

BQE Water

BQE WATER INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian Dollars unless stated otherwise)

(Unaudited)

For the three and six months ended June 30, 2022 and 2021

NOTICE TO READER

The accompanying condensed consolidated interim financial statements of the Company have been prepared by the Company's management and reviewed by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

BQE WATER INC.

Condensed Consolidated Interim Statements of Financial Position
For the period ended June 30, 2022 and December 31, 2021
(Unaudited – expressed in Canadian dollars)

		June 30 2022 \$	December 31 2021 \$
	note		
Assets			
Current assets			
Cash		2,898,678	3,943,714
Restricted cash	5	157,953	83,137
Trade and other receivables	6, 7	2,692,411	2,009,201
Prepaid and deposits		131,065	233,022
Total current assets		5,880,107	6,269,074
Non-current assets			
Plant and equipment	8	291,981	255,141
Intangible assets	9	356,745	398,715
Investment in joint ventures	10	8,056,977	6,855,401
Deposits		37,498	24,881
Total non-current assets		8,743,201	7,534,138
Total assets		14,623,308	13,803,212
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	7, 11	1,018,668	1,041,802
Loans	12	82,500	82,500
Deferred revenues		116,471	73,243
Lease obligations	13	118,108	120,039
Deferred benefits	14	527,446	394,441
Total current liabilities		1,863,193	1,712,025
Non-current liabilities			
Loans	12	226,875	268,125
Deferred revenues		283,740	253,560
Lease obligations	13	70,299	86,412
Other liabilities	9	169,700	169,700
Total non-current liabilities		750,614	777,797
Total liabilities		2,613,807	2,489,822
Shareholders' Equity			
Share capital	15	56,607,261	56,573,611
Contributed surplus		10,747,163	10,669,159
Accumulated other comprehensive income		1,502,954	1,750,386
Accumulated deficit		(56,847,877)	(57,679,766)
Total shareholders' equity		12,009,501	11,313,390
Total liabilities and shareholders' equity		14,623,308	13,803,212
Commitments (note 18)			
Subsequent event (note 21)			

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BQE WATER INC.

Condensed Consolidated Interim Statements of Income and Other Comprehensive Income

For the three and six months ended June 30, 2022 and 2021

(Unaudited – expressed in Canadian dollars)

		3 months ended June 30		6 months ended June 30	
		2022	2021	2022	2021
		\$	\$	\$	\$
	note				
Revenues	19	2,722,244	1,188,315	5,188,938	2,168,000
Operating expenses (excluding depreciation)		(1,772,500)	(943,959)	(3,303,563)	(1,451,456)
Operating margin before depreciation		949,744	244,356	1,885,375	716,544
Share of income from joint ventures	10	1,128,618	1,580,079	1,462,025	1,603,509
General and administration		(579,073)	(459,168)	(1,182,924)	(860,064)
Sales and development		(436,207)	(378,071)	(790,579)	(831,064)
Share-based payments	7, 14	(266,931)	(184,263)	(289,449)	(272,336)
Depreciation and amortization	8, 9	(58,806)	(37,030)	(113,607)	(74,074)
Income from operations and joint ventures		737,345	765,903	970,841	282,515
Finance costs, net		(4,420)	(6,079)	(8,577)	(11,899)
Foreign exchange (loss) gain		(72,872)	(33,311)	(109,983)	(67,351)
Bad debt recovery		-	94,630	-	94,630
Income before income taxes		660,053	821,143	852,281	297,895
Income tax expenses		(18,477)	(12,574)	(20,392)	(12,574)
Net income for the period		641,576	808,569	831,889	285,321
Other comprehensive income					
<i>Items that will be reclassified subsequently to income</i>					
Translation gain (loss) on foreign operations		(138,529)	28,013	(247,432)	(41,136)
Total comprehensive income for the period		503,047	836,582	584,457	244,185
Net earnings per share					
Basic	15(c)	0.51	0.66	0.67	0.23
Diluted	15(c)	0.50	0.65	0.65	0.23
Weighted average number of shares outstanding					
Basic	15(c)	1,248,205	1,228,044	1,247,267	1,223,500
Diluted	15(c)	1,272,448	1,250,956	1,271,061	1,244,990

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BQE WATER INC.

Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended June 30, 2022 and 2021

(Unaudited – expressed in Canadian dollars)

		Number of Shares	6 months ended June 30, 2022 \$	Number of Shares	6 months ended June 30, 2021 \$
	note				
Share Capital					
Balance, beginning of the period	15(b)	1,244,968	56,573,611	1,217,435	56,386,413
Exercise of stock options	14(a)	4,160	33,650	18,533	127,698
Balance, end of the period		1,249,128	56,607,261	1,235,968	56,514,111
Contributed surplus					
Balance, beginning of the period			10,669,159		10,565,312
Equity settled share-based payments	14(a)		78,004		54,409
Balance, end of the period			10,747,163		10,619,721
Accumulated other comprehensive income					
Balance, beginning of the period			1,750,386		1,445,214
Other comprehensive loss for the period			(247,432)		(41,136)
Balance, end of the period			1,502,954		1,404,078
Accumulated deficit					
Balance, beginning of the period			(57,679,766)		(60,309,204)
Net income for the period			831,889		285,321
Balance, end of the period			(56,847,877)		(60,023,883)
Total shareholders' equity					
Balance, beginning of the period			11,313,390		8,087,735
Exercise of stock options	14(a)		33,650		127,698
Equity settled share-based payments	14(a)		78,004		54,409
Net income for the period			831,889		285,321
Other comprehensive loss for the period			(247,432)		(41,136)
Balance, end of the period			12,009,501		8,514,027

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BQE WATER INC.

Condensed Consolidated Interim Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(Unaudited – expressed in Canadian dollars)

		6 months ended June 30	
		2022	2021
		\$	\$
	note		
Operating activities			
Net income for the period		831,889	285,321
Items not affecting cash			
Bad debt recovery		-	(94,630)
Share of income from joint ventures	10	(1,462,025)	(1,603,509)
Finance costs, net		8,577	11,899
Depreciation and amortization	8, 9	113,607	74,074
Foreign exchange loss		160,036	57,665
Share-based payments	14	289,449	272,336
		(58,467)	(996,844)
Change in non-cash operating working capital items	17	(799,823)	168,527
Net cash used in operating activities		(858,290)	(828,317)
Investing activities			
Purchase of plant and equipment	8	(54,992)	(4,050)
Contributions made to joint ventures	10	(49)	-
Interest received		2,983	3,514
Net cash used in investing activities		(52,058)	(536)
Financing activities			
Lease payments on principal portion	13	(71,557)	(40,760)
Lease payments on interest portion	13	(11,508)	(15,361)
Proceeds from exercise of stock options	14(a)	33,650	127,698
Repayment of loans	12	(41,250)	(20,625)
Interest paid		(36)	(52)
Net cash (used in) provided by financing activities		(90,701)	50,900
Effect of exchange rate changes on cash		(43,987)	(35,647)
Change in cash		(1,045,036)	(813,600)
Cash, beginning of the period		3,943,714	3,239,692
Cash, end of the period		2,898,678	2,426,092

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

BQE Water Inc. (“BQE Water” or the “Company”) is the ultimate parent company of its consolidated group. BQE Water is an integrated water management services and treatment solutions provider with unique expertise and intellectual property to support the mining and metallurgical industry in reducing life cycle costs and risks associated with water.

The Company is a publicly listed company incorporated and domiciled in Canada with limited liability under the legislation of the Province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange trading under the symbol BQE. The address of its registered office is Suite 250 – 900 Howe Street, Vancouver, British Columbia, V6Z 2M4, Canada.

2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”) on a basis consistent with the accounting policies disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2021. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

The Board of Directors of the Company approved these unaudited condensed consolidated interim financial statements on August 25, 2022.

b) Basis of Measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis except for deferred share units and restricted share units, which are measured at fair value through profit or loss.

c) Basis of Consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company, and the entities controlled by the Company, and the share of net assets and net earnings or losses in entities which the Company is a joint venture partner. The principal subsidiaries of the Company, which are accounted for under the consolidation method, are as follows:

Entity	Country of incorporation and operation	Ownership interest as at Jun. 30, 2022	Ownership interest as at Dec. 31, 2021
Biomet Mining Corporation	Canada	100%	100%
BioteQ Water (Chile) SpA	Chile	100%	100%
BioteQ Water Mexico S.A. de C.V.	Mexico	100%	100%
BQE Water (Hangzhou) Co. Ltd.	China	100%	100%
BQE Water Delaware, Inc.	USA	100%	100%

The joint ventures of the Company, which are accounted for under the equity method, are as follows:

Entity	Country of incorporation and operation	Ownership interest as at Jun. 30, 2022	Ownership interest as at Dec. 31, 2021
JCC-BioteQ Environmental Technologies Co. Ltd.	China	50%	50%
Shandong MWT BioteQ Environmental Technologies Co. Ltd.	China	20%	20%
BQE Water Nuvumiut Development Inc.	Canada	49%	49%

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022

(Unaudited – expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021 which includes information necessary or useful to understand the Company's business and financial statement presentation. In particular, the Company's significant accounting policies are presented as Note 3 in the audited consolidated financial statements for the year ended December 31, 2021 and have been consistently applied to all periods presented in the preparation of these unaudited condensed consolidated interim financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed consolidated interim financial statements and related notes to the 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 are consistent with those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2021.

COVID-19 Economic Uncertainty

The COVID-19 pandemic continued to disrupt global health and the economy in 2022. Notwithstanding the vaccination programs underway, COVID-19 along with the variants of the virus that have emerged, continue to have a significant impact on the global and Canadian economies. For BQE Water, the recurring services for the operations of water treatment plants were largely uninterrupted, but certain technical services projects that were expected to be awarded and secured were delayed or suspended due to the pandemic.

The uncertainties around the outbreak of the COVID-19 pandemic required the use of significant judgments and estimates. As at June 30, 2022, management determined that the Company's ability to execute its medium and longer-term plans, the economic viability of its assets and the carrying value of its long-lived assets are not materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations, orders, potential hindrances to our supply chain, disruptions in the markets for our services, commodity prices and foreign exchange prices along with the actions the Company has taken at its operations to protect the health and safety of its workforce and local communities. At this time, the full extent of the impact of COVID-19 along with its variants may have on the Company is unknown and will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

5. RESTRICTED CASH

The balance at June 30, 2022 and December 31, 2021 includes a term deposit denominated in Chilean Pesos and is held by Scotiabank as a letter of credit related to one customer in Chile until the completion of the project.

6. TRADE AND OTHER RECEIVABLES

	Jun. 30, 2022	Dec. 31, 2021
	\$	\$
Trade receivables, net	1,769,907	1,427,398
Contract assets	921,250	581,159
Other receivables	1,254	644
	<u>2,692,411</u>	<u>2,009,201</u>

7. RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions were carried out with related parties of the Company:

a) Management Compensation

For the three and six months ended June 30, 2022 and 2021, 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	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries, fees and short-term benefits	199,072	178,778	391,122	342,558
Share-based payments (note 14(a))	71,438	42,910	90,280	61,306
	<u>270,510</u>	<u>221,688</u>	<u>481,402</u>	<u>403,864</u>

Included in trade payables and accrued liabilities as of June 30, 2022 is \$37,700 (\$nil at December 31, 2021) of director fees.

b) Revenue Earned from Joint Venture

The Company earns operating fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services in Quebec. For the three and six months ended June 30, 2022, the revenue earned from the joint venture is \$193,793 (\$nil in 2021). Included in trade and other receivables as of June 30, 2022 is \$500 (\$nil at December 31, 2021) of other receivables and \$222,814 (\$nil at December 31, 2021) of trade receivables due from the joint venture.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022

(Unaudited – expressed in Canadian dollars)

8. PLANT AND EQUIPMENT

	Right-of-use assets ¹	Pilot plants	Other ²	Total
	\$	\$	\$	\$
Cost				
As at December 31, 2020	470,436	580,593	672,858	1,723,887
Additions	36,495	-	44,890	81,385
Foreign exchange translation	2,300	-	-	2,300
As at December 31, 2021	509,231	580,593	717,748	1,807,572
Additions	54,080	-	54,992	109,072
Foreign exchange translation	(2,410)	-	-	(2,410)
As at June 30, 2022	560,901	580,593	772,740	1,914,234
Accumulated Depreciation				
As at December 31, 2020	(202,653)	(580,593)	(620,977)	(1,404,223)
Depreciation for the year	(113,430)	-	(33,580)	(147,010)
Foreign exchange translation	(1,198)	-	-	(1,198)
As at December 31, 2021	(317,281)	(580,593)	(654,557)	(1,552,431)
Depreciation for the period	(59,150)	-	(12,487)	(71,637)
Foreign exchange translation	1,815	-	-	1,815
As at June 30, 2022	(374,616)	(580,593)	(667,044)	(1,622,253)
Carrying Amount				
As at December 31, 2021	191,950	-	63,191	255,141
As at June 30, 2022	186,285	-	105,696	291,981

¹Right-of-use assets (note 13) comprises lease assets such as office buildings and office equipment.²Other comprises leasehold improvements, furniture, office equipment and lab equipment.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

9. INTANGIBLE ASSETS

	Total \$
Cost	
As at December 31, 2020	-
Additions	419,700
As at December 31, 2021	419,700
Additions	-
As at June 30, 2022	419,700
Accumulated Depreciation	
As at December 31, 2020	-
Depreciation for the year	(20,985)
As at December 31, 2021	(20,985)
Depreciation for the period	(41,970)
As at June 30, 2022	(62,955)
Carrying Amount	
As at December 31, 2021	398,715
As at June 30, 2022	356,745

On September 3, 2021 (the “Acquisition Date”), the Company entered into an intellectual property purchase agreement and a consulting agreement (together as the “Agreements”) with R&S Environmental Consulting Services Inc. and its sole owner Randy Aguis (together as “R&S”). Under the terms of the Agreements, R&S will receive an aggregate cash payment of \$250,000, of which \$150,000 was paid on the Acquisition Date and the remaining \$100,000 is payable on the first anniversary of the Acquisition Date, plus an earn-out bonus payable on the second anniversary of the Acquisition Date, for intangible asset rights pertaining to cyanide destruction. Intangible asset rights include all intellectual properties, such as the know-how, results, trade secrets, methods, and designs related to cyanide destruction. Also under the Agreements, R&S will work exclusively for the Company for a term of 2 years, collaborating with the Company’s engineering and business development teams, training and mentoring Company staff in regards to cyanide destruction, in exchange of a fixed monthly consulting fee.

The Company concluded the transaction should be accounted for as an asset acquisition and recognized the acquired assets at cost. On the Acquisition Date, it was determined that the acquired assets are a group of similar identifiable assets with similar nature, class and risk, therefore all the acquisition costs have been allocated to this group. The total cost of the acquisition \$419,700 includes the total cash consideration of \$250,000, plus the contingent consideration, or the earn-out bonus, which was fair valued at \$169,700 on the Acquisition Date and included in non-current other liabilities. The fair value of the earn-out bonus is contingent on the future net profits generated from the newly acquired intellectual properties. The fair value of contingent consideration remained unchanged as at June 30, 2022.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

10. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on June 30, 2022 is \$8,056,977 (\$6,855,401 on December 31, 2021), and is comprised of:

	JCC-BQE	MWT-BQE	NVM-BQE
	\$	\$	\$
Balance, January 1, 2021	5,021,154	-	-
Share of net income (loss)	2,803,151	(44,206)	-
Share of translation gain on foreign operation	208,296	4,087	-
Distributions received	(1,177,200)	-	-
Unrecognized share of net income and translations gain	-	40,119	-
Balance, December 31, 2021	6,855,401	-	-
Contributions made	-	-	49
Share of net income (loss)	1,457,814	(21,459)	4,211
Share of translation (loss) on foreign operation	(260,498)	(5,076)	-
Unrecognized share of net income and translation gain	-	26,535	-
Balance, June 30, 2022	8,052,717	-	4,260

a) JCC-BioteQ Environmental Technologies Co. Ltd.

In 2007, BQE Water entered into a definitive joint venture agreement with Jiangxi Copper Corporation ("JCC") for the operation of a water treatment facility located at JCC's Dexing Mine in Jiangxi Province, China. The joint venture, which forms a 50/50 share joint venture company between BQE Water and JCC, is called JCC-BioteQ Environmental Technologies Co. Ltd. ("JCC-BQE"). The joint venture builds and operates water treatment plants utilizing BQE Water's technologies. The agreement includes a license contract whereby BQE Water will provide its patented technology on a royalty-free basis to the joint venture company for use at Dexing Mine and up to five potential additional sites owned and operated by JCC.

The joint venture sells the metal concentrate recovered in its operations to the joint venture partner, JCC. All related party sales are recorded on the date of sale at the fair market price of the metal with adjustments in accordance with the agreed upon terms. Currently, the joint venture operates three water treatment plants.

Any cash distributions from the joint venture to BQE Water must be unanimously approved by both partners and comply with Chinese tax and regulatory requirements. Distributions are also subject to Chinese withholding taxes and minimum capital requirements as applicable. Currently, BQE Water and JCC have a standing agreement to distribute excess cash reserves annually. The partners take into consideration factors such as operating performance of the plants, future capital requirements and working capital flexibility in determining the cash amount to be distributed in a given year.

The joint venture derives its revenue from recovered copper sales, which are subject to risks that are beyond the control of the joint venture. The copper recovery rate is dependent on the rainfall in the region and the grade of copper in the water treated, while the revenue is exposed to global commodity price risk.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022

(Unaudited – expressed in Canadian dollars)

The statement of financial position of the Company's 50% interest in the JCC-BQE joint venture are presented as follows:

	Jun. 30, 2022	Dec. 31, 2021
	\$	\$
Assets		
Cash	4,325,528	4,145,245
Other current assets	2,148,723	1,331,127
Non-current assets	2,908,410	3,264,457
Total assets	<u>9,382,661</u>	<u>8,740,829</u>
Liabilities	1,329,944	1,885,428
Partner's Equity	<u>8,052,717</u>	<u>6,855,401</u>
Total liabilities and partner's equity	<u>9,382,661</u>	<u>8,740,829</u>

The condensed statement of income and comprehensive income of the Company's 50% interest in the JCC-BQE joint venture are presented as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	2,381,532	2,878,460	3,345,122	3,317,996
Operating expenses (excluding depreciation)	(904,310)	(801,770)	(1,339,285)	(1,054,923)
	<u>1,477,222</u>	<u>2,076,690</u>	<u>2,005,837</u>	<u>2,263,073</u>
Non-operating expenses	(57,500)	(71,320)	(113,817)	(120,810)
Depreciation of plant and equipment	(121,095)	(66,138)	(246,228)	(175,276)
Income tax expense	(174,222)	(359,153)	(187,978)	(363,478)
Net income for the year	<u>1,124,405</u>	<u>1,580,079</u>	<u>1,457,814</u>	<u>1,603,509</u>
Other comprehensive (loss) income	<u>(174,018)</u>	<u>14,123</u>	<u>(260,498)</u>	<u>(63,596)</u>
Comprehensive income for the year	<u>950,387</u>	<u>1,594,202</u>	<u>1,197,316</u>	<u>1,539,913</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

b) Shandong MWT BioteQ Environmental Technologies Co. Ltd.

During 2016, BQE Water signed a joint venture agreement with Beijing MWT Water Treatment Project Limited Company (“MWT”) for the construction and operation of a water treatment plant located in Shandong Province, China. The joint venture between BQE Water and MWT is called Shandong MWT BioteQ Environmental Technologies Co., Ltd. (“MWT-BQE”). The joint venture built a water treatment plant at a smelter owned by Shandong Zhaojin Group Zhaoyuan Gold Smelting Co., Ltd (“Zhaoye”). The joint venture operates the plant using BQE Water’s patented technology to recover and sell copper and zinc metals from Zhaoye’s industrial wastewater stream to generate revenues. BQE Water is entitled to 20% of the after-tax profits of the joint venture. Upon the establishment of MWT-BQE, the Company paid a cash contribution of \$96,400 (RMB \$500,000) as registered capital, which represents 4.35% of the total registered capital of the joint venture.

The Company’s 20% share of results in the joint venture for the three and six months ended June 30, 2022 was net income of \$2,934 and net loss of \$21,459, respectively (net income of \$22,528 and \$48,102 for the three and six months ended June 30, 2021). As the Company does not have a commitment to fund the losses of MWT-BQE, the share of comprehensive income of the joint venture will be recognized on the investments of MWT-BQE when the unrecognized share of net losses is reduced to zero. As of June 30, 2022, the balance of the unrecognized share of net losses for MWT-BQE is \$206,868 (\$180,332 on December 31, 2021).

The sections of the statement of financial position of BQE Water’s portion of interest in the MWT-BQE joint venture are presented as follows:

	Jun. 30, 2022	Dec. 31, 2021
	\$	\$
Current assets	62,474	59,672
Plant and equipment	30,026	32,873
Current liabilities	35,732	28,255
Non-current liabilities	26,280	28,031
Partner’s equity	-	-

The condensed statement of income (loss) of BQE Water’s 20% interest in the MWT-BQE joint venture is presented as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	60,167	107,523	157,996	238,915
Operating expense (excluding depreciation)	(35,955)	(32,152)	(118,219)	(72,897)
	24,212	75,371	39,777	166,018
Non-operating expenses	(17,360)	(31,715)	(53,272)	(75,080)
Depreciation of plant and equipment	(3,918)	(21,128)	(7,964)	(42,836)
Net (loss) income for the period	2,934	22,528	(21,459)	48,102
Other comprehensive income (loss)	(3,363)	198	(5,076)	(3,456)
Comprehensive income (loss) for the period	(429)	22,726	(26,535)	44,646

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

c) BQE Water Nuvumiut Development Inc.

In 2021, BQE Water entered into a joint venture agreement with Nuvumiut Development Inc. (“NVM”), as partners with the Inuit community, to jointly provide water management and treatment services in the Nunavik regions, located in Northern Quebec, Canada. The joint venture, BQE Water Nuvumiut Development Inc. (“NVM-BQE”) was federally incorporated on December 2, 2021, with a 49% ownership belonging to BQE and 51% to NVM.

The sections of the statement of financial position of BQE Water’s 49% interest in the NVM-BQE joint venture are presented as follows:

	Jun. 30, 2022	Dec. 31, 2021
	\$	\$
Current assets	120,139	-
Current liabilities	115,879	-
Partner’s equity	4,260	-

The condensed statement of income of BQE Water’s 49% interest in the NVM-BQE joint venture are presented as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	104,454	-	104,454	-
Operating expenses	(100,234)	-	(100,234)	-
	4,220	-	4,220	-
Non-operating expenses	(7)	-	(9)	-
Net income for the period	4,213	-	4,211	-

11. TRADE PAYABLE AND ACCRUED LIABILITIES

	Jun. 30, 2022	Dec. 31, 2021
	\$	\$
Trade payable and accruals	437,547	591,533
Payroll liability	536,842	414,438
Tax payable	44,279	35,831
	1,018,668	1,041,802

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
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12. LOANS

On August 20, 2018, the Company entered into a loan agreement with the Minister of Western Economic Diversification Canada under the Western Innovation Initiative (“WINN”). The WINN program offers the Company an interest-free loan contribution up to a maximum of \$412,500. The WINN loan was granted to the Company to assist in the commercialization and scale-up of its selenium removal technology in the resource sector. Under the loan agreement, the Company shall repay the total contribution in 60 equal monthly installments, equal to \$6,875 per month, which began April 1, 2021 and continues until March 1, 2026. The total remaining balance of the WINN loan, including both current and non-current portions, as of June 30, 2022 is \$309,375 (\$350,625 on December 31, 2021).

13. LEASES

The Company recognizes right-of-use assets (note 8) and lease obligations in relation to office and equipment leases. The assets and liabilities were measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate of 12% at the time the lease was assumed or entered into. The Company’s carrying value of lease obligations are as follows:

	Jun. 30, 2022	Dec. 31, 2021
	\$	\$
Balance at January 1	206,451	279,005
Addition of lease obligations	55,718	36,495
Adjustment of lease obligations	(1,638)	-
Interest expense on lease obligations	11,526	29,322
Lease payments on interest portion	(11,508)	(29,322)
Lease payments on principal portion	(71,557)	(110,012)
Foreign exchange translation	(585)	963
Ending Balance	188,407	206,451
Less: current portion of lease obligations	118,108	120,039
Non-current portion of lease obligations	70,299	86,412

Lease contracts with components of variable lease payments and leases that are classified as short-term and as low value assets are not counted under lease obligations. The Company’s lease expense, which is not counted under lease obligations, for the three and six months ended June 30, 2022 are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Classified as short-term or as low value	18,174	5,419	39,761	10,669
Leases with variable lease payments	21,656	20,041	45,371	43,928
	39,830	25,460	85,132	54,597

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

The following is a schedule of the Company's future lease payments under lease obligations:

	Jun. 30, 2022
	<u>\$</u>
2022	60,743
2023	116,070
2024	24,834
2025	5,329
Total undiscounted lease payments	206,976
Less: imputed interest	<u>(18,569)</u>
Total carrying value of lease obligations	<u>188,407</u>

14. SHARE-BASED PAYMENT EXPENSES

The Company's recorded share-based compensation for the three and six months ended June 30, 2022 are comprised as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Stock options (a)	67,038	25,979	78,004	54,409
Deferred share units (b)	53,579	113,229	19,399	149,189
Restricted share units (c)	146,314	45,055	192,046	68,738
	<u>266,931</u>	<u>184,263</u>	<u>289,449</u>	<u>272,336</u>

a) Stock Options

Under the Company's Stock Option Plan (the "Plan"), the maximum number of shares reserved for exercise of all options granted by the Company may not exceed 10% of the Company's shares issued and outstanding at the time the options are granted. The exercise price of each option granted under the Plan is determined at the discretion of the Board at no less than the five-day volume weighted average share price preceding the grant date. Options granted under the Plan expire no later than the fifth anniversary of the date the options were granted and vesting provisions for issued options are determined at the discretion of the Board although the Company has a practice of having options vest over 3 years in equal installments.

Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the grant date using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

On April 22, 2022, the Company granted 52,500 stock options with an exercise price of \$30.00 to the directors and employees of the Company. These options have a term of five years from the grant date and vest over three years with one-third vesting each year on the anniversary of the grant date.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
 For the three and six months ended June 30, 2022
 (Unaudited – expressed in Canadian dollars)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price \$
Balance, January 1, 2021	82,833	7.69
Forfeited	(2,000)	8.75
Exercised	(27,533)	6.80
Balance, December 31, 2021	53,300	8.12
Granted	52,500	30.00
Exercised	(4,160)	8.09
Balance, June 30, 2022	101,640	19.42

As at June 30, 2022, 33,141 of share options outstanding were exercisable with a weighted average exercise price of \$7.81 (21,299 on December 31, 2021 with a weighted average exercise price of \$7.16).

The Company uses the Black-Scholes option pricing model in determining the fair value of the stock options. During the three and six months ended June 30, 2022, the Company recognized \$67,038 and \$78,004 (\$25,979 and \$54,409 in 2021) of non-cash compensation expense related to stock options. The expiry date by exercise price at June 30, 2022 is as follows:

Exercise price \$	Expiry Date	number of outstanding share options	number of exercisable share options
6.00	December 7, 2022	11,300	11,300
8.75	January 8, 2025	37,840	21,841
30.00	April 22, 2027	52,500	-

b) Deferred Share Units

The Company implemented a deferred share unit (“DSU”) plan pursuant to which DSUs may be granted to management and non-employee members of the Board of Directors on an annual basis. The number of DSUs granted to a participant is calculated by dividing: (i) a specified dollar amount of the participant’s compensation amount paid in DSUs in lieu of cash by (ii) the five-day volume weighted average trading price of the shares of the Company traded through the facilities of the Toronto Venture Exchange on the trading days immediately preceding the date of grant. Each DSU entitles the holder to receive a cash payment equal to the five-day volume weighted average trading price of the shares preceding the date of redemption. The DSUs vest immediately upon issuance and may only be redeemed on the date a holder ceases to be a participant under the plan, with payment no later than December 31 of the following calendar year.

As the Company is required to settle this award in cash, it records these awards as a liability and a corresponding charge including changes to the fair value to stock-based compensation expense. The DSU is a financial instrument whose fair value is adjusted at each reporting date based on the five-day volume weighted average price of the Company’s common shares.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
 For the three and six months ended June 30, 2022
 (Unaudited – expressed in Canadian dollars)

The following table presents the changes to the DSU plan:

	Number of units	Value \$
Balance, January 1, 2021	10,574	196,616
Fair value adjustment	-	94,162
Balance, December 31, 2021	10,574	290,778
Fair value adjustment	-	19,399
Balance, June 30, 2022	10,574	310,177

c) Restricted Share Units

The Company implemented a restricted share unit (“RSU”) plan pursuant to which RSUs may be granted to the officers and employees of the Company. Under this plan, notional RSUs are granted and vested annually over a three-year term in general or otherwise determined by the Board. Upon vesting, the Company will settle the RSUs immediately in cash, with payment equal to the five-day volume weighted average trading price of the number of RSUs held preceding the date of redemption. The RSU plan was amended by the Board of Directors on January 8, 2020. Under the new amendment, any unvested RSUs shall be forfeited upon separation of employment with the Company.

RSUs granted are accounted for and fair valued by recognizing share-based payment expenses on a straight-line basis over the vesting period. The fair value per RSU on grant date was determined based on the Company’s share price on the day of grant. The initial fair values determined upon each grant date between January 1, 2021 and June 30, 2022 are as follows:

Grant date	Number of RSUs	Fair value \$
April 28, 2021	3,520	79,290
September 20, 2021	813	25,000
February 1, 2022	16,767	411,966
April 22, 2022	3,076	78,438

The following table presents the changes to the RSU plan:

	Number of units	Value \$
Balance, January 1, 2021	7,353	73,387
Granted	4,333	-
Forfeited	(801)	-
Redeemed	(2,999)	(74,464)
Fair value adjustment	-	104,740
Balance, December 31, 2021	7,886	103,663
Granted	19,843	-
Redeemed	(2,898)	(78,440)
Fair value adjustment	-	192,046
Balance, June 30, 2022	24,831	217,269

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

15. SHARE CAPITAL

a) Authorized

An unlimited number of common shares, without nominal or par value.

b) Issued

As at June 30, 2022, the Company had 1,249,128 common shares outstanding (1,244,968 on December 31, 2021).

c) Earnings Per Share

The calculation of earnings per share for the three and six months ended June 30, 2022 and 2021 are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income	641,576	808,569	831,889	285,321
Basic weighted average number of shares outstanding	1,248,205	1,228,044	1,247,267	1,223,500
Dilution of securities	24,243	22,912	23,794	21,490
Diluted weighted average number of shares outstanding	1,272,448	1,250,956	1,271,061	1,244,990
Net earnings per share:				
Basic	0.51	0.66	0.67	0.23
Diluted	0.50	0.65	0.65	0.23

16. INCOME TAXES

The income tax charge is a result of profits and withholding tax in two jurisdictions which are taxable and cannot be offset by accumulated tax benefits in other jurisdictions. Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the three-month period ended June 30, 2022 was 27% (27% at December 31, 2021).

17. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information (included within operating activities) is as follows:

	6 months ended Jun. 30	
	2022	2021
	\$	\$
Change in non-cash working capital items		
Changes in trade receivables	(766,897)	28,026
Changes in restricted cash	(90,204)	-
Changes in other assets	88,731	64,022
Changes in accounts payable and accrued liabilities	3,739	(18,831)
Changes in deferred revenue	43,269	140,047
Changes in other liabilities	(78,461)	(44,737)
Change in non-cash working capital items	(799,823)	168,527

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

18. COMMITMENTS

The Company has commitments of \$405,585 under operating leases for office and laboratory premises, and for laboratory assay services, as follows:

	\$
2022	125,713
2023	177,872
2024	102,000
	<u>405,585</u>

19. REVENUE

The Company monetizes the value of its intellectual property and expertise primarily through the services of long-term operations and maintenance of water treatment plants to generate recurring revenue that is linked to plant performance. As the period between the identification of new projects and treatment plants entering their operating phase can be lengthy, the Company also generates revenues from technical services relating to water management that are project specific and generally non-recurring in nature.

a) Disaggregation of Revenue

The Company functions as providers of operational services of water treatment plants and as providers of technical services relating to water management. The Company disaggregates revenues from contracts with customer into operations contracts and technical services contracts.

Operations contracts are when the Company is appointed to operate water treatment plants and to provide operations support for a customer. Operations contracts generate recurring revenue for the Company, which is either based on an agreed upon tolling fee for water treated and discharged into the environment or based on a fixed technical support or operations fee.

Technical services contracts are when the Company is appointed to provide water management consulting services and technical innovation services to its customer. Such services include feasibility & assessment studies, toxicity investigation, process engineering design, plant commissioning, plant optimization, laboratory treatability assessments and field pilot demonstrations. Depending on the need of the customer or the project requirements, technical services contracts may be in the form of a fixed priced contract or a time-based contract.

The disaggregated revenue of the Company are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Operations contracts	659,022	260,818	848,310	405,992
Technical services contracts	2,063,222	927,497	4,340,628	1,762,008
	<u>2,722,244</u>	<u>1,188,315</u>	<u>5,188,938</u>	<u>2,168,000</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2022
(Unaudited – expressed in Canadian dollars)

b) Remaining Performance Obligations

As at June 30, 2022, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is \$4,252,474, compared to \$3,050,993 as at December 31, 2021. The remaining performance obligations of the Company are expected to be fully completed in the next 18 months of the reporting date. The value of remaining performance obligations does not include amounts for non-contracted future services or for estimated future work orders where the value of work is not specified. Therefore, the Company's anticipated future work to be performed at a given time is greater than what is reported as remaining performance obligations.

20. SEGMENTED INFORMATION

The Company has one operating segment, being principally to build and operate water treatment plants. The Company functions as providers of operational services of water treatment plants and as providers of technical services relating to water management.

a) Geographic Information

The Company mainly generates revenue from North America and occasionally from other foreign countries. The Company's revenue by geographic locations, presented based on the location in which the sale originated from, are as follows:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Canada	779,235	397,706	1,108,517	520,758
USA	1,125,710	365,224	2,474,366	817,784
Latin America	676,323	150,470	1,293,682	251,769
China	121,509	274,915	215,613	577,689
Other	19,467	-	96,760	-
	<u>2,722,244</u>	<u>1,188,315</u>	<u>5,188,938</u>	<u>2,168,000</u>

The Company's non-current assets, excluding non-current deposits, by location of assets are as follows:

	Jun. 30, 2022	Dec. 31, 2021
	\$	\$
Canada	618,958	625,400
China	8,033,877	6,883,857
USA	52,868	-
	<u>8,705,703</u>	<u>7,509,257</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022

(Unaudited – expressed in Canadian dollars)

b) Information About Major Customers

The following table presents revenue from individual customers exceeding 10% of total revenue for the three and six months ended June 30, 2022 and 2021:

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Customer A	194,164	123,603	195,255	123,603
Customer B	978,454	364,893	2,207,775	595,818
Customer C	90,449	-	205,940	201,245
Customer D	121,509	162,116	215,613	464,890
Customer E	392,222	-	743,591	-
Customer F	273,745	1,500	383,427	62,069
	<u>2,050,545</u>	<u>652,111</u>	<u>3,951,600</u>	<u>1,447,625</u>
Represents percentage of total revenue for the period	75%	55%	76%	67%

21. SUBSEQUENT EVENT

Subsequent to the end of the reporting period, on July 4, 2022, the Company received its share of the annual dividend distribution from JCC joint venture. The dividend represents the Company's 50% share of the joint venture profit earned and reported in its consolidated financial statements for 2021. The after-tax value of the dividend is \$13,500,000 RMB, which is approximately equal to \$2,644,000 CAD.

BQE Water

BQE WATER INC.

Interim Management's Discussion and Analysis (Quarterly Highlights)

For the three and six months ended June 30, 2022 and 2021

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three and six months ended June 30, 2022 and 2021

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 2022 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, 2022 and 2021 (our "Interim Financial Statements"), our audited consolidated financial statements for the years ended December 31, 2021 and 2020 (our "Audited Financial Statements") and our Annual MD&A for the year ended December 31, 2021.

Our Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective as of June 30, 2022. 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 August 25, 2022.

Certain statements contained in the MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made and readers are advised to consider such forward-looking statements in light of the risks.

OUR BUSINESS

BQE Water Inc. ("BQE Water" or the "Company") is helping to make the mining and metallurgical industry more environmentally sustainable and socially acceptable 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. 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.sedar.com.

NON-GAAP MEASURES

We use non-GAAP financial measures to supplement our consolidated financial statements presented in accordance with generally accepted accounting principles, 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 likely 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 that we would have reported if our Chinese joint venture operations had been proportionately integrated into our results 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 Revenue

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, 2022 and 2021 are as follows:

<i>(in \$'000s)</i>	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Reported revenues under GAAP	2,722	1,188	5,189	2,168
Share of revenues from joint ventures in China	2,442	2,986	3,503	3,557
Proportional Revenue for the period	5,164	4,174	8,692	5,725

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, 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 revenues from our China joint ventures. 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 Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
GAAP: Net income	642	809	831	287
add/deduct: interest expense	4	8	-	6
add: income taxes	193	372	208	376
add: depreciation and amortization	184	124	368	292
EBITDA	1,023	1,313	1,407	961
add: share-based payment expenses	267	184	289	272
deduct: other income	(22)	(95)	(22)	(95)
add: net foreign exchange loss	73	33	110	67
Adjusted EBITDA	1,341	1,435	1,784	1,205

FINANCIAL HIGHLIGHTS

- Added new recurring operational services revenues of \$344,000 in Q2 2022 from two new water treatment plants in the US that commenced operations in 2022.
- Grew Proportional Revenues by \$1.0 million or 24% and revenues by \$1.5 million or 129% compared to Q2 2021.
- Increased operating margin from \$244,000 in Q2 2021 to \$949,000 in Q2 2022.
- Recorded net income of \$642,000 and Adjusted EBITDA of \$1.3 million in Q2 2022 compared to \$809,000 and \$1.4 million in Q2 2021.
- Ended Q2 2022 with \$4.0 million in working capital, \$2.9 million in cash and \$7.2 million in Proportional cash.
- Subsequent to the end of the reporting period, received a record \$2.6 million dividend from our China joint venture.

Other selected financial results for the three and six months ended June 30, 2022 are as follows:

<i>(in '000s)</i>	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
Revenues under GAAP	2,722	1,188	5,189	2,168
Proportional Revenues	5,164	4,174	8,692	5,725
Net income	642	809	831	287
Adjusted EBITDA	1,341	1,435	1,784	1,205

OPERATIONAL SERVICES HIGHLIGHTS

Our operational services consist of the technical supervision and plant operation of water treatment plants, which generate recurring revenues from three main sources: sales of recovered metals, water treatment fees and operations support fees. Sales of recovered metals are based on the mass of metals recovered and market prices of metals sold. Water treatment fees mainly consist of a variable fee based on water treated and may include a fixed guaranteed minimum fee regardless of volume of water treated. Operations support fees are fixed fees in exchange of onsite plant support services. The Company's operations by source of revenue are as follows:

Operations	Location	Revenue Source
JCC-BQE Joint Venture	Jiangxi province, China	Sales of recovered metals
MWT-BQE Joint Venture	Shandong province, China	Sales of recovered metals
Raglan Mine for Glencore	Northern Québec, Canada	Water treatment fees
Kemess Property for Centerra	Northern BC, Canada	Water treatment fees
Zhongkuang Metallurgical Facilities for MWT	Shandong province, China	Operations support fees
Zhaojin Metallurgical Facilities for MWT	Shandong province, China	Operations support fees
Power utility ash pond for WesTech	Virginia, USA	Water treatment fees
Base metal project for a metal producer	Arizona, USA	Water treatment fees

JCC-BQE Joint Venture Operations

Our 50/50 joint venture with partner Jiangxi Copper Company ("JCC") operates three water treatment plants at Dexing Mine and at Yinshan Mine in Jiangxi province of China. The volume of water treated and pounds of copper recovered by the plants fluctuate seasonally depending on precipitation levels in the region. The operating results for the three and six months ended June 30, 2022 are as follows:

<i>(in '000s)</i>	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
Water treated (cubic metres)	5,925	7,702	8,788	10,126
Copper recovered (pounds)	1,010	1,262	1,412	1,466

In Q2 2022, all three plants met mechanical availability and process performance set by the Company. Both the volume of water treated and the mass of copper recovered decreased year-over-year by 23% and 20%, respectively. Changes in water volume and feed grade are largely the result of environmental conditions beyond the control of the joint venture.

MWT-BQE Joint Venture Operations

Our 20% share of MWT-BQE is with our 80% partner Beijing MWT Water Treatment Project Limited Company (“MWT”) and together we operate a water treatment plant at a smelter in Shandong province of China. MWT-BQE generates revenues from the sale of zinc and copper recovered from smelter wastewater. Operating results for the three and six months ended June 30, 2022 are as follows:

<i>(in '000s)</i>	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
Water treated (cubic metres)	181	175	319	342
Zinc recovered (pounds)	45	319	106	589
Copper recovered (pounds)	52	78	106	154

The mass of zinc and copper recovered decreased by 86% and 33%, respectively. The smelter periodically operated its production lines with ores from different sources, leading to varying levels of zinc and copper in the feed and a fluctuation in the volume of wastewater treated by the plant. The joint venture has no control over the composition and volume of feed flowing into the plant.

BQE Water Operations

The Company operates four treatment plants at Raglan Mine for Glencore Canada Corporation (“Glencore”). During Q2 2022, we mobilized our operations team to site to commence our 19th operating season at the mine. Operational activities were initiated in April and began discharging treated water in June.

In 2020, we completed the commissioning of the first industrial scale treatment plant utilizing our patented and award-winning Selen-IX™ process for selenium management at the Kemess property owned by Centerra Gold (“Centerra”). In 2021 and to date in 2022, the Kemess property was not operating as it had been placed in an extended state of care and maintenance. Water treatment is not required under this state and the Selen-IX™ plant was not operational.

In 2021, we began operations of the Zhongkuang SART plant and the Zhaojin SART plant for metallurgical facilities in China. Both plants have been under our technical supervision since beginning full production. During Q2 2022, the Zhongkuang SART plant operated for the full quarter and the Zhaojin SART plant resumed operations in early June as the upstream circuit gradually returned to normal operations.

At the end of 2021, we 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 Engineering (“WesTech”). We also began providing ongoing plant operational services in return for water treatment fees with fixed and variable components. During Q2 2022, due to issues with the upstream feed pumping system, water treatment with the Selen-IX™ circuit was not required and water was stored for treatment later in the year. Although the lack of feed had some effect on the recurring revenues from this operation, we continued to collect a base fee which represents the guaranteed minimum regardless of volume of water treated.

In April 2022, we completed commissioning of a treatment plant utilizing a combination of nanofiltration and our proprietary selenium electro-reduction process to simultaneously remove selenium and sulphate from mine water for a base metal project in the American Southwest. Upon completion of commissioning, we began providing on-going plant operational services in return for water treatment fees comprised of a fixed guaranteed minimum and a variable fee linked to the volume of water treated. But due to a limited supply of feed water into our treatment circuits, we received only the fixed guaranteed minimum fee for the months during which the plant was ready to operate.

The number of operating days contributing to water treatment or support fees for the three and six months ended June 30, 2022 are as follows:

<i>(in days)</i>	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
Raglan Mine water treatment plants	30	23	30	23
Zhongkuang SART plant	75	-	165	64
Zhaojin SART plant	23	64	23	154
Water treatment plant in Virginia	91	-	181	-
Water treatment plant in Arizona	68	-	68	-

The volume of water treated for the three and six months ended June 30, 2022 are as follows:

<i>(in '000s cubic metres)</i>	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
Raglan Mine water treatment plants	218	145	218	145
SART plants in China	74	108	106	156
Water treatment plants in USA	-	-	7	-

TECHNICAL SERVICES HIGHLIGHTS

BQE Water's technical expertise and IP are applicable globally across broad areas of water management. The highlights of technical services provided to clients and technical innovation projects during Q2 2022 are summarized below.

Commercial Deployment of Selen-IX™ and Direct Selenium Electro-Reduction (ERC) Technology

- Continued to provide engineering services for a third large scale Selex-IX™ plant currently in the construction stage for a mine in the US.

Cyanide Recovery, Destruction, and Thiocyanate Management

- Performed a site assessment to integrate SART into an existing gold metallurgical plant in Canada.
- Completed cyanide recycle and cyanide destruction tests in a laboratory as the basis for design and cost estimates for projects in Canada and Mexico.
- Completed a prefeasibility study for a thiocyanate removal plant with concurrent cyanide recovery for re-use at an active mine in Mexico.

Water Consulting Services – Management, Treatability, Permitting Assistance, Toxicity Mitigation

- Continued to provide engineering design services for three water treatment plants for mine permitting in BC.
- Completed lab scale treatability testing for sulphate and metals removal to support permitting for the re-start of a base metal mine in Ontario.
- Continued to provide optimization services to an existing ammonia removal plant in Ontario.
- Completed engineering design for an ammonia removal facility for a large existing mining operation in Ontario.
- Completed lab scale testing for water treatment integration at a rare earth elements project to provide the basis for pilot plant design and permitting in South America.
- Completed an onsite sulphate removal pilot operation for Codelco at the El Teniente operation and initiated planning to move the pilot plant to the Andina operation in Chile.
- Provided management and operations supervision services for a water treatment pilot to remove boron in Peru.

COMMENTARY AND OUTLOOK

We recorded another solid quarter of financial results and reached several important new milestones in Q2 2022.

One milestone was the successful completion of commissioning and the start of ongoing operations of a second water treatment plant in the US. These two plants commenced operations within the last six months and contributed new recurring revenues of \$439,000 on a year-to-date basis in 2022. Due to factors beyond our control, both plants received only a small fraction of the designed water volume to treat. As such, revenues from these operations reflect only our guaranteed minimum base fees which are fixed regardless of the volume of water treated. Looking ahead, we expect an increase in revenues from both sites as the volume of water requiring treatment increases.

A second milestone was the successful pilot demonstration of our Sulf-IX™ technology for sulphate removal at the El Teniente copper operation in Chile owned by Codelco as part of an 18-month multi-site and multi-technology project. Upon completion of the pilot, the mobile pilot plant will be moved to a second location where it will be combined with a copper recovery module to demonstrate our BioSulphide® process alongside sulphate removal.

A third milestone was the achievement of a record cash position at the end of a second quarter, which historically is the lowest due to the seasonality of our operations. This accomplishment was made possible due to a combination of factors including:

1. New recurring revenues from our US operations that reduced the effect of seasonality on our overall revenues.
2. A strong pipeline of active projects where we provide technical engineering services. Project highlights in Canada include the design of several new water treatment plants in BC and Ontario for mine permitting. In Chile, in addition to our continuing work for Codelco, our team has been providing lab testing and design engineering services for a rare earth elements project currently entering the permitting phase.

Lastly, our growth has been recognized publicly by Corporate Knights as one of the 25 fastest-growing green public companies in Canada (<https://www.corporateknights.com/rankings/future-50/2022-future-50-ranking/>). This recognition is a sign that our success is being noticed by the broader business community in Canada.

Looking ahead to the remainder of the year, we expect our strong financial performance to continue. We have a strong backlog of technical services projects and new recurring revenues from plants that commenced operations earlier in the year. As always, we would like to caution investors with respect to the uncertainties that could affect this positive outlook. Specifically, geopolitical risks, high inflation and monetary tightening could all have negative impacts on the world economy, including our sector. That said, we believe the environmental compliance and sustainability requirements of natural resource companies coupled with our healthy balance sheet and recurring revenues positions us well to sustain any temporary exogenous shocks and will allow us to continue to grow as we capitalize on long-term opportunities in mining and environmental, social and governance trends.

SELECTED FINANCIAL INFORMATION

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

	3 months ended Jun. 30		6 months ended Jun. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	2,722	1,188	5,189	2,168
Operating expenses (excluding depreciation)	(1,773)	(944)	(3,304)	(1,451)
Operating margin	949	244	1,885	717
Share of income from joint ventures	1,129	1,580	1,462	1,604
General and administration	(579)	(459)	(1,183)	(860)
Sales and development	(436)	(378)	(791)	(831)
Share-based payments	(267)	(184)	(289)	(272)
Depreciation and amortization	(59)	(37)	(114)	(74)
Income from operations and joint ventures	737	766	970	284
Other expenses, net	(77)	(39)	(119)	(79)
Bad debt recovery	-	95	-	95
Income tax expense	(18)	(13)	(20)	(13)
Net income for the period	642	809	831	287
Net earnings per share (basic)	0.51	0.66	0.67	0.23
Net earnings per share (diluted)	0.50	0.65	0.65	0.23
Proportional Revenues ¹	5,164	4,174	8,692	5,725
Adjusted EBITDA ¹	1,341	1,435	1,784	1,205
Comprehensive income	503	837	584	244

	at Jun. 30,	at Dec. 31,
	2022	2021
	\$	\$
Cash	2,899	3,944
Proportional cash ¹	7,225	8,089
Working capital	4,017	4,557
Total assets	14,623	13,803
Total non-current liabilities	751	778
Shareholders' equity	12,010	11,313

Notes:

1. See Non-GAAP measures

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	Jun-22	Mar-22	Dec-21	Sept-21	Jun-21	Mar-21	Dec-20	Sept-20
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	2,722	2,467	2,570	2,773	1,188	980	1,609	2,738
Operating expenses	(1,773)	(1,531)	(1,409)	(1,088)	(944)	(507)	(934)	(1,381)
	949	936	1,161	1,685	244	473	675	1,357
Share of income from								
joint ventures	1,129	333	499	700	1,580	23	101	785
General and administration	(579)	(604)	(535)	(427)	(459)	(401)	(413)	(342)
Sales and development	(436)	(354)	(270)	(273)	(378)	(453)	(349)	(153)
Share-based payments	(267)	(23)	(11)	(19)	(184)	(88)	(107)	(113)
Depreciation and amortization	(59)	(55)	(57)	(37)	(37)	(37)	(42)	(33)
Income (loss) from operations	737	233	787	1,629	766	(483)	(135)	1,501
Other income (expenses), net	(77)	(41)	13	34	(39)	(40)	30	(58)
Bad debt recovery	-	-	-	-	95	-	-	-
Income tax expenses	(18)	(2)	-	(118)	(13)	-	(97)	-
Net income (loss)	642	190	800	1,545	809	(523)	(202)	1,443
Translation (loss) gain	(139)	(109)	120	227	28	(69)	(63)	97
Comprehensive income (loss)	503	81	920	1,772	837	(592)	(265)	1,540
Non-GAAP Measures:								
Proportional Revenue	5,164	3,529	4,389	5,502	4,174	1,551	3,085	5,287
Adjusted EBITDA	1,341	446	754	2,139	1,435	(231)	133	2,039

Results can fluctuate based on the number of plants operating in the quarter, variation in the volume and grade of water treated, and movements in commodity prices. Seasonality at each operation also impacts the timing of revenues. Operations at Raglan Mine typically run from May to October of each year. Copper production at the Dexing operations increase between April and September of each year and decline during the winter months due to lower seasonal precipitation and the annual maintenance schedule. Revenues from contracts for technical services relating to water management and technical innovation projects occur based on the timing of client requirements.

SUMMARY OF Q2 2022 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended June 30, 2022 and 2021.

Proportional Revenue

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

<i>(in \$'000s)</i>	Q2 2022		Q2 2021		% Change
	\$	% of total	\$	% of total	
Sale of recovered metals from operations	2,442	47%	2,986	72%	(18%)
Water treatment fee from operations	659	13%	261	6%	152%
Technical services	2,063	40%	927	22%	123%
Total Proportional Revenues	5,164	100%	4,174	100%	24%

Revenues from the sale of base metals recovered comprises the Company's share of revenues from its joint ventures in China. The sale of copper and zinc recovered during the operation of water treatment plants is impacted by the amount and market price of metal concentrate sold. During Q2 2022, our share of revenues from the JCC-BQE joint venture decreased by \$497,000 or 17% compared to the comparable period in 2021. The decrease was attributable to a 20% decrease in the quantity of copper recovered, offset by a 4% increase in the average copper price. The Company's share of revenue from the MWT-BQE joint venture in Q2 2022 was \$60,000, compared to \$108,000 in Q2 2021.

Water treatment fee revenues include tolling fees from the volume of water treated and operations support fees. We earn recurring tolling fees at Raglan Mine through our Inuit partnership joint venture and at the newly commissioned selenium removal plants in Virginia and Arizona. The increase in water treatment fees is mainly due to the newly commissioned selenium treatment plants in the US, providing \$344,000 of new recurring revenues in Q2 2022. As water treatment through our selenium removal circuits was not required, revenues earned in the quarter consist of only the fixed guaranteed fee for on-site water treatment services. The operating season at Raglan Mine began June 2022 and we earned \$194,000 in water treatment fees compared to \$120,000 in Q2 2021. Our operations support fees are comprised of recurring technical support services at several SART plants in China that generated revenues of \$122,000 in Q2 2022 compared to \$141,000 in Q2 2021.

Revenues from technical services increased by \$1.1 million or 123% in Q2 2022 compared to Q2 2021. These revenues are non-recurring in nature and are related to water management services such as treatability assessments, permitting assistance, engineering and plant design, construction and commissioning of water treatment plants, laboratory testing and pilot demonstrations. These revenues represent the sum of multiple contracts from various clients of varying contract values. Revenues from technical services were particularly strong in Q2 2022 as we completed onsite commissioning of a third selenium removal treatment plant in Arizona and continued with the 18-month pilot demonstration program for Codelco in Chile.

Operating Expenses

Total operating expenses during Q2 2022 were \$1.8 million compared to \$944,000 in Q2 2021, an increase of \$829,000 or 88%. The increase in operating expenses is directly attributable to the 123% increase in project activity related to technical services completed in the quarter. Each individual project requires varying levels of technical expertise and resources depending on the specific mine conditions and treatment requirements. During Q2 2022, we improved our operating margin to 35% compared 21% in Q2 2021.

Expenses

In Q2 2022, general and administration costs were \$579,000 compared to \$459,000 in Q2 2021, representing a \$120,000 increase. The increase was attributable to a \$50,000 increase in employee benefits, a \$12,000 net increase in professional services fees and a \$26,000 increase in insurance premiums for the comparable period.

Sales and development costs during Q2 2022 were \$436,000 compared to \$378,000 in Q2 2021, an increase of \$58,000 or 15%. During the quarter, internal labour resources designated for technology development initiatives increased by \$18,000 compared to Q2 2021 and a \$32,000 increase in travel and event expenses related to business development.

Share-based payment expenses were \$267,000 in Q2 2022 compared to \$184,000 in Q2 2021. Share-based payment expenses mainly consist of non-cash compensation expenses relating to stock option expenses and restricted share unit benefits, both of which are expensed on a straight-line basis over the vesting period. Other share-based payment expenses were due to fair value adjustments of deferred and restricted share units resulting from changes in the Company's share price during the reporting period. The increase of \$83,000 is due to the new issuance of stock options in April 2022 and RSU grants in February 2022.

Depreciation and amortization expenses were \$59,000 in Q2 2022 compared to \$37,000 in Q2 2021. The increase of \$22,000 was due to amortization expenses for the newly acquired intellectual property from R&S Environmental Consulting Services Inc. in Q4 2021.

Other Income and Expenses

Net finance costs were \$4,000 in Q2 2022 compared to \$6,000 in Q2 2021. As we currently do not hold any interest-bearing debt, finance costs arise from the interest accretion of our long-term liabilities, such as lease obligations.

Foreign exchange loss was \$73,000 in Q2 2022 compared to a loss of \$33,000 in Q2 2021. Foreign 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 Canadian dollar, our reporting currency.

Net Income

Overall net income for the three months ended June 30, 2022 was \$642,000 compared to \$809,000 in the same period in 2021.

SUMMARY OF YEAR-TO-DATE Q2 2022 FINANCIAL RESULTS

The following is a summary of selected financial results for the six-month periods ended June 30, 2022 and 2021.

Proportional Revenues

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

<i>(in \$'000s)</i> Revenue source	YTD 2022		YTD 2021		% Change
	\$	% of total	\$	% of total	
Sale of recovered metals from operations	3,503	40%	3,557	62%	(2%)
Water treatment fees from operations	848	10%	406	7%	109%
Technical services	4,341	50%	1,762	31%	146%
Total Proportional Revenues	8,692	100%	5,725	100%	52%

Sales from recovered metals remained relatively stable, primarily due to comparable revenues from the JCC-BQE joint venture, where copper recovery decreased by 4% but was offset by a 5% increase in the average copper price for the period. Changes in water volumes, and copper recoveries by extension, 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 \$158,000 in the first six months of 2022, compared to \$239,000 in 2021, a decrease of 81,000 due to lower zinc and copper recovered during the period.

Year-to-date water treatment fee revenues increased by \$442,000 or 109% compared to 2021, mainly due to the commencement of operations at two new plants in Arizona and Virginia in 2022, which provided new recurring revenues of \$439,000 in the period. The Raglan operations began discharging water earlier in June resulting in an increase of \$74,000 in water treatment fees compared to 2021. The Company continued to earn support fees in China of \$216,000 for the first six months of 2022 compared to \$286,000 for the same period in 2021.

Revenues from technical services during the first half of the year more than doubled, with an increase of \$2.6 million from the same period in 2021. The 146% increase over 2021 is attributable to higher project activity in all areas of technical services, including commissioning activities in the US and the 18-month pilot demonstration project in Chile.

Operating Expenses

Year-to-date operating expenses in 2022 were \$3.3 million compared to \$1.5 million for the same period in 2021, an increase of \$1.9 million. This 128% increase is consistent with the 139% increase in total revenues from water treatment fees and technical services. Year-to-date operating margin in 2022 was 36% compared to 33% for the same period in 2021.

Expenses

Year-to-date general and administration expenses were \$1.2 million compared to \$860,000 for the same period in 2021. The \$323,000 increase was due to increases in employee benefits, in insurance premiums and in fees paid for professional services.

Year-to-date sales and development expenses were \$791,000 compared to \$831,000 for the same period in 2021, a decrease of \$40,000 or 5%. The decrease was due to the deployment of additional labour resources to complete technical services contracts.

Net Income

Overall, net income year-to-date for 2022 was \$831,000 compared to \$287,000 in the same period in 2021, an improvement of \$544,000.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2022, BQE Water had 1,249,128 common shares issued and outstanding (1,244,968 at December 31, 2021), and 101,640 stock options outstanding (53,300 at December 31, 2021).

As of the date of this MD&A, on August 25, 2022, the number of common shares issued and outstanding, and stock options outstanding remain unchanged.

On April 22, 2022, the Company granted 52,500 stock options with an exercise price of \$30.00 to directors and employees of the Company.

At June 30, 2022, we had cash of \$2.9 million, a decrease of approximately \$1.0 million from December 31, 2021. For the six months ended June 30, 2022, cash used in operating activities was \$858,000 compared to \$828,000 in 2021.

At June 30, 2022, we had restricted cash of \$158,000, compared to \$83,000 from December 31, 2021. Such balances include a term deposit denominated in CLP held by Scotiabank as a letter of credit related to a customer in Chile until completion of the project.

The Company had a working capital position at the end of the quarter of \$4.0 million, a decrease of \$540,000 from December 31, 2021. At June 30, 2022, our significant working capital items, aside from cash, include trade and other receivables of \$2.7 million (\$2.0 million at December 31, 2021) and trade payables and accrued liabilities of \$1.0 million (\$1.0 million at December 31, 2021).

The Company has an interest-free loan with the Minister of Western Economic Diversification Canada under the Western Innovation Initiative (“WINN”) program and has obligations to repay the loan in 60 equal monthly installments from April 1, 2021 to March 1, 2026. At June 30, 2022, the WINN loan payable balance was \$309,000. Furthermore, there are credit facilities available with the Royal Bank of Canada including a credit card facility of \$30,000 and a revolving demand credit facility of \$1 million which had not been utilized as at June 30, 2022.

The Company has commitments of \$406,000 until 2024 under operating leases for office and laboratory premises and for assay services.

We believe we have sufficient working capital resources to finance current operations beyond the next 12 months, albeit with the continuing potential for a temporary working capital shortfall based on short-term fluctuations in our non-recurring revenues.

RELATED PARTY TRANSACTIONS

Management Compensation

For the three and six months ended June 30, 2022 and 2021, 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	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries, fees and short-term benefits	199,072	178,778	391,122	342,558
Share-based payments	71,438	42,910	90,280	61,306
	<u>270,510</u>	<u>221,688</u>	<u>481,402</u>	<u>403,864</u>

Included in trade payables and accrued liabilities as of June 30, 2022 is \$37,700 (\$nil at December 31, 2021) of director fees.

Revenue Earned from Joint Venture

The Company earns operating fees from the joint venture, BQE Water Nuvumiut Development Inc., for providing water treatment services in Québec. For the three and six months ended June 30, 2022, the revenue earned from the joint venture is \$193,793 (\$nil in 2021). Included in trade and other receivables as of June 30, 2022 is \$500 (\$nil at December 31, 2021) of other receivables and \$222,814 (\$nil at December 31, 2021) of trade receivables due from the joint venture.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed consolidated interim financial statements and related notes to the 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, 2021.

COVID-19 Economic Uncertainty

The COVID-19 pandemic continues to disrupt global health and the economy in 2022. Notwithstanding the vaccination programs underway, COVID-19 along with the variants of the virus that have emerged, continue to have a significant impact on the global and Canadian economies. For BQE Water, the recurring services for the operation of water treatment plants were largely uninterrupted, but certain technical services projects that were expected to be awarded and secured were delayed or suspended due to the pandemic.

Uncertainties around the COVID-19 pandemic necessitates the use of significant judgments and estimates. As at June 30, 2022, management determined that the Company's ability to execute its medium and longer-term plans, the economic viability of its assets and the carrying value of its long-lived assets are not materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations, orders, potential hindrances to our supply chain, disruptions in the markets for our services, commodity prices and foreign exchange prices along with the actions we have taken at our operations to protect the health and safety of our workforce and local communities. At this time, the full extent of the impact of COVID-19 along with its variants may have on us is unknown and will depend on future developments that are highly uncertain and that cannot be predicted with confidence.