FINANCIAL HIGHLIGHTS

- Record revenues under GAAP and Proportional Revenues of $11.3 million and $12.9 million in Q2 2025 respectively, compared to $3.4 million and $6.1 million in Q2 2024.
- Historical high in technical services revenue for a 3-month period of $10.1 million in Q2 2025 compared to $856,000 in Q2 2024.
- Gross margin of $3.7 million in Q2 2025 compared to $1.6 million in Q2 2024, a $2.1 million increase.
- Net income of $1.9 million in Q2 2025 compared to $560,000 in Q2 2024, a $1.3 million increase.
- Earnings per share (basic) of $1.48 in Q2 2025 compared to $0.44 in Q2 2024.
- Adjusted EBITDA of $2.5 million in Q2 2025 compared to $1.3 million in Q2 2024, a $1.1 million increase.
- Working capital of $16.2 million at June 30, 2025, compared to $12.6 million at December 31, 2024, a 28% increase.

Selected financial results for the three and six months ended June 30, 2025 are as follows:

(in '000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2025	2024	**2025**	2024
Revenue from Operation Services	**1,147**	2,561	**3,109**	4,350
Revenue from Technical Services	**10,129**	856	**15,613**	1,574
Revenue from joint ventures in China	**1,632**	2,666	**2,134**	3,568
Proportional Revenues (Non-GAAP measures)	**12,908**	6,083	**20,856**	9,492
Net income	**1,908**	560	**3,635**	70
Adjusted EBITDA (Non-GAAP measures)	**2,482**	1,342	**4,359**	1,219

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	Water treatment fees
Raglan Mine for Glencore	Northern Québec, 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	Operations support fees

JCC-BQE Joint Venture Operations

Our 50/50 joint venture with partner Jiangxi Copper Company ("JCC") operates three water treatment plants at Dexing Mine and at Yinshan Mine in Jiangxi province of China. The volume of water treated, and metals recovered by the plants fluctuate seasonally depending on precipitation levels in the region. The operating results for the three and six months ended June 20, 2025 are as follows:

(in '000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2025	2024	2025	2024
Water treated (cubic metres)	6,152	8,249	8,067	12,452
Copper recovered (pounds)	471	919	619	1,299

Zinc recovered (pounds)	512	430	689	532

In Q2 2025, all three plants met mechanical availability and process performance set by the Company. The volume of water treated decreased by 25% and the mass of copper recovered decreased by 49% when compared to Q2 2024. 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. Starting Q1 2025, MWT-BQE amended the contract with the customer from generating revenues from the sale of recovered metals to water treatment fees for the treatment of smelter wastewater. Operating results for the three and six months ended June 30, 2025 are as follows:

(in '000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2025	2024	2025	2024
Water treated (cubic metres)	38	63	107	130

BQE Water Operations

The number of operating days contributing to water treatment or support fees for three and six months ended June 30, 2025 are as follows:

(in days)	3 months ended Jun. 30		6 months ended Jun. 30	
	2025	2024	2025	2024
Raglan Mine water treatment plants	58	26	58	26
Zhongkuang SART plant	85	86	175	177
Zhaojin SART plant	91	87	176	178
Water treatment plant in Eastern USA	64	69	128	136
Water treatment plants in Southwest USA	91	91	181	182

The volume of water treated by geographic location for the three and six months ended June 30, 2025 are as follows:

(in '000s cubic metres)	3 months ended Jun. 30		6 months ended Jun. 30	
	2025	2024	2025	2024
Raglan Mine water treatment plants	273	210	273	210
SART plants in China	170	150	280	286
Water treatment plants in USA	578	183	1,327	384

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation ("Glencore"). During Q2 2025, we mobilized our operations team to site to commence our 22nd operating season at the mine. Operational activities were initiated in early May and treated water discharge began in the same month.

In 2021, we began operations of the Zhongkuang SART plant and the Zhaojin SART plant at metallurgical facilities in China. Both plants have been under our technical supervision since the start of full production. Both SART plants operated fully throughout Q2 2025 without disruption.

In 2022, we began operations of a treatment plant utilizing our Selen-IX™ process to remove selenium from ash pond water for WesTech Engineering ("WesTech"). In Q2 2025, our team continued at site providing water treatment services with the Selen-IX™ circuit to manage the presence of selenium in the feed.

In January 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 2nd newly constructed selenium removal water treatment plant which entered the operation phase. Starting April 2025, we have reduced our scope from full operations of the treatment plant to operations support by providing technical onsite supervision at the treatment plants.

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 Q2 2025 are summarized below.

Trusted Advisory Services (Water Management and Water Studies)

- Completed the construction and initiated the commissioning phase of a water treatment facility to support the clean-up of legacy tailings site in the Yukon.
- Continued to provide 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.
- Continued plant operations support and engineering services to an actively producing mine requiring improvements to their existing treatment in the Yukon.
- Commenced the commissioning process of a 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 US.
- Continued assisting 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.
- Initiated preparations for on-site pilot demonstration of Selen-IX at an operating mine in the US using the company's mobile unit.
- Completed a technical assessment of recovering cobalt and nickel from acid mine wastewater using ion exchange at an operating mine owned by a Canadian producer.
- Initiated lab testing of lithium brine purification using ion exchange for a customer in Canada.
- Provided field commissioning and operations support for a water treatment system integrated into a rare earth extraction pilot plant in Brazil.
- Provided engineering services to support the completion of a feasibility study involving water treatment as part of a rare earth extraction project in Chile.
- Completed preliminary engineering aimed to expand rhenium production at an existing facility using ion exchange.
- Initiated a study to assess methods of improving quality of recycled water to help increase metallurgical performance at an operating mine in Mexico.

Cyanide Management (Destruction and Recycle)

- Continued to provide plant engineering design services to a US project requiring the end-of-pipe cyanide level below 8 ppb.
- Completed a preliminary technical assessment of SART integrated into an existing gold metallurgical facility in Chile.
- Initiated a study aimed at improving tailings water quality by implementing SART at a gold metallurgical facility in Canada.
- Initiated a preliminary economic assessment of SART to be integrated into an existing heap leach operation in the US.
- Initiated the design for construction of a SART plant at a mine in Mexico.
- Advanced to the commissioning stage for Shandong Gold for the third SART plant in China.

COMMENTARY AND OUTLOOK

We are very pleased to report record second quarter financial results, following on the heels of our record first quarter. The key areas that contributed to our year-to-date results for 2025 in technical services, recurring operations revenue, and our share of revenue from China joint ventures are as follows:

- We delivered record technical services revenue of $15.6 million for the first six months in 2025, with seven major projects at varying stages of completion accounting for over 90% of this total. We completed construction of a new plant as part of a broader tailings remediation project, where our scope included traditional engineering and commissioning services as well as the supply and installation of a water treatment plant and related equipment. This combination of scope is not a typical contract arrangement for us and is unlikely to be repeated in the near term.
- Our recurring revenue from water treatment operations decreased by $1.4 million in 2025 when compared to the same period in 2024 for two primary reasons: (1) we were not operating at Minto Mine in 2025 and (2) as previously reported, we reduced our scope of services at a plant in the Southwest US on the renewal of our contract. Our Minto Mine operations team was fully transitioned to the Eagle Mine in 2025. Although we have generated steady monthly revenues from Eagle Mine since Q3 2024, and water treatment operations represent the key component of our services there, we do not include services at Eagle Mine as recurring operations revenue. While we renewed our contract twice with the receiver of Eagle Mine, the status and future requirements of the site are not yet known.
- The metals recovery revenue from the JCC-BQE joint venture was significantly lower than last year mainly due to a 52% reduction in copper production when compared to the same period in 2024. Revenue from metals recovery from China continues to fluctuate and its contribution to BQE Water's overall performance has diminished.

While we are disappointed with the decline in our recurring revenue in 2025, we don't consider it to be indicative of a long-term trend reversal. Our strategic focus on growing our recurring revenue remains unchanged. We are developing new tools and avenues to support and possibly accelerate its growth. One example is our recently announced investment and expansion into aquatic toxicology services, which has the potential to open direct channels to existing operating plants.

Our current pipeline features a healthy mix of early-stage and well-advanced stage projects. The advanced stage projects are expected to move into construction with possible recurring operations revenue. Our pipeline of new and early-stage projects in 2025 reflects several notable trends:

- Selenium management features strongly in all of our new early-stage projects in 2025.
- BQE Water's leadership and expertise in applying ion exchange (IX) on an industrial scale is being recognized.
- The number of SART projects has increased significantly, likely due to the strength of the precious metals sector.
- We have started working on projects in different areas of the metals mining and extraction market, including:
    - Wastewater treatment integrated into rare earth elements recovery;
    - Cyanide and metals cyanide complexes removal to meet ultralow limits of single digit ppb for environmental compliance;
    - Lithium brine purification to manage impurities;
    - Cobalt/nickel recovery from wastewater as a way of offsetting long-term water treatment costs;
    - Cobalt recovery as a primary resource; and
    - Rhenium purification.

For the remainder of 2025, we continue to have good visibility and certainty over existing operations contracts and several large technical services contracts. As such, we expect strong results over the next two quarters.

SELECTED FINANCIAL INFORMATION

(in $'000 except for per share amounts)	**3 months ended Jun. 30**		**6 months ended Jun. 30**	
	2025	2024	**2025**	2024
	$	$	**$**	$
Revenues	**11,276**	3,417	**18,722**	5,924
Operating expenses (excluding depreciation)	**(7,575)**	(1,810)	**(11,814)**	(3,213)
Gross margin	**3,701**	1,607	**6,908**	2,711
Share of income from joint ventures	**427**	1,129	**488**	1,461
General and administration	**(1,029)**	(892)	**(1,796)**	(1,592)
Sales and development	**(804)**	(928)	**(1,480)**	(1,852)
Share-based payments	**(191)**	(343)	**(274)**	(617)
Depreciation and amortization	**(134)**	(103)	**(260)**	(205)
Income (loss) from operations and joint ventures	**1,970**	470	**3,586**	(94)
Other income (expenses)	**(54)**	100	**53**	187
Income tax expenses	**(8)**	(10)	**(4)**	(23)
Net income for the period	**1,908**	560	**3,635**	70
Net earnings per share (basic)	**1.48**	0.44	**2.81**	0.06
Net earnings per share (diluted)	**1.46**	0.43	**2.78**	0.06
Proportional Revenues (Non-GAAP measures)	**12,908**	6,083	**20,856**	9,492
Adjusted EBITDA (Non-GAAP measures)	**2,482**	1,342	**4,359**	1,219
Comprehensive income	**1,646**	574	**3,382**	128

	at Jun. 30, 2025	at Dec. 31, 2024
	$	$
Cash and cash equivalents	**13,911**	11,771
Working capital	**16,174**	12,593
Total assets	**31,061**	27,093
Total non-current liabilities	**2,170**	1,842
Shareholders' equity	**24,136**	20,529

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

(in $'000s)	**Jun-25**	Mar-25	Dec-24	Sept-24	Jun-24	Mar-24	Dec-23	Sept-23
	$	$	$	$	$	$	$	$
Revenues	**11,276**	7,446	5,088	6,165	3,417	2,508	5,014	6,246
Operating expenses	**(7,575)**	(4,240)	(3,058)	(2,497)	(1,810)	(1,403)	(2,260)	(2,959)
Gross margin	**3,701**	3,206	2,030	3,668	1,607	1,105	2,754	3,287
Share of results from joint ventures	**427**	61	(567)	1,577	1,129	332	(452)	382
General and administration	**(1,029)**	(766)	(810)	(771)	(892)	(700)	(695)	(610)
Sales and development	**(804)**	(676)	(704)	(576)	(928)	(924)	(930)	(555)
Share-based payments	**(191)**	(83)	(201)	(199)	(343)	(273)	(138)	(109)
Depreciation and amortization	**(134)**	(127)	(129)	(106)	(103)	(101)	(126)	(111)
Income (loss) from operations	**1,970**	1,615	(381)	3,593	470	(561)	413	2,284
Other (expenses) income, net	**(54)**	108	232	2	100	87	68	(13)
Bad debt expense	**-**	-	(14)	-	-	-	(214)	-
Income tax (expense) recovery	**(8)**	3	1,377	(78)	(10)	(12)	(18)	(140)
Net income (loss)	**1,908**	1,726	1,214	3,517	560	(486)	249	2,131
Translation (loss) gain	**(262)**	9	187	123	14	43	39	71
Comprehensive income (loss)	**1,646**	1,735	1,401	3,640	574	(443)	288	2,202
Non-GAAP Measures:								
Proportional Revenue	**12,908**	7,948	5,765	9,540	6,083	3,410	5,431	7,964
Adjusted EBITDA	**2,482**	1,877	(2)	4,362	1,342	(121)	541	2,742

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 in Northern Quebec 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 JCC-BQE 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 Q2 2025 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended June 30, 2025 and 2024.

Revenues and Proportional Revenues

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

(in $'000s)	**Q2 2025**		Q2 2024		
Revenue source	**$**	**% of total**	$	% of total	% Change
Water treatment fees from operations	**1,147**	**9%**	2,561	42%	(55%)
Technical services	**10,129**	**78%**	856	14%	1,083%
Total Revenues	**11,276**		3,417		230%
Revenues from joint ventures in China	**1,632**	**13%**	2,666	44%	(39%)
Total Proportional Revenues	**12,908**	**100%**	6,083	100%	112%

The Company earns water treatment fee revenues, including monthly fees and tolling fees from the volume of water treated and operations support fees, at three different sites including Raglan Mine in Nunavik through our partnership with Inuit company Nuvumiut Development and at the three selenium removal plants in the US. Water treatment fee revenues decreased by $1.4 million or 55% compared to Q2 2024, mainly due to the end of Minto Mine operations in 2024 and the decrease in scope starting April 2025 in the American Southwest treatment contract from full operations to operations support for providing onsite technical supervision. Our Raglan Mine operations is comparable to prior year period as we started treating water in May and provided $242,000 during Q2 2025, compared to $225,000 in Q2 2024. For our SART plants in China, we continued to earn operations support fees totaling $181,000 during Q2 2025, compared to $178,000 in Q2 2024.

Revenues from technical services increased by $9.3 million in Q2 2025 compared to Q2 2024. 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. Revenues from technical services were particularly strong in Q2 2025 as we finished the construction for a water treatment facility to support the clean-up of a legacy tailings site in the Yukon and continued to provide 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, in aggregate adding $7.8 million of new revenue in Q2 2025 when compared to the prior year's period.

Share of Results from Joint Ventures in China

Revenues from joint ventures in China include revenue from the sale of base metals recovered from JCC-BQE joint venture and water treatment fees from MWT-BQE joint venture. During Q2 2025, our share of revenues from the JCC-BQE joint venture was $1.4 million compared to $2.7 million in Q2 2024, representing a 46% decrease. This decrease was attributable to a 49% decrease in the quantity of copper recovered and a 6% decrease in the average copper price during the period, and the revenue on the recovery and sale of zinc at the Yinshan plant during Q2 2025 was $266,000 compared to $236,000 in Q2 2024. The Company's share of income from joint ventures in Q2 2025, which includes the above noted sale of recovered metals from operations, partially offset by cost of sales and expense, was $725,000 compared to $1.0 million in Q2 2024. For MWT-BQE joint venture, starting in January 2025, our source of revenue changed from metal recovery to monthly operations fee to offset the fluctuations of the metals in feed water and maintain a consistent revenue stream, contributing $197,000 of revenue in Q2 2025 (nil in Q2 2024). The change in net result from joint ventures is predominantly driven by the sale of metals recovered during the operation of water treatment plants in our JCC-BQE joint venture which is affected by the amount and market price of metal concentrate sold.

Operating Expenses

Total operating expenses in Q2 2025 were $7.6 million compared to $1.8 million in Q2 2024. The $5.8 million increase in operating expenses is primarily attributable to an increase in total revenues, particularly the construction project in the Yukon. During Q2 2025, the Company recognized the majority of the equipment and contractor expenses upon delivery of all the equipment and completing the construction phase of the water treatment facility supporting the clean-up of legacy tailings site in the Yukon. Other variations include the mix of operations services and project activity related to technical services completed in the period, 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. The Company’s gross margin ratio in Q2 2025 was 33% compared to 47% in Q2 2024, as the Company’s margin on equipment sale is lower than services provided.

Expenses

General and administration expenses in Q2 2025 were $1.0 million compared to $892,000 in Q2 2024, representing a $137,000 or 15% increase. The increase was attributable to a $29,000 increase in insurance expense for the period and an $108,000 increase in employee benefits.

Sales and development costs in Q2 2025 were $804,000 compared to $928,000 in Q2 2024, a decrease of 13%. The $124,000 decrease was largely attributed to the decrease in labor resources allocated to fulfill technological and business development initiatives in order to fulfill the increase in activity of technical services in the period.

Share-based payment expenses were $191,000 in Q2 2025 compared to $343,000 in Q2 2024, a decrease of $152,000. Share-based payment expenses mainly consist of RSUs and non-cash compensation expenses relating to stock options, both of 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 the movement of the Company share price throughout the period.

Depreciation and amortization expenses were $134,000 in Q2 2025 compared to $103,000 in Q2 2024. The depreciation increase was due to the addition of an office building lease asset in Latin America in Q1 2025.

Other Income and Expenses

The net of other expenses was $54,000 in Q2 2025 compared to an income of $100,000 in Q2 2024. Other income consists of net finance income or expense, foreign exchange and other income.

Net finance expense was $6,000 in Q2 2025 compared to an income of $89,000 in Q2 2024. 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 loss was $192,000 in Q2 2025 compared to a gain of $11,000 in Q2 2024. 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. There was a significant exchange rate movement between the US dollar to the Canadian dollar during Q2 2025.

The remaining variance is from other income of $144,000 in Q2 2025 ($nil in Q2 2024). Other incomes consist of fair value adjustments on interest-free loans, and other gains and fees earned which are non-operating in nature.

Net Income

Overall, net income for Q2 2025 was $1.9 million compared to $560,000 in Q2 2024.

SUMMARY OF YEAR-TO-DATE Q2 2025 FINANCIAL RESULTS

The following is a summary of selected financial results for the six-month periods ended June 30, 2025 and 2024.

Revenues and Proportional Revenues

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

(in $'000s)	**YTD 2025**		YTD 2024		
Revenue source	**$**	**% of total**	$	% of total	% Change
Water treatment fees from operations	**3,109**	**15%**	4,350	46%	(29%)
Technical services	**15,613**	**75%**	1,574	16%	891%
Total Revenues	**18,722**		5,924		216%
Revenues from joint ventures in China	**2,134**	**10%**	3,568	38%	(40%)
Total Proportional Revenues	**20,856**	**100%**	9,492	100%	120%

Year-to-date water treatment fee revenues decreased by $1.2 million or 29% compared to 2024, mainly due to the end of contract on Minto Mine operations in 2024 and the decrease in scope of the American Southwest operations contract from full operations of the water treatment plant to operations support in April 2025. The Canadian operations in Raglan Mine began discharging water in May and the Eastern US operations continued treating ash pond water, both earning comparable revenues when compared to 2024. The Company earned support fees in China of $367,000 for the first six months of 2025 compared to $355,000 for the same period in 2024.

Revenues from technical services during the first half of the year increased by $14.0 million from the same period in 2024. The increase is attributable to the increase in project scope and type of services offered in 2025, particularly on the emergency support contract at Eagle Mine and the supply and installation of a water treatment plant for the Valley Tailings Facility in Yukon, both in aggregate adding $11.9 million of new revenue in the first half of 2025.

Sales of recovered metals from the JCC-BQE joint venture decreased by $1.6 million. This 46% decrease was attributable to a 52% decrease in the quantity of copper recovered and a 2% decrease in the average copper prices during the period. Sale of recovered zinc from Yinshan was $382,000 during the first half of 2025, compared to $250,000 for the same period in 2024. Changes in water volumes and, by extension, metal recoveries are largely the result of environmental conditions beyond the control of the joint venture and will vary from period to period. The share of revenues from the MWT-BQE joint venture was $197,000 in the first half of 2025 compared to $nil for the same period in 2024, as the joint venture amended the service contract to change the revenue stream in 2025 from sale of recovered zinc and copper to a monthly water treatment fee to avoid fluctuations of the metals found in the feed water.

Operating Expenses

Year-to-date operating expenses in 2025 were $11.8 million compared to $3.2 million for the same period in 2024, an increase of $8.6 million. This increase is consistent with the increase in revenues from technical services provided in the Yukon. Year-to-date operating margin in 2025 was 37% compared to 46% for the same period in 2024.

Expenses

Year-to-date general and administration expenses were $1.8 million compared to $1.6 million for the same period in 2024. The $204,000 increase was due to increases in rental expense, insurance premiums and employee benefits.

Year-to-date sales and development expenses were $1.5 million compared to $1.9 million for the same period in 2024, a decrease of $372,000. The decrease was due to the deployment of additional labour resources from technical development initiatives to fulfill technical services during the period.

Net Income

Overall, net income year-to-date for 2025 was $3.6 million, compared to $70,000 in the same period in 2024.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2025, BQE Water had 1,295,768 common shares issued (1,287,068 at December 31, 2024) and 33,900 stock options outstanding (43,900 at December 31, 2024).

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. As of June 30, 2025, 1,000 common shares were purchased and cancelled under the NCIB (nil for the same period in 2024).

Subsequent to June 30, 2025, as of the date of this MD&A on August 28, 2025, the Company had 1,295,768 common shares issued and outstanding, and 33,300 stock options outstanding, and no commons shares were purchased and cancelled under the NCIB.

At June 30 2025, the Company had cash and cash equivalents of $13.9 million, an increase of $2.1 million from December 31, 2024. For the six months ended June 30, 2025, net cash provided in operating activities was $1.7 million compared to net cash used of $583,000 for the same period in 2024.

Working capital is defined as current assets minus current liabilities. At June 30, 2025, the Company had a consolidated working capital position of $16.2 million, an increase of $3.6 million from December 31, 2024. At June 30, 2025, significant working capital items, aside from cash and cash equivalents, include trade and other receivables of $6.7 million ($4.5 million at December 31, 2024) and trade payables and accrued liabilities of $3.4 million ($1.7 million at December 31, 2024).

The Company has interest-free loans with the Minister of Western Economic Diversification Canada under the Western Innovation Initiative ("WINN") program and with Pacific Economic Development Canada under the Business Scale-Up & Productivity Program ("BSP"). At June 30, 2025, the WINN and BSP loan balance was $634,000, both with obligations to repay the loan with 60 equal monthly installments ($331,000 at December 31, 2024). 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 June 30, 2025.

The Company has non-lease obligation commitments of $2.4 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

Revenue Earned from Joint Venture

The Company earns fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services and technical services in the Nunavik region. Revenue earned from this joint venture for the three and six months ended June 30, 2025 was $241,973 and $266,514 respectively ($224,668 and $230,242 for June 30, 2024). As at June 30, 2025, included in trade and other receivables are $272,302 ($193,308 at December 31, 2024) of trade receivables due from the joint venture.

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

Key Management Compensation

Included in trade payables and accrued liabilities as of June 30, 2025 is $59,950 ($nil at December 31, 2024) of director fees.

For the three and six months ended June 30, 2025 and 2024, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2025	2024	2025	2024
	$	$	$	$
Salaries, fees and short-term benefits	396,595	308,731	697,386	531,689
Share-based payments	29,634	59,911	59,019	101,478
	426,229	368,642	756,405	633,167

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 judgments, estimates and assumptions applied in these condensed consolidated interim financial statements, including key sources of estimation uncertainty were the same as those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2024.