



Interim Management's Discussion and Analysis (Quarterly Highlights)

For the three and nine months ended September 30, 2024 and 2023

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three and nine months ended September 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 Q3 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 nine months ended September 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 at September 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 of November 28, 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 that 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 nine-month periods ended September 30, 2024 and 2023 are as follows:

<i>(in \$'000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Reported revenues under GAAP	6,817	6,246	12,741	13,123
Share of revenues from joint ventures in China	3,375	1,718	6,943	4,173
Proportional Revenue for the period	10,192	7,964	19,684	17,296

Adjusted EBITDA

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

<i>(in \$'000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
GAAP: Net income	3,723	2,131	3,796	2,404
deduct: interest income	(44)	(1)	(161)	(33)
add: income tax expenses	428	267	711	504
add: depreciation and amortization	224	229	665	671
EBITDA	4,331	2,626	5,011	3,546
add: share-based payment expenses	199	109	815	328
deduct: other income	-	-	(3)	(47)
add: bad debt expense	-	-	-	259
add/deduct: net foreign exchange	38	7	(33)	26
Adjusted EBITDA	4,568	2,742	5,790	4,112

FINANCIAL HIGHLIGHTS

- Recorded Proportional and GAAP revenues of \$10.2 million and \$6.8 million in Q3 2024 respectively, compared to \$8.0 million and \$6.2 million in Q3 2023.
- Gross margin of \$3.9 million in Q3 2024 compared to \$3.3 million in Q3 2023, a \$587,000 or 18% increase.
- Net income of \$3.7 million in Q3 2024 compared to \$2.1 million in Q3 2023, a \$1.6 million or 75% increase.
- Adjusted EBITDA of \$4.6 million in Q3 2024 compared to \$2.7 million in Q3 2023, a \$1.8 million or 67% increase.
- Net cash and cash equivalents of \$11.0 million at September 30, 2024, compared to \$7.9 million at December 31, 2023.
- Working capital of \$12.4 million at September 30, 2024, compared to \$10.5 million at December 31, 2023.

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

<i>(in '000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenue from Operation Services	3,873	3,166	8,222	5,435
Revenue from Technical Services	2,944	3,080	4,519	7,688
Revenue from joint ventures in China	3,375	1,718	6,943	4,173
Proportional Revenues	10,192	7,964	19,684	17,296
Net income	3,723	2,131	3,796	2,404
Adjusted EBITDA	4,568	2,742	5,790	4,112

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 nine months ended September 30, 2024 are as follows:

<i>(in '000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2024	2023	2024	2023
Water treated (cubic metres)	7,031	6,631	19,483	17,068
Copper recovered (pounds)	1,174	741	2,473	1,757
Zinc recovered (pounds)	447	-	860	-

In Q3 2024, all three plants met mechanical availability and process performance targets set by the Company. The volume of water treated increased by 6% and the mass of copper recovered increased by 58% compared to Q3 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. Starting in 2024, the Yinshan water treatment plant began to recover zinc as part of their normal operations.

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 nine months ended September 30, 2024 are as follows:

<i>(in '000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2024	2023	2024	2023
Water treated (cubic metres)	79	81	209	203
Zinc recovered (pounds)	26	35	75	114
Copper recovered (pounds)	9	4	19	45

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 nine months ended September 30, 2024 are as follows:

<i>(in days)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2024	2023	2024	2023
Raglan Mine water treatment plants	92	92	118	132
Minto Mine water treatment plant	61	92	96	273
Zhongkuang SART plant	88	92	265	272
Zhaojin SART plant	88	85	266	262
Water treatment plant in Eastern USA	70	55	206	182
Water treatment plants in Southwest USA	92	92	274	271

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

<i>(in '000s cubic metres)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2024	2023	2024	2023
Raglan Mine water treatment plants	1,511	1,320	1,722	1,541
Minto Mine water treatment plant	279	328	435	830
SART plants in China	186	147	472	454
Water treatment plants in USA	419	15	803	25

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation ("Glencore"). During Q3 2024, we continued operating all four treatment plants for our 21st operating season at the mine.

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 Q3 2024, we continued operating the water treatment plant to treat water and we demobilized our operation team in late August in order to assist with another project in the Yukon.

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 Q3 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 Q3 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 Q3 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 Q3 2024 are summarized below.

Trusted Advisory Services (Water Management and Water Studies)

- Initiated the design of water treatment facility to support the clean-up of legacy tailings site in the Yukon.
- Initiated advisory services to an environmental emergency at the Eagle Gold Mine in the Yukon.
- Initiated plant operations support and engineering services to an actively producing mine requiring improvements to their existing treatment in Western Canada.
- Completed a field pilot campaign for thiosalts removal at a mine in Eastern Canada.
- Completed a treatability assessment and preliminary engineering for selenium removal at a mine in Peru.
- Continued engineering services for the design, procurement, and construction of a fourth selenium removal plant using Selen-IX™ to meet end-of-pipe limit of less than 2 parts per billion at a gold mine in Central US.
- 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.
- Assisted with regulatory review of water treatment to be implemented at the Blackwater mine in BC.
- Continued plant automation services for a new water treatment plant for water recycle at a gold mine in Mexico.
- Completed a preliminary design of water treatment for a Rare Earth project in development in Brazil.
- Continued selenium stability test program simulating conditions in semi-passive treatment systems to support holistic risk assessment of selenium treatment options for a client based in BC.

Cyanide Management (Destruction and Recycle)

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

COMMENTARY AND OUTLOOK

A strong third quarter has resulted in new historical records for the first 9 months of the year - Proportional Revenue of \$19.7 million, net income of \$3.8 million and Adjusted EBITDA of \$5.8 million.

Our Q3 2024 results delivered positive performance in all components of the business:

- All North American and Chinese water treatment plants were operational.
- Technical services activity increased as several larger projects were kicked off after some delays.
- Copper production in our JCC joint venture returned to historical levels.
- There was consistent production of zinc from the Yinshan plant in our JCC joint venture.

Although technical services revenue was strong, our team was not fully utilized in projects and operations during Q3 2024. We are expecting improvements in the coming months based on our presently known project load. In addition, financial results from our JCC joint venture were strong, with operational results establishing a return to the mean in copper production. Finally, we are encouraged that 77% of our year-to-date Proportional Revenues came from recurring sources, which underpins and highlights the strength of our business strategy to grow recurring revenues.

Our outlook for the balance of 2024 is positive as we expect our revived momentum in technical services to be reflected in our Q4 2024 results and, likely, into Q1 2025. We expect a lower ratio of recurring operations revenue relative to technical services revenue over this period due to revenue mix as well as seasonally lower metals production from JCC joint venture as the site enters the dry season and the treatment plants undergo their scheduled annual maintenance.

Looking beyond 2024, our assessment of the drivers for our growth, as well as the risks, remain unchanged from our last report. The timing of several projects, including much larger potential 'company makers' projects, remain unpredictable but the positive conditions that support the advancement of these projects remain. While the outcome of the recent US elections introduces some uncertainty, we do not expect our business to be materially impacted. More mines for critical minerals are expected to open in environmentally friendly jurisdictions and any potential roll-back in regulations in the US will not change the need for minimizing the risks of long-term environmental liabilities or addressing social acceptability. In short, we continue to believe our offering of unique intellectual property and expertise positions BQE Water for long-term growth and success.

SELECTED FINANCIAL INFORMATION

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenues	6,817	6,246	12,741	13,123
Operating expenses (excluding depreciation)	(2,943)	(2,959)	(6,156)	(6,815)
Operating margin	3,874	3,287	6,585	6,308
Share of income from joint ventures	1,577	382	3,039	870
General and administration	(771)	(610)	(2,363)	(2,032)
Sales and development	(576)	(555)	(2,428)	(1,726)
Share-based payments	(199)	(109)	(815)	(328)
Depreciation and amortization	(106)	(111)	(310)	(304)
Income from operations and joint ventures	3,799	2,284	3,708	2,788
Other income (expenses), net	2	(13)	189	48
Bad debt expenses	-	-	-	(259)
Income tax expenses	(78)	(140)	(101)	(173)
Net income for the period	3,723	2,131	3,796	2,404
Net earnings per share (basic)	2.91	1.71	3.00	1.92
Net earnings per share (diluted)	2.87	1.67	2.96	1.88
Proportional Revenues (Non-GAAP measures)	10,192	7,964	19,684	17,296
Adjusted EBITDA (Non-GAAP measures)	4,568	2,742	5,790	4,112
Comprehensive income	3,846	2,202	3,976	2,014

	at Sept. 30,	at Dec. 31,
	2024	2023
	\$	\$
Cash	10,987	7,928
Proportional cash (Non-GAAP measures)	14,925	9,790
Working capital	12,420	10,529
Total assets	24,902	18,856
Total non-current liabilities	1,904	1,900
Shareholders' equity	19,266	14,776

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	Sept-24	Jun-24	Mar-24	Dec-23	Sept-23	Jun-23	Mar-23	Dec-22
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	6,817	3,417	2,508	5,014	6,246	4,186	2,691	3,465
Operating expenses	(2,943)	(1,810)	(1,403)	(2,260)	(2,959)	(2,162)	(1,694)	(2,044)
	3,874	1,607	1,105	2,754	3,287	2,024	997	1,421
Share of results from								
joint ventures	1,577	1,129	332	(452)	382	407	81	(256)
General and administration	(771)	(892)	(700)	(695)	(610)	(750)	(672)	(690)
Sales and development	(576)	(928)	(924)	(930)	(555)	(557)	(613)	(564)
Share-based payments	(199)	(343)	(273)	(138)	(109)	(29)	(190)	(209)
Depreciation and amortization	(106)	(103)	(101)	(126)	(111)	(111)	(82)	(80)
Income (loss) from operations	3,799	470	(561)	413	2,284	984	(479)	(378)
Other income (expenses), net	2	100	87	68	(13)	(83)	143	142
Bad debt expenses	-	-	-	(214)	-	(259)	-	(8)
Income tax expenses	(78)	(10)	(12)	(18)	(140)	(27)	(6)	-
Net income (loss)	3,723	560	(486)	249	2,131	615	(342)	(244)
Translation gain (loss)	123	14	43	39	71	(471)	10	80
Comprehensive income (loss)	3,846	574	(443)	288	2,202	144	(332)	(164)
Non-GAAP Measures:								
Proportional Revenue	10,192	6,083	3,410	5,431	7,964	5,772	3,560	4,479
Adjusted EBITDA	4,568	1,342	(121)	541	2,742	1,451	(80)	(90)

Quarterly results can fluctuate based on the number of plants operating, variations in the volume and grade of water treated, and movements in commodity prices. Seasonality at certain sites also impact the timing of revenues. Operations at Raglan Mine and Minto Mine run in the warmer months, typically from May to October of each year. The Company is actively adding new operations that are not affected by seasonality to smooth out the operations revenue from period to period. For variations in Proportional Revenue, which includes our share of revenue from the Dexing joint venture, copper production typically increases between April and September and declines during the winter months due to lower seasonal precipitation and the annual maintenance schedule. Revenues from contracts for technical services related to water management and technical innovation projects occur based on the timing of client requirements.

SUMMARY OF Q3 2024 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended September 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>	Q3 2024		Q3 2023		% Change
	\$	% of total	\$	% of total	
Sale of recovered metals from operations	3,375	33%	1,718	22%	96%
Water treatment fee from operations	3,873	38%	3,166	40%	22%
Technical services	2,944	29%	3,080	38%	(4%)
Total Proportional Revenues	10,192	100%	7,964	100%	28%

Revenues from the sale of base metals recovered comprise 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 Q3 2024, our share of revenues from the JCC-BQE joint venture increased by \$1.7 million or 96% compared to the same period in 2023. The increase is attributed to a 58% increase in the quantity of copper recovered, an 8% increase in the average copper price within the period, and \$448,000 of additional revenue attributed to zinc recovered and sold from the Yinshan plant. The MWT-BQE joint venture did not have any sales of metals in Q3 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 seasonal Canadian operations at Raglan and Minto Mine provided \$1.9 million of treatment fees during Q3 2024, comparable to Q3 2023. The selenium treatment plants in the US operate year-round and provided \$1.7 million of recurring revenues during Q3 2024 compared to \$1.1 million in Q3 2023. Our operations support fees are comprised of recurring technical support services at two SART plants in China that generated revenues of \$180,000 in Q3 2024 compared to \$175,000 in Q3 2023.

Revenues from technical services decreased slightly by \$136,000 or 4% in Q3 2024 compared to Q3 2023. These revenues are non-recurring in nature and are related to water management services such as treatability assessments, permitting assistance, engineering and plant design, construction and commissioning of water treatment plants, laboratory testing and pilot demonstrations. These revenues represent the sum of multiple contracts from various clients of varying contract values. During Q3 2024, the Company initiated work on several medium to large size contracts, including multiple onsite technical support services across Canada, namely in the Yukon, Northern BC, and in Quebec.

Operating Expenses

Total operating expenses during Q3 2024 were \$2.9 million compared to \$3.0 million in Q3 2023, a slight decrease of \$16,000 or 1%. The variance in operating expenses is directly attributable to 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. During Q3 2024, operating margin increased to 57%, from 53% in Q3 2023.

Expenses

In Q3 2024, general and administration costs were \$771,000 compared to \$610,000 in Q3 2023, representing a \$161,000 or 26% increase. The increase was largely attributable to the \$40,000 increase in professional service and financial audit fees, a \$93,000 increase in payroll, along with higher overhead expenses such as operating expenses in rent and insurance.

Sales and development costs during Q3 2024 were \$576,000 compared to \$555,000 in Q3 2023, an increase of \$21,000 or 4%. The increase was attributable to increases in labour resources allocated to fulfill technological and business development initiatives, and in professional services.

Share-based payment expenses were \$199,000 in Q3 2024 compared to \$109,000 in Q3 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 \$106,000 in Q3 2024 compared to \$111,000 in Q3 2023, from the Company's office building lease assets and related building improvements.

Other Income and Expenses

The net of other income was an income of \$2,000 in Q3 2024 compared to an expense of \$13,000 in Q3 2023, which consists of net finance income/expense and net foreign exchange.

Net finance income was \$40,000 in Q3 2024 compared to an expense of \$6,000 in Q3 2023. Finance income and expense 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 loss was \$38,000 in Q3 2024 compared to \$7,000 in Q3 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.

Income Taxes

Income tax expenses were \$78,000 in Q3 2024, compared to \$140,000 in Q3 2023. Income tax expenses are mainly attributed to 10% withholding taxes deducted from annual dividends received during quarter from the Company's investment from joint venture income earned in China during the preceding fiscal years, where the annual 2023 net income from the joint venture was roughly 50% of the annual 2022 amount.

Net Income

After income tax, overall net income for Q3 2024 was \$3.7 million compared to \$2.1 million for the same period in 2023.

SUMMARY OF YEAR-TO-DATE Q3 2024 FINANCIAL RESULTS

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

Proportional Revenues

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

<i>(in \$'000s)</i>	YTD 2024		YTD 2023		% Change
	\$	% of total	\$	% of total	
Sale of recovered metals from operations	6,943	35%	4,173	24%	66%
Water treatment fees from operations	8,222	42%	5,435	31%	51%
Technical services	4,519	23%	7,688	45%	(41%)
Total Proportional Revenues	19,684	100%	17,296	100%	14%

Sales of recovered metals increased by \$2.8 million or 66%, primarily due to higher revenues from the JCC-BQE joint venture. This increase was attributable to a 41% increase in the quantity of copper recovered and a 10% increase in the average copper price during the period, compounded by \$795,000 of additional revenue arising from the recovery and sale of zinc at the Yinshan plant in the 2024 period. 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 2024 period compared to \$212,000 in the same period of 2023, while the treatment plant was recovering traces of zinc and copper in the 2024 period, none of the inventory was sold as at September 30, 2024.

Year-to-date water treatment fee revenues increased by \$2.8 million or 51% compared to the same period of 2023, mainly due to the start of operations of a selenium removal plant in the US in August 2023, contributing a total of \$2.8 million in new recurring revenues in the 2024 period. Year-to-date revenue from the ash pond treatment plant for WesTech increased by \$232,000 over the same period of 2023, as water requiring selenium removal was available for treatment during most of the 2024 period. The Canadian operations in Raglan Mine and Minto Mine operations had slightly shorter operating seasons in 2024 and earned \$239,000 less revenue in the 2024 period when compared to the 2023 period. The Company earned support fees in China of \$535,000 on a year-to-date basis in 2024 compared to \$542,000 in same 2023 period.

Year-to-date revenues from technical services in 2024 decreased by \$3.2 million from the same period in 2023. The 41% decrease is due to a reduction in project scope for the 2024 period, as most of the projects are in their early stages, compared to several late-stage projects in the 2023 period, which included commissioning activities in the US and two pilot demonstrations in Chile.

Operating Expenses

Year-to-date operating expenses in 2024 were \$6.2 million compared to \$6.8 million for the same period in 2023, a decrease of \$659,000. This 10% decrease is consistent with the decrease in revenues from technical services. Year-to-date operating margin in the 2024 period increased to 52% from 48% for the same period in 2023.

Expenses

Year-to-date general and administration expenses were \$2.4 million compared to \$2.0 million for the same period in 2023. The \$331,000 increase, or 16%, was due to the \$199,000 increase in professional service and financial audit fees, along with higher overhead expenses such as operating expenses in rent, insurance, and payroll.

Year-to-date sales and development expenses were \$2.4 million compared to \$1.7 million for the same period in 2023, an increase of \$703,000 or 41%. The increase was largely 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 \$3.8 million compared to \$2.4 million in the same period in 2023.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2024, BQE Water had 1,280,901 common shares issued and outstanding (1,246,628 at December 31, 2023), and 50,067 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 three 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 November 28, 2024, the Company had 1,282,401 common shares issued and outstanding, 48,567 stock options outstanding, and no additional common shares were purchased and cancelled under the NCIB.

At September 30, 2024, we had cash and cash equivalents of \$11.0 million, an increase of approximately \$3.1 million from December 31, 2023. For the nine months ended September 30, 2024, net cash provided from operating activities was \$2.2 million compared to net cash used of \$427,000 for the same period in 2023.

Working capital is defined as current assets minus current liabilities. At September 30, 2024, the Company had a consolidated working capital position of \$12.4 million, an increase of \$1.9 million from December 31, 2023. At September 30, 2024, significant working capital items, aside from cash, include trade and other receivables of \$5.0 million (\$4.4 million at December 31, 2023) and trade payables and accrued liabilities of \$1.6 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 September 30, 2024, the combined balance of the WINN and BSP loans was \$344,000, 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 at September 30, 2024.

The Company has commitments of \$2.0 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 September 30, 2024 is \$65,707 (\$nil at December 31, 2023) of director fees.

For the three and nine months ended September 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 Sept. 30		9 months ended Sept. 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
Salaries, fees and short-term benefits	283,255	209,564	855,125	648,220
Share-based payments	40,877	31,394	162,606	117,226
	<u>324,132</u>	<u>240,958</u>	<u>1,017,731</u>	<u>765,446</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 nine months ended September 30, 2024 was \$1,455,971 and \$1,686,214 (\$1,140,027 and \$1,545,688 for September 30, 2023). Included in trade and other receivables as of September 30, 2024 is \$1,096,264 (\$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 **September 30, 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: **November 28, 2024**

signed “David Kratochvil”

David Kratochvil
Chief Executive Officer

<u>NOTE TO READER</u>

<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&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>

- | |
|---|
| <ol style="list-style-type: none">(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. |
|---|

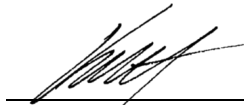
<p>The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&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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CERTIFICATION OF INTERIM FILINGS
VENTURE ISSUER BASIC CERTIFICATE

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

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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: **November 28, 2024**



David Kratochvil
Chief Executive Officer

NOTE TO READER

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- (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.

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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 **September 30, 2024**.
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Date: **November 28, 2024**

signed “Heman Wong”

Heman Wong
Chief Financial Officer

NOTE TO READER

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Date: **November 28, 2024**



Heman Wong
Chief Financial Officer

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