



Management's Discussion and Analysis

For the years ended December 31, 2025 and 2024

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 2025 MD&A should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2025 ("Financial Statements"), under IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 material 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 23, 2026.

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.

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, 2025 and 2024, are as follows:

<i>(in \$'000s)</i>	2025	2024
	\$	\$
Reported revenues under GAAP	35,541	17,178
Share of revenues from joint ventures in China	4,393	7,620
Proportional Revenues	39,934	24,798

Adjusted EBITDA

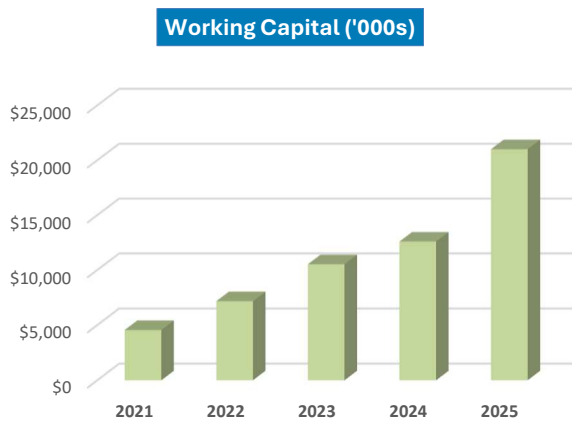
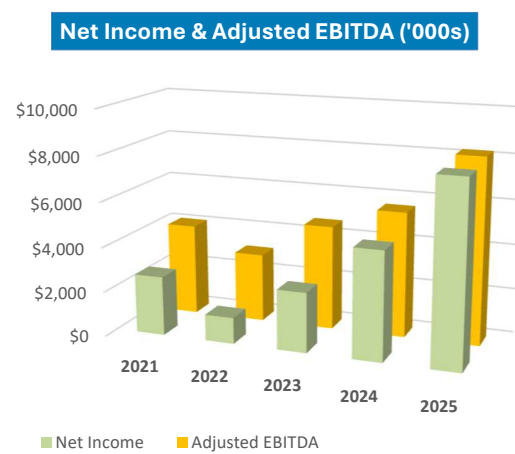
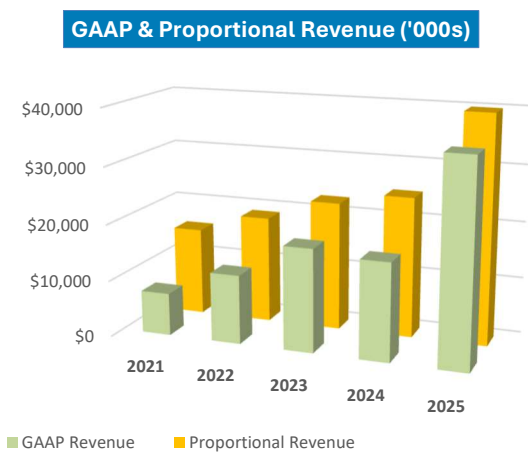
Adjusted EBITDA ("earnings before interest, taxes, depreciation and amortization") is intended to provide additional information only and does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. It should not be considered in isolation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

<i>(in \$'000s)</i>	2025	2024
	\$	\$
GAAP: Net income	8,063	4,806
deduct: interest income	(83)	(92)
deduct: income tax recovery, net	(1,600)	(757)
add: depreciation and amortization	964	915
EBITDA	7,344	4,872
add: share-based payment expenses	903	1,017
deduct: other income	(254)	(96)
add: bad debt expense	58	14
add/deduct: net foreign exchange	179	(224)
Adjusted EBITDA	8,230	5,583

FINANCIAL HIGHLIGHTS

- Record GAAP Revenues of \$35.5 million and Proportional Revenues of \$39.9 million in 2025, an increase of \$18.4 million (107%) and \$15.1 million (61%) respectively compared to 2024.
- Gross margin of \$15.3 million in 2025 compared to \$8.4 million in 2024, an increase of \$6.9 million (81%).
- Record net income for the year of \$8.1 million compared to \$4.8 million in the prior year, an increase of \$3.3 million (68%).
- Earnings per share (basic) of \$6.23 in 2025 compared to \$3.78 in 2024.
- Adjusted EBITDA of \$8.2 million in 2025 compared to \$5.6 million the year prior, an increase of \$2.6 million (47%).
- Increased working capital (current assets less current liabilities) by \$8.8 million, or 70% year-over-year, to \$21.4 million as at December 31, 2025.
- Grew net cash and cash equivalents by \$7.2 million, or 61% year-over-year, to \$19.0 million as at December 31, 2025.

Selected financial results for the 5-year comparison including the compound annual growth rate (“CAGR”) are as follows:



5-YEAR CAGR

GAAP Revenue	36%
Net Income	25%
Adjusted EBITDA	15%

Selected financial results for the 3 and 12 months ended December 31, 2025, are as follows:

<i>(in '000s)</i>	3 months ended Dec. 31		12 months ended Dec. 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Revenues under GAAP	7,504	5,088	35,541	17,178
Proportional Revenues	8,424	5,765	39,934	24,798
Net income	1,647	1,214	8,063	4,806
Adjusted EBITDA	548	(2)	8,230	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
Shandong Gold SART plant 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
Wharf Mine water treatment plant	South Dakota, 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, two of which at Dexing Mine and one 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, 2025 and 2024, are as follows:

<i>(in '000s)</i>	2025	2024
Water treated (cubic metres)	13,742	21,842
Copper recovered (pounds)	1,213	2,662
Zinc recovered (pounds)	1,085	1,231

During 2025, all three plants met mechanical availability and process performance set by the Company. The volume of water treated decreased by 37% year-over-year, the mass of copper recovered decreased by 54%, and the mass of zinc recovered decreased by 12%. 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 January 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. The operating results for the 12 months ended December 31, 2025 and 2024, are as follows:

<i>(in '000s)</i>	2025	2024
Water treated (cubic metres)	224	296

BQE Water Operations

The number of operating days contributing to water treatment or support fees for the 12 months ended December 31, 2025 and 2024, are as follows:

<i>(in days)</i>	2025	2024
Raglan Mine water treatment plants	240	202
Zhongkuang SART plant	359	356
Zhaojin SART plant	359	358
Shandong Gold SART plant	83	-
Water treatment plant in Eastern USA	263	264
Wharf Mine water treatment plant	22	-
Water treatment plants in Southwest USA	365	365

The volume of water treated by geographic location for the 12 months ended December 31, 2025 and 2024, are as follows:

<i>(in '000s cubic metres)</i>	2025	2024
Raglan Mine water treatment plants	2,620	2,075
SART plants in China	614	652
Water treatment plants in USA	2,653	1,566

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation (“Glencore”). In 2025, we mobilized our operations team for the 22nd operating season at the mine. The total volume of water treated across all four plants at Raglan Mine in 2025 increased by 26% compared to 2024.

In 2021, we began operations of the Zhongkuang SART (sulphidation-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 2025 without disruption. In September 2025, we commissioned the third SART plant at Shandong Gold, and starting October 2025, our team has been providing ongoing technical supervision.

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 2025, 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. 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.

In October 2025, we completed the commissioning of a Selen-IX™ treatment plant located at the Coeur Wharf Mine in South Dakota. Our team passed the performance test and began providing routine operation support since November 2025.

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 Q4 2025 are summarized below.

Trusted Advisory Services (Water Management and Water Studies)

- Continued to provide water treatment operations services for the temporary emergency treatment system at the Eagle Gold Mine in the Yukon.
- Initiated preliminary engineering design of a long-term water treatment system for the Eagle Mine to transition from the temporary emergency response to a new system fit for purpose and allowing compliance over a wide range of project scenarios, including a mine re-start.
- Completed the commissioning and initiated continuous operations of new sulphate removal treatment to achieve compliance with a sulphate limit of less than 1,500 mg/L at an integrated lead smelter-recycling facility in Eastern Canada.
- Completed the design and automation of an ion exchange system for lithium brine purification and initiated assistance with installation for a customer in Canada.
- Continued to provide field operations and engineering design services for a water treatment system integrated into a rare earth extraction project in Brazil.
- Continued to perform lab testing of nickel and cobalt recovery from acid mine water at an existing operation at one of the major metal producers in Africa.
- Continued to perform laboratory scale testing of rhenium recovery from wastewater produced by gas scrubber blowdown in Chile.
- Continued to perform a preliminary assessment of water treatment to enable water reuse for mineral flotation in Mexico.
- Initiated a preliminary technical assessment of applying the company's BioSulphide process as part of mine closure for an existing copper mine approaching the end-of-life in Mexico.
- Completed 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)

- Continued to provide plant engineering design services requiring the end-of-pipe cyanide level below 8 ppb to a project in the US.
- Performed METSIM modelling, laboratory testing, and basic engineering for SART integration into the New Britannia mill in Manitoba, Canada.
- Continued with the engineering design for construction of a SART plant at a new mine under development in Mexico.

Aquatic Toxicology Services

- Initiated testing involving investigation of water quality on early life stages of trout for a client in BC.
- Initiated development of nitrate guideline for a client in Alberta.

2025 COMMENTARY AND OUTLOOK FOR 2026

Building on our strong growth and record-setting performance in 2024, we achieved new records across nearly every key metric in 2025. Our 2025 financial results highlight our enviable position as a well capitalized clean technology company delivering strong revenue growth and profitability. We ended the year with \$21.4 million in working capital (up 70% year-over-year), delivered Proportional Revenue of \$39.9 million (up 61%), and grew net income to \$8.1 million (up 68%), to achieve a net margin of 23%. We are very proud of what we accomplished.

Key Developments in 2025

One very important development for us in 2025 was the Eagle Mine project in the Yukon. Strategically, Eagle Mine allowed us to showcase BQE Water's capabilities to industry and regulators in the context of a high-stakes environmental disaster in Canada. We proved our ability to solve tough technical problems and deliver results quickly under difficult conditions and tight schedules. It also showcased our culture with our staff committing themselves to the project, collaborating with others, and developing partnerships with indigenous communities and businesses to ensure project success.

It must be said that we would not have been able to execute at Eagle Mine without our experienced operating crew from Minto Mine. Although our team did not operate at Minto in 2025, we successfully redeployed our team and talent to a project that offered much higher potential for growth and visibility in the industry in the following ways:

- The Eagle project allowed our Yukon operating team to triple in size and our relationship with the First Nation of Na-Cho Nyäk Dun to strengthen. We believe this puts us in a very strong position for water treatment projects across the Yukon in the future.
- By highlighting the importance and benefits of having water treatment and toxicological expertise and testing capability in-house and under one roof, the Eagle project was the main driver behind our investment and expansion into aquatic toxicology. We believe our expansion into aquatic toxicology has created a truly disruptive differentiator for us. We are the only company offering compliance with both water quality and toxicity criteria in the mining market.
- The Eagle project created truly unique opportunities for accelerated talent development. Young engineers who gained experience in the field last year are now integrated into our engineering design projects.

Since the emergency response treatment at Eagle Mine was truly a one-off project, representing nearly half of our technical services revenues in 2025, it may prove difficult to replace with new smaller projects in the near term. Nevertheless, the project was transformational and led to the development of processes, structures, intellectual property, and valuable resources critical for our continued growth in the years to come.

Another key development for us in 2025 was the completion of the Selen-IX™ project at the Wharf Mine. This project enabled the mine to discharge compliant water into the environment within 14 months of the start of detailed engineering, and showed the entire industry that BQE Water and its selenium removal technology offers fast and robust methods of selenium mitigation.

The increase in 2025 revenue over 2024 came from a combination of technical services and growth from existing operations. We achieved: (1) modest but strategically important expansions of our scope of operations services at all of our US sites in the second half of 2025 by reaffirming our role in the success of these long-term operations; (2) a higher than usual volume of water at Raglan Mine leading to a longer than usual treatment season; (3) the completion of the ERDC Valley Tailings plant; and (4) successful demonstration of Selen-IX™ at pilot scale at a mine in the US.

2025 also included an important internal reorganization at the Company. Triggered by growing pains and the realization that our internal structure, last modified during the pandemic, was no longer optimal for the business, we completed a company-wide talent assessment. This assessment established an organizational structure designed to increase productivity, accelerate talent development, and allow the Company to support its goal to double in size in three years. Highlights of the reorganization include:

- Business development capacity doubled.
- New leadership roles for IP capture and development, talent development and performance management, and corporate environmental health & safety.

- Integration of the project delivery team, combining engineering, automation, commissioning, treatability testing, aquatic toxicology testing, operations support, and project management office sub-groups.
- Team members in Latin America are now fully integrated into the rest of the Company in all functions including business development, engineering design, laboratory and pilot testing.

Outlook for 2026

We presently have good visibility and certainty over several larger technical services contracts and expect strong results in the first half of 2026 in this area; specifically:

- Operations services for the emergency treatment system at Eagle Mine will continue until June 2026. Since we do not have an agreement to operate the system for more than 6 months, we will continue to report this project under technical services.
- Engineering design for the long-term treatment system at the Eagle Mine will complete at the end of Q1 2026.
- Technical services-related engineering design/procurement/site installation and commissioning of an ion exchange system at a rhenium recycling facility in Canada. Once completed, the operation of this system is expected to involve BQE personnel in a support capacity.
- Detailed engineering, automation, and field construction support to assist with the implementation of SART at the New Britannia mill in Manitoba. Once completed, the operation of this system is expected to involve BQE personnel in a technical supervisory capacity.
- Technical services including detailed engineering, procurement assistance, and site installation assistance for cyanide destruction and for SART integration into a tailings re-processing demonstration facility in Mexico.
- Feasibility study for SART integration into an existing gold-silver mine in Mexico.
- Advisory services related to water management and treatment for five different projects across Canada.

On the operations services front, we anticipate strong growth in 2026. Projects where we have signed new multiyear agreements include:

- 20-year contract with the BC government to operate the mine water treatment plant at the Britannia Mine.
- Three-year contract with Canadian Royalties to operate the mine water treatment plant at Nunavik Nickel Project through our joint venture between BQE Water and Nuvumiut Development.
- Two-year contract to operate a sulphate removal system at a lead smelter and refinery in Quebec.

In addition to these already signed contracts, we are in active discussions about further potential operations service agreements starting in 2026 at four additional sites across Canada. We also anticipate that our new aquatic toxicology laboratory will become operational and be able to perform a range of specialized investigative tests in Q2 2026. Despite indications that 2026 will be another strong year, we must caution that maintaining the same rate of growth experienced over the last two years may prove difficult.

Positioning and Outlook Beyond 2026

There has been no direct impact on BQE Water from the US trade tariffs to date. That said, the global geopolitical changes that have occurred have already influenced, and will continue to influence, our business in the medium- and long-term.

Focus on the development of critical minerals projects in Canada and gaining security of supply of certain minerals in the Western world in general is providing tailwinds broadly for the mining sector. Unlike previous commodity cycles, the need for establishing a secure supply of minerals may act as a shield to commodity price volatility.

While shortened permitting timelines and financial support by western governments accelerate industrial development, we have not seen any relaxation in the environmental standards and/or lessening of the importance of social acceptability criteria applied to new projects. In fact, over the last 12 months, we have seen a notable increase in the volume of proposals and/or technical services already delivered in connection with early-stage projects. These typically enter permitting within the next two years.

The renewed interest in gold has also driven an increase in demand for our cyanide recycling and cyanide destruction expertise. Presently, our pipeline includes a dozen SART and cyanide destruction projects, some of them already in the execution phase and some in the preliminary assessment stage with clients ranging from top tier producers to junior mining companies.

Our pipeline of opportunities remains well balanced between projects driven by environmental compliance, water reuse maximization, and pure economics of recovery of value. The pipeline is also well diversified in terms of the number of different clients, senior versus junior companies, and geography with North America and Latin America dominating over the rest of the world. This will further reduce the importance of our China business for our overall performance in the future.

With proven technologies, unique expertise, presence in key geographies, and a broad basket of water services spanning all stages of natural resource projects from permitting to closure, we believe BQE Water is uniquely positioned not only to do well in the current stage of the economic cycle but also benefit and take advantage of opportunities that have opened through the changes in the geopolitical landscape. Our strong balance sheet positions us well to navigate any economic uncertainties ahead while pursuing strategic M&A opportunities.

SELECTED FINANCIAL INFORMATION

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

	2025	2024	2023
	\$	\$	\$
Revenues	35,541	17,178	18,137
Operating expenses (excluding depreciation)	(20,279)	(8,769)	(9,075)
Gross margin	15,262	8,409	9,062
Share of income from joint ventures	206	2,472	419
General and administration	(3,725)	(3,172)	(2,727)
Sales and development	(3,946)	(3,131)	(2,655)
Share-based payments	(903)	(1,017)	(466)
Depreciation and amortization	(517)	(439)	(430)
Income from operations and joint ventures	6,377	3,122	3,203
Other income, net	140	422	115
Bad debt expense	(58)	(14)	(473)
Income tax recovery (expenses)	1,604	1,276	(191)
Net income for the year	8,063	4,806	2,654
Earnings per share (basic)	6.23	3.78	2.12
Earnings per share (diluted)	6.17	3.75	2.08
Proportional Revenues (Non-GAAP measures)	39,934	24,798	22,726
Adjusted EBITDA (Non-GAAP measures)	8,230	5,583	4,656
Comprehensive income	7,968	5,174	2,302
	at Dec 31	at Dec 31	at Dec 31
	2025	2024	2023
	\$	\$	\$
Cash and cash equivalents	18,982	11,771	7,928
Working capital	21,410	12,593	10,529
Total assets	35,710	27,093	18,856
Total non-current liabilities	2,549	1,842	1,900
Shareholders' equity	28,795	20,529	14,776

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	Dec-25	Sept-25	Jun-25	Mar-25	Dec-24	Sept-24	Jun-24	Mar-24
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	7,504	9,315	11,276	7,446	5,088	6,165	3,417	2,508
Operating expenses	(3,854)	(4,610)	(7,575)	(4,240)	(3,058)	(2,497)	(1,810)	(1,403)
	3,650	4,705	3,701	3,206	2,030	3,668	1,607	1,105
Share of results from joint ventures	(556)	275	427	61	(567)	1,577	1,129	332
General and administration	(1,061)	(868)	(1,029)	(766)	(810)	(771)	(892)	(700)
Sales and development	(1,509)	(957)	(804)	(676)	(704)	(576)	(928)	(924)
Share-based payments	(430)	(199)	(191)	(83)	(201)	(199)	(343)	(273)
Depreciation and amortization	(130)	(126)	(134)	(127)	(129)	(106)	(103)	(101)
(Loss) income from operations	(36)	2,830	1,970	1,615	(381)	3,593	470	(561)
Other (expenses) income, net	(40)	126	(54)	108	232	2	100	87
Bad debt expense	(58)	-	-	-	(14)	-	-	-
Income tax recovery (expense)	1,781	(173)	(8)	3	1,377	(78)	(10)	(12)
Net income (loss)	1,647	2,783	1,908	1,726	1,214	3,517	560	(486)
Translation (loss) gain	(16)	174	(262)	9	187	123	14	43
Comprehensive income (loss)	1,631	2,957	1,646	1,735	1,401	3,640	574	(443)
Non-GAAP Measures:								
Proportional Revenue	8,424	10,655	12,908	7,948	5,765	9,540	6,083	3,410
Adjusted EBITDA	548	3,324	2,482	1,877	(2)	4,362	1,342	(121)

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 Q4 2025 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended December 31, 2025 and 2024.

Revenues and Proportional Revenues

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

<i>(in \$'000s)</i>	Q4 2025		Q4 2024		% Change
	\$	% of total	\$	% of total	
Revenue source					
Water treatment fees from operations	1,849	22%	2,260	39%	(18%)
Technical services	5,655	67%	2,828	49%	100%
Total Revenues	7,504		5,088		47%
Sale of recovered metals from operations	920	11%	677	12%	36%
Total Proportional Revenues	8,424	100%	5,765	100%	46%

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, and at four selenium removal plants in the US. The \$411,000 decrease in water treatment fees in Q4 2025 is due to the decrease in scope since April 2025 in the American Southwest treatment contracts from full operations to operations support providing onsite technical supervision. The decrease is slightly offset by the new operations support contract at Coeur Wharf Mine and by a longer operating season in 2025 at Raglan Mine as more water was required for treatment when compared to Q4 2024. Our operation support fees from the three SART plants in China are comparable with Q4 2024.

Technical services revenues increased by \$2.8 million in Q4 2025 compared to Q4 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 continued to remain strong in Q4 2025 as we started engineering design for three treatment plants in diverse locations, and we continued to provide ongoing advisory and water treatment services in response to the environmental emergency caused by a heap leach failure at the Eagle Mine in the Yukon.

Share of Results from Joint Ventures in China

Revenues from the sale of base metals recovered comprise the Company's share of revenues from its joint ventures in China. During Q4 2025, the JCC-BQE joint venture contributed \$679,000 to the Company's Proportional Revenue compared to \$675,000 in Q4 2024. The 1% increase was due to an approximate 7% increase in the quantity of copper recovered, offset by a 9% decrease in the average copper price. The Company's share of net loss from the JCC-BQE joint venture in Q4 2025, which includes the above noted sale of recovered metals from operations, after deducting cost of sales and expenses, was \$573,000 compared to \$564,000 in Q4 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 to maintain a consistent revenue stream, resulting in \$241,000 of Proportional Revenue in Q4 2025 compared to \$2,000 in Q4 2024.

Expenses

Total operating expenses in Q4 2025 were \$3.9 million compared to \$3.1 million in Q4 2024, an increase of 26%, which is consistent with the resources required for the Yukon-based technical support contracts during the quarter. 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 Q4 2025 was 49% compared to 40% in Q4 2024.

In Q4 2025, general and administration costs were \$1.1 million compared to \$810,000 in Q4 2024. The \$252,000 increase, or 31%, was mainly due to the \$126,000 increase in professional services, \$83,000 in employee benefits, along with marginal increases in office and travel expenses.

Sales and development costs in Q4 2025 were \$1.5 million compared to \$704,000 in Q4 2024, representing an increase of \$805,000 or 114%. The increase was largely attributed to the \$721,000 increase in labor resources allocated to fulfill technology and business development initiatives, including our expansion into aquatic toxicology services.

Income Tax

During Q4 2025, income tax recovery was \$1.8 million compared to \$1.4 million in the prior year, mainly due to the Company's recognition of \$1.8 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 \$1.6 million compared to \$1.2 million in Q4 2024.

SUMMARY OF 2025 FINANCIAL RESULTS

The following is a summary of selected financial results for the years ended December 31, 2025 and 2024.

Revenues and Proportional Revenues

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

<i>(in \$'000s)</i>	2025		2024		% Change
	\$	% of total	\$	% of total	
Water treatment fee from operations	7,289	18%	10,483	42%	(30%)
Technical services	28,252	71%	6,695	27%	322%
Total Revenues	35,541		17,178		107%
Sale of recovered metals from operations	4,393	11%	7,620	31%	(42%)
Total Proportional Revenues	39,934	100%	24,798	100%	61%

Water treatment fee revenues decreased by \$3.2 million or 30% 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 at Raglan Mine began discharging water in May and the Eastern US operations continued treating ash pond water, generating a combined \$3.1 million revenues in 2025 compared to \$2.5 million in 2024. The Company earned support fees for the three SART plants in China of \$687,000 in 2025 compared to \$718,000 in 2024.

Revenues from technical services increased by \$21.6 million in 2025 compared to 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 \$20.5 million of new project revenue in 2025.

Share of Results from Joint Ventures in China

Revenues from the sale of base metals recovered comprises the Company's share of revenues from joint ventures in China. During 2025, our share of revenues from the JCC-BQE joint venture was \$3.9 million compared to \$7.6 million in 2024, representing a \$3.8 million or 49% decrease. This decrease was largely attributable to a 54% decrease in the quantity of copper recovered and a 12% decrease in the quantity of zinc recovered, but partially offset by higher commodity prices. 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 \$538,000 in 2025 compared to \$3,000 in 2024. In 2025, our joint venture amended the service contract to change the

revenue stream from sale of recovered zinc and copper to a monthly water treatment fee to avoid fluctuations of the metals found in the feed water.

The Company's share of income from China joint ventures in 2025, which includes the above noted revenue from operations, partially offset by cost of sales and expense, was \$326,000 compared to \$2.3 million in 2024, a decrease of \$2.0 million. The change in net results from joint ventures is predominantly driven by the sale of metals recovered during the operation of water treatment plants in JCC-BQE.

Operating Expenses

Total operating expenses in 2025 were \$20.3 million compared to \$8.8 million in 2024, an increase of \$11.5 million. This 131% increase is due to the increase in revenues from technical services provided in the Yukon. Operating margin in 2025 was 43% compared to 49% in 2024.

Expenses

General and administration expenses in 2025 were \$3.7 million compared to \$3.2 million in 2024, representing a \$552,000 or 17% increase. The increase was attributable to a \$293,000 increase in employee benefits, a \$99,000 increase in professional services, and a \$117,000 increase in office expenses and insurance premiums for the year.

Sales and development costs in 2025 were \$3.9 million compared to \$3.1 million in 2024, an increase of 26%. The \$814,000 increase was largely attributed to a \$592,000 increase in employee benefits and a \$254,000 increase in professional expenses for analytical testing services and contractors for technology development.

Share-based payment expenses were \$903,000 in 2025 compared to \$1.0 million in 2024, a decrease of \$113,000. 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 movements of the Company share price throughout 2025.

Depreciation and amortization expenses were \$517,000 in 2025 compared to \$439,000 in 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 \$140,000 in 2025 compared to \$422,000 in 2024. Other income consists of net finance income, foreign exchange and other income.

Net finance income was \$73,000 in 2025 compared to \$105,000 in 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 loss was \$179,000 in 2025 compared to a gain of \$224,000 in 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.

The remaining variance is from other income of \$246,000 in 2025 compared to an income of \$93,000 in 2024. Other income comprises fair value adjustments on interest-free loans and other gains and fees earned that are non-operating in nature.

The Company recognized bad debt expense from expected credit loss of \$58,000 in 2025, compared to \$14,000 in 2024.

Income Tax

Income tax includes deferred income tax and current income tax. In 2025, income tax recovery was \$1.6 million compared to \$1.3 million in the prior year. In 2025, the Company recognized \$1.8 million of deferred tax assets for Canadian-based unused tax losses from prior years, which will be used against probable future taxable profits. Such tax losses cannot be offset against accumulated tax benefits in other jurisdictions.

Current income tax expenses are mainly attributable to 10% withholding taxes deducted from annual dividends received in 2025 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 \$8.1 million compared to \$4.8 million in 2024.

SUMMARY OF OPERATIONAL SERVICES

JCC-BQE Joint Venture Operation, Jiangxi Province, China

In 2007, BQE Water formed 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:

<i>(in '000s)</i>	2025	2024
<i>Dexing 1</i>		
Water treated (cubic metres)	4,593	8,379
Copper produced (pounds)	358	1,045
<i>Dexing 2</i>		
Water treated (cubic metres)	5,827	8,293
Copper produced (pounds)	446	947
<i>Yinshan</i>		
Water treated (cubic metres)	3,322	5,170
Copper produced (pounds)	409	670
Zinc produced (pounds)	1,085	1,231

The volume of water treated fluctuates depending on precipitation levels and pounds of metals recovered at all three plants and 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, 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 2025, 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.

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 operation support fees based on water treated.

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

<i>(in '000s)</i>	2025	2024
Water treated (cubic metres)	224	296

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 was as follows:

<i>(in '000s cubic metres)</i>	2025	2024
ChemSulphide® and Met-IX™ plants	1,138	1,001
Spoon plant	606	444
Katinniq plant	877	630
Total	2,621	2,075

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 one month, treating up to 5,600 m³/day of mine-impacted water to produce clean water with 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.

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. In 2025, BQE completed the commissioning of a third SART plant at Shandong Gold, the largest gold producer in China, and the team began providing operating support in October 2025. All three 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 three plants during the year was as follows:

<i>(in '000s cubic metres)</i>	2025	2024
Zhongkuang SART plant	176	174
Zhaojin SART plant	399	478
Shandong Gold SART plant	37	-

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 2025, our team was onsite providing water treatment services and utilizing the Selen-IX™ circuit, to remove selenium when it presents.

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 remove both selenium and sulphate from mine water for a base metal project in the American Southwest. In 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 and dissolved metals, in compliance with applicable effluent quality regulations. Compensation for operations services consists of a monthly technical support fee with our operations team onsite supporting both plants for all of 2025.

Wharf Mine Operations for Coeur Mining, South Dakota, USA

In October 2025, BQE Water completed the commissioning of a Selen-IX™ treatment plant located at the Coeur Wharf Mine, an open pit, heap leach gold operation in western South Dakota. Our team passed the performance test and has been providing routine operations support since November 2025.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2025, BQE Water had 1,298,168 common shares issued and outstanding (1,287,068 at December 31, 2024) and 28,500 stock options outstanding (43,900 at December 31, 2024).

On December 6, 2023, the Company obtained the approval of the TSX Venture Exchange to renew 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 renewed the NCIB to repurchase for cancellation up to 64,120 common shares, representing 5% of common shares issued and outstanding, over a 12-month period starting on December 14, 2024. On December 9, 2025, the Company again renewed the NCIB for a 12-month period starting on December 14, 2025, to repurchase for cancellation up to 64,908 common shares, representing 5% of common shares issued and outstanding. In 2025, the Company purchased and cancelled 1,000 common shares under the NCIB at a weighted average price per share of \$48.25 (no common shares were purchased and cancelled in 2024).

After the reporting year, as of the date of this MD&A on April 23, 2026, the Company had 1,300,668 common shares issued and outstanding, and 26,000 stock options outstanding, and no common shares were purchased and cancelled under the NCIB.

At December 31, 2025, the Company had cash and cash equivalents of \$19.0 million, an increase of approximately \$7.2 million from December 31, 2024. For the 12 months ended December 31, 2025, our net cash provided by operating activities was \$5.1 million (\$2.9 million in 2024).

Working capital is defined as current assets minus current liabilities. At December 31, 2025, the Company had a consolidated working capital position of \$21.4 million, an increase of \$8.8 million from December 31, 2024. At December 31, 2025, significant working capital items, aside from cash and cash equivalents, include trade and other receivables of \$5.7 million (\$4.5 million at December 31, 2024) and trade payables and accrued liabilities of \$2.7 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 December 31, 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 an undrawn revolving demand credit facility of \$1.0 million.

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

RELATED PARTY TRANSACTIONS AND BALANCES

Key Management Compensation

For the years ended December 31, 2025 and 2024, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, is as follows:

	2025	2024
	\$	\$
Salaries, fees and short-term benefits	1,314,657	1,146,232
Share-based payments	180,371	206,067
	<u>1,495,028</u>	<u>1,352,299</u>

As of December 31, 2025 and 2024, 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, 2025 was \$2.3 million (\$2.2 million in 2024). As of December 31, 2025, included in trade and other receivable are \$477,000 (\$193,000 at December 31, 2024) of trade receivables due from the joint venture.

In 2025, the Company received dividends from JCC-BioteQ Environmental Technologies Co. Ltd. of \$1.7 million (\$785,000 in 2024).

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's 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.

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 and 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, 2025, 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 (t) of the Company's audited consolidated financial statements for the year ended December 31, 2025.

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, short-term investments 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, 2025	Dec. 31, 2024
	\$	\$
Cash and cash equivalents	18,982,257	11,771,214
Short-term investments	524,000	-
Trade and other receivables (exclude tax receivable)	5,653,162	4,462,710
	<u>25,159,419</u>	<u>16,233,924</u>

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 equivalents 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, 2025	Dec. 31, 2024
	0-30 days	31-90 days	Over 90 days	Total	Total
	\$	\$	\$	\$	\$
Trade and other receivables (exclude tax receivable)	2,978,383	2,510,931	163,848	5,653,162	4,462,710

Collection of the Company's trade receivables over 90 days is reasonably assured since approximately 91% of trade receivables as of December 31, 2025 has been collected subsequent to the reporting period (98% in 2024). 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, 2025 and 2024 are as follows:

	Dec. 31, 2025	Dec. 31, 2024
	\$	\$
Allowance for expected credit loss, beginning of the year	(16,025)	(1,788)
Net remeasurement of expected credit loss	(57,577)	(14,237)
Allowance for expected credit loss, end of the year	(73,602)	(16,025)

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, 2025			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash and cash equivalents	5,074,940	64,096	340,219	694,066
Trade and other receivables (exclude tax)	1,050,116	12,778	120,868	358,935
Trade and other payables (exclude tax)	(245,932)	(32,725)	(781,313)	(35,468)
Gross balance sheet exposure	5,879,124	44,149	(320,226)	1,017,533

	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

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.

	2025 \$	2024 \$
U.S. dollar	587,912	374,391
Mexican peso	4,415	6,358
Chilean peso	(32,023)	(38,824)
Chinese RMB	101,753	90,945
	662,057	432,870

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, 2025, the Company has working capital of \$21,409,980 (\$12,592,881 as of December 31, 2024). 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 an undrawn revolving demand credit facility of \$1,000,000. 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, 2025			Dec. 31, 2024	
	< 1 year \$	1 to 3 years \$	> 3 years \$	Total \$	Total \$
Trade payable and other payables (excludes tax payable)	2,568,925	-	-	2,568,925	1,687,224
Deferred benefits	1,475,890	-	-	1,475,890	1,178,540
Loans	20,625	351,613	652,996	1,025,234	552,850
Lease obligations	330,842	621,797	1,642,985	2,595,624	2,641,926
	4,396,282	973,410	2,295,981	7,665,673	6,060,540

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 \$385,610 in 2025 (\$762,127 in 2024).

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 the Company's common stock price would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by \$230,387 in 2025 (\$160,851 in 2024).

RISKS AND UNCERTAINTIES

Companies operating in the process technology sector face a variety of 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 several 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 projects and work sites safe and any failure to do so can have serious bearing 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 projects 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 effect 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 because 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.

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 its 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 several 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 an 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.

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.

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.