BQE Water

Management's Discussion and Analysis

For the years ended December 31, 2024 and 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This 2024 MD&A should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2024, under IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). All financial information in this MD&A is derived from the Company's Financial Statements, prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business operations for the foreseeable future. Our accounting policies are described in Note 3 of our audited consolidated financial statements. All financial information is presented in **Canadian dollars** (the presentation currency of the Company's consolidated financial statements) and all tabular amounts are in $000s, unless otherwise noted. This MD&A has been prepared as at April 24, 2025.

Certain statements contained in the MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements 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 to deliver exceptional operational and technical services. BQE Water is listed on the TSX Venture Exchange under the symbol "BQE". Additional information may be found on our website at www.bqewater.com and on SEDAR+ at www.sedarplus.ca.

OUR STRATEGY

The Company's strategy is to apply our unique expertise and intellectual property ("IP") related to the treatment of mine water and metallurgical bleed streams to help clients minimize their life cycle costs and risks associated with water. Additionally, we recognize that sustained growth and the financial success of our business are linked to ongoing innovation and the expansion of our IP portfolio, activities we are actively engaged in through our own operations and through inquiries from clients evaluating new projects.

The Company monetizes the value of its IP and expertise through services that span the full life cycle of mining projects from pre-permitting to post-closure. The Company's primary service is the long-term operation of water treatment plants, designed by our team, to generate recurring revenues linked to plant performance. As the period between the identification of new projects and treatment plants entering their operating phase can be lengthy, we also generate revenues from technical services that are project specific and generally non-recurring in nature. As such, our services are grouped into two key areas:

Operational Services

Revenues from operational services provided by the Company are recurring in nature and are earned through water treatment fees, support fees or through the sale of recovered base metals. Water treatment fees are either based on an agreed upon tolling for water treated and discharged into the environment or based on a fixed monthly or quarterly fee, or a combination of the two. Support fees are earned for the Company's expertise linked to operational targets and delivered through supervisory and ongoing operational support services. The Company also monetizes the value of its IP through joint ventures by sharing in the value of base metals recovered from treating wastewater.

Technical Services

Technical services provided by the Company can be grouped into consulting and technical innovation services. Consulting services help mining companies define water problems, identify opportunities for improving project performance and present solutions to address specific water management issues. Such services include feasibility & assessment studies, toxicity investigations, process engineering design, construction of water treatment plants, treatment plant commissioning and plant optimization. Technical innovation services offer our clients beneficial design and technological improvements drawn from our unique knowledge and expertise acquired from ongoing plant operations services. This also provides the Company with opportunities to develop new technologies, through either laboratory treatability assessments or field pilot demonstrations, based on industry needs. These services allow us to follow projects through the entirety of their development and implementation phases, and to provide our clients with recurring operational services.

NON-GAAP MEASURES

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

Proportional Results

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

Proportional Revenues

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

(in $'000s)	**2024**	2023
	$	$
Reported revenues under GAAP	**17,178**	18,137
Share of revenues from joint ventures in China	**7,620**	4,589
Proportional Revenues for the year	**24,798**	22,726

Adjusted EBITDA

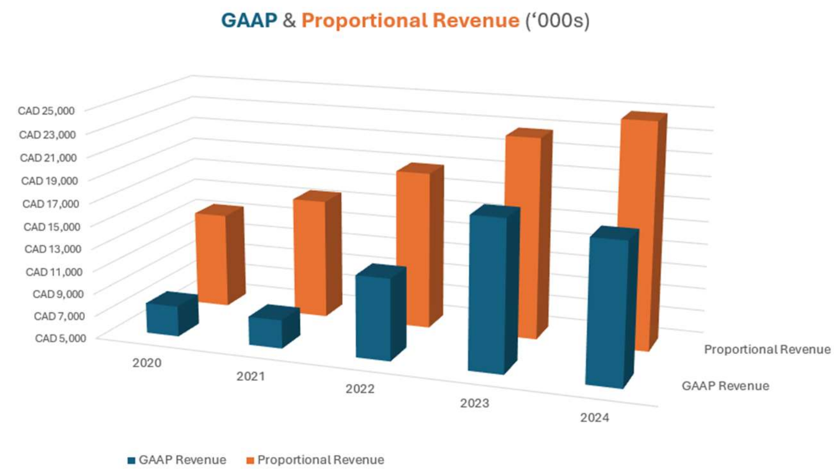
Adjusted EBITDA ("earnings before interest, taxes, depreciation and amortization") is intended to provide additional information only and does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. It should not be considered in isolation 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:

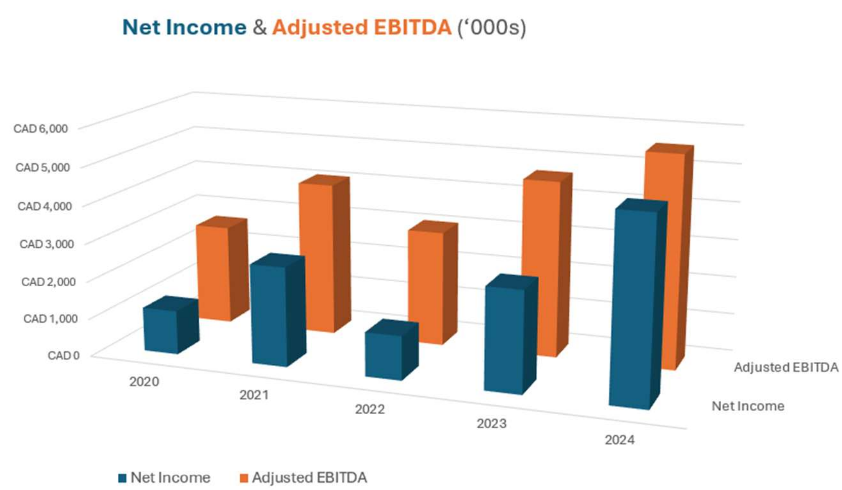
(in $'000s)	**2024**	2023
	$	$
GAAP: Net income	**4,806**	2,654
deduct: interest income	**(92)**	(211)
add/deduct: income tax (recovery) expenses	**(757)**	268
add: depreciation and amortization	**915**	916
EBITDA	**4,872**	3,627
add: share-based payment expenses	**1,017**	466
add/deduct: other (income)	**(96)**	(51)
add: bad debt expense	**14**	473
add/deduct: net foreign exchange	**(224)**	141
Adjusted EBITDA	**5,583**	4,656

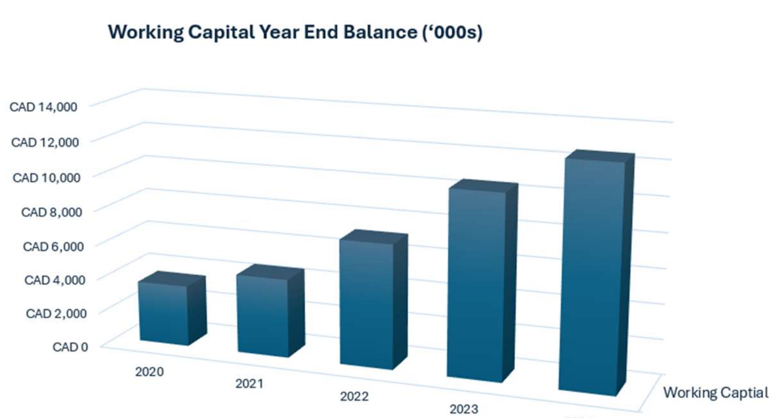
FINANCIAL HIGHLIGHTS

- Revenues of $17.2 million in 2024, a decrease of 5% or $959,000 compared to 2023.
- Achieved record Proportional Revenues of $24.8 million in 2024, a $2.1 million or 9% increase from 2023.
- Net income and earnings per share for the year were $4.8 million and $3.78, compared to $2.6 million and $2.12 in the prior year, representing increases of 81% and 78%, respectively.
- Adjusted EBITDA was $5.6 million compared to $4.6 million the year prior, a 20% increase.
- Increased working capital by $2.1 million, or 20% year-over-year, to $12.6 million as at December 31, 2024.
- Grew net cash and cash equivalents by $3.8 million, or 48% year-over-year, to $11.8 million as of December 31, 2024.

Selected financial results for the last 5 years are as follows:







Selected financial results for the 3 and 12 months ended December 31, 2024 are as follows:

(in '000s)	3 months ended Dec. 31		12 months ended Dec. 31	
	2024	2023	**2024**	2023
	$	$	**$**	$
Revenues under GAAP	**5,088**	5,014	**17,178**	18,137
Proportional Revenues	**5,765**	5,431	**24,798**	22,726
Net income	**1,214**	249	**4,806**	2,654
Adjusted EBITDA	**(2)**	541	**5,583**	4,656

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 12 months ended December 31, 2024 and 2023 are as follows:

(in '000s)	2024	2023
Water treated (cubic metres)	21,842	19,493
Copper recovered (pounds)	2,662	1,935
Zinc recovered (pounds)	1,231	-

During 2024, all three plants met mechanical availability and process performance set by the Company. The volume of water treated increased by 12% year-over-year and the mass of copper recovered increased by 37%. Starting in 2024, the Yinshan water treatment plant began to recover zinc as part of their normal operations. Such changes in water volume and metal grade in feed water from period to period are largely the result of environmental conditions beyond the control of the joint venture.

MWT-BQE Joint Venture Operations

Our 20% share of MWT-BQE is with our 80% partner Beijing MWT Water Treatment Project Limited Company (“MWT”) and together we operate a water treatment plant at a smelter in Shandong province of China. MWT-BQE generates revenues from the sale of zinc and copper recovered from smelter wastewater. The operating results for the 12 months ended December 31, 2024 and 2023 are as follows:

(in ’000s)	2024	2023
Water treated (cubic metres)	296	285
Zinc recovered (pounds)	96	162
Copper recovered (pounds)	50	49

Copper recovery remained consistent with the previous year, while the mass of zinc decreased by 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. In 2024, the plant operated intermittently to reduce costs, as the value of zinc and copper in the feed was lower than the recovery cost of the metals.

BQE Water Operations

The number of operating days contributing to water treatment or support fees for the 12 months ended December 31, 2024 and 2023 are as follows:

(in days)	2024	2023
Raglan Mine water treatment plants	202	206
Minto Mine water treatment plant	96	312
Zhongkuang SART plant	356	364
Zhaojin SART plant	358	354
Water treatment plant in Eastern USA	264	238
Water treatment plants in Southwest USA	365	363

The volume of water treated by geographic location for the 12 months ended December 31, 2024 and 2023 are as follows:

(in ’000s cubic metres)	2024	2023
Raglan Mine water treatment plants	2,075	2,218
Minto Mine water treatment plant	435	938
SART plants in China	652	602
Water treatment plants in USA	1,566	168

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation (“Glencore”). From May to December 2024, we mobilized our operations team for the 21st operating season at the mine. The total volume of water treated across all four plants at Raglan Mine in 2024 decreased by 6% compared to 2023.

Since 2022, the Company is contracted with the Yukon Government to treat and discharge clean water at the Minto Mine in the Yukon in support of environmental protection. In 2024, our operating season was shortened as we demobilized our team in late August to assist with an environmental emergency caused by a heap leach failure at the Eagle Gold Mine in the Yukon.

In 2021, we began operations of the Zhongkuang SART (sulphidication-acidification-recycling-thickening) 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 2024 without disruption.

In 2022, we began operations of a treatment plant utilizing our Selen-IX™ process in Eastern USA to remove selenium from ash pond water for WesTech Engineering ("WesTech"). In 2024, our operations team continued 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 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. Highlights of some of our technical services and technical innovation projects during 2024 are summarized below.

Trusted Advisory Services (Water Management and Water Studies)

- Completed the engineering design and began procurement for a water treatment facility to support the clean-up of legacy tailings site in the Yukon.
- Provided ongoing advisory and water treatment services in response to the environmental emergency caused by a heap leach failure at the Eagle Gold Mine in the Yukon.
- Completed lab testing and preliminary engineering for selenium removal plant at a new uranium project in development in Canada.
- Continued plant operations support and engineering services to an actively producing mine requiring improvements to their existing treatment in the Yukon.
- Completed a field pilot campaign for thiosalts removal at a mine in Eastern Canada.
- Continued with engineering services for the design, procurement, and construction of another selenium removal plant using BQE's Selen-IX™ to meet end-of-pipe limit of less than 2 parts per billion at a gold mine in Central US.
- Assisted an integrated lead smelter-recycling facility in Eastern Canada with completing upgrades to existing treatment system and implementation of new sulphate removal stage to a discharge limit less than 1,500 mg/L and initiated operations support for the newly upgraded facility.
- Completed the plant automation scope for a new water treatment plant for water recycle at a gold mine in Mexico.
- 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)

- Continued to provide on-site engineering and laboratory services for cyanide removal from impacted water at the Eagle Gold Mine in the Yukon and proceeded with a chosen 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.

2024 COMMENTARY AND OUTLOOK FOR 2025

Our 2024 financial results delivered another set of new highs in several key metrics including year-end Proportional Revenue, net income, Adjusted EBITDA, and working capital. Overall, BQE Water's financial performance in 2024 reflects the success of our long-term business strategy, including growing our recurring revenue from water treatment plant operations. The Company's performance can be summarized as follows:

1) Proportional annual recurring revenue of $18.1 million achieved a record high, with $10.5 million in revenue from operating treatment fees and $7.6 million from our proportional share of joint venture revenue from the sale of recovered metals. Operating fees reached a new record high, while sales of recovered metals returned to their long-term mean following a drop in 2023.
2) Non-recurring technical services revenue decreased by $3.2 million or 32% compared to 2023.

The first point demonstrates the progress we have made in executing our business strategy and confirms the growing importance of recurring revenue from water treatment fees in terms of the overall financial performance of the Company. It also highlights the upside potential from our exposure to copper and zinc prices associated with metals recovered from the joint ventures.

The second point reaffirms that our technical services revenue is lumpy. This lumpiness stems from the unpredictable timing and progression of mining projects in general, as well as the wide range of technical services contract values – from $30,000 to $3.0 million depending on the stage of the project. Smaller contracts are associated with the earliest stages of a mining project. As the project advances, contract values typically increase, culminating in plant commissioning and ultimately new operating contracts. While one or two larger short-term technical services contracts can boost our fees in any given period, they can also create a temporary drop in fees in subsequent periods. This was the situation in the first half of 2024 when we initiated work on multiple new early-stage projects while certain larger contracts had been completed or delayed. Earning lower fees from many small contracts remains very valuable for the Company's long-term strategic growth.

Several items in the consolidated financial statements also deserve commentary and explanation:

1) Recorded deferred revenue of $1.6 million under current liabilities on the statement of financial position, primarily representing milestone payments from a customer for a major project in the Yukon. This deferred revenue will be recognized as technical services revenue in 2025.
2) Recognition of deferred income tax asset of $1.4 million under non-current assets, which also is included in the income tax recovery of $1.3 million. The deferred tax asset stems from the cumulative prior year losses carry forward in Canada available to offset future income taxes. The recognition of a deferred tax asset in 2024 is due to the Company's track record of taxable profits over the past few years and management's forecast of taxable profits in the future. We expect the deferred tax asset and matching income tax recovery may increase in the next few years before declining as the sum of the total accumulated losses are depleted.

With respect to our outlook for 2025:

We presently have good visibility and certainty over several larger technical services contracts and expect strong results in the first half of the year on this front; specifically,

1) Installation and commissioning of the Valley Tailings plant in the Yukon.
2) Commissioning of the fourth Selen-IX™ plant in the North Central region of the US.
3) Detailed design of a sulphate removal plant that will subsequently go into construction in BC.
4) Commissioning of the third SART plant for Shandong Gold in China.

Our operating contract for Minto Mine ended in 2024 and we will not be operating the Minto plant in 2025. The Selkirk First Nation has become the key player in deciding next steps, but no clear direction has been set for the future of this project yet. Our partnership with the Selkirk Development Corporation remains strong and enables us to stay abreast of developments that may benefit from our involvement beyond 2025. In the meantime, our Minto operations team is fully utilized operating the emergency response water treatment system at the Eagle Gold Mine in the Yukon. This contract is set to conclude in June 2025 but may get extended depending on the water situation at site post spring freshet. We anticipate that the Eagle project will more than offset the revenue lossfrom Minto in 2025.

We engaged with our customer in the Southwestern US on the renewal and restructuring of our operating contracts for two plants on the same site where the operating term was set to expire in 12 to 18 months, respectively. Our contract was renewed early for a 5-year term, at a lower monthly fee, as we reduced our scope from full operations to operations support. While this may reduce the Company's revenue from operations in the short term, we are pleased to gain certainty and longevity of recurring revenue from these operations over the coming five years. We expect to cover the shortfall in 2025 with revenue from other projects and then increase recurring revenue from new sites such as those undergoing commissioning in 2025.

There has been no immediate impact from trade tariffs on BQE Water since we don't manufacture goods and/or generate profit by exporting or importing goods. Services have so far been exempted from tariffs. Nevertheless, tariffs may create economic uncertainty, and this may impact access to funding in the mining sector, which may delay capital projects. The drop in global trade may also produce a global economic recession. As a result, we may see a market slowdown, especially in some of our projects being developed by junior mining companies. In the medium to long term, the shift towards self-dependency may produce growth in the mining and metal extraction sector in Canada and the US. Announcements by various governments aimed at accelerating permitting and/or allocating direct government support for critical minerals projects as well as development of nuclear power generation capacity is an early sign of this.

We live in uncertain times and despite our relatively positive outlook for 2025, we caution readers about the risks that may create headwinds for us and our business. These include geopolitical risks with China, weak inflows of capital into the mining sector, a global recession, and/or prolonged weakness in commodity prices. For these reasons, we remain focused on fiscal prudence and maintaining our working capital at a level that allows us to withstand exogenous impacts and even be positioned to take advantage of opportunities. Our strong balance sheet will allow us to navigate the economic uncertainties ahead.

SELECTED FINANCIAL INFORMATION

(in $'000 except for per share amounts)	**2024**	2023	2022
	$	$	$
Revenues	**17,178**	18,137	12,158
Operating expenses (excluding depreciation)	**(8,769)**	(9,075)	(7,107)
Gross margin	**8,409**	9,062	5,051
Share of income from joint ventures	**2,472**	419	1,487
General and administration	**(3,172)**	(2,727)	(2,464)
Sales and development	**(3,131)**	(2,655)	(1,768)
Share-based payments	**(1,017)**	(466)	(671)
Depreciation and amortization	**(439)**	(430)	(264)
Income from operations and joint ventures	**3,122**	3,203	1,371
Other income, net	**422**	115	108
Bad debt expense	**(14)**	(473)	(8)
Income tax recovery (expenses)	**1,276**	(191)	(309)
Net income for the year	**4,806**	2,654	1,162
Earnings per share (basic)	**3.78**	2.12	0.93
Earnings per share (diluted)	**3.75**	2.08	0.92
Proportional Revenues (Non-GAAP measures)	**24,798**	22,726	18,879
Adjusted EBITDA (Non-GAAP measures)	**5,583**	4,656	3,059
Comprehensive income	**5,174**	2,302	994

	at Dec 31 2024	at Dec 31 2023	at Dec 31 2022
	$	$	$
Cash and cash equivalents	**11,771**	7,928	6,234
Working capital	**12,593**	10,529	7,165
Total assets	**27,093**	18,856	15,988
Total non-current liabilities	**1,842**	1,900	555
Shareholders' equity	**20,529**	14,776	12,638

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

(in $'000s)	**Dec-24**	Sept-24*	Jun-24	Mar-24	Dec-23	Sept-23	Jun-23	Mar-23
	$	$	$	$	$	$	$	$
Revenues	**5,088**	6,165	3,417	2,508	5,014	6,246	4,186	2,691
Operating expenses	**(3,058)**	(2,497)	(1,810)	(1,403)	(2,260)	(2,959)	(2,162)	(1,694)
	2,030	3,668	1,607	1,105	2,754	3,287	2,024	997
Share of results from joint ventures	**(567)**	1,577	1,129	332	(452)	382	407	81
General and administration	**(810)**	(771)	(892)	(700)	(695)	(610)	(750)	(672)
Sales and development	**(704)**	(576)	(928)	(924)	(930)	(555)	(557)	(613)
Share-based payments	**(201)**	(199)	(343)	(273)	(138)	(109)	(29)	(190)
Depreciation and amortization	**(129)**	(106)	(103)	(101)	(126)	(111)	(111)	(82)
Income (loss) from operations	**(381)**	3,593	470	(561)	413	2,284	984	(479)
Other income (expenses), net	**232**	2	100	87	68	(13)	(83)	143
Bad debt expense	**(14)**	-	-	-	(214)	-	(259)	-
Income tax recovery (expense)	**1,377**	(78)	(10)	(12)	(18)	(140)	(27)	(6)
Net income (loss)	**1,214**	3,517	560	(486)	249	2,131	615	(342)
Translation gain (loss)	**187**	123	14	43	39	71	(471)	10
Comprehensive income (loss)	**1,401**	3,640	574	(443)	288	2,202	144	(332)

**Certain revenues and operating expenses, with a net impact of $206,000 to net income, have been restated from Q3 2024 to Q4 2024. There are no changes to the annual figures.*

Non-GAAP Measures:								
Proportional Revenue	**5,765**	9,540	6,083	3,410	5,431	7,964	5,772	3,560
Adjusted EBITDA	**(2)**	4,362	1,342	(121)	541	2,742	1,451	(80)

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

SUMMARY OF Q4 2024 FINANCIAL RESULTS

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

Revenues and Proportional Revenues

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

(in $'000s)	**Q4 2024**		Q4 2023		
Revenue source	**$**	**% of total**	$	% of total	% Change
Water treatment fees from operations	**2,260**	**39%**	2,843	52%	(21%)
Technical services	**2,828**	**49%**	2,171	40%	30%
Total Revenues	**5,088**		5,014		1%
Sale of recovered metals from operations	**677**	**12%**	417	8%	62%
Total Proportional Revenues	**5,765**	**100%**	5,431	100%	6%

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. The $583,000 decrease in water treatment fees in Q4 2024 is due to shorter operating seasons in 2024 at Raglan Mine and at Minto Mine, as less water was required for treatment when compared Q4 2023. Our treatment fees earned in the US and the operation support fees from the two SART plants in China are comparable with Q4 2023.

Technical services revenues increased by $657,000 in Q4 2024 compared to Q4 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 Q4 2024, the Company worked on several larger onsite technical support contracts across Canada, namely in the Yukon, Northern BC, and in Quebec.

Revenues from the sale of base metals recovered comprise the Company's share of revenues from its joint ventures in China. During Q4 2024, the JCC-BQE joint venture contributed $675,000 to the Company's Proportional Revenue compared to $416,000 in Q4 2023. The 62% increase was due to an approximate 5% increase in the quantity of copper recovered and a 41% increase in the average copper price, plus $63,000 of additional revenue attributed to zinc recovered and sold from the Yinshan plant. During Q4 2024, the MWT-BQE joint venture was operating intermittently and contributed comparable amounts to the Company's share of Proportional Revenue compared Q4 2023. The share of results from the Chinese joint ventures, which is net of cost of sales and expenses, is mostly driven by the sale of metals recovered during the operation of water treatment plants and is affected by the amount and market price of metal concentrate sold.

Expenses

Total operating expenses in Q4 2024 were $3.1 million compared to $2.3 million in Q4 2023, an increase of 35%, which is consistent with the resources required for the larger technical support contracts during the quarter. Each individual project requires different levels of technical expertise and resources depending on the specific mine conditions and treatment solutions.

In Q4 2024, general and administration costs were $810,000 compared to $695,000 in Q4 2023. The $115,000 increase, or 17%, was mainly due to the $45,000 increase in professional services, along with marginal increases in employee benefits, insurance premiums, rent expenses, and travel expenses.

Sales and development costs in Q4 2024 were $704,000 compared to $930,000 in Q4 2023, representing a decrease of $226,000 or 24%. The decrease was largely attributable to $134,000 in labor resources allocated to operating expenses to fulfill technical services contracts, a $25,000 decrease in travel and event expenses related to business development, and a $55,000 decrease in professional services.

Income Tax

During Q4 2024, income tax recovery was $1.4 million compared to an expense of $18,000 in the prior year, mainly due to the Company's recognition of $1.4 million of deferred tax assets for Canadian based unused tax losses from prior years, which will be used against probable future taxable profits.

Net Income

Overall, net income for the quarter was $1.2 million compared to $249,000 in Q4 2023.

SUMMARY OF 2024 FINANCIAL RESULTS

The following is a summary of selected financial results for the years ending December 31, 2024 and 2023.

Revenues and Proportional Revenues

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

(in $'000s)	**2024**		2023		
Revenue source	**$**	**% of total**	$	% of total	% Change
Water treatment fee from operations	**10,483**	**42%**	8,278	36%	27%
Technical services	**6,695**	**27%**	9,859	44%	(32%)
Total Revenues	**17,178**		18,137		(5%)
Sale of recovered metals from operations	**7,620**	**31%**	4,589	20%	66%
Total Proportional Revenues	**24,798**	**100%**	22,726	100%	9%

Water treatment fee revenues increased by $2.2 million or 27% 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 $2.9 million of additional recurring revenues in 2024. This increase was partially offset by a $803,000 decrease from Canada based operations. Both the operations at Minto Mine and Raglan Mine had shorter operating seasons due to lower temperatures and with less water requiring treatment when compared to 2023. In 2024, we continued to earn support fees in our SART plants in China totaling $718,000 compared to $719,000 from the prior year.

Revenues from technical services decreased by $3.2 million in 2024 compared to 2023. The 32% decrease is due to a reduction in project scope during 2024, as most of the projects completed or processed in 2024 are in their earlier stages, compared to several late-stage projects completed in 2023, which included commissioning activities in the US and two pilot demonstrations in Chile.

Revenues from the sale of base metals recovered comprises the Company's share of revenues from joint ventures in China. During 2024, our share of revenues from the JCC-BQE joint venture was $7.6 million compared to $4.4 million in 2023, representing a $3.2 million or 74% increase. This increase was attributable to a 37% increase in the quantity of copper recovered and a 12% increase in the average copper price during the period, compounded by $863,000 of additional revenue arising from the recovery and sale of zinc at the Yinshan plant in 2024. The share of revenues from the MWT-BQE joint venture was $3,000 in 2024 compared to $212,000 in 2023. While the treatment plant was recovering traces of zinc and copper in 2024, majority of the inventory was not sold as at December 31, 2024. The Company's share of income from joint ventures in 2024, which includes the above noted sale of recovered metals from operations, partially offset by cost of sales and expense, was $2.5 million compared to $418,000 in 2023, an increase of $2.1 million. The change in net result from joint ventures are predominantly driven by the sale of metals recovered during the operation of water treatment plants in China and is affected by the amount and market price of metal concentrate sold.

Operating Expenses

Total operating expenses in 2024 were $8.8 million compared to $9.1 million in 2023, a decrease of $306,000. The 3% decrease in operating expenses is primarily attributable to the mix of operations services and project activity related to technical services completed in the year, as each operation site and individual project calls for varying levels of technical expertise and resources depending on the specific mine conditions and treatment needs. During 2024, the Company's gross margin ratio was 49% compared to 50% in 2023.

Expenses

General and administration expenses in 2024 were $3.2 million compared to $2.7 million in 2023, representing a $445,000 or 16% increase. The increase was attributable to a $257,000 increase in professional services, $71,000 increase in employee benefits, and a $100,000 increase in rent expense and insurance premiums for the year.

Sales and development costs in 2024 were $3.1 million compared $2.7 million in 2023, an increase of 18%. The $476,000 increase was largely attributed to a $502,000 increase in employee benefits and partially offset by marginal decreases in expenses related to business and technology development.

Share-based payment expenses were $1.0 million in 2024 compared to $466,000 in 2023, an increase of $551,000. Share-based payment expenses mainly consist of non-cash compensation expenses relating to stock options which are expensed on a straight-line basis over the vesting period. Other share-based payment expenses were due to fair value adjustments of deferred and restricted share units resulting from an increase in the Company share price throughout 2024.

Depreciation and amortization expenses were $439,000 in 2024 compared to $430,000 in 2023. The increase was due to the addition of furniture and equipment assets during 2024.

Other Income and Expenses

The net of other income was $422,000 in 2024 compared to $115,000 in 2023. Other income consists of net finance income, foreign exchange and other income.

Net finance income was $105,000 in 2024 compared to $204,000 in 2023. Finance income consists of interest income earned primarily from on-demand guaranteed investment certificates within cash and cash equivalents and is netted against finance costs, which consist of interest paid and interest accrued for loans and lease obligations.

Foreign exchange gain was $224,000 in 2024 compared to a loss of $141,000 in 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 functional currency of the Company and each of its subsidiaries.

The remaining variance is from other income of $93,000 in 2024 compared to an income of $52,000 in 2023. Other income consists of fair value adjustments on interest-free loans, and other gains and fees earned which are non-operating in nature.

2023 had a one-time bad debt expense of $473,000 from a customer going into receivership.

Income Tax

Income tax includes deferred income tax and current income tax. In 2024, income tax recovery was $1.3 million compared to an expense of $191,000 in the prior year. In 2024, the Company recognized $1.4 million of deferred tax assets for Canadian based unused tax losses from prior years, which will be used against probable future taxable profits. Such taxes losses are not able to be offset against accumulated tax benefits in other jurisdictions.

Current 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.

Net Income

Overall, net income for the year was $4.8 million compared to $2.6 million in 2023.

SUMMARY OF OPERATIONAL SERVICES

JCC-BQE Joint Venture Operation, Jiangxi Province, China

In 2007, BQE Water entered into a 50/50 joint venture arrangement with JCC, China's largest copper producer. In April 2008, the joint venture completed the construction and commissioning of its first water treatment plant at JCC's Dexing Mine, an active copper mine in China. The plant utilizes our patented ChemSulphide® process to remove and recover dissolved copper and zinc from acid mine drainage generated by waste dumps and low-grade stockpiles. The recovered high-grade copper or zinc concentrate is shipped to JCC's refinery. In 2014, the joint venture completed the construction and commissioning of two additional water treatment plants at JCC's Yinshan Mine and Dexing Mine sites. Both plants also utilize the ChemSulphide® process.

All three water treatment plants were designed by BQE Water and are operated by the joint venture. The plants are managed jointly whereby BQE Water is responsible for technical operations and JCC is responsible for local administrative, procurement and government activities. The joint venture partners share 50% of the revenues and costs. Revenues are generated through the sale of recovered metals from the plants based on the metal price during the day when the concentrate is shipped.

Operating results for all three plants during the year were as follows:

(in '000s)	2024	2023
Dexing 1		
Water treated (cubic metres)	8,379	7,057
Copper produced (pounds)	1,045	720
Dexing 2		
Water treated (cubic metres)	8,293	8,206
Copper produced (pounds)	947	677
Yinshan		
Water treated (cubic metres)	5,170	4,230
Copper produced (pounds)	670	538
Zinc produced (pounds)	1,231	-
Total		
Water treated (cubic metres)	21,842	19,493
Copper produced (pounds)	2,662	1,935
Zinc produced (pounds)	1,231	-

The volume of water treated will fluctuate depending on precipitation levels and pounds of metals recovered at all three plants is driven by climatic conditions such as temperature, humidity, and frequency and duration of rain events. Over time, the mass of base metals recovered is expected to decline over time which is driven by resource depletion in the waste rock piles that the copper containing wastewater comes from. The two plants, Dexing 1 and Dexing 2, treat water from the same source and water may be diverted from one plant to the other to optimize operations.

During 2024, all three plants met or exceeded mechanical availability and process performance. Changes in water volume and feed grade are largely the result of environmental conditions beyond the control of the joint venture and will vary from period to period. Starting in 2024, the Yinshan water treatment plant began to recover zinc as part of their normal operations.

MWT-BQE Joint Venture Operation, Shandong Province, China

In 2016, BQE Water entered into a joint venture agreement with MWT for the design, construction and operation of a treatment plant that recovers copper and zinc from wastewater generated by the Guoda gold smelter and refinery owned by Zhaoyuan Gold Smelting Co., Ltd (“Zhaoye”). BQE Water provides its technology and plant operating experience in exchange for an ongoing 20% share of the profit from metals recovered and technical support fees. Copper concentrate produced by the plant is sold back to Zhaoye and the zinc concentrate is sold to local metal traders.

Operating results for the plant during the year were as follows:

(in ’000s)	2024	2023
Water treated (cubic metres)	296	285
Zinc recovered (pounds)	96	162
Copper recovered (pounds)	50	49

Raglan Mine Operation for Glencore Canada Corporation, Québec, Canada

BQE Water, with our joint venture partner Nuvumiut Development, operates four water treatment plants at Raglan Mine, an active nickel mine in Northern Québec which is owned by Glencore. The four plants include: BQE Water’s ChemSulphide® process plant, BQE Water’s Met-IX™ process plant, the lime neutralization plant at Spoon pit and the lime plant at Katinniq. All four plants discharge the treated water into the environment. The ChemSulphide® and Met-IX™ plants also recover nickel from wastewater which is blended into the nickel concentrate produced by the mine. Because of the harsh winter conditions in Northern Québec, water is not available for processing until the spring thaw; the plant runs seasonally, typically from late spring to fall. BQE Water, through the joint venture, is responsible for all aspects of plant operations and receives a treatment fee per cubic metre of water treated and discharged.

The volume of water treated for the four plants during the year were as follows:

*(*in *’000s* cubic metres*)*	2024	2023
ChemSulphide® and Met-IX™ plants	1,001	901
Spoon plant	444	457
Katinniq plant	630	860
Total	2,075	2,218

Minto Mine Operation for Yukon Government, Yukon, Canada

In 2022, BQE Water entered into an operational services agreement with Minto Metals to operate an existing water treatment plant at Minto Mine. As part of the operational services, BQE Water provides operations labor and coordination of mechanical and electrical maintenance to ensure effluent from the water treatment plant meets the specific discharge limits set within the permit parameters. In May 2023, the Government of Yukon assumed control of the mine to ensure the water management at the site complies with environmental protection. During 2024, our team was mobilized to site during the warmer months, from May to August, as only a limited amount of water is required for treatment.

Operating results for the plant during the year were as follows:

	2024	2023
Operating days	96	312
Water treated (*in ’000s* cubic metres)	435	938

Kemess Property Operation for Centerra Gold, British Columbia, Canada

In 2020, we completed the commissioning of the first industrial scale plant utilizing our patented Selen-IX™ process for selenium management at the Kemess property in Northern BC owned by Centerra Gold. Upon commissioning, the plant operated continuously for a month treating up to 5,600 m^3/day of mine impacted water to produce clean water containing selenium concentrations of less than 2 parts per billion. In December 2020, the Kemess site was declared to be in a state of care and maintenance. With the site requiring active water treatment only during mine construction, operation and closure but not during care and maintenance, the water treatment plant is not expected to operate until the site status changes. During 2024, we completed annual maintenance activities required to maintain the water treatment plant during this state.

China Metallurgical Facilities Operations for MWT Water Treatment Ltd., Shandong Province, China

In 2021, BQE Water completed the commissioning of two SART plants at two metallurgical facilities located in Eastern China, owned by Shandong Zhongkuang Group Co., Ltd. ("Zhongkuang") and Zhaojin Mining Industry Co., Ltd. ("Zhaojin"). The Zhongkuang SART plant began operations in January 2021 and the Zhaojin SART plant in April 2021. Both SART plants are operated under the ongoing technical supervision of BQE Water. During operations, the SART plants are expected to recover cyanide, copper and zinc. Recovered cyanide will be re-used within the metallurgical process and the copper and zinc will be sold to generate incremental revenues for each owner.

The volume of water treated for the two plants during the year were as follows:

(in '000s cubic metres)	2024	2023
Zhongkuang SART plant	174	178
Zhaojin SART plant	478	424

Ash Pond Clean-up Operations for WesTech Engineering, Virginia, USA

At the end of 2021, BQE Water completed the commissioning of our first project in the power generation industry, a treatment plant utilizing our Selen-IX™ process to remove selenium from ash pond water for WesTech. The Selen-IX™ plant has a treatment capacity of 1,500 US gallons per minute and is designed to remove selenium down to below 7.7 parts per billion. BQE Water operates the Selen-IX™ plant under contract to WesTech who manages overall site operations. During 2024, our team was onsite providing water treatment services and utilizing the Selen-IX™ circuit, when selenium is present to remove selenium.

Base Metal Mine in Southwestern, USA

In 2022, BQE Water completed the commissioning of a treatment plant utilizing a combination of nanofiltration and our proprietary selenium electro-reduction process to simultaneously remove selenium and sulphate from mine water for a base metal project in the American Southwest. Upon completion of commissioning, we began providing ongoing plant operations services in exchange for water treatment fees comprised of a fixed guaranteed minimum and a variable fee linked to the volume of water treated.

In August 2023, BQE Water completed the commissioning of a second water treatment plant for the same base metal mine. Since being operational, the treatment plant treats mine impacted waters, removing selenium to below 2 ppb (Parts Per Billion) and dissolved metals, in compliance with applicable effluent quality regulations. Compensation for operations services consists of a base monthly fee, regardless of the volume of water reporting to treatment, plus a supplemental fee for additional water treated over and above the base. The plant has been operating year-round 24/7, with an overall plant availability more than 95%, and treat up to 4,500 gallons of water per minute, making it the largest Selen-IX™ plant currently in operation.

In 2024, our operations team was onsite operating both plants for the full year.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2024, BQE Water had 1,287,068 common shares issued (1,246,628 at December 31, 2023) and 43,900 stock options outstanding (84,340 at December 31, 2023).

In 2022, the Company obtained the approval of the TSX Venture Exchange to commence a NCIB to repurchase for cancellation over a 12-month period starting on December 12, 2022. On December 6, 2023, the Company renewed the NCIB to repurchase for cancellation up to 62,351 common shares, representing 5% of common shares issued and outstanding, over a 12-month period starting on December 13, 2023. On December 9, 2024, the Company again renewed the NCIB for a 12-month period starting on December 14, 2024 to repurchase for cancellation up to 64,120 common shares, representing 5% of common shares issued and outstanding. In 2024, no common shares were purchased and cancelled under the NCIB (13,300 common shares at a weighted average price per share of $28.40 as of December 31, 2023).

Subsequent to the reporting year, as of the date of this MD&A on April 24, 2025, the Company had 1,293,268 common shares issued and outstanding, and 37,400 stock options outstanding, and have purchased and cancelled 500 shares under the NCIB.

At December 31, 2024, we had cash and cash equivalents of $11.8 million, an increase of approximately $3.8 million from December 31, 2023. For the 12 months ended December 31, 2024, our net cash provided by operating activities was $2.9 million ($870,000 in 2023).

Working capital is defined as current assets minus current liabilities. At December 31, 2024, the Company had a consolidated working capital position of $12.6 million, an increase of $2.1 million from December 31, 2023. At December 31, 2024, significant working capital items, aside from cash and cash equivalents, include trade and other receivables of $4.5 million ($4.4 million at December 31, 2023) and trade payables and accrued liabilities of $1.7 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 December 31, 2024, the WINN and BSP loan balance was $331,000, both with obligations to repay the loan with 60 equal monthly installments ($312,000 at December 31, 2023). Additionally, there are credit facilities available with the Royal Bank of Canada including a credit card facility of $70,000 and a revolving demand credit facility of $1.0 million which had not been utilized as at December 31, 2024.

The Company has non-lease obligation commitments of $2.5 million until 2034 under operating leases for office and laboratory premises, and assay services.

Management of the Company believes it will have sufficient working capital resources to finance current operations beyond the next 12 months.

RELATED PARTY TRANSACTIONS AND BALANCES

Key Management Compensation

For the years ended December 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:

	2024 $	2023 $
Salaries, fees and short-term benefits	1,146,232	865,362
Share-based payments	206,067	150,250
	1,352,299	1,015,612

As of December 31, 2024 and 2023, the Company does not have any unpaid salaries or fees to key management.

Transactions with Joint Ventures

The Company earns fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services and technical services in the Nunavik region. Revenue earned from this joint venture for the year ended December 31, 2024 was $2,168,681 ($2,200,877 in 2023). As of December 31, 2024, included in trade and other receivable are $193,308 ($382,837 at December 31, 2023) of trade receivables due from the joint venture.

In 2024, the Company received dividends from JCC-BioteQ Environmental Technologies Co. Ltd. of $1.4 million ($785,000 in 2023).

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Estimates and assumptions are continually evaluated and are based on management’s experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Critical Judgments

Critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statement are:

i) Management's assessment of the Company's ability to continue as a going concern, as the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business.

ii) Management's judgment on revenue recognition, when determining the performance obligations that exist in an arrangement and the timing of the transfer of control and satisfaction of performance obligations of either at a point in time or over time.

iii) Management' assessment of impairment indicators for asset impairment on long-term assets such as property and equipment or investment in joint ventures.

Key Sources of Estimation Uncertainty and Assumptions

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the reported amounts of assets and liabilities, income and expenses within the next fiscal year.

Revenue Recognition

Revenue for fixed-fee technical services relating to water management are recognized over time using the percentage of completion method based on labor hours or project costs as input. The Company applies significant judgment and estimates to determine estimated labor hours or costs to completion, which affects the timing of revenue recognized for technical services. For the revenue arrangements comprise multiple performance obligations, judgements are required to determine whether products and services are considered distinct performance obligations, and estimates are required when determining the relative fair value of each performance obligation utilizing standalone prices for similar deliverables where it exists or internally generated estimates of standalone price.

Expected Credit Loss

Trade and other receivables are assessed for impairment at each reporting date by applying the expected credit loss impairment model. Expected credit loss represents management's best estimate and assumptions based on actual credit loss experience and informed credit assessment, and also takes into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

Right-of-Use Assets & Lease Obligations

To determine the value of the initial recognition and subsequent re-measurement of RoU assets and lease obligations, management is required to exercise judgment and estimates in several areas. Management has reviewed its lease agreements to estimate the lease term by evaluating the probability of exercising its option to extend or renew its lease contracts. Further judgment are estimates are required to determine the discount rate on lease payments by assessing its incremental borrowing rate at each of the Company's locations.

Taxation

Provisions for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

GENERAL

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected.

There has been no change in BQE Water's internal controls over financial reporting during the year ended December 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Future Accounting Standards and Amendments

The Company's material accounting policies and future changes in accounting policies are presented in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2024 and have been consistently applied in the preparation of the consolidated financial statements.

FINANCIAL RISK MANAGEMENT

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, market risks such as foreign currency risk, liquidity risk, and commodity price risk. The Company determines the fair value of its financial instruments as outlined in Note 25 of the Company's audited consolidated financial statements.

a) Credit Risk

Credit risk is the risk of financial loss if a counterparty to the Company's financial instruments fails to meet their contractual obligations. The Company's financial assets are primarily comprised of cash and cash equivalents, and trade and other receivables, including contract assets and excluding taxes receivable. Credit risk is primarily associated with trade and other receivables; however, it also arises on cash and cash equivalents.

The Company's maximum exposure to credit risk is as follows:

	Dec. 31, 2024	Dec. 31, 2023
	$	$
Cash and cash equivalents	11,771,214	7,927,603
Trade and other receivables (exclude tax receivable)	4,462,710	4,374,275
	16,233,924	12,301,878

The Company invests its cash and cash equivalents with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The cash and cash equivalents are held with bank and financial institution counterparties with high credit quality as assessed by reputable rating agencies. The Company considers that its cash and cash equivalent are subject to minimal credit risk based on the external credit ratings of the counterparties.

The Company transacts with customers with strong credit ratings and strives to minimize credit risk by performing credit reviews, ongoing credit evaluation and account monitoring procedures. The definition of receivables that are past due is determined by reference to terms agreed upon with individual customers, typically ranging between 15 to 60 days. The credit risk associated with trade receivables and contract assets with aging balances over 90 days is considered higher than normal. The aging of trade and other receivables is as follows:

				Dec. 31, 2024	Dec. 31, 2023
	0-30 days	31-90 days	Over 90 days	Total	Total
	$	$	$	$	$
Trade and other receivables (exclude tax receivable)	2,217,936	1,029,905	1,214,869	4,462,710	4,374,275

Collection of the Company's trade receivables over 90 days is reasonably assured since approximately 98% of trade receivables as of December 31, 2024 has been collected subsequent to the reporting period (96% in 2023). Aside from those mentioned below, no trade receivables have been challenged by the respective customers and are considered for impairment. The Company continues to conduct business with its existing customers on an ongoing basis.

The Company uses a historical 3-year trend and future expectations to make estimates on expected credit losses. The Company's changes in allowance for expected credit loss for the year ended December 31, 2024 and 2023 are as follows:

	Dec. 31, 2024	Dec. 31, 2023
	$	$
Allowance for expected credit loss, beginning of the year	(1,788)	-
Net remeasurement of expected credit loss	(14,237)	(474,900)
Amounts written off	-	473,112
Allowance for expected credit loss, end of the year	(16,025)	(1,788)

b) Currency Risk

The Company conducts business in Canada, United States, Mexico, Chile and China. As a result, the Company has foreign currency exposure with respect to items not denominated in Canadian dollars. The two main types of foreign exchange risk for the Company can be categorized as follows:

i) *Transaction Exposure*

The Company's operations sell mainly services and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

ii) *Foreign Exchange Exposure*

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the Canadian dollar: cash and cash equivalents, trade and other receivable excluding tax receivable, and trade payable and accrued liabilities excluding tax payable. The currencies of the Company's financial assets and liabilities exposed to currency risk, based on notional amounts and presented in CAD, were as follows:

				December 31, 2024
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash and cash equivalents	2,585,449	32,932	23,199	478,829
Trade and other receivables (exclude tax)	1,358,313	-	15,397	527,996
Trade and other payables (exclude tax)	(199,853)	30,644	(426,832)	(97,373)
Gross balance sheet exposure	3,743,909	63,576	(388,236)	909,452

	December 31, 2023			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash and cash equivalents	1,085,117	26,393	510,378	225,906
Trade and other receivables (exclude tax)	2,834,344	159	22,990	624,120
Trade and other payables (exclude tax)	(52,814)	19,002	(422,985)	(4,308)
Gross balance sheet exposure	3,866,647	45,554	110,383	845,718

A 10% strengthening (weakening) of the Canadian dollar against the following currencies would have decreased (increased) the Company's net income from its financial instruments presented by the amounts shown below.

	2024	2023
	$	$
U.S. dollar	374,391	386,665
Mexican peso	6,358	4,555
Chilean peso	(38,824)	11,038
Chinese RMB	90,945	84,572
	432,870	486,830

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations from cash and cash equivalents. The ability to do this relies on the Company collecting its trade and other receivables in a timely manner and maintaining sufficient cash in excess of anticipated needs. As of December 31, 2024, the Company has working capital of $12,592,881 ($10,529,457 as of December 31, 2023). To further improve the Company's access to liquidity, there are credit facilities available with the Royal Bank of Canada including credit card facilities of approximately $70,000 and a revolving demand credit facility of $1,000,000. As of December 31, 2024 and 2023, the revolving demand credit facility remains undrawn. The Company believes that it has access to sufficient funding through its cash to meet its foreseeable operating requirements without the use of the credit facility.

The following table shows the contractual maturities of financial liabilities at the reporting date. The amounts presented are gross undiscounted, and include contractual principal and interest payments, and therefore, do not equate to the carrying amounts on the consolidated statements of financial position.

				Dec. 31, 2024	Dec. 31, 2023
	< 1 year	1 to 3 years	> 3 years	Total	Total
	$	$	$	$	$
Trade payable and other payables (excludes tax payable)	1,687,224	-	-	1,687,224	1,316,107
Deferred benefits	1,178,540	-	-	1,178,540	614,612
Loans	82,500	88,084	382,266	552,850	466,199
Lease obligations	341,088	527,336	1,773,502	2,641,926	2,825,015
	3,289,352	615,420	2,155,768	6,060,540	5,221,933

Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company continues to review expenditures to ensure adequate liquidity. A period of extended depression in the mining industry, as the Company's main customer base, may necessitate the Company to seek financing opportunities in accordance with its capital management strategy.

d) Price Risk

The Company's net income and financial condition are subject to price risk due to fluctuations of the following:

i) *Commodity Price Risk*

The profitability of the Company's investment in JCC-BQE joint venture will be significantly affected by changes in the commodity price of recovered base metals being sold by the joint venture of the Company. Copper and zinc prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for copper and zinc, the level of interest rates, the rate of inflation, investment decisions by large holders of base metals, including governmental reserves, and the stability of exchange rates can all cause significant fluctuations in metal prices. A 10% change in base copper and zinc prices would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by $762,127 in 2024 ($437,642 in 2023).

ii) *Common Stock Price Risk*

The Company is subject to price risk for changes in the Company's common stock price per share. The Company has implemented, as part of its long-term incentive plan, the DSU and RSU plans that the Company is required to satisfy in cash. The Company considers the plans a financial liability and are required to fair value the outstanding liabilities with the resulting changes included in stock-based compensation expense in each reporting period: an increase in share unit award prices would decrease the Company's net income or loss. A 10% change in common stock prices would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by $160,851 in 2024 ($77,192 in 2023).

RISKS AND UNCERTAINTIES

Companies operating in the process technology sector face many and varied risks. While we strive to manage such risks to the extent possible and practical, risk management cannot eliminate risk completely. Following are the risk factors which management believes are most important in the context of the Company's business. It should be noted that this list may not be exhaustive and other risks may apply. An investment in the Company may not be suitable for all investors.

Dependence on Key Personnel

The Company is substantially dependent upon a number of key management, technical, project and business development personnel. The loss of any one or more key employees or consultants could have an adverse material effect on our business. Additionally, the Company's ability to develop, manufacture and market its services and compete with current and future competitors depends, in large part, on its ability to attract and retain qualified personnel. Competition for qualified personnel may prove to be intense and it may have to compete for personnel with companies that have substantially greater financial and other resources than it does. Failure to attract and retain qualified personnel could have an adverse material effect on the Company's business operating results and financial condition.

Maintaining Safety and Protecting the Environment

Despite the Company's efforts to minimize the risk of safety and environmental incidents, they can occur from time to time and, if and when they do, the impact on the Company can be significant. Our success in the water management and treatment space is highly dependent on our ability to keep project and work sites safe and any failure to do so can have serious impact on the personal safety of our employees and others. In addition, it can expose the Company to contract termination, fines, regulatory sanctions or even criminal prosecution.

Our safety record and operational safety practices also have a direct bearing on our ability to secure new project work. Certain clients will not engage contractors or consultants to perform work if their safety practices do not conform to predetermined standards or if they have an unacceptably high incidence of safety infractions or incidents.

We adhere to very rigorous safety policies and procedures which are continually reinforced on project and work sites. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of our operations or competitive position.

Management of Growth

The Company's current growth trajectory could put a significant strain on each of the Company's managerial, operational and financial resources. The Company must implement and constantly improve its operational and financial systems and expand, train and manage its employee base to manage growth. As the Company establishes additional water treatment facilities and streams of recurring revenue, it would create additional operational and management complexities. In addition, the Company expects that its operational and management systems will face increased strain as a result of the expansion of the Company's technologies and services. The Company might not be able to effectively manage the expansion of its operations and systems, and its procedures and controls might not be adequate to support its operations. In addition, management might not be able to make and execute decisions rapidly enough to exploit market opportunities for the expansion of the Company's technologies and services. If the Company is unable to manage its growth effectively, its business, results of operations and financial condition could suffer.

Tariffs and Global Financial Conditions

Tariffs imposed by one country on goods or services being imported into that country from another country can cause disruption in global trade that affects prices, exchange rates, availability of tariffed goods or services in certain countries and changes in consumption and production levels on tariffed goods or services. If one country imposes tariffs on another countries, other countries may impose retaliatory tariffs as a response. There is currently a rise in threatened and imposed tariffs as well as threatened or imposed retaliatory tariffs between countries. While the Company is not directly impacted by tariffs on goods, the Company can be affected by the consequent disruptions in global trade, including increased cost or decreased availability of plant supplies and impacts on exchange rates. Global financial conditions have been subject to continued volatility. Disruptions in the credit and capital markets can have a negative impact on the availability and terms of credit and capital for our customers, which could lead to a potential reduction or delay in the Company's pipeline and technical services revenue.

Economic and Project Site Dependence

The Company currently derives its revenues from a limited number of contracts and customers. For certain contracts, we have made significant investments in fixed plants that are dependent on conditions at the project site that may be beyond our control. Changes in site conditions and/or the loss of any one contract could result in a materially adverse effect to our financial condition.

Commodity Prices

The Company's joint venture operations generate revenues by selling recovered metals of value from treated water. These recovered metals face commodity price risk based on world supply and demand variables. There can be no assurance that the prices of these metals will be sustained at current levels.

Competition

The Company faces competition for water treatment opportunities. There is a possibility that other companies will enter our markets and compete with the Company. Such competitors could possess greater financial resources and technical capabilities. Increased competition could result in significant price competition, reduced profit margins or loss of market share. The Company believes it's technologies for water treatment solutions is far beyond the capabilities of others available in the market, but the Company may not be able to compete successfully with future competitors and cannot ensure that competitive pressures will not materially and adversely affect its business, operating results and financial condition.

Credit Risk

The Company's credit risk is primarily associated with trade and other receivables; however, it also arises with cash and cash equivalents. The Company invests its cash with counterparties that it believes are of high credit quality as assessed by reputable rating agencies. To manage credit risk on trade and other receivables, the Company transacts with customers with strong credit ratings and follows ongoing credit evaluation and account monitoring procedures. The credit risk associated with trade receivables with aging balances over 90 days are generally considered higher than normal.

Technology Risk

The Company has completed the construction and commissioning of a number of plants. The operating and engineering data from these plants is used in estimates for new projects under evaluation and/or in the design engineering stage. Notwithstanding the foregoing, each new commercial venture undertaken by the Company has the inherent technical risk of any continuous biological and/or chemical process, which could include the loss of the biological feedstock.

Intellectual Property Protection

The Company cannot provide any assurance that any further intellectual property applications will be approved. Even if they are approved, such patents, trademarks or other intellectual property registrations may be successfully challenged by others or invalidated. The success of the Company and its ability to compete are substantially dependent on its internally developed technologies and processes which the Company will need to protect through a combination of patent, copyright, trade secret and trademark law.

The trademark, copyright and trade secret positions of the Company's business are uncertain and involve complex and evolving legal and factual questions. In addition, there can be no assurance that competitors will not seek to apply for and obtain trademarks and trade names that will prevent, limit or interfere with the Company's BioSulphide®, ChemSulphide®, Met-IX™, Sulf-IX™ and Selen-IX™ processes. Litigation or regulatory proceedings, which could result in substantial cost and uncertainty to the Company, may also be necessary to enforce the intellectual property rights of the Company or to determine the scope and validity of other parties' proprietary rights. There can be no assurance that the Company will have the financial resources to defend its patents, trademarks and copyrights from infringement or claims of invalidity.

The patent positions of emerging companies can be highly uncertain and involve complex legal and factual questions. Thus, there can be no assurance that any patent applications made by or on behalf of the Company will result in the issuance of patents, that the Company will develop additional proprietary products that are patentable, that any patents issued or licensed to the Company will provide the Company with any competitive advantages or will not be challenged by any third parties, that the patents of others will not impede the ability of the Company to do business or that third parties will not be able to circumvent the patents assigned or licensed to the Company. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or, if patents are issued and licensed to the Company, design around the patented product developed for the benefit of the Company.

Since patent applications are maintained in secrecy for a period of time after filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that the inventors of the patents were the first creators of inventions covered by pending applications, or that it was the first to file patent applications for such inventions. There can be no assurance that the Company's patents, if issued, would be valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

The Company is not currently aware of any claims asserted by third parties that the Company's intellectual property infringes on their intellectual property. However, in the future, a third party may assert a claim that the Company infringes on their intellectual property. If the Company is forced to defend against these claims, which may be with or without any merit or whether they are resolved in favour or against the Company, the Company may face costly litigation and diversion of management's attention and resources. As a result of such a dispute, the Company may have to develop costly non-infringement technology or enter into license agreements which may not be available at favourable terms.

Information Systems and Cyber-Security Risk

The Company relies on information technology to manage, process, store and transmit electronic information. Complete, accurate, available and secure information is vital to the Company's operations and any compromise in such information could result in improper decision making, inaccurate or delayed operational and/or financial reporting, delayed resolution to problems, breach of privacy and/or unintended disclosure of confidential information. Failure in the completeness, accuracy, availability or security of the Company's information systems, the risk of system interruption or failure during system upgrades or implementation, or a breach of data security could adversely affect the Company's operations and financial results.

In addition, cyber-security incidents relating to the Company's information technology systems may disrupt operations and impact operating results. Cyber-security incidents may occur from a range of techniques, from phishing or hacking attacks to sophisticated malware, hardware or network attacks. While the Company has implemented systems, policies, procedures, practices, hardware and backups designed to prevent and limit the effect of cyber-security attacks, there can be no assurance that these measures will be sufficient to prevent, detect or address the attacks in a timely matter or at all. A successful cyber-attack may allow unauthorized interception, destruction, use or dissemination of the Company's confidential information, which could have a material adverse effect on the business.

Currency Risk

The Company conducts significant business in Canada, the United States, Mexico, Chile and China. As a result, the Company has foreign currency exposure with respect to items not denominated in Canadian dollars. The Company's joint venture operations sell and incur costs mainly in Chinese renminbi. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations. The Company is also exposed to currency risk through assets and liabilities denominated in currencies other than the Canadian dollar.

Access to Proprietary Information

The Company generally controls access to and distribution of its technologies, documentation and other proprietary information. Despite efforts by the Company to protect its proprietary rights from unauthorized use or disclosure, parties may attempt to disclose, obtain or use its solutions or technologies. There can be no assurance that the steps the Company has taken or will be taking will prevent misappropriation of its solutions or technologies, particularly in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in Canada or the United States.

Environmental Regulation

The Company's business and operations are subject to environmental regulations in various jurisdictions in which it operates. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business and operations.

Possible Volatility of Share Price

The market price of the Company's common shares could be subject to wide fluctuations in response to, and may be adversely affected by, quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. Broad market fluctuations or any failure of the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of the Company's common shares.