
Interim Management's Discussion and Analysis (Quarterly Highlights)

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

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

OUR BUSINESS

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

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

NON-GAAP MEASURES

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

Proportional Results

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

Proportional Revenue

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

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

Adjusted EBITDA

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

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

FINANCIAL HIGHLIGHTS

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

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

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

OPERATIONAL SERVICES HIGHLIGHTS

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

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

JCC-BQE Joint Venture Operations

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

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

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

MWT-BQE Joint Venture Operations

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

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

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

BQE Water Operations

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

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

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

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

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

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

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

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

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

TECHNICAL SERVICES HIGHLIGHTS

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

Trusted Advisory Services (Water Management and Water Studies)

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

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

Cyanide Management (Destruction and Recycle)

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

COMMENTARY AND OUTLOOK

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

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

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

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

SELECTED FINANCIAL INFORMATION

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

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

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

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

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

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

SUMMARY OF Q2 2024 FINANCIAL RESULTS

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

Proportional Revenue

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

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

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

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

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

Operating Expenses

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

Expenses

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

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

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

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

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

Other Income and Expenses

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

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

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

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

Net Income

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

SUMMARY OF YEAR-TO-DATE Q2 2024 FINANCIAL RESULTS

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

Proportional Revenues

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

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

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

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

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

Operating Expenses

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

Expenses

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

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

Net Income

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

Management Compensation

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

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

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

Revenue Earned from Joint Venture

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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