

BQE Water

BQE WATER INC.

Interim Management's Discussion and Analysis (Quarterly Highlights)

For the three months ended March 31, 2023 and 2022

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three months ended March 31, 2023 and 2022

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

This Q1 2023 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 months ended March 31, 2023 and 2022 (our "Interim Financial Statements"), our audited consolidated financial statements for the years ended December 31, 2022 and 2021 (our "Audited Financial Statements") and our Annual MD&A for the year ended December 31, 2022.

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 March 31, 2023. 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 May 30, 2023.

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

OUR BUSINESS

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

BQE Water is headquartered in Vancouver, British Columbia, Canada. The Company has regional offices in Chile and China, which are two key geographical markets for our business. BQE Water is listed on the TSX Venture Exchange under the symbol "BQE". Additional information may be found on our website at www.bqewater.com and on SEDAR at www.sedar.com.

NON-GAAP MEASURES

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

Proportional Results

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

Proportional Revenue

This non-GAAP financial measure of Proportional Revenue adds BQE Water's share of revenues from its China joint ventures to the Company's revenues reported under GAAP. Proportional Revenues for the three-month periods ended March 31, 2023 and 2022 are as follows:

(in \$'000s)	3 months ended Mar. 31	
	2023	2022
	\$	\$
Reported revenues under GAAP	2,691	2,467
Share of reported revenues from joint ventures	869	1,062
Proportional Revenue for the period	3,560	3,529

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 (loss):

(in \$'000s)	3 months ended Mar. 31	
	2023	2022
	\$	\$
GAAP: Net (loss) income	(342)	190
deduct: interest income	(38)	(4)
add: income taxes expenses	6	16
add: depreciation and amortization	210	184
EBITDA	(164)	386
add: share-based payments	190	23
deduct: non-operating income	(47)	-
deduct/add: foreign exchange (income) loss	(59)	37
Adjusted EBITDA	(80)	446

FINANCIAL HIGHLIGHTS

- Grew total revenues by 9% primarily driven by a fourfold, or \$646,000, increase in recurring plant operation revenues compared to Q1 2022.
- Net loss of \$342,000 and Adjusted EBITDA loss of \$80,000, compared to net income of \$190,000 and Adjusted EBITDA of \$446,000 in Q1 2022.
- Working capital of \$6.7 million at March 31, 2023, compared to \$7.2 million at December 31, 2022, a decrease of \$481,000 or 7% over the three months.
- Net cash of \$5.8 million at March 31, 2023, compared to \$6.2 million at December 31, 2022, a 7% decrease.

Selected financial results are as follows:

(in '000s)

	3 months ended Mar. 31	
	2023	2022
	\$	\$
Revenues under GAAP	2,691	2,467
Proportional Revenues	3,560	3,529
Net income (loss)	(342)	190
Adjusted EBITDA	(80)	446

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 Minto Metals	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 pounds of copper recovered by the plants fluctuate seasonally depending on precipitation levels in the region. The operating results for Q1 2023 are as follows:

(in '000s)

	3 months ended Mar. 31	
	2023	2022
Water treated (cubic metres)	2,899	2,864
Copper recovered (pounds)	291	402

In the first quarter of 2023, all three plants met mechanical availability and process performance targets set by the Company. The volume of water treated is comparable to the year prior while the mass of copper recovered decreased by 28%. Changes in water volume and feed grade 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 in MWT-BQE is with our 80% partner Beijing MWT Water Treatment Project Limited Company (“MWT”) and together we operate a water treatment plant at a smelter in Shandong province of China. MWT-BQE generates revenues from the sale of zinc and copper recovered from smelter wastewater. Operating results for Q1 2023 are as follows:

<i>(in '000s)</i>	3 months ended Mar. 31	
	2023	2022
Zinc recovered (pounds)	78	61
Copper recovered (pounds)	41	54

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

BQE Water Operations

The Company, with Inuit partner Nuvumiut Development, operates four treatment plants at Raglan Mine in Nunavik for Glencore Canada Corporation (“Glencore”). In the first quarter, the plants at Raglan Mine are shut down as water stored in the outdoor reservoirs are frozen. Consequently, no water was treated and no revenue was generated in Q1 2023 from the Raglan Mine plants.

In 2022, we entered into a new operational services agreement with Minto Metals to operate a water treatment plant at Minto Mine in the Yukon. The mine is expected to treat approximately 750,000 to 1.4 million cubic metres of water per year. During Q1 2023, we treated and discharged 214,000 cubic metres of clean water without interruption.

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 Q1 2023 without disruption.

In 2021, we 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 Engineering (“WesTech”). In Q1 2023, our team continued at site providing water treatment services with the Selen-IX™ circuit to manage the presence of selenium in the feed.

In April 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. Our team completed the performance test milestone for the treatment plant in February 2023, initiating a variable treatment fee based on the volume of water treated. In Q1 2023, the plant operated and treated 3,000 cubic metres of water.

The number of operating days contributing to water treatment or support fees for the three months ended March 31, 2023 are as follows:

<i>(in days)</i>	3 months ended Mar. 31	
	2023	2022
Raglan Mine water treatment plants	-	-
Minto Mine water treatment plant	90	-
Zhongkuang SART plant	90	90
Zhaojin SART plant	90	-
Water treatment plant for ash pond in Eastern USA	90	90
Water treatment plant in Southwest USA	90	-

The volume of water treated for the three months ended March 31, 2023 are as follows:

<i>(in '000s cubic metres)</i>	3 months ended Mar. 31	
	2023	2022
Raglan Mine water treatment plants	-	-
Minto Mine water treatment plant	214	-
Eastern China SART plants	131	32
Water treatment plants in USA	3	7

TECHNICAL SERVICES HIGHLIGHTS

BQE Water's technical expertise and IP are applicable globally across broad areas of water management. The highlights of technical services provided to clients and technical innovation projects during Q1 2023 are summarized below.

Selenium Removal Projects

- Successfully completed the performance test including bioassays for acute and chronic toxicity at a treatment plant removing selenium and sulphate simultaneously at a US mine.
- Continued to provide engineering services for the construction of a third Selen-IX™ plant at a US mine.

Water Consulting Projects (Water Management, Treatability, Permitting Assistance, Toxicity Mitigation)

- Continued to provide engineering design services for three water treatment plants to support permitting of the KSM project in BC.
- Completed the installation and initiated commissioning of a water treatment pilot plant for a rare earth elements project under permitting in Chile.
- Initiated a treatability assessment for copper concentrate filtrate that will need to comply with stringent limits for molybdenum and sulphate in Argentina.
- Performed a toxicity investigation evaluation to demonstrate treatment for toxicity mitigation at an existing mine prior to the spring freshet in Québec.
- Partially completed – due to the project being put on hold – the design of an ammonia removal system for a mine in Ontario.
- Assisted with the water treatment expansion requirements at Minto Mine in the Yukon.
- Initiated laboratory scale testing aimed at increasing water recovery and reducing brine waste for a reverse osmosis system in BC.

Cyanide Management Projects (Cyanide Destruction, Recycle)

- Completed lab scale testing and preliminary engineering for a cyanide destruction system to comply with a weak acid dissociable (WAD) cyanide limit below 50 ppb at a US mine.
- Completed a second round of on-site cyanide destruction testing to identify options to reduce operating costs and establish the engineering design basis for the design of a new system at the Pogo Mine in Alaska.
- Completed a trade-off study to upgrade an existing cyanide destruction plant using a sulphur burner and an oxygen generator for a mine in Mexico.
- Continued optimization for a cyanide destruction and effluent discharge system using reverse osmosis at a large gold heap leach operation in Peru.
- Continued with the engineering design for a third SART plant for Shandong Gold in China.

COMMENTARY AND OUTLOOK

Historically, the first quarter has been our weakest financially, primarily due to the impact of seasonality on recurring revenues from existing operations. Specifically, our operations in Northern Québec are shut down over the winter months while our joint venture operations in China treat lower water volumes during their dry season. The two new water treatment plants in the US that began operations in 2022 continued to experience a lack of water, and although the two plants have a monthly base treatment fee, this did not fully mitigate seasonality from other plants. Overall, we recorded Proportional Revenues of \$3.5 million in Q1 2023.

In comparison to Q1 2022, the financial results for Q1 2023 reflect higher labour costs associated with the onboarding of new staff; a reorganization aimed at establishing operations support infrastructure required for long-term growth; and lower technical services revenues due to some project delays and suspensions.

Looking ahead to the remainder of 2023, we plan to continue to execute on our existing project backlog and expect recurring revenues from operations to improve in Q2 and Q3. With travel restrictions easing globally, travel related to business development activities is increasing and is expected to contribute to growth in our opportunity pipeline going into 2024 and beyond. At the same time, the management team plans to focus on opportunities to reduce expenditures moving forward in anticipation of a slowing economy.

The trends of increased environmental protection, stricter regulations, and the outsourcing of water know-how continue to be supportive of the Company's long-term growth. However, we continue to caution investors with respect to uncertainties that could affect the shorter-term outlook; specifically, the risk of a global recession, which could affect the development of new mining projects, and geopolitical risks. That said, we have meaningfully strengthened our balance sheet over the past three years and have grown our recurring revenue base. Additionally, we secured a second interest free loan through a new government program to support the development of our professional team. All this positions us well to sustain any temporary exogenous shocks and also supports our growth plans as we capitalize on long-term opportunities in mining and ESG.

SELECTED FINANCIAL INFORMATION

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

	3 months ended Mar. 31	
	Q1 2023	Q1 2022
	\$	\$
Revenues	2,691	2,467
Operating expenses (excluding depreciation)	(1,694)	(1,531)
Operating margin	997	936
Share of income from joint ventures	81	333
General and administration	(672)	(604)
Sales and development	(613)	(354)
Share-based payments	(190)	(23)
Depreciation and amortization	(82)	(55)
(Loss) income from operations and joint ventures	(479)	233
Other income (expenses), net	137	(43)
Net (loss) income for the period	(342)	190
(Loss) earnings per share (basic)	(0.27)	0.15
(Loss) earnings per share (diluted)	(0.27)	0.15
Proportional Revenues ¹	3,560	3,529
Adjusted EBITDA ¹	(80)	446
Comprehensive (loss) income	(332)	81

	at Mar. 31	at Dec. 31
	2023	2022
	\$	\$
Cash	5,777	6,234
Proportional cash ¹	8,576	9,582
Working capital	6,684	7,165
Total assets	15,493	15,988
Total non-current liabilities	506	555
Shareholders' equity	12,307	12,638

Notes:

1. See Non-GAAP measures

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	Mar-23	Dec-22	Sept-22	Jun-22	Mar-22	Dec-21	Sept-21	Jun-21
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	2,691	3,465	3,503	2,722	2,467	2,570	2,773	1,188
Operating expenses	(1,694)	(2,044)	(1,759)	(1,773)	(1,531)	(1,409)	(1,088)	(944)
	997	1,421	1,744	949	936	1,161	1,685	244
Share of income (loss) from joint ventures	81	(256)	281	1,129	333	499	700	1,580
General and administration	(672)	(690)	(591)	(579)	(604)	(535)	(427)	(459)
Sales and development	(613)	(564)	(414)	(436)	(354)	(270)	(273)	(378)
Share-based payments	(190)	(209)	(172)	(267)	(23)	(11)	(19)	(184)
Depreciation and amortization	(82)	(80)	(70)	(59)	(55)	(57)	(37)	(37)
Income (loss) from operations	(479)	(378)	778	737	233	787	1,629	766
Other income (expenses), net	143	142	84	(77)	(41)	13	34	(39)
Bad debt recovery (expense)	-	(8)	-	-	-	-	-	95
Income tax expenses	(6)	-	(289)	(18)	(2)	-	(118)	(13)
Net income (loss)	(342)	(244)	573	642	190	800	1,545	809
Translation gain (loss)	10	80	-	(139)	(109)	120	227	28
Comprehensive income (loss)	(332)	(164)	573	503	81	920	1,772	837
Non-GAAP Measures:								
Proportional Revenue	3,560	4,479	5,707	5,164	3,529	4,389	5,502	4,174
Adjusted EBITDA	(80)	(90)	1,361	1,341	446	754	2,139	1,435

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

SUMMARY OF Q1 2023 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended March 31, 2023 and 2022.

Proportional Revenue

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

<i>(in \$'000s)</i>	Q1 2023		Q1 2022		
Revenue source	\$	% of total	\$	% of total	% Change
Sale of recovered metals from operations	869	24%	1,062	30%	(18%)
Water treatment fee from operations	835	23%	189	5%	342%
Technical services	1,856	53%	2,278	65%	(19%)
Total Proportional Revenues	3,560	100%	3,529	100%	1%

Revenues from the sale of base metals recovered comprises the Company's share of revenues from its joint ventures in China. The sale of copper and zinc recovered during the operation of water treatment plants is affected by the amount and market price of metal concentrate sold. During Q1 2023, our share of revenues from the JCC-BQE joint venture decreased by \$296,000 or 31% compared to the comparable period in 2022. The decrease is attributed to a 4% decrease in average copper prices and a 28% decrease in the quantity of copper recovered. The MWT-BQE joint venture contributed \$201,000 to the Company's share of revenue in Q1 2023, compared to \$98,000 in Q1 2022.

Water treatment fee revenues include tolling fees from the volume of water treated and operations support fees. We earn recurring tolling fees at Raglan Mine through our partnership with Inuit company Nuvumiut Development, at the Minto Mine operations, and at the recently commissioned selenium removal plants in the US. As the operating season at Raglan Mine typically starts in May, it does not generate revenue during the first quarter of the year. During Q1 2023, the new selenium treatment plants in the US and Minto Mine operations provided \$649,000 of recurring revenues. Our operations support fees are comprised of recurring technical support services at two SART plants in China that generated revenues of \$186,000 in Q1 2023 compared to \$94,000 in Q1 2022.

Revenues from technical services decreased by \$422,000 or 19% in Q1 2023 compared to Q1 2022. These revenues are non-recurring in nature and relate 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 and varying contract values. Revenues from technical services were particularly strong in Q1 2022 as we completed the commissioning of a selenium removal treatment plant for a mining customer in the US.

Operating Expenses

Total operating expenses during Q1 2023 were \$1.7 million compared to \$1.5 million in Q1 2022, an increase of \$163,000 or 11%. The increase in operating expenses is directly attributable to the increase in operations services and project activity related to technical services completed in the quarter. Each individual project requires varying levels of technical expertise and resources depending on the specific mine conditions and treatment requirements. During the quarter, total labour costs within operating expenses were \$1.2 million compared to \$906,000 in the previous year's first quarter.

Expenses

In Q1 2023, general and administration costs were \$672,000 compared to \$604,000 in Q1 2022, representing a \$68,000 increase. The increase was attributable to a \$72,000 increase in employee benefits, a \$38,000 net decrease in professional services fees and a \$22,000 increase in insurance premiums for the comparable period.

Sales and development costs during Q1 2023 were \$613,000 compared to \$354,000 in Q1 2022, an increase of \$259,000 or 73%. The increase was mainly attributable to a \$210,000 increase in labour resources allocated to fulfill technological and business development initiatives, and a \$30,000 increase in travel and event expenses related to business development.

Share-based payment expenses were \$190,000 in Q1 2023 compared to \$23,000 in Q1 2022. Share-based payment expenses mainly consist of non-cash compensation expenses relating to the recently issued stock option and restricted share units in 2022, 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 changes in the Company's share price during the reporting period.

Depreciation and amortization expenses were \$82,000 in Q1 2023 compared to \$55,000 in Q1 2022. The increase was due to depreciation expenses for the several newly added lease assets, such as office building leases, during 2022.

Other Income and Expenses

The net of other income was \$143,000 in Q1 2023 compared to an expense of \$41,000 in Q1 2022. Other income or expenses consists of net finance income, foreign exchange and other income.

Net finance income was \$37,000 in Q1 2023 compared to an expense \$4,000 in Q1 2022. Finance income consists of interest income earned predominantly from on-demand guaranteed investment certificates and is netted against finance costs, which consist of interest paid and interest accrued for other liabilities.

Foreign exchange gain was \$59,000 in Q1 2023 compared to a loss of \$37,000 in Q1 2022. Foreign 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 Canadian dollar, our reporting currency.

The remaining variance is the other income of \$47,000 in Q1 2023, which are finder's fees earned and are non-operating in nature.

Net Income

After income tax, overall net loss for the first three months in 2023 was \$342,000 compared to a net income of \$190,000 for the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2023, BQE Water had 1,254,328 common shares issued and outstanding (1,256,928 at December 31, 2022), and 90,340 stock options outstanding (90,340 at December 31, 2022).

As of the date of this MD&A, May 30, 2023, the Company has 1,252,528 common shares issued and outstanding, and 90,340 stock options outstanding.

In 2022, the Company obtained the approval of the TSX Venture Exchange to commence a Normal Course Issuer Bid (NCIB) to repurchase for cancellation up to 62,556 common shares, representing 5% of common shares issued and outstanding, over a 12-month period starting December 12, 2022. As of May 30, 2023, the Company has repurchased for cancellation 4,400 common shares under the NCIB (nil as of Dec 31, 2022).

At March 31, 2023, we had cash of \$5.8 million, a decrease of approximately \$457,000 from December 31, 2022. For the three months ended March 31, 2023, cash used in operating activities was \$387,000 compared to \$121,000 in Q1 2022.

At March 31, 2023, we had restricted cash of \$194,000, compared to \$180,000 from December 31, 2022. Such balances include a term deposit denominated in CLP held by Scotiabank as a letter of credit related to a customer in Chile until completion of the project.

Working capital is defined as current assets minus current liabilities. The Company had a working capital position at the end of the quarter of \$6.7 million, a decrease of \$481,000 from December 31, 2022. At March 31, 2023, our significant working capital items, aside from cash, include trade and other receivables of \$3.1 million (\$3.2 million at December 31, 2022) and trade payable and accrued liabilities of \$1.2 million (\$1.2 million at December 31, 2022).

The Company has an interest-free loan with the Minister of Western Economic Diversification Canada under the Western Innovation Initiative (WINN) program. At March 31, 2023, the WINN loan balance was \$248,000 with obligations to repay the loan in 60 equal monthly installments from April 1, 2021 to March 1, 2026. Additionally, there are credit facilities available with the Royal Bank of Canada including a credit card facility of \$30,000 and a revolving demand credit facility of \$1.0 million which has not been utilized as of March 31, 2023.

The Company has commitments of \$407,000 until 2024 under operating leases for office and laboratory premises and for assay services.

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

RELATED PARTY TRANSACTIONS

Management Compensation

Included in trade payables and accrued liabilities as of March 31, 2023 is \$16,925 (\$nil at December 31, 2022) of director fees. For the three months ended March 31, 2023 and 2022, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	3 months ended Mar. 31	
	2023	2022
	\$	\$
Salaries, fees and short-term benefits	206,300	192,050
Share-based payments	59,619	18,843
	<u>265,919</u>	<u>210,893</u>

Revenue Earned from Joint Venture

The Company earns operating fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services in Nunavik. Revenue earned from the joint venture for the three months ended March 31, 2023 was \$88,568 (\$nil in 2022). Included in trade and other receivables as of March 31, 2023 is \$113,678 (\$154,611 at December 31, 2022) of trade receivables due from the joint venture.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The judgments, estimates and assumptions applied in these condensed consolidated interim financial statements, including key sources of estimation uncertainty were the same as those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2022.

COVID-19 Economic Uncertainty

The COVID-19 pandemic continued to disrupt global health and the economy in 2023. For BQE Water, the recurring services for the operation of water treatment plants were largely uninterrupted, but certain technical services projects that were expected to be awarded and secured were delayed or suspended due to the pandemic.

The uncertainties around the outbreak of the COVID-19 pandemic requires the use of significant judgments and estimates. As of March 31, 2023, management has determined that the Company's ability to execute its medium and longer-term plans, the economic viability of its assets, and the carrying value of its long-lived assets are not materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, environmental regulations, orders, potential hindrances to our supply chain, disruptions in the markets for our services, commodity prices, and foreign exchange prices together with the actions the Company has taken at its operations to protect the health and safety of its workforce and local communities.