BQE Water

Management's Discussion and Analysis
(Quarterly Highlights)

For the three and nine months ended September 30, 2025 and 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three and nine months ended September 30, 2025 and 2024

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 Q3 2025 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, 2025 and 2024 (our “Interim Financial Statements”), our audited consolidated financial statements for the years ended December 31, 2024 and 2023 (our “Audited Financial Statements”) and our Annual MD&A for the year ended December 31, 2024.

Our Interim Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee (“IFRIC”), effective as of September 30, 2025. Our accounting policies are described in Note 3 of our Audited Financial Statements. All financial information is presented in **Canadian dollars** unless otherwise noted. This MD&A has been prepared as at November 27, 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 considering 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.

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 three and nine-month periods ended September 30, 2025 and 2024 are as follows:

(in $'000s)	3 months ended Sept. 30		9 months ended Sept. 30	
	2025	2024	**2025**	2024
	$	$	**$**	$
Reported revenues under GAAP	**9,315**	6,165	**28,037**	12,090
Share of revenues from joint ventures in China	**1,340**	3,375	**3,474**	6,943
Proportional Revenue for the period	**10,655**	9,540	**31,511**	19,033

Adjusted EBITDA

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

(in $'000s)	3 months ended Sept. 30		9 months ended Sept. 30	
	2025	2024	**2025**	2024
	$	$	**$**	$
GAAP: Net income	**2,783**	3,517	**6,415**	3,591
deduct: interest income	**(21)**	(44)	**(49)**	(162)
add: income tax expenses	**267**	428	**276**	711
add: depreciation and amortization	**214**	224	**715**	665
EBITDA	**3,243**	4,125	**7,357**	4,805
add: share-based payment expenses	**199**	199	**473**	815
deduct: other income	**(9)**	-	**(244)**	(4)
add/deduct: net foreign exchange	**(109)**	38	**93**	(33)
Adjusted EBITDA	**3,324**	4,362	**7,679**	5,583

FINANCIAL HIGHLIGHTS

- Revenues under GAAP and Proportional Revenues of $9.3 million and $10.7 million in Q3 2025 respectively, compared to $6.2 million and $9.5 million in Q3 2024.
- Gross margin of $4.7 million in Q3 2025 compared to $3.7 million in Q3 2024, a $1.0 million increase.
- Net income of $2.8 million in Q3 2025 compared to $3.5 million in Q3 2024, a $734,000 decrease.
- Earnings per share (basic) of $2.15 in Q3 2025 compared to $2.75 in Q3 2024.
- Adjusted EBITDA of $3.3 million in Q3 2025 compared to $4.4 million in Q3 2024, a $1.1 million decrease.
- Working capital of $20.5 million at September 30, 2025, compared to $12.6 million at December 31, 2024, a 63% increase.

Selected financial results for the three and nine months ended September 30, 2025 are as follows:

(in '000s)	3 months ended Sept. 30		9 months ended Sept. 30	
	2025	2024	**2025**	2024
	$	$	**$**	$
Revenue from Operation Services	**2,331**	3,873	**5,440**	8,222
Revenue from Technical Services	**6,984**	2,292	**22,597**	3,868
Revenue from joint ventures in China	**1,340**	3,375	**3,474**	6,943
Proportional Revenues (Non-GAAP measures)	**10,655**	9,540	**31,511**	19,033
Net income	**2,783**	3,517	**6,415**	3,591
Adjusted EBITDA (Non-GAAP measures)	**3,324**	4,362	**7,679**	5,583

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	Water treatment fees
Raglan Mine for Glencore	Northern Québec, 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	Operations support 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, 2025 are as follows:

(in '000s)	3 months ended Sept. 30		9 months ended Sept. 30	
	2025	2024	2025	2024
Water treated (cubic metres)	3,641	7,031	11,707	19,483
Copper recovered (pounds)	394	1,174	1,012	2,473
Zinc recovered (pounds)	305	620	994	1,152

In Q3 2025, all three plants met mechanical availability and process performance set by the Company. The volume of water treated decreased by 48% and the mass of copper recovered decreased by 67% when compared to Q3 2024. 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. Starting Q1 2025, MWT-BQE amended the contract with the customer from generating revenues from the sale of recovered metals to water treatment fees for the treatment of smelter wastewater. Operating results for the three and nine months ended September 30, 2025 are as follows:

(in '000s)	3 months ended Sept. 30		9 months ended Sept. 30	
	2025	2024	2025	2024
Water treated (cubic metres)	57	79	163	209

BQE Water Operations

The number of operating days contributing to water treatment or support fees for three and nine months ended September 30, 2025 are as follows:

(in days)	3 months ended Sept. 30		9 months ended Sept. 30	
	2025	2024	2025	2024
Raglan Mine water treatment plants	91	92	149	118
Zhongkuang SART plant	92	88	267	265
Zhaojin SART plant	91	88	267	266
Water treatment plant in Eastern USA	73	70	201	206
Water treatment plants in Southwest USA	92	92	273	274

The volume of water treated by geographic location for the three and nine months ended September 30, 2025 are as follows:

(in '000s cubic metres)	3 months ended Sept. 30		9 months ended Sept. 30	
	2025	2024	2025	2024
Raglan Mine water treatment plants	1,588	1,511	1,861	1,722
SART plants in China	153	186	434	472
Water treatment plants in USA	666	419	1,993	803

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation ("Glencore"). During Q3 2025, we continued operating all four treatment plants for our 22nd operating season at the mine.

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 2025 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 2025, our team continued at site providing water treatment services with the Selen-IX™ circuit to manage the presence of selenium in the feed.

In January 2022, we completed the commissioning of a treatment plant utilizing a combination of nanofiltration and our proprietary selenium electro-reduction process for the simultaneous removal of selenium and sulphate from mine water for a base metal project in the American Southwest. In August 2023, our team completed the performance test milestone for a 2nd newly constructed selenium removal water treatment plant which entered the operation phase. Starting April 2025, we have reduced our scope from full operations of the treatment plant to operations support by providing technical onsite supervision at the treatment plants.

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 Q3 2025 are summarized below.

Trusted Advisory Services (Water Management and Water Studies)

- Completed the commissioning phase of a water treatment facility to support the clean-up of legacy tailings site in the Yukon.
- Continued to provide 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 the commissioning process with a performance test on a selenium removal plant using BQE's Selen-IX™ to meet end-of-pipe limit of less than 5 parts per billion at a gold mine in US.
- Continued assisting 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 on-site pilot demonstration of Selen-IX™ at an operating mine in the US using the company's mobile unit.
- Initiated the design of an ion exchange system for lithium brine purification for a customer in Canada.
- Continued to provide field commissioning and operations support for a water treatment system integrated into a rare earth extraction pilot plant in Brazil.
- Provided engineering services to support the completion of a feasibility study involving water treatment as part of a rare earth extraction project in Chile.
- Completed a peer review of a front-end-engineering design of cobalt recovery from heap leach solution in Chile.
- Initiated lab testing of nickel and cobalt recovery from acid mine water at an existing operation of one of the major metals producers in Africa.
- Initiated laboratory scale testing of rhenium recovery from wastewater produced by gas scrubber blowdown in Chile.
- Initiated a preliminary assessment of water treatment to enable water reuse for mineral flotation in Mexico.
- Initiated a preliminary assessment and lab treatability testing for dewatering of an open pit at an existing gold-silver mine in Mexico.

Cyanide Management (Destruction and Recycle)

- Initiated optimization of an existing cyanide destruction circuit at one of the operations of Kinross Gold.
- Continued to provide plant engineering design services to a US project requiring the end-of-pipe cyanide level below 8 ppb.
- Continued to provide basic process engineering design of a SART plant aimed at improving tailings water quality at a gold metallurgical facility in Canada.
- Completed a preliminary economic assessment of SART to be integrated into an existing heap leach operation in the US.
- Initiated the design for construction of a SART plant at a mine in Mexico.
- Completed the commissioning for Shandong Gold for the third SART plant in China.

COMMENTARY AND OUTLOOK

We are pleased to have delivered another strong quarter in Q3 2025. On a year-to-date basis, the Company generated record GAAP and Proportional Revenues and also ended the quarter with record working capital. Particularly strong technical services revenue continued to drive our strong performance in Q3 2025, partly offset by lower recuring revenue from water treatment operations and a significantly lower contribution from our JCC-BQE joint venture. As always, we remind readers not to rely on any given quarter or two to forecast upcoming quarters. Our performance in Q2 and Q3 2025 resulted from several factors that may re-occur in the future but not necessarily in a predictable way.

Strong Growth in Technical Services Revenue Offset by Decreases in Water Treatment Operations Revenue
The Company's main strategy is to generate recurring revenues from operations of water treatment plants. On a year-to-date basis, our recurring revenue from operations decreased by $2.8 million relative to the same period in 2024. As discussed in the Company's prior two MD&A's, the decrease was caused by no contribution from Minto Mine in 2025, and the restructuring of two operating contracts in the US, which led to a reduced scope of services over a term extension of seven more years.

On the other hand, we have been operating at two sites that have contributed significantly to our technical services revenue for over a year. These two sites include water treatment operations at the Eagle Mine in the Yukon and a new operation in Quebec where we operate a sulphate removal system to achieve compliance with regulations. These projects generated a combined $10.0 million of additional technical services revenue on a year-to-date basis in 2025 when compared to the prior year. Although the nature of our services for these two projects is operations at site, we do not classify them as recurring operations revenue because we do not have multi-year contracts. However, in both cases, our operations services have been renewed multiple times in the last 12 months and we are optimistic future renewals are likely given the requirement for water treatment services in 2026 and our track record and value proposition. It should be noted that these projects have also generated technical services revenue such as engineering design and lab testing. The Eagle Mine project also provides opportunities for new revenue sources from water quality monitoring, including aquatic toxicity and supplying equipment to the project.

Q3 2025 technical services revenue was also particularly strong as we completed the commissioning of the new selenium plant at the Coeur Wharf Mine in South Dakota and completed a field pilot of our Selen-IX™ technology at a mine in the Midwest, US. Piloting and commissioning are two project stages that contribute significant revenue, but they are sporadic in nature. By comparison, smaller contracts consisting of preliminary engineering assessments or lab testing contribute much lower technical services revenue, but they are valuable indicators for our long-term growth.

Lower Copper Recovery from Our China Joint Venture
Year-to-date sales of recovered metals from our JCC-BQE joint venture decreased substantially when compared to the same period in 2024. Here we sell high grade copper and zinc concentrates produced by mine water treatment plants owned and operated by the joint venture. While we aimed to take advantage of the historically high metals prices and our related operating leverage, our year-to-date share of net income from the JCC-BQE joint venture was $741,000, down from $3.0 million in the prior year period and an historic low.

The main reason for the decrease in our share of revenue and net income from the JCC-BQE joint venture on a year-to-date basis was the lack of metals available for recovery reporting to the treatment plants. The simultaneous drop in recoverable copper and zinc at all three plants that treat water from different sources indicates this was weather related rather than an irreversible depletion of recoverable metals. Nevertheless, the inventory of recoverable metals contained in the waste rock piles that serve as the sources of these metals are expected to gradually deplete over the long term. We expect lower Q4 2025 results from the joint venture as we enter the seasonally dry season.

We are pleased to report that our annual dividend of $1.7 million, which was based on 2024 annual results, was received in Q3 2025.

Outlook for Year End and Q1 2026
We continue to anticipate a strong finish to 2025 with several active engineering projects coming to completion before the end of the year and several new major engineering design projects set to kick off in the Yukon, BC, Manitoba, Ontario, and

Mexico in the next three to six months. These new projects have the potential to generate recurring revenue in the future. In addition, there will be some new recurring revenue coming from the projects commissioned in South Dakota and in Shandong, China this year that will lift the base of operating revenue slightly.

We have optimized and strengthen our Company's organizational structure to enable the Company to deliver the next phase in its growth. One investment, announced earlier this year, is in aquatic toxicology and involves the acquisition of talent as well as physical lab space and equipment. The cost of the new aquatic toxicology lab will be more fully reflected from Q1 2026 onwards. Similarly, as a result of our organization optimization and continued strategy for revenue growth, the Company's cost base will increase over the next two quarters due to an increase in headcount and incentive compensation to retain our valuable talent. These new investments may temporarily decrease our operating margins in the short term, but we anticipate ongoing revenue growth with our robust project pipeline ahead.

SELECTED FINANCIAL INFORMATION

(in $'000 except for per share amounts)	**3 months ended Sept. 30**		**9 months ended Sept. 30**	
	2025	2024	**2025**	2024
	$	$	**$**	$
Revenues	**9,315**	6,165	**28,037**	12,090
Operating expenses (excluding depreciation)	**(4,610)**	(2,497)	**(16,425)**	(5,710)
Gross margin	**4,705**	3,668	**11,612**	6,380
Share of income from joint ventures	**275**	1,577	**762**	3,039
General and administration	**(868)**	(771)	**(2,664)**	(2,363)
Sales and development	**(957)**	(576)	**(2,437)**	(2,428)
Share-based payments	**(199)**	(199)	**(473)**	(815)
Depreciation and amortization	**(126)**	(106)	**(387)**	(310)
Income from operations and joint ventures	**2,830**	3,593	**6,413**	3,503
Other income, net	**126**	2	**179**	189
Income tax expenses	**(173)**	(78)	**(177)**	(101)
Net income for the period	**2,783**	3,517	**6,415**	3,591
Net earnings per share (basic)	**2.15**	2.75	**4.96**	2.84
Net earnings per share (diluted)	**2.12**	2.71	**4.90**	2.80
Proportional Revenues (Non-GAAP measures)	**10,655**	9,540	**31,511**	19,033
Adjusted EBITDA (Non-GAAP measures)	**3,324**	4,362	**7,679**	5,583
Comprehensive income	**2,957**	3,640	**6,336**	3,771

	at Sept. 30,	at Dec. 31,
	2025	2024
	$	$
Cash and cash equivalents	**17,005**	11,771
Working capital	**20,534**	12,593
Total assets	**33,949**	27,093
Total non-current liabilities	**2,150**	1,842
Shareholders' equity	**27,139**	20,529

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

(in $'000s)	**Sept-25**	Jun-25	Mar-25	Dec-24	Sept-24	Jun-24	Mar-24	Dec-23
	$	$	$	$	$	$	$	$
Revenues	**9,315**	11,276	7,446	5,088	6,165	3,417	2,508	5,014
Operating expenses	**(4,610)**	(7,575)	(4,240)	(3,058)	(2,497)	(1,810)	(1,403)	(2,260)
Gross margin	**4,705**	3,701	3,206	2,030	3,668	1,607	1,105	2,754
Share of results from joint ventures	**275**	427	61	(567)	1,577	1,129	332	(452)
General and administration	**(868)**	(1,029)	(766)	(810)	(771)	(892)	(700)	(695)
Sales and development	**(957)**	(804)	(676)	(704)	(576)	(928)	(924)	(930)
Share-based payments	**(199)**	(191)	(83)	(201)	(199)	(343)	(273)	(138)
Depreciation and amortization	**(126)**	(134)	(127)	(129)	(106)	(103)	(101)	(126)
Income (loss) from operations	**2,830**	1,970	1,615	(381)	3,593	470	(561)	413
Other (expenses) income, net	**126**	(54)	108	232	2	100	87	68
Bad debt expense	**-**	-	-	(14)	-	-	-	(214)
Income tax (expense) recovery	**(173)**	(8)	3	1,377	(78)	(10)	(12)	(18)
Net income (loss)	**2,783**	1,908	1,726	1,214	3,517	560	(486)	249
Translation (loss) gain	**174**	(262)	9	187	123	14	43	39
Comprehensive income (loss)	**2,957**	1,646	1,735	1,401	3,640	574	(443)	288
Non-GAAP Measures:								
Proportional Revenue	**10,655**	12,908	7,948	5,765	9,540	6,083	3,410	5,431
Adjusted EBITDA	**3,324**	2,482	1,877	(2)	4,362	1,342	(121)	541

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 in Northern Quebec 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 JCC-BQE 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 Q3 2025 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended September 30, 2025 and 2024.

Revenues and Proportional Revenues

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

(in $'000s)	**Q3 2025**		Q3 2024		
Revenue source	**$**	**% of total**	$	% of total	% Change
Water treatment fees from operations	**2,331**	**22%**	3,873	41%	(40%)
Technical services	**6,984**	**66%**	2,292	24%	205%
Total Revenues	**9,315**		6,165		
Revenues from joint ventures in China	**1,340**	**12%**	3,375	35%	(60%)
Total Proportional Revenues	**10,655**	**100%**	9,540	100%	12%

The Company earns water treatment fee revenues, including monthly fees and tolling fees from the volume of water treated and operations support fees, at three different sites including Raglan Mine in Nunavik through our partnership the with Inuit company Nuvumiut Development and at the three selenium removal plants in the US. Water treatment fee revenues decreased by $1.5 million or 40% compared to Q3 2024, mainly due to the end of Minto Mine operations in 2024 and the decrease in scope since April 2025 in the American Southwest treatment contracts from full operations to operations support providing onsite technical supervision. Our Raglan Mine operations is comparable to the prior year period, which provided $1.3 million in Q3 2025 and Q3 2024. For our SART plants in China, we continued to earn operations support fees totaling $182,000 during Q3 2025, compared to $180,000 in Q3 2024.

Revenues from technical services increased by $4.7 million in Q3 2025 compared to Q3 2024. These revenues are non-recurring in nature and are related to water management services such as treatability assessments, permitting assistance, engineering and plant design, construction and commissioning of water treatment plants, laboratory testing and pilot demonstrations. These revenues represent the sum of multiple contracts from various clients of varying contract values. Revenues from technical services were particularly strong in Q3 2025 as we finished the commissioning phase for two projects, a legacy tailings site in the Yukon and a mining project in South Dakota, and continued to provide 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. In aggregate, these projects added $5.7 million of new revenue in Q3 2025 when compared to the prior year's period.

Share of Results from Joint Ventures in China

Revenues from joint ventures in China include revenue from the sale of base metals recovered from the JCC-BQE joint venture and water treatment fees from the MWT-BQE joint venture. During Q3 2025, our share of revenues from the JCC-BQE joint venture was $1.2 million compared to $3.4 million in Q3 2024, representing a 63% decrease. This is attributable to a 66% decrease in the quantity of copper recovered offset by a 6% increase in the average copper price during the period. Further, the quantity of zinc recovered at the Yinshan plant during Q3 2025 fell 51% when compared to Q3 2024. Metal recovery decreases are due to an unusually low volume of precipitation in 2025, which not only lessened the water flowing into the treatment plants but also affected copper leaching from waste rock, reducing copper concentrations in the plant feed. The Company's share of net income from JCC-BQE joint venture in Q3 2025, which includes the above noted sale of recovered metals from operations, partially offset by cost of sales and expenses, was $261,000 compared to $1.6 million in Q3 2024.

For the MWT-BQE joint venture, starting in January 2025 our source of revenue changed from metal recovery to a monthly operations fee to offset the fluctuations of the metals in feed water and maintain a consistent revenue stream, contributing $100,000 of Proportional Revenue in Q3 2025 (nil in Q3 2024). The change in net income from joint ventures is predominantly driven by the sale of metals recovered during the operation of water treatment plants in our JCC-BQE joint venture which is affected by the amount and market price of metal concentrate sold.

Operating Expenses

Total operating expenses in Q3 2025 were $4.6 million compared to $2.5 million in Q3 2024. The $2.1 million increase in operating expenses is primarily attributable to an increase in total revenues, particularly from the technical services projects in the Yukon. Other variations include the mix of operations services and project activity related to technical services completed in the period, 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. The Company's gross margin ratio in Q3 2025 was 51% compared to 59% in Q3 2024.

Expenses

General and administration expenses in Q3 2025 were $868,000 compared to $771,000 in Q3 2024, representing a $97,000 or 13% increase. The increase was attributable to a $75,000 increase in employee benefits and a $18,000 increase in insurance expense and other office administration expenses.

Sales and development costs in Q3 2025 were $957,000 compared to $576,000 in Q3 2024, an increase of 66%. The $381,000 increase was largely attributed to the $233,000 increase in labor resources and a $126,000 increase in external consultants allocated to fulfill technology and business development initiatives, including our expansion into aquatic toxicology services.

Share-based payment expenses were comparable at $199,000 in Q3 2025 and in Q3 2024. Share-based payment expenses mainly consist of RSUs and non-cash compensation expenses relating to stock options, both of which are expensed on a straight-line basis over the vesting period. Other share-based payment expenses were due to fair value adjustments of deferred and restricted share units resulting from the movement of the Company's share price throughout the period.

Depreciation and amortization expenses were $126,000 in Q3 2025 compared to $106,000 in Q3 2024. The increase was due to the addition of an office building lease asset in Latin America in 2025.

Other Income and Expenses

The net of other income was $126,000 in Q3 2025 compared to $2,000 in Q3 2024. Other income consists of net finance income or expense, and foreign exchange.

Net finance income was $17,000 in Q3 2025 compared to $40,000 in Q3 2024. 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 $109,000 in Q3 2025 compared to a loss of $38,000 in Q3 2024. 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. There was significant exchange rate movement between the US dollar to the Canadian dollar during Q3 2025.

Net Income

Overall, net income for Q3 2025 was $2.8 million compared to $3.5 million in Q3 2024.

SUMMARY OF YEAR-TO-DATE Q3 2025 FINANCIAL RESULTS

The following is a summary of selected financial results for the nine-month periods ended September 30, 2025 and 2024.

Revenues and Proportional Revenues

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

(in $'000s)	**YTD 2025**		YTD 2024		
Revenue source	**$**	**% of total**	$	% of total	% Change
Water treatment fees from operations	**5,440**	**17%**	8,223	44%	(34%)
Technical services	**22,597**	**72%**	3,867	20%	484%
Total Revenues	**28,037**		12,090		
Revenues from joint ventures in China	**3,474**	**11%**	6,943	36%	(50%)
Total Proportional Revenues	**31,511**	**100%**	19,033	100%	66%

Year-to-date water treatment fee revenues decreased by $2.8 million or 34% compared to 2024, mainly due to the end of contract on Minto Mine operations in 2024 and the decrease in scope of the American Southwest operations contracts from full operations of the water treatment plant to operations support in April 2025. The Canadian operations in Raglan Mine began discharging water in May and the Eastern US operations continued treating ash pond water, generating a combined $2.1 million revenues in 2025 compared to $2.0 million in 2024. The Company earned support fees in China of $548,000 for the nine months of 2025 compared to $535,000 for the same period in 2024.

Revenues from technical services for the 9-month period in 2025 increased by $18.7 million from the same period in 2024. The substantial increase is attributable to the increase in project scope and type of services offered in 2025, particularly on the emergency water treatment contract at Eagle Mine and the supply and installation of a water treatment plant for the Valley Tailings Facility in Yukon, adding a combined $16.8 million of new revenue in 2025.

Year-to-date sales of recovered metals from the JCC-BQE joint venture decreased by $3.8 million. This 54% decrease was attributable to a 59% decrease in the quantity of copper recovered and a 14% decrease in quantity of zinc recovered. 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 $297,000 in 2025 compared to $nil for the same period in 2024, as the joint venture amended the service contract to change the revenue stream in 2025 from sale of recovered zinc and copper to a monthly water treatment fee to avoid fluctuations of the metals found in the feed water.

Operating Expenses

Year-to-date operating expenses in 2025 were $16.4 million compared to $5.7 million for the same period in 2024, an increase of $10.7 million. This 188% increase is due to the increase in revenues from technical services provided in the Yukon. Year-to-date operating margin in 2025 was 41% compared to 53% for the same period in 2024.

Expenses

Year-to-date general and administration expenses were $2.7 million compared to $2.4 million for the same period in 2024. The $301,000 increase was due to increases in rental expense, insurance premiums and employee benefits.

Year-to-date sales and development expenses were $2.4 million for both 2025 and 2024.

Net Income

Overall, net income year-to-date for 2025 was $6.4 million, compared to $3.6 million in the same period in 2024.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2025, BQE Water had 1,297,368 common shares issued (1,287,068 at December 31, 2024) and 32,300 stock options outstanding (43,900 at December 31, 2024).

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 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 shares, representing 5% of common shares issued and outstanding. As of September 30, 2025, 1,000 common shares were purchased and cancelled under the NCIB (nil for the same period in 2024).

Subsequent to September 30, 2025, as of the date of this MD&A on November 27, 2025, the Company had 1,298,168 common shares issued and outstanding, and 31,500 stock options outstanding. No common shares were purchased and cancelled under the NCIB.

At September 30 2025, the Company had cash and cash equivalents of $17.0 million, an increase of $5.2 million from December 31, 2024. For the nine months ended September 30, 2025, net cash provided in operating activities was $3.1 million compared to $2.2 million for the same period in 2024.

Working capital is defined as current assets minus current liabilities. At September 30, 2025, the Company had a consolidated working capital position of $20.5 million, an increase of $7.9 million from December 31, 2024. At September 30, 2025, significant working capital items, aside from cash and cash equivalents, include trade and other receivables of $7.7 million ($4.5 million at December 31, 2024) and trade payables and accrued liabilities of $2.9 million ($1.7 million at December 31, 2024).

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, 2025, the WINN and BSP loan balance was $634,000, both with obligations to repay the loan with 60 equal monthly installments ($331,000 at December 31, 2024). 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 September 30, 2025.

Until 2034, the Company has lease obligations commitments of $2.7 million and non-lease obligation commitments of $2.3 million under operating leases for office and laboratory premises, and assay services.

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

RELATED PARTY TRANSACTIONS AND BALANCES

Revenue Earned from Joint Venture

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 three and nine months ended September 30, 2025 was $1,307,357 and $1,573,871 respectively ($1,455,971 and $1,686,214 for September 30, 2024). As at September 30, 2025, included in trade and other receivables are $1,054,577 ($193,308 at December 31, 2024) of trade receivables due from the joint venture.

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

Key Management Compensation

Included in trade payables and accrued liabilities as of September 30, 2025 is $64,900 ($nil at December 31, 2024) of director fees.

For the three and nine months ended September 30, 2025 and 2024, 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	
	2025	2024	2025	2024
	$	$	$	$
Salaries, fees and short-term benefits	316,741	283,255	1,014,127	855,125
Share-based payments	28,908	40,877	87,927	162,606
	345,649	324,132	1,102,054	1,017,731

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 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, 2024.