Management's Discussion and Analysis
(Quarterly Highlights)

For the three and six months ended June 30, 2026 and 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three and six months ended June 30, 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 Q2 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 and six months ended June 30, 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 June 30, 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 of August 27, 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 this extensive experience to deliver exceptional operational and technical services. BQE Water is listed on the TSX Venture Exchange under the symbol “BQE”. Additional information may be found on our website at www.bqewater.com and on SEDAR+ at www.sedarplus.ca.

NON-GAAP MEASURES

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

Proportional Results

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

Proportional Revenues

This non-GAAP financial measure of Proportional Revenue adds BQE Water's share of revenues from its China joint ventures to the Company's revenues reported under GAAP. Proportional Revenues for the three and six-month periods ended June 30, 2026 and 2025, are as follows:

(in $'000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	**2026**	2025
	$	$	**$**	$
Reported revenues under GAAP	**9,245**	11,276	**14,046**	18,722
Share of revenues from joint ventures in China	**2,046**	1,632	**2,550**	2,134
Proportional Revenue for the period	**11,291**	12,908	**16,596**	20,856

Adjusted EBITDA

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

(in $'000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	**2026**	2025
	$	$	**$**	$
GAAP: Net income	**1,848**	1,908	**574**	3,635
add/deduct: interest (income) expense	**(31)**	2	**(59)**	(28)
add: income tax expenses	**145**	80	**98**	10
add: depreciation and amortization	**294**	253	**560**	501
EBITDA	**2,256**	2,243	**1,173**	4,118
add: share-based payment expenses	**369**	191	**629**	274
deduct: other income	**(51)**	(144)	**(204)**	(235)
add/deduct: net foreign exchange	**(139)**	192	**(234)**	202
Adjusted EBITDA	**2,435**	2,482	**1,364**	4,359

FINANCIAL HIGHLIGHTS

- Revenues under GAAP of $9.2 million and Proportional Revenues of $11.3 million in Q2 2026, compared to $11.3 million and $12.9 million in Q2 2025.
- Gross margin of $4.3 million in Q2 2026 compared to $3.7 million in Q2 2025, a $557,000 or 15% increase.
- Net income of $1.8 million in Q2 2026 compared to net income of $1.9 million in Q2 2025, a 3% decrease.
- Earnings per share (basic) of $1.42 in Q2 2026 compared to $1.48 in Q2 2025.
- Adjusted EBITDA of $2.4 million in Q2 2026 compared to $2.5 million in Q2 2025, a 2% decrease.
- Working capital of $21.0 million at June 30, 2026, compared to $21.4 million at December 31, 2025, a 2% decrease.

Selected financial results for the three and six months ended June 30, 2026 are as follows:

(in '000s)	3 months ended Jun. 30		6 months ended Jun. 30	
Revenue	**2026**	2025	**2026**	2025
Operational services	**3,063**	1,147	**5,045**	3,109
Technical services – short-term operations	**4,243**	3,672	**5,163**	7,114
Technical services – advisory and design	**1,939**	6,457	**3,838**	8,499
Total revenues under GAAP	**9,245**	11,276	**14,046**	18,722
Share of revenue from joint ventures in China	**2,046**	1,632	**2,550**	2,134
Proportional Revenues (Non-GAAP measures)	**11,291**	12,908	**16,596**	20,856
Net income	**1,848**	1,908	**574**	3,635
Adjusted EBITDA (Non-GAAP measures)	**2,435**	2,482	**1,364**	4,359

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
Nunavik Nickel Project for Canadian Royalties	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 Q2 2026 are as follows:

(in '000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
Water treated (cubic metres)	5,865	6,152	7,338	8,067
Copper recovered (pounds)	511	471	635	619
Zinc recovered (pounds)	317	512	392	689

In Q2 2026, all three plants met mechanical availability and process performance set by the Company. When compared to Q2 2025, the volume of water treated decreased by 5%, the mass of copper recovered increased by 8%, and the mass of zinc recovered decreased by 38%. 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 treatment of wastewater from a smelter. Operating results for Q2 2026 are as follows:

(in '000s)	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
Water treated (cubic metres)	58	38	114	107

BQE Water Operations

The number of operating days contributing to water treatment or support fees for three and six months ended June 30, 2026, is as follows:

(in days)	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
Raglan Mine water treatment plants	43	58	55	58
Nunavik Nickel Project water treatment plants	11	-	11	-
Britannia Mine water treatment plant	91	-	170	-
Lead smelter treatment plant in Eastern Canada	90	-	177	-
Zhongkuang SART plant	69	85	124	175
Zhaojin SART plant	91	91	181	176
Shandong Gold SART plant	57	-	93	-
Water treatment plant in Eastern USA	68	64	129	128
Wharf Mine water treatment plant	53	-	83	-
Water treatment plants in Southwest USA	91	91	181	181

The volume of water treated by geographic location for the three and six months ended June 30, 2026, is as follows:

(in '000s cubic metres)	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
Raglan Mine water treatment plants	179	273	228	273
Nunavik Nickel Project water treatment plants	133	-	133	-
Britannia Mine water treatment plant	1,097	-	2,274	-
Lead smelter treatment plant in Eastern Canada	58	-	117	-
SART plants in China	184	170	294	280
Water treatment plants in USA	606	578	740	1,327

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 are usually shut down in the first quarter as water stored in the outdoor reservoirs is frozen. During Q2 2026, we mobilized our operations team to site to commence our 23rd operating season at the mine. Operational activities were initiated in early May and treated water discharge began in the following month.

In 2021, we began operations of the Zhongkuang SART (sulphidization-acidification-recycling-thickening) plant and the Zhaojin SART plant at metallurgical facilities in China. In 2025, we commissioned the third SART plant at Shandong Gold in the same region. All three SART plants have been under our technical supervision since the start of production. During Q2 2026, our team provided ongoing technical supervision across all three plants.

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 Q2 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 began operations 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 2023, our team began operations for a second newly constructed selenium removal water treatment plant at the same site. In Q2 2026, our team continued to provide onsite operations support and technical supervision at both 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 Q2 2026, our team continued 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 for the provision of operations and maintenance services for the Britannia Mine water treatment plant for the BC government under 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 Q2 2026, our team continued to operate and treat water daily without interruption.

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 Q2 2026, our team continued to provide ongoing site support and technical supervision.

In May 2026, we initiated our water treatment operations contract, through our joint venture Inuit-based partnership, to operate five treatment systems at the Nunavik Nickel Project owned by Canadian Royalties Inc. Treatment operations typically run from May to October depending on the volume of water requiring treatment. In Q2 2026, the operations team completed de-winterization and began water treatment.

SHORT-TERM OPERATIONS SERVICES HIGHLIGHTS

In addition to long-term operations, BQE Water provides operations and technical support services on a temporary basis at several sites. Short-term operations are non-recurring in nature with contracts typically lasting than a year. The number of operating days contributing to water treatment or support fees for three and six months ended June 30, 2026, is as follows:

(in days)	3 months ended Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
Eagle Gold Mine in the Yukon	91	91	124	181
Valley Tailings Facility in the Yukon	70	-	70	-
Minto Mine in the Yukon	25	-	25	-
Bell Mine in BC	13	-	13	-

Short-term Operations Services

- Continued providing water treatment operations services for the temporary emergency treatment system at the Eagle Gold Mine in the Yukon.
- Initiated operations at ERDC Valley tailings facility in the Yukon, which was constructed and commissioned last year.
- Re-initiated providing operations services at Minto Mine in the Yukon.
- Initiated services at Bell Mine in BC.

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 Q2 2026 are summarized below.

Trusted Advisory Services (Water Management and Water Studies)

- Initiated providing water management and treatment design advisory services to an operating mine in Ontario.
- Initiated lab testing and advisory services to a new mining operation in Saskatchewan.
- Continued to provide water management and treatment design advisory services to the KSM project in BC.
- Continued providing water management and treatment design advisory services to a new mine undergoing permitting in the Yukon.
- Continued to provide water treatment advisory services to a new project in permitting stage in Argentina.
- 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 engineering design services for a water treatment system integrated into a rare earth extraction project in Brazil.
- Performed a study to recommend the best treatment option for a legacy mine site in the Yukon.
- Performed a study to identify options for implementing selenium removal at an operating site in Quebec.
- Completed commissioning of an ion exchange system for lithium brine purification and initiated assistance with installation for a customer in Western Canada.
- Completed a review and optimization study for an existing desalination plant supplying fresh water to a copper mine in Chile.
- Completed engineering advisory services to the Kemess project in BC to transition to short-term operations.

Cyanide Management (Destruction and Recycle)

- Initiated engineering advisory services for cyanide destruction for a project in Australia.
- Initiated engineering advisory services for estimating cyanide emissions, designing emissions control system for cyanide, and revising engineering design of cyanide destruction for a project in US.
- Continued to provide plant engineering design services requiring the end-of-pipe cyanide level below 8 ppb to a project in the US.
- Continued detailed engineering for SART integration into the New Britannia mill in Manitoba, Canada.

Aquatic Toxicology Services

- Initiated assessment of chronic effects on aquatic environment caused by mine effluent at a mine in Western Canada.
- Initiated investigation into the effects of ammonia on acute toxicity under site-specific conditions at a mine in Eastern Canada.
- Initiated routine effluent toxicity quality monitoring for Eagle Mine water treatment operations and investigated the root cause of algae bloom.
- Completed literature review and prepared a plan for laboratory tests required to establish a site-specific performance objective limit for sulphate and total dissolved solids at a mine in BC.
- Completed the development of nitrate guidelines for a client in Alberta.

COMMENTARY AND OUTLOOK

Overall, Q2 2026 was a very busy quarter. Our operations group continued to provide services at our existing sites and initiated operational services at five new sites in 2026, including the Nunavik Nickel Project in Quebec, Britannia Mine in BC, a lead smelter treatment plant in Eastern Canada, a selenium removal plant in South Dakota, and the SART plant in China. These new sites contributed an additional $1.9 million in revenue from operational services for Q2 2026 when compared to Q2 2025.

We also mobilized short-term operations at three new sites in Q2 2026, including Minto Mine, where we re-established our presence and aim to expand our partnership with the Selkirk First Nation while building a strong relationship with the new management overseeing this unique asset. Our projects group utilization also increased in comparison to Q1 2026, matching the utilization in Q2 2025, as multiple new advisory services and engineering design projects were initiated.

For the 3-month period in Q2 2026, our net income and Adjusted EBITDA were comparable to Q2 2025 even with a $2.0 million reduction in total revenue in Q2 2026. When comparing year-to-date to the prior year, it is important to note that the $4.7 million decrease in revenue was almost entirely due to the one-time pass-through sale of equipment to the Valley Tailings ERDC project completed in 2025. BQE Water is not a fabricator or vendor of equipment and this sale of equipment in 2025 was an outlier. Notably, the ERDC Valley Tailings project became one of our short-term operations sites in Q2 2026.

Training of new staff and our adaptation to the new organizational structure put in place in 2025 continued across the organization, and our aquatic toxicology laboratory became fully operational in Q2 2026. While the aquatic toxicology lab has started working on projects supporting our operations and/or performing investigative work, we anticipate that it will complete the requirements necessary for accreditation for performing regulatory compliance testing over the coming months.

Our balance sheet remains strong. While cash and cash equivalents decreased by $2.3 million over the 6 months when compared to December 31, 2025, it was mainly due to the increases in accounts receivable for our projects and operations at the end of Q2 2026, as our working capital remained at $21.0 million. In addition, we spent $871,000 in the first six months of 2026 to purchase capital assets split between mobile equipment for Britannia, offices and labs improvements, and hardware updates.

Our outlook for the remainder of 2026 has not changed from our last update and we expect strong results due to the following:

- **Operational Services.** The increase in the number of operating sites compared to 2025 and the initiation of capital projects at the Britannia Mine water treatment facility will increase revenue from operations significantly compared to 2025.
- **Short-term Operations.** Our short-term operations revenue is expected to increase further in Q3 and Q4 compared to last year as we resume operations at Kemess under a seasonal amendment to an existing 5-year contract, continue our services at Minto Mine, assist water treatment at the Bell Mine, and continue treating water at Eagle Mine this season, which we expect will be comparable to 2025. While these contracts are short term in nature, this often reflects the client's ability to commit, rather than any lack of desire to have BQE involved long term.
- **Advisory and Design.** We anticipate several larger engineering studies to be initiated in Q3 and Q4 and are actively preparing for commissioning of two plants that are currently under construction.

Despite the positive outlook, management recognizes that the step change in staffing requires system improvements and upgrades in areas like resource allocation, business development, human resourcing, and accounting. These systems are currently in the early stages of implementation and BQE Water's financial performance in the next 12 months will be influenced by the success of their implementation. We continue to observe a high level of business activity in the mining industry which is expected to support growth in sales. That said, we are always mindful of current geopolitical and market uncertainties and are prepared to pivot as required to maintain disciplined profitable growth.

SELECTED FINANCIAL INFORMATION

(in $'000 except for per share amounts)	**3 months ended Jun. 30**		**6 months ended Jun. 30**	
	2026	2025	**2026**	2025
	$	$	**$**	$
Revenues	**9,245**	11,276	**14,046**	18,722
Operating expenses (excluding depreciation)	**(4,987)**	(7,575)	**(8,609)**	(11,814)
Gross margin	**4,258**	3,701	**5,437**	6,908
Share of income from joint ventures	**838**	427	**882**	488
General and administration	**(1,312)**	(1,029)	**(2,371)**	(1,796)
Sales and development	**(1,606)**	(804)	**(2,916)**	(1,480)
Share-based payments	**(369)**	(191)	**(629)**	(274)
Depreciation and amortization	**(170)**	(134)	**(315)**	(260)
Income from operations and joint ventures	**1,639**	1,970	**88**	3,586
Other income (expenses)	**215**	(54)	**492**	53
Income tax expenses	**(6)**	(8)	**(6)**	(4)
Net income for the period	**1,848**	1,908	**574**	3,635
Net earnings per share (basic)	**1.42**	1.48	**0.44**	2.81
Net earnings per share (diluted)	**1.41**	1.46	**0.44**	2.78
Proportional Revenues (Non-GAAP measures)	**11,291**	12,908	**16,596**	20,856
Adjusted EBITDA (Non-GAAP measures)	**2,435**	2,482	**1,364**	4,359
Comprehensive income	**2,043**	1,646	**946**	3,382

	at Jun. 30,	at Dec. 31,
	2026	2025
	$	$
Cash and cash equivalents	**16,643**	18,982
Working capital	**21,018**	21,410
Total assets	**37,932**	35,710
Total non-current liabilities	**3,269**	2,549
Shareholders' equity	**29,826**	28,795

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

(in $'000s)	**Jun-26**	Mar-26	Dec-25	Sept-25	Jun-25	Mar-25	Dec-24	Sept-24
	$	$	$	$	$	$	$	$
Revenues	**9,245**	4,800	7,504	9,315	11,276	7,446	5,088	6,165
Operating expenses	**(4,987)**	(3,622)	(3,854)	(4,610)	(7,575)	(4,240)	(3,058)	(2,497)
Gross margin	**4,258**	1,178	3,650	4,705	3,701	3,206	2,030	3,668
Share of results from joint ventures	**838**	44	(556)	275	427	61	(567)	1,577
General and administration	**(1,312)**	(1,059)	(1,061)	(868)	(1,029)	(766)	(810)	(771)
Sales and development	**(1,606)**	(1,310)	(1,509)	(957)	(804)	(676)	(704)	(576)
Share-based payments	**(369)**	(260)	(430)	(199)	(191)	(83)	(201)	(199)
Depreciation and amortization	**(170)**	(146)	(130)	(126)	(134)	(127)	(129)	(106)
Income (loss) from operations	**1,639**	(1,553)	(36)	2,830	1,970	1,615	(381)	3,593
Other income (expenses), net	**215**	275	(40)	126	(54)	108	232	2
Bad debt expense	**-**	-	(58)	-	-	-	(14)	-
Income tax recovery (expense)	**(6)**	-	1,781	(173)	(8)	3	1,377	(78)
Net income (loss)	**1,848**	(1,278)	1,647	2,783	1,908	1,726	1,214	3,517
Translation gain (loss)	**194**	180	(16)	174	(262)	9	187	123
Comprehensive income (loss)	**2,042**	(1,098)	1,631	2,957	1,646	1,735	1,401	3,640
Non-GAAP Measures:								
Proportional Revenue	**11,291**	5,304	8,424	10,655	12,908	7,948	5,765	9,540
Adjusted EBITDA	**2,435**	(1,074)	548	3,324	2,482	1,877	(2)	4,362

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 and in the Yukon will operate in the warmer months, typically from May to October of each year. The Company is actively adding new operations that are not affected by seasonality to smooth out the operations revenue from period to period. For variations in Proportional Revenue, which includes our share of revenue from the 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 Q2 2026 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended June 30, 2026 and 2025.

Revenues and Proportional Revenues

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

(in $'000s)	**Q2 2026**		Q2 2025		
Revenue source	**$**	**% of total**	$	% of total	% Change
Water treatment fees	**3,063**	**27%**	1,147	9%	167%
Technical services - short-term operations	**4,243**	**38%**	3,672	28%	16%
Technical services - advisory and design	**1,939**	**17%**	6,457	50%	(70%)
Total Revenues	**9,245**		11,276		(18%)
Sale of recovered metals	**2,046**	**18%**	1,632	13%	25%
Total Proportional Revenues	**11,291**	**100%**	12,908	100%	(13%)

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 eight different sites. Operations include the treatment plant in Britannia Mine in BC, a treatment plant in Eastern Canada, treatment facilities in Shandong Province in China, and three selenium removal plants in the US. Through our partnership with the Inuit company Nuvumiut Development, we operate at the Raglan Mine and the Nunavik Nickel Project, both of which are located in Nunavik, Quebec. Water treatment fee revenues in Q2 2026 increased by $1.9 million when compared to Q2 2025, which was mainly due to the addition of four new operations in 2026.

Technical services revenues from short-term operations are related to onsite operation services with contracts that are non-recurring and last less than a year. The main source of such revenue is from the emergency water treatment operations in response to the environmental emergency at the Eagle Gold Mine in the Yukon. Short-term operations increased by $571,000 in Q2 2026 compared to Q1 2025, as we deployed new operation teams for seasonal operations at Bell Mine, the Valley Tailings Facility and at a previously operated water treatment plant in the Yukon.

Technical services revenues from advisory and design services decreased by $4.5 million in Q2 2026 compared to Q2 2025, which was mainly due to the one-time plant equipment sale and commissioning of the Valley Tailings Facility in 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.

Share of Results from Joint Ventures in China

Revenues from the sale of base metals recovered comprise the Company's share of revenues from joint ventures in China. During Q2 2026, our share of revenues from the JCC-BQE joint venture was $2.0 million compared to $1.4 million in Q2 2025, representing a 41% increase. This increase is attributable to an 8% increase in the quantity of copper recovered and by a 38% increase in the average copper price during the period. The total sale of zinc in Q2 2026 is comparable to Q2 2025. The Company's share of income from joint ventures in Q2 2026, which includes the above noted sale of recovered metals from operations, offset by cost of sales and expense, was $837,000 compared to $422,000 in Q2 2025. Our share of revenue in Q2 2026 from the MWT-BQE joint venture was $27,000 compared to $197,000 in Q2 2025, with the variance resulting from intermittent plant operation to manage copper and zinc levels in the feed. 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 Q2 2026 were $5.0 million compared to $7.6 million in Q2 2025, a decrease of $2.6 million. The 34% decrease in operating expenses is attributable to the decrease in total revenues, primarily from the Valley Tailings

Facility project completed in 2025. 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 Q2 2026, the Company's gross margin ratio was 46% compared to 33% in Q2 2025.

Expenses

General and administration expenses in Q2 2026 were $1.3 million compared to $1.0 million in Q2 2025, representing a $283,000 or a 28% increase. The increase is attributable to an $86,000 increase in employee benefits and a $175,000 increase across legal, audit, recruitment, and technology professional services for the period.

Sales and development costs in Q2 2026 were $1.6 million compared to $804,000 in Q2 2025, an increase of 100%. The $802,000 increase is due to a $183,000 increase for the development of the new aquatic toxicology lab, and a $513,000 increase in labour resources allocated to the onboarding of new team members and to fulfill technological development and business initiatives.

Share-based payment expenses were $369,000 in Q2 2026 compared to $191,000 in Q2 2025, an increase of $178,000. 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 $170,000 in Q2 2026 compared to $134,000 in Q2 2025. The depreciation increase is due to the addition of a laboratory lease asset in 2026.

Other Income and Expenses

The net of other income was $215,000 in Q2 2026 compared to other loss of $54,000 in Q2 2025. Other income (or loss) consists of net finance income, foreign exchange and other income.

Net finance income was $25,000 in Q2 2026 and net loss of $6,000 in Q2 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 $139,000 in Q2 2026 compared to a loss of $192,000 in Q2 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 $51,000 in Q2 2026 compared to $144,000 in Q2 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 income for Q2 2026 was $1.8 million compared to $1.9 million in Q2 2025.

SUMMARY OF YEAR-TO-DATE Q2 2026 FINANCIAL RESULTS

The following is a summary of selected financial results for the six-month periods ended June 30, 2026 and 2025.

Revenues and Proportional Revenues

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

(in $'000s)	**YTD 2026**		YTD 2025		
Revenue source	**$**	**% of total**	$	% of total	% Change
Water treatment fees	**5,045**	**30%**	3,109	15%	62%
Technical services - short-term operations	**5,163**	**31%**	7,114	34%	(27%)
Technical services - advisory and design	**3,838**	**24%**	8,499	41%	(55%)
Total Revenues	**14,046**		18,722		(25%)
Sale of recovered metals	**2,550**	**15%**	2,134	10%	19%
Total Proportional Revenues	**16,596**	**100%**	20,856	100%	(20%)

Year-to-date water treatment fee revenues increased by $1.9 million compared to 2025. The 62% increase was mainly due to the addition of five operations in 2026, including the Nunavik Nickel Project in Quebec, Britannia Mine in BC, a lead smelter treatment plant in Eastern Canada, a selenium removal plant in South Dakota, and the SART plant in China. The two sites in the US operate year-round and the Raglan Mine operations began discharging water in June.

Technical services revenues from short-term operations were primarily from the emergency water treatment operations in response to the environmental emergency at the Eagle Gold Mine in the Yukon. Short-term operations revenue decreased by $2.0 million in 2026 when compared to the same period 2025, mainly due to water treatment at Eagle Mine not being required until mid-March, compared with the full six months of treatment in 2025.

Technical services revenues from advisory and design services decreased by $4.7 million from the same period in 2025. The decrease is mainly attributable to the one-time plant equipment sale and commissioning of the Valley Tailings Facility in 2025.

Our share of revenue from the sale of recovered metals from the JCC-BQE joint venture increased by $555,000. This 29% increase was attributable to a 3% increase in the recovered quantity of copper and a 39% increase in the average copper prices during the period. Sale of recovered zinc from Yinshan was $196,000 during the first half of 2026, compared to $345,000 for the same period in 2025. 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 $58,000 in the first half of 2026 compared to $197,000 for the same period in 2024.

Operating Expenses

Year-to-date operating expenses in 2026 were $8.6 million compared to $11.8 million for the same period in 2025, a decrease of $3.2 million. This decrease is consistent with the decrease in revenues from technical services for one-time plant equipment sale in the Yukon. Year-to-date operating margin in 2026 was 39% compared to 37% for the same period in 2025.

Expenses

Year-to-date general and administration expenses were $2.4 million compared to $1.8 million for the same period in 2025. The $576,000 increase was due to increases in professional services and employee benefits.

Year-to-date sales and development expenses were $2.9 million compared to $1.5 million for the same period in 2025, an increase of $1.4 million. The increase was largely due to the deployment of additional labour resources for training, toxicology lab development, technical development initiatives and business development services during the period.

Net Income
Overall, net income year-to-date for 2026 was $574,000, compared to $3.6 million in the same period in 2025.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2026, BQE Water had 1,300,968 common shares issued (1,298,168 at December 31, 2025) and 24,800 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. For the three and six months ended June 30, 2026, no common shares were purchased and cancelled under the NCIB (1,000 common shares for the three and six months ended June 30, 2025).

Subsequent to June 30, 2026, as of the date of this MD&A on August 27, 2026, the Company's common shares issued and outstanding and stock options outstanding remain unchanged from June 30, 2026.

At June 30, 2026, we had cash and cash equivalents of $16.6 million, a decrease of $2.3 million from December 31, 2025. For the six months ended June 30, 2026, net cash used in operating activities was $2.6 million compared to net cash from operating activities of $1.7 million for the same period in 2025.

Working capital is defined as current assets minus current liabilities. At June 30, 2026, the Company had a consolidated working capital position of $21.0 million, a decrease of $392,000 from December 31, 2025. At June 30, 2026, significant working capital items, aside from cash and cash equivalents, include trade and other receivables of $8.2 million ($5.7 million at December 31, 2025) and trade payables and accrued liabilities of $3.3 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 June 30, 2026, the fair value of the total loans received from BSP was $1.2 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 $2.4 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 and six months ended June 30, 2026, was $359,583 and $417,361 ($241,973 and $266,514 for June 30, 2025). As of June 30, 2026, included in trade and other receivables, the trade receivables due from the joint venture was $53,909 ($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 and six months ended June 30, 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 Jun. 30		6 months ended Jun. 30	
	2026	2025	2026	2025
	$	$	$	$
Salaries, fees and short-term benefits	444,544	396,595	755,945	697,386
Share-based payments	94,080	29,634	144,219	59,019
	538,624	426,229	900,164	756,405

Included in trade payables and accrued liabilities as of June 30, 2026 is $44,850 ($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.