

# BQE Water

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## **BQE WATER INC.**

### **Interim Management's Discussion and Analysis (Quarterly Highlights)**

For the three months ended March 31, 2024 and 2023

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# INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

*Quarterly Highlights – for the three months ended March 31, 2024 and 2023*

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

This Q1 2024 Interim MD&A updates disclosure previously provided in our Annual MD&A, up to the date of this Interim MD&A, and should be read in conjunction with our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024 and 2023 (our "Interim Financial Statements"), our audited consolidated financial statements for the years ended December 31, 2023 and 2022 (our "Audited Financial Statements") and our Annual MD&A for the year ended December 31, 2023.

Our Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective as of March 31, 2024. Our accounting policies are described in Note 3 of our Audited Financial Statements. All financial information is presented in **Canadian dollars** unless otherwise noted. This MD&A has been prepared as at May 29, 2024.

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

## OUR BUSINESS

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

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

## NON-GAAP MEASURES

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

### Proportional Results

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

### Proportional Revenue

This non-GAAP financial measure of Proportional Revenue adds BQE Water's share of revenues from its China joint ventures to the Company's revenues reported under GAAP. Proportional Revenues for the three-month periods ended March 31, 2024 and 2023 are as follows:

(in \$'000s)

	3 months ended Mar. 31	
	2024	2023
	\$	\$
Reported revenues under GAAP	2,508	2,691
Share of reported revenues from joint ventures in China	902	869
Proportional Revenue for the period	3,410	3,560

### 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	
	2024	2023
	\$	\$
GAAP: Net loss	(486)	(342)
deduct: interest income	(30)	(38)
deduct/add: income tax (recovery) expenses	(17)	6
add: depreciation and amortization	219	210
EBITDA	(314)	(164)
add: share-based payments	273	190
deduct: non-operating income	(20)	(47)
deduct: foreign exchange gain	(60)	(59)
Adjusted EBITDA	(121)	(80)

## FINANCIAL HIGHLIGHTS

- Recorded Proportional and GAAP revenues of \$3.4 million and \$2.5 million in Q1 2024 respectively, compared \$3.6 million and \$2.7 million in Q1 2023.
- Doubled recurring plant operation revenues to \$1.8 million in Q1 2024 when compared to Q1 2023.
- Gross margin of \$1.1 million in Q1 2024 compared to \$1.0 million in Q1 2023, an 11% increase.
- Net loss of \$486,000 in Q1 2024 compared to a loss of \$342,000 in Q1 2023.
- Adjusted EBITDA loss of \$121,000 in Q1 2024 compared to a loss of \$80,000 in Q1 2023.
- Net cash and cash equivalents of \$8.2 million at March 31, 2024, compared to \$7.9 million at December 31, 2023, a 4% increase.
- Working capital of \$9.9 million at March 31, 2024, compared to \$10.5 million at December 31, 2023, a 6% decrease.

Selected financial results are as follows:

(in '000s)	3 months ended Mar. 31	
	2024	2023
Revenue from Operation Services	1,789	835
Revenue from Technical Services	719	1,856
Revenue from joint ventures in China	902	869
Proportional Revenues	3,410	3,560

## 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 pounds of copper recovered by the plants fluctuate seasonally depending on precipitation levels in the region. The operating results for Q1 2024 are as follows:

(in '000s)	3 months ended Mar. 31	
	2024	2023
Water treated (cubic metres)	4,217	2,899
Copper recovered (pounds)	380	291

In Q1 2024, all three plants met mechanical availability and process performance targets set by the Company. The volume of water treated increased by 45% and the mass of copper recovered increased by 31% compared to Q1 2023. Such

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 2024 are as follows:

<i>(in '000s)</i>	3 months ended Mar. 31	
	2024	2023
Zinc recovered (pounds)	31	78
Copper recovered (pounds)	5	41

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

### BQE Water Operations

The number of operating days contributing to water treatment or support fees for the three months ended March 31, 2024 are as follows:

<i>(in days)</i>	3 months ended Mar. 31	
	2024	2023
Raglan Mine water treatment plants	-	-
Minto Mine water treatment plant	-	90
Zhongkuang SART plant	91	90
Zhaojin SART plant	91	90
Water treatment plant in Eastern USA	67	64
Water treatment plant in Southwest USA	91	88

The volume of water treated by geographic location for the three months ended March 31, 2024 are as follows:

<i>(in '000s cubic metres)</i>	3 months ended Mar. 31	
	2024	2023
Raglan Mine water treatment plants	-	-
Minto Mine water treatment plant	-	214
SART plants in China	136	131
Water treatment plants in USA	200	5

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation (“Glencore”). In the first quarter, the plants at Raglan Mine were shut down as water stored in the outdoor reservoirs was frozen. Consequently, no water was treated and no revenue was generated in Q1 2024 from the Raglan Mine plants. We expect to begin water treatment in June 2024.

In 2022, we began to provide water treatment services at Minto Mine in the Yukon. During 2023, the Company contracted directly with the Yukon Government to treat and discharge clean water at the mine in support of environmental protection. In Q1 2024, the treatment plant at Minto Mine was shut down as the plant winterization is typically between October to April when the mine is not in operation. We expect to begin water treatment in June 2024.

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 2024 without disruption.

In 2022, we began operations of a treatment plant utilizing our Selen-IX™ process to remove selenium from ash pond water for WesTech Engineering (“WesTech”). In Q1 2024, our team continued at site providing water treatment services with the Selen-IX™ circuit to manage the presence of selenium in the feed.

In 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. As a result, we are currently providing water treatment operation services for two water treatment plants in the American Southwest. In Q1 2024, the plants operated and treated 133,000 cubic metres of water.

## 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 2024 are summarized below.

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

- Initiated engineering services for the design and construction of a fourth selenium removal plant in the US using Selen-IX™ at a gold mine to meet end-of-pipe limit of less than 2 parts per billion.
- Performed a site visit and technical assessment of treatment options for removing sulphate to a discharge limit less than 1,500 mg/L at an integrated lead smelter-recycling facility in Eastern Canada.
- Performed field engineering assessment of the root causes of poor performance of an existing water treatment plant removing metals and ammonia from mine wastewater in Western Canada.
- Completed a laboratory treatability test program on mine water for selenium removal from an existing mine in the US.
- Initiated METSIM modelling of a build-up on impurities in metallurgical process water for a new project in the US.
- Initiated the review of a water management plan for a proposed new gold mine in the Yukon with comments to support the regulatory reviews by the territorial government.
- Initiated a technical assessment on options for the disposal of large quantities of elemental sulphur at a mine in BC.
- Continued to provide water treatment expertise to the executive team of a top tier metal producer in due diligence for an acquisition of an existing mining operation.
- Continued to provide engineering design services for three water treatment plants to support permitting of the KSM gold-copper project in British Columbia.
- Continued to provide engineering and design services for the construction of a new water treatment plant for water recycle at a gold mine in Mexico.

### Cyanide Management (Destruction and Recycle)

- Initiated a review of requirements for cyanide recycle at a new project currently in development in Mexico.
- Completed a treatability assessment for the removal of cobalt and associated cyanide from an existing gold mine in Ontario.
- Continued with the engineering design for a third SART plant for Shandong Gold in China.

## COMMENTARY AND OUTLOOK

The change in the Company's financial performance between Q1 2024 and Q1 2023, was predominantly affected by the following:

- a 114% increase in recurring revenue from new water treatment operations in Q1 2024 compared to Q1 2023;
- a 61% decrease in non-recurring revenue from technical services in Q1 2024 compared to Q1 2023, which in turn contributed to a 51% increase in sales and development expenses as resources not utilized to fulfill revenue contracts were allocated to sales and marketing instead of direct operating expenses;
- a 35% increase in revenue from our JCC-BQE joint venture in Q1 2024 compared to Q1 2023, primarily due to a higher volume of recovered copper;
- the decline in revenue from the MWT-BQE joint venture due to a one-time sale of a large quantity of metal concentrate in Q1 2023 that did not recur in Q1 2024; and
- a 44% increase in share-based payments in Q1 2024 compared to Q1 2023 due to the vesting of Restricted Share Units ("RSUs") issued to staff in previous years and the RSUs being valued at the Company's higher share price.

The winter shut-down of our operations in Northern Canada and lower volumes of water reporting to treatment in the China joint ventures traditionally contribute to weaker financial performance for the Company during the first quarter of the year. With the recently commissioned plant operations in the US, there is now an expanded base of recurring revenue in the first quarter that serves to mitigate the ongoing seasonality of our Canadian operations. It remains a strategic priority for BQE Water to continue to expand its recurring revenues through additional plant operations over time.

The timing of non-recurring technical advisory contracts and the associated revenue varies from quarter to quarter based on several factors:

- our clients' schedules, which are not in our control;
- the short average contract duration of approximately 4 to 6 months; and
- the stage of the project, since very early stages typically contribute less revenue than later stages.

Except for one project, most of the technical services delivered by the Company in Q1 2024 were associated with new projects at early stages. These early stages often contribute less than \$50,000 per project; however, they are a critical component of our business development. Not only do these projects typically start to contribute a higher share of revenue as they advance, but the quality of services delivered in the early stage also tends to contribute positively to future business, ideally advancing to the operations stage eventually. A typical quarter would have a mix of projects in different stages of development, producing a better balance between billable services and sales and development expenses when compared to Q1 2024. Overall, we have seen a steady level of business activity, and we currently expect our technical services revenue to catch up to 2023 levels over the remainder of the year. Management also continues to focus on increasing efficiency across all business functions within the organization following the significant increase in headcount in recent years. This includes accelerated professional development for our staff and improvements to our internal systems, both of which are expected to contribute to higher staff utilization, improved resource allocation, and higher operating margins over time.

Copper recovery from the JCC-BQE JV in China showed a 31% increase over the same period a year ago. Although the tonnage of recoverable copper is expected to decline over the long-term, the drop in copper production in 2023 compared to previous years was more sudden and substantial. In management's view, the fact that copper recovery increased significantly in Q1 2024 over Q1 2023 suggests the drop in 2023 was more likely caused by climate conditions rather than accelerated depletion of recoverable copper.

The other significant expenses that increased the net loss in the quarter are non-cash share-based payments as well as depreciation expense. A significant portion of the share-based payments is due to the amortization of RSUs, which are compensation linked to the Company's share price. RSUs, a key component of BQE Water's overall staff retention, vest over a 3-year period with annual cash payouts, which avoids share dilution. While the Company does not carry operating plant

and equipment on its balance sheet as capital assets, the Company does carry and depreciate right-of-use (lease) assets. The higher depreciation expense in Q1 2024 was due to a new 10-year office lease contract commenced in April 2023, whereby the Company consolidated its laboratory technology team with the engineering and operations teams in a new head office. For the remainder of 2024, our quarterly depreciation expenses will continue to increase slightly as we add new assets such as office furniture and laboratory equipment.

The outlook for 2024, and our assessment of long-term drivers for growth as well as risks and downsides remain unchanged from our last commentary in the Q4 2023 MD&A.



## SELECTED FINANCIAL INFORMATION

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

	3 months ended Mar. 31	
	2024	2023
	\$	\$
Revenues	2,508	2,691
Operating expenses (excluding depreciation)	(1,403)	(1,694)
Gross margin	1,105	997
Share of income from joint ventures	332	81
General and administration	(700)	(672)
Sales and development	(924)	(613)
Share-based payments	(273)	(190)
Depreciation and amortization	(101)	(82)
Loss from operations and joint ventures	(561)	(479)
Other income, net	87	143
Income tax expenses	(12)	(6)
<b>Net loss for the period</b>	<b>(486)</b>	<b>(342)</b>
Loss per share (basic)	(0.39)	(0.27)
Loss per share (diluted)	(0.38)	(0.27)
Proportional Revenues (Non-GAAP measures)	3,410	3,560
Adjusted EBITDA (Non-GAAP measures)	(121)	(80)
Comprehensive loss	(443)	(332)

	at Mar. 31	at Dec. 31
	2024	2023
	\$	\$
Cash	8,232	7,928
Proportional cash (Non-GAAP measures)	9,544	9,790
Working capital	9,902	10,529
Total assets	18,301	18,856
Total non-current liabilities	1,913	1,900
Shareholders' equity	14,443	14,776

## COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	<b>Mar-24</b>	Dec-23	Sept-23	Jun-23	Mar-23	Dec-22	Sept-22	Jun-22
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	<b>2,508</b>	5,014	6,246	4,186	2,691	3,465	3,503	2,722
Operating expenses	<b>(1,403)</b>	(2,260)	(2,959)	(2,162)	(1,694)	(2,044)	(1,759)	(1,773)
	<b>1,105</b>	2,754	3,287	2,024	997	1,421	1,744	949
Share of results from								
joint ventures	<b>332</b>	(452)	382	407	81	(256)	281	1,129
General and administration	<b>(700)</b>	(695)	(610)	(750)	(672)	(690)	(591)	(579)
Sales and development	<b>(924)</b>	(930)	(555)	(557)	(613)	(564)	(414)	(436)
Share-based payments	<b>(273)</b>	(138)	(109)	(29)	(190)	(209)	(172)	(267)
Depreciation and amortization	<b>(101)</b>	(126)	(111)	(111)	(82)	(80)	(70)	(59)
Income (loss) from operations	<b>(561)</b>	413	2,284	984	(479)	(378)	778	737
Other income (expenses), net	<b>87</b>	68	(13)	(83)	143	142	84	(77)
Bad debt expenses	-	(214)	-	(259)	-	(8)	-	-
Income tax expenses	<b>(12)</b>	(18)	(140)	(27)	(6)	-	(289)	(18)
Net income (loss)	<b>(486)</b>	249	2,131	615	(342)	(244)	573	642
Translation gain (loss)	<b>43</b>	39	71	(471)	10	80	-	(139)
Comprehensive income (loss)	<b>(443)</b>	288	2,202	144	(332)	(164)	573	503
<b>Non-GAAP Measures:</b>								
Proportional Revenue	<b>3,410</b>	5,431	7,964	5,772	3,560	4,479	5,707	5,164
Adjusted EBITDA	<b>(121)</b>	541	2,742	1,451	(80)	(90)	1,361	1,341

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

## SUMMARY OF Q1 2024 FINANCIAL RESULTS

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

### Proportional Revenue

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

<i>(in \$'000s)</i>	Q1 2024		Q1 2023		
Revenue source	\$	% of total	\$	% of total	% Change
Sale of recovered metals from operations	902	26%	869	24%	4%
Water treatment fee from operations	1,789	52%	835	23%	114%
Technical services	719	21%	1,856	53%	(61%)
Total Proportional Revenues	3,410	100%	3,560	100%	(4%)

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 2024, our share of revenues from the JCC-BQE joint venture increased by \$235,000 or 35% compared to the same period in 2023. The increase is attributed to the combination of a 3% increase in average copper prices and a 31% increase in the quantity of copper recovered. The MWT-BQE joint venture did not have any sales of metals in Q1 2024, compared to \$201,000 of the Company's share of revenue in Q1 2023.

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. As the operating season at Raglan Mine and Minto Mine typically starts in June, both sites do not generate revenue during the first quarter of the year. The selenium treatment plants in the US operate year-round and provided \$1.6 million of recurring revenues during Q1 2024. Our operations support fees are comprised of recurring technical support services at two SART plants in China that generated revenues of \$176,000 in Q1 2024 compared to \$186,000 in Q1 2023.

Revenues from technical services decreased by \$1.1 million or 61% in Q1 2024 compared to Q1 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. Revenues from technical services were particularly strong in Q1 2023 as we completed the multiple pilot demonstration for two mining customers in the Chile during the quarter.

### Operating Expenses

Total operating expenses during Q1 2024 were \$1.4 million compared to \$1.7 million in Q1 2023, a decrease of \$291,000 or 17%. The decrease in operating expenses is directly attributable to the decrease in project activity related to technical services completed in the quarter. Each individual project requires different levels of technical expertise and resources depending on the specific mine conditions and treatment solutions.

### Expenses

In Q1 2024, general and administration costs were \$700,000 compared to \$672,000 in Q1 2023, representing a \$28,000 increase. The increase was attributable to the increase in professional service, especially for financial audit fees.

Sales and development costs during Q1 2024 were \$924,000 compared to \$613,000 in Q1 2023, an increase of \$311,000 or 51%. The increase was mainly attributable to a \$265,000 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 \$273,000 in Q1 2024 compared to \$190,000 in Q1 2023. Share-based payment expenses mainly consist of non-cash compensation expenses relating to the recently issued stock option and RSUs, both of which are amortized on a straight-line basis over the vesting period. Other share-based payment expenses were due to fair

value adjustments of deferred and restricted share units resulting from changes in the Company's share price during the reporting period.

Depreciation and amortization expenses were \$101,000 in Q1 2024 compared to \$82,000 in Q1 2023. The increase was due to depreciation expenses for recently added office building lease assets and related inducement improvements.

### **Other Income and Expenses**

The net of other income was \$87,000 in Q1 2024 compared to \$143,000 in Q1 2023, and it consists of net finance income, foreign exchange, and other income or expenses.

Net finance income was \$27,000 in Q1 2024 compared to income of \$37,000 in Q1 2023. Finance income consists of interest income earned primarily from on-demand guaranteed investment certificates and is netted against finance costs, which consist of interest paid and interest accrued for loans and lease obligations.

Foreign exchange gain was \$60,000 in Q1 2024 compared to a gain of \$59,000 in Q1 2023. Exchange gains and losses arise mainly from changes in the value of the US dollar, Mexican peso, Chilean peso, and Chinese renminbi relative to the Company's reporting currency of Canadian dollars.

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

### **Net Income**

After income tax, overall net loss for the first three months in 2024 was \$486,000 compared to a net loss of \$342,000 for the same period in 2023.

## LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2024, BQE Water had 1,255,628 common shares issued and outstanding (1,246,628 at December 31, 2023), and 75,340 stock options outstanding (84,340 at December 31, 2023).

In 2022, the Company obtained the approval of the TSX Venture Exchange to commence a Normal Course Issuer Bid (NCIB) to repurchase for cancellation up to 62,556 common shares, representing 5% of common shares issued and outstanding, over a 12-month period starting December 12, 2022. The NCIB was renewed for another 12-month period starting December 13, 2023. As of March 31, 2024, the Company has repurchased for cancellation 13,300 common shares at a weighted average price per share of \$28.40 under the terms of the NCIB (unchanged as of December 31, 2023).

As of the date of this MD&A on May 29, 2024, there were 1,272,351 common shares issued and outstanding, and 58,617 stock options outstanding, and no additional common shares have been purchased and cancelled under the NCIB.

At March 31, 2024, we had cash and cash equivalents of \$8.2 million, an increase of approximately \$304,000 from December 31, 2023. For the three months ended March 31, 2024, net cash from operating activities was \$330,000 compared to net cash used of \$387,000 in Q1 2023.

Working capital is defined as current assets minus current liabilities. At March 31, 2024, the Company had a consolidated working capital position of \$9.9 million, a decrease of \$627,000 from December 31, 2023. At March 31, 2024, significant working capital items, aside from cash, include trade and other receivables of \$3.3 million (\$4.4 million at December 31, 2023) and trade payables and accrued liabilities of \$1.1 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 March 31, 2024, the combined balance of the WINN and BSP loans was \$289,000, both with obligations to repay the loan with 60 equal monthly installments upon completion of the initiative (\$312,000 at December 31, 2023). Additionally, there are credit facilities available with the Royal Bank of Canada including credit card facilities in aggregate of \$70,000, and a revolving demand credit facility of \$1.0 million which had not been utilized as of March 31, 2024.

The Company has commitments of \$2.2 million until 2034 under operating leases for office and laboratory premises and for assay services.

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

## RELATED PARTY TRANSACTIONS

### Management Compensation

Included in trade payables and accrued liabilities as of March 31, 2024 is \$17,530 (\$nil at December 31, 2023) of director fees.

For the three months ended March 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:

	3 months ended Mar. 31	
	2024	2023
	\$	\$
Salaries, fees, and short-term benefits	222,959	206,300
Share-based payments	57,859	59,619
	<u>280,818</u>	<u>265,919</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, 2024 was \$5,575 (\$88,568 in Q1 2023). Included in trade and other receivables as of March 31, 2024 is \$59,898 (\$382,837 at December 31, 2023) of trade receivables due from the joint venture.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC CERTIFICATE**

I, **David Kratochvil, Chief Executive Officer of BQE Water Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **BQE Water Inc.** (the “issuer”) for the interim period ended **March 31, 2024**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **May 29, 2024**

*signed “David Kratochvil”*

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David Kratochvil  
Chief Executive Officer

<b><u>NOTE TO READER</u></b>
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<p>In contrast to the certificate required for non-venture issuers under National Instrument 52-109 <i>Certification of Disclosure in Issuers’ Annual and Interim Filings</i> (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&amp;P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:</p>
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- |   |
|---|
| <ul style="list-style-type: none"><li>(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and</li><li>(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.</li></ul> |
|---|

<p>The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&amp;P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.</p>
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**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC CERTIFICATE**

I, **David Kratochvil**, Chief Executive Officer of **BQE Water Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **BQE Water Inc.** (the “issuer”) for the interim period ended **March 31, 2024**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **May 29, 2024**

  
\_\_\_\_\_  
David Kratochvil  
Chief Executive Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.



**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC CERTIFICATE**

I, **Heman Wong, Chief Financial Officer of BQE Water Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **BQE Water Inc.** (the “issuer”) for the interim period ended **March 31, 2024**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: **May 29, 2024**

*signed “Heman Wong”*

\_\_\_\_\_  
Heman Wong  
Chief Financial Officer

<b><u>NOTE TO READER</u></b>
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**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC CERTIFICATE**

I, **Heman Wong, Chief Financial Officer of BQE Water Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **BQE Water Inc.** (the “issuer”) for the interim period ended **March 31, 2024**.
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Date: **May 29, 2024**



\_\_\_\_\_  
**Heman Wong**  
Chief Financial Officer

<b><u>NOTE TO READER</u></b>
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