



Management's Discussion and Analysis (Quarterly Highlights)

For the three months ended March 31, 2026 and 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three months ended March 31, 2026 and 2025

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 Q1 2026 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 months ended March 31, 2026 and 2025 (our "Interim Financial Statements"), our audited consolidated financial statements for the years ended December 31, 2025 and 2024 (our "Audited Financial Statements"), and our Annual MD&A for the year ended December 31, 2025.

Our Interim Financial Statements have been prepared under IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective as of March 31, 2026. 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 May 28, 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.

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-month periods ended March 31, 2026 and 2025, are as follows:

<i>(in \$'000s)</i>	3 months ended Mar. 31	
	2026	2025
	\$	\$
Reported revenues under GAAP	4,800	7,446
Share of revenues from joint ventures in China	504	502
Proportional Revenue for the period	5,304	7,948

Adjusted EBITDA

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

<i>(in \$'000s)</i>	3 months ended Mar. 31	
	2026	2025
	\$	\$
GAAP: Net (loss) income	(1,278)	1,726
deduct: interest income	(28)	(29)
deduct: income tax recovery	(47)	(70)
add: depreciation and amortization	267	248
EBITDA	(1,086)	1,875
add: share-based payments	260	83
deduct: non-operating income	(153)	(91)
add/deduct: foreign exchange gain (loss)	(95)	10
Adjusted EBITDA	(1,074)	1,877

FINANCIAL HIGHLIGHTS

- Revenues under GAAP of \$4.8 million and Proportional Revenues of \$5.3 million in Q1 2026, compared to \$7.4 million and \$7.9 million in Q1 2025.
- Gross margin of \$1.2 million in Q1 2026 compared to \$3.2 million in Q1 2025, a \$2.0 million decrease.
- Net loss of \$1.3 million in Q1 2026 compared to net income of \$1.7 million in Q1 2025.
- Loss per share of \$0.98 in Q1 2026 compared to earnings per share of \$1.34 in Q1 2025.
- Adjusted EBITDA loss of \$1.1 million in Q1 2026 compared to income of \$1.9 million in Q1 2025.
- Working capital of \$20.0 million at March 31, 2026, compared to \$21.4 million at December 31, 2025, a 7% decrease.

Selected financial results are as follows:

<i>(in '000s)</i>	3 months ended Mar. 31	
	2026	2025
Revenue from operational services	1,981	1,962
Revenue from technical services – short-term operations	920	3,442
Revenue from technical services – advisory and design	1,899	2,042
Total revenues under GAAP	4,800	7,446
Share of revenue from joint ventures in China	504	502
Proportional Revenues	5,304	7,948

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
Britannia Mine water treatment plant	British Columbia, Canada	Water treatment fees
Water treatment plant for lead smelter	Quebec, Canada	Operations support 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	Shandong province, China	Operations support fees
Power utility ash pond for WesTech	Eastern USA	Water treatment fees
Wharf Mine water treatment plant	South Dakota, USA	Operations support 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 Q1 2026 are as follows:

<i>(in '000s)</i>	3 months ended Mar. 31	
	2026	2025
Water treated (cubic metres)	1,473	1,914
Copper recovered (pounds)	124	148

Zinc recovered (pounds)	75	177
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In Q1 2026, all three plants met mechanical availability and process performance set by the Company. When compared to Q1 2025, the volume of water treated decreased by 23%, the mass of copper recovered decreased by 16%, and the mass of zinc recovered decreased by 58%. Such changes in water volume and metal grade in feed water from period to period are largely the result of environmental conditions beyond the control of the joint venture.

MWT-BQE Joint Venture Operations

Our 20% share of MWT-BQE is with our 80% partner Beijing MWT Water Treatment Project Limited Company (“MWT”) and together we operate a water treatment plant at a smelter in Shandong province of China. MWT-BQE generates revenues from the water treatment on smelter wastewater. Operating results for Q1 2026 are as follows:

<i>(in '000s)</i>	3 months ended Mar. 31	
	2026	2025
Water treated (cubic metres)	56	69

BQE Water Operations

The number of operating days contributing to water treatment or support fees for three months ended March 31, 2026, are as follows:

<i>(in days)</i>	3 months ended Mar. 31	
	2026	2025
Raglan Mine water treatment plants	12	-
Britannia Mine water treatment plant	79	-
Water treatment plant for lead smelter in Eastern Canada	87	-
Zhongkuang SART plant	55	90
Zhaojin SART plant	90	85
Shandong Gold SART plant	36	-
Water treatment plant in Eastern USA	61	64
Wharf Mine water treatment plant	30	-
Water treatment plant in Southwest USA	90	90

The volume of water treated by geographic location for the three months ended March 31, 2026, are as follows:

<i>(in '000s cubic metres)</i>	3 months ended Mar. 31	
	2026	2025
Raglan Mine water treatment plants	49	-
Britannia Mine water treatment plant	1,177	-
Water treatment plant for lead smelter in Eastern Canada	59	-
SART plants in China	110	109
Water treatment plants in USA	468	749

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation (“Glencore”). The plants at Raglan Mine usually are shut down in the first quarter as water stored in the outdoor reservoirs was frozen. During Q1 2026, as the temperature was warm enough, our team extended the 2025 operating season till mid-January of 2026. We expect to restart water treatment for the 2026 season in late May.

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. 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 to remove selenium from ash pond water for WesTech Engineering (“WesTech”). In Q1 2026, our team continued at site providing water treatment services with the Selen-IX™ circuit to manage the presence of selenium in the feed.

In 2022, we completed the commissioning of a treatment plant utilizing a combination of nanofiltration and our proprietary selenium electroreduction process for the simultaneous removal of selenium and sulphate from mine water for a base metal project in the American Southwest. In August 2023, our team completed the performance test milestone for a second newly constructed selenium removal water treatment plant which entered the operation phase. In Q1 2026, our team continued onsite to provide operations support and technical 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 and began providing routine operation support. In Q1 2026, our team continued at site to provide onsite and offsite support to the selenium removal circuit to manage the presence of selenium in the feed.

In January 2026, we assumed operational responsibility to provide operations and maintenance services for the Britannia Mine water treatment plant for the BC government over a 20-year arrangement. This High-Density Sludge lime treatment plant neutralizes acidity and removes heavy metals, primarily copper and zinc, from the mine water collected in the legacy underground workings prior to its discharge into Howe Sound. In Q1 2026, our team completed a smooth transition and began treating water daily without interruptions.

In February 2026, we initiated an annual operation support arrangement with an integrated lead smelter-recycling facility in Eastern Canada. Prior to such arrangement, we completed an upgrade to the existing treatment system, implemented a new sulphate removal stage to a discharge limit of less than 1,500 mg/L and provided short-term operations support for the newly upgraded facility. In Q1 2026, our team has been providing ongoing site support and technical supervision.

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 Q1 2026 are summarized below.

Short-term Operations Services

- Resumed providing water treatment operations services for the temporary emergency treatment system at the Eagle Gold Mine in the Yukon.

Trusted Advisory Services (Water Management and Water Studies)

- Completed the 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 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 lab testing of nickel and cobalt recovery from acid mine water at an existing operation at one of the major metal producers in Africa.
- Completed laboratory scale testing of rhenium recovery from wastewater produced by gas scrubber blowdown in Chile.
- Completed a preliminary assessment of water treatment to enable water reuse for mineral flotation in Mexico.
- Continued with detailed engineering for a water treatment system using ion exchange to expand rhenium production at an existing facility in Eastern Canada.
- Continued supporting the procurement and installation of a temporary contingency treatment system at the Gibraltar mine in BC.
- Continued to provide field operations and engineering design services for a water treatment system integrated into a rare earth extraction project in Brazil.
- Initiated the commissioning of ion exchange system for lithium brine purification and initiated assistance with installation for a customer in Western Canada.
- Initiated a review and optimization study for an existing desalination plant supplying fresh water to a copper mine in Chile.
- Resumed providing water management and treatment design advisory services to the KSM project in BC.
- Resumed providing water management and treatment design advisory services to a new mine undergoing permitting in the Yukon.
- Resumed providing water treatment advisory services to a new project in permitting stage in Argentina.
- Resumed providing water treatment advisory services to the Kemess project in BC.

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.
- Initiated detailed engineering for SART integrated into the New Britannia mill in Manitoba, Canada.
- Completed the engineering design for construction of a SART plant at a new mine under development in Mexico.
- Initiated field assessment and bench scale testing to support SART integration into an existing mine in Turkey.
- Performed field troubleshooting of a cyanide destruction circuit at a mine in the US.

Aquatic Toxicology Services

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

COMMENTARY AND OUTLOOK

Our Q1 2026 financial results were unable to match our exceptionally strong Q1 2025 as explained below. Q1 has historically been our seasonally weakest quarter as several of the Company's long-term operations generate little or no revenue during the northern hemisphere winter months and our metal recovery operations in China are modest at best due to the dry season. Over the last seven years, the Company recorded positive net income only twice – in Q1 2022 and Q1 2025.

Looking specifically at Q1 2026 when compared to Q1 2025, there were three primary factors at play:

- 1) Our record financial results in Q1 2025 were achieved primarily through the Eagle Mine emergency response project in the Yukon, where we provided engineering, commissioning, and short-term operations services throughout the period by mobilizing a large portion of the Company's resources. Our successful efforts allowed Eagle Mine to cease treating water in Q4 2025 with no need to re-start the water treatment system until March 2026. As a result, there was only one month of short-term operations services at Eagle Mine in Q1 2026. The decrease in this project's revenue between Q1 2026 and Q1 2025 explains most of the total decrease in revenue between the two periods.
- 2) Two factors contributed to a lower gross margin in Q1 2026 when compared to the same period last year: i) lower productivity of new team members, and ii) a one-time increase in operating costs associated with the transition of the Britannia Mine water treatment plant from the previous operator. Although the Britannia operation started to generate new long-term recurring revenue in mid-January, transition-related costs resulted in a net loss of \$100,000 for the project in Q1 2026. These one-time expenses primarily included temporary and additional operations personnel, travel costs, and rental equipment charges. The plant is now fully transitioned and staffed with permanent personnel, and we anticipate gross margins to improve going forward.
- 3) Finally, Q1 2026 also marked the first full quarter following the Company's re-organization, which was implemented to support our strategic growth plan developed last year to double in size within three years. As part of this plan, we increased labour resources, primarily at our headquarters. Sales and development costs also rose in Q1 2026 due to one-time expenses integral to our growth strategy, including training and development of new staff and completing the set-up of our new aquatic toxicology laboratory facility.

Our outlook for 2026 as a whole is positive, particularly in the following areas:

- **Operational Services.** Field operations are ramping up with two new contracts – ERDC in the Yukon and Canadian Royalties Inc. in Quebec – and operations at Britannia Mine are expected to stabilize and contribute positively to our financial results over the remainder of the year.
- **Short-term Operations.** We expect our short-term operations revenue to increase further as we are in advanced stages of contracting for operations with three other sites in Western Canada in 2026.
- **Advisory and Design.** Based on active engineering design projects, the value of our technical services is expected to increase steadily as we move through 2026.

In summary, while ongoing staff training and development will weigh on our margins over the next few quarters, these investments are considered essential to the Company's growth goals. Notably, we continue to observe a marked increase in business activity in the mining industry, with permitting, pre-feasibility, and feasibility studies for major projects being initiated across all key jurisdictions. We believe this activity is indicative of the early stages of an upswing in capital spending in the industry, which we expect will provide a strong tailwind to our business over the next few years. At the same time, we are always mindful of current geopolitical and market uncertainties and are prepared to pivot as required to prioritize profitability while continuing to pursue disciplined growth.

SELECTED FINANCIAL INFORMATION

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

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Revenues	4,800	7,446
Operating expenses (excluding depreciation)	(3,622)	(4,240)
Gross margin	1,178	3,206
Share of income from joint ventures	44	61
General and administration	(1,059)	(766)
Sales and development	(1,310)	(676)
Share-based payments	(260)	(83)
Depreciation and amortization	(146)	(127)
(Loss) income from operations and joint ventures	(1,553)	1,615
Other income, net	275	108
Income tax recovery	-	3
Net (loss) income for the period	(1,278)	1,726
(Loss) earnings per share (basic)	(0.98)	1.34
(Loss) earnings per share (diluted)	(0.97)	1.33
Proportional Revenues (Non-GAAP measures)	5,304	7,948
Adjusted EBITDA (Non-GAAP measures)	(1,074)	1,877
	at Mar. 31	at Dec. 31
	2026	2025
	\$	\$
Cash and cash equivalents	17,684	18,982
Working capital	19,931	21,410
Total assets	34,681	35,710
Total non-current liabilities	3,220	2,549
Shareholders' equity	27,773	28,795

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	Mar-26	Dec-25	Sept-25	Jun-25	Mar-25	Dec-24	Sept-24	Jun-24
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	4,800	7,504	9,315	11,276	7,446	5,088	6,165	3,417
Operating expenses	(3,622)	(3,854)	(4,610)	(7,575)	(4,240)	(3,058)	(2,497)	(1,810)
Gross margin	1,178	3,650	4,705	3,701	3,206	2,030	3,668	1,607
Share of results from								
joint ventures	44	(556)	275	427	61	(567)	1,577	1,129
General and administration	(1,059)	(1,061)	(868)	(1,029)	(766)	(810)	(771)	(892)
Sales and development	(1,310)	(1,509)	(957)	(804)	(676)	(704)	(576)	(928)
Share-based payments	(260)	(430)	(199)	(191)	(83)	(201)	(199)	(343)
Depreciation and amortization	(146)	(130)	(126)	(134)	(127)	(129)	(106)	(103)
Income (loss) from operations	(1,553)	(36)	2,830	1,970	1,615	(381)	3,593	470
Other income (expenses), net	275	(40)	126	(54)	108	232	2	100
Bad debt expense	-	(58)	-	-	-	(14)	-	-
Income tax recovery (expense)	-	1,781	(173)	(8)	3	1,377	(78)	(10)
Net income (loss)	(1,278)	1,647	2,783	1,908	1,726	1,214	3,517	560
Translation gain (loss)	180	(16)	174	(262)	9	187	123	14
Comprehensive income (loss)	(1,098)	1,631	2,957	1,646	1,735	1,401	3,640	574
Non-GAAP Measures:								
Proportional Revenue	5,304	8,424	10,655	12,908	7,948	5,765	9,540	6,083
Adjusted EBITDA	(1,074)	548	3,324	2,482	1,877	(2)	4,362	1,342

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 Q1 2026 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended March 31, 2026 and 2025.

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>	Q1 2026		Q1 2025		% Change
	\$	% of total	\$	% of total	
Revenue source					
Water treatment fees	1,981	37%	1,962	25%	1%
Technical services - short-term operations	920	17%	3,442	43%	(73%)
Technical services - advisory and design	1,899	36%	2,042	26%	(7%)
Total Revenues	4,800		7,446		(36%)
Sale of recovered metals	504	10%	502	6%	0%
Total Proportional Revenues	5,304	100%	7,948	100%	(33%)

The Company earns recurring revenues from water treatment fees, including monthly fees, tolling fees from the volume of water treated, and operations support fees across six different sites. Our three sites in Canada include Raglan Mine in Nunavik through our partnership with Inuit company Nuvumiut Development, Britannia Mine and a treatment plant in Eastern Canada, with a further three selenium removal plants operating in the US. Water treatment fee revenues in Q1 2026 are comparable to Q1 2025, which was mainly due to the addition of two new operations in Canada in 2026, offsetting the decrease in scope from our US operations in 2025. In Q1 2026, we continued to earn support fees in our three SART plants in China totaling \$46,000 compared to \$186,000 in Q1 2025, with the decrease due to the lack of operations support required because of a temporary shut-down at a facility upstream of the Shandong Gold SART plant.

Technical services revenues from short-term operations are related to onsite operation services with contracts that are non-recurring and less than a year. Short-term operations decreased by \$2.5 million in Q1 2026 compared to Q1 2025. The decrease was primarily due to requirement for emergency water treatment operations in response to the environmental emergency at the Eagle Gold Mine in the Yukon. In 2026, we deployed our operations team in mid-March to prepare for treatment in April, compared to Q1 2025 where we operated for the full three months.

Technical services revenues from advisory and design services decreased by \$143,000 in Q1 2026 compared to Q1 2025. 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 with a range of contract values and the total value varies widely from quarter to quarter

Revenues from the sale of base metals recovered comprise the Company's share of revenues from joint ventures in China. During Q1 2026, our share of revenues from the JCC-BQE joint venture was \$473,000 compared to \$502,000 in Q1 2025, representing a 6% decrease. This decrease is attributable to a 16% decrease in the quantity of copper recovered offset by a 45% increase in the average copper price during the period, and the lack of zinc sales in Q1 2026 compared to the revenue of \$114,000 for zinc recovered and sold Q1 2025. The Company's share of income from joint ventures in Q1 2026, which includes the above noted sale of recovered metals from operations, offset by cost of sales and expense, was \$44,000 compared to \$61,000 in Q1 2025. 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 China and is affected by the amount and market price of metal concentrate sold.

Operating Expenses

Total operating expenses in Q1 2026 were \$3.6 million compared to \$4.2 million in Q1 2025, a decrease of \$618,000. The 15% decrease in operating expenses is primarily attributable to the decrease in total revenues. 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. During Q1 2026, the Company's gross margin ratio was 25% compared to 43% in Q1 2024.

Expenses

General and administration expenses in Q1 2026 were \$1.1 million compared to \$766,000 in Q1 2025, representing a \$293,000 or 38% increase. The increase is attributable to \$150,000 increase in employee benefits and a \$103,000 increase in professional services for the period.

Sales and development costs in Q1 2026 were \$1.3 million compared to \$676,000 in Q1 2025, an increase of 94%. The \$634,000 increase is largely attributed to a \$517,000 increase in labour resources allocated to the development of the new aquatic toxicity team, and to fulfill technological development and business initiatives.

Share-based payment expenses were \$260,000 in Q1 2026 compared to \$83,000 in Q1 2025, an increase of \$177,000. Share-based payment expenses mainly consist of non-cash compensation expenses relating to stock options and restricted share units 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 share price throughout the period.

Depreciation and amortization expenses were \$146,000 in Q1 2026 compared to \$127,000 in Q1 2025. The depreciation increase is due to the addition of a laboratory lease asset in Q1 2026.

Other Income and Expenses

The net of other income was \$275,000 in Q1 2026 compared to \$108,000 in Q1 2025. Other income consists of net finance income, foreign exchange and other income.

Net finance income was \$28,000 in Q1 2026 and \$27,000 in Q1 2025. 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 \$95,000 in Q1 2026 compared to a loss of \$10,000 in Q1 2025. 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 \$152,000 in Q1 2026 compared to \$91,000 in Q1 2025. Other incomes consist of fair value adjustments on interest-free loans, and other gains and fees earned which are non-operating in nature.

Net Income

Overall, net loss for Q1 2026 was \$1.3 million compared to a net income of \$1.7 million in Q1 2025.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2026, BQE Water had 1,300,668 common shares issued (1,298,168 at December 31, 2025) and 26,000 stock options outstanding (28,500 at December 31, 2025).

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. During Q1 2026 and Q1 2025, no common shares were purchased and cancelled under the NCIB.

Subsequent to March 31, 2026, as of the date of this MD&A on May 28, 2026, the Company's common shares issued and outstanding and stock options outstanding remain unchanged from March 31, 2026.

At March 31, 2026, we had cash and cash equivalents of \$17.7 million, a decrease of \$1.3 million from December 31, 2025. For the three months ended March 31, 2026, net cash used in operating activities was \$1.3 million compared to \$953,000 in Q1 2025.

Working capital is defined as current assets minus current liabilities. At March 31, 2026, the Company had a consolidated working capital position of \$20.0 million, a decrease of \$1.5 million from December 31, 2025. At March 31, 2026, significant working capital items, aside from cash and cash equivalents, include trade and other receivables of \$4.8 million (\$5.7 million at December 31, 2025) and trade payables and accrued liabilities of \$2.1 million (\$2.7 million at December 31, 2025).

The Company has interest-free loans with Pacific Economic Development Canada under the Business Scale-Up & Productivity Program ("BSP"). At March 31, 2026, the BSP loan has a balance of \$1.0 million (\$613,000 at December 31, 2025). 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 \$2.5 million until 2034 under operating leases for office and laboratory premises, and assay services.

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 months ended March 31, 2026, was \$57,777 (\$24,541 for March 31, 2025). As of March 31, 2026, included in trade and other receivables, the trade receivables due from the joint venture was \$nil (\$477,037 at December 31, 2025).

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 year or prior year for bad or doubtful debts in respect of amounts owed by joint ventures.

Key Management Compensation

For the three months ended March 31, 2026 and 2025, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, is as follows:

	3 months ended Mar. 31	
	2026	2025
	\$	\$
Salaries, fees, and short-term benefits	311,401	300,792
Share-based payments	50,138	29,385
	<u>361,539</u>	<u>330,177</u>

Included in trade payables and accrued liabilities as of March 31, 2026, is \$18,475 (\$nil at December 31, 2025) of director fees.

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, 2025.