

BQE Water

BQE WATER INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian Dollars unless stated otherwise)

(Unaudited)

For the three and nine months ended September 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 September 30, 2022 and December 31, 2021
(Unaudited – expressed in Canadian dollars)

		September 30 2022 \$	December 31 2021 \$
	note		
Assets			
Current assets			
Cash		6,438,848	3,943,714
Restricted cash	5	161,471	83,137
Trade and other receivables	6, 7	3,156,231	2,009,201
Prepaid and deposits		88,690	233,022
Total current assets		9,845,240	6,269,074
Non-current assets			
Plant and equipment	8	371,433	255,141
Intangible assets	9	335,760	398,715
Investment in joint ventures	10	5,451,468	6,855,401
Deposits		27,266	24,881
Total non-current assets		6,185,927	7,534,138
Total assets		16,031,167	13,803,212
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	7, 11	1,251,616	1,041,802
Loans	12	82,500	82,500
Deferred revenues		500,861	73,243
Lease obligations	13	152,413	120,039
Deferred benefits	14	605,518	394,441
Total current liabilities		2,592,908	1,712,025
Non-current liabilities			
Loans	12	206,250	268,125
Deferred revenues		283,740	253,560
Lease obligations	13	109,089	86,412
Other liabilities	9	169,700	169,700
Total non-current liabilities		768,779	777,797
Total liabilities		3,361,687	2,489,822
Shareholders' Equity			
Share capital	15	56,607,261	56,573,611
Contributed surplus		10,833,393	10,669,159
Accumulated other comprehensive income		1,502,789	1,750,386
Accumulated deficit		(56,273,963)	(57,679,766)
Total shareholders' equity		12,669,480	11,313,390
Total liabilities and shareholders' equity		16,031,167	13,803,212
Commitments (note 18)			

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 nine months ended September 30, 2022 and 2021
(Unaudited – expressed in Canadian dollars)

	note	3 months ended September 30		9 months ended September 30	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenues	19	3,503,412	2,773,189	8,692,350	4,941,189
Operating expenses (excluding depreciation)		(1,759,005)	(1,088,184)	(5,062,568)	(2,539,640)
Operating margin before depreciation		1,744,407	1,685,005	3,629,782	2,401,549
Share of income from joint ventures	10	280,886	700,267	1,742,911	2,303,776
General and administration		(590,900)	(427,387)	(1,773,824)	(1,287,451)
Sales and development		(414,111)	(273,254)	(1,204,690)	(1,104,318)
Share-based payments	7, 14	(172,139)	(19,460)	(461,588)	(291,796)
Depreciation and amortization	8, 9	(69,600)	(37,375)	(183,207)	(111,449)
Income from operations and joint ventures		778,543	1,627,796	1,749,384	1,910,311
Finance income (costs)		6,991	(6,441)	(1,586)	(18,340)
Foreign exchange gain (loss)		77,230	39,983	(32,753)	(27,368)
Bad debt recovery		-	-	-	94,630
Income before income taxes		862,764	1,661,338	1,715,045	1,959,233
Income tax expenses		(288,850)	(117,720)	(309,242)	(130,294)
Net income for the period		573,914	1,543,618	1,405,803	1,828,939
Other comprehensive income					
<i>Items that will be reclassified subsequently to income</i>					
Translation (loss) gain on foreign operations		(165)	226,802	(247,597)	185,666
Total comprehensive income for the period		573,749	1,770,420	1,158,206	2,014,605
Net earnings per share					
Basic	15(c)	0.46	1.25	1.13	1.49
Diluted	15(c)	0.45	1.23	1.11	1.46
Weighted average number of shares outstanding					
Basic	15(c)	1,249,128	1,238,490	1,247,894	1,228,552
Diluted	15(c)	1,273,385	1,259,777	1,271,848	1,248,739

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 nine months ended September 30, 2022 and 2021

(Unaudited – expressed in Canadian dollars)

		Number of Shares	9 months ended Sept. 30, 2022 \$	Number of Shares	9 months ended Sept. 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	21,533	151,198
Balance, end of the period		1,249,128	56,607,261	1,238,968	56,537,611
Contributed surplus					
Balance, beginning of the period			10,669,159		10,565,312
Equity settled share-based payments	14(a)		164,234		79,128
Balance, end of the period			10,833,393		10,644,440
Accumulated other comprehensive income					
Balance, beginning of the period			1,750,386		1,445,214
Other comprehensive (loss) income for the period			(247,597)		185,666
Balance, end of the period			1,502,789		1,630,880
Accumulated deficit					
Balance, beginning of the period			(57,679,766)		(60,309,204)
Net income for the period			1,405,803		1,828,939
Balance, end of the period			(56,273,963)		(58,480,265)
Total shareholders' equity					
Balance, beginning of the period			11,313,390		8,087,735
Exercise of stock options	14(a)		164,234		151,198
Equity settled share-based payments	14(a)		33,650		79,128
Net income for the period			1,405,803		1,828,939
Other comprehensive (loss) income for the period			(247,597)		185,666
Balance, end of the period			12,669,480		10,332,666

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 nine months ended September 30, 2022 and 2021
 (Unaudited – expressed in Canadian dollars)

		9 months ended September 30	
		2022	2021
		\$	\$
	note		
Operating activities			
Net income for the period		1,405,803	1,828,939
Items not affecting cash			
Bad debt recovery		-	(94,630)
Share of income from joint ventures	10	(1,742,911)	(2,303,776)
Finance costs, net		1,586	18,340
Depreciation and amortization	8, 9	183,207	111,449
Foreign exchange loss		74,249	10,358
Share-based payments	14	461,588	291,796
		383,522	(137,524)
Change in non-cash operating working capital items	17	(495,828)	105,040
Net cash used in operating activities		(112,306)	(32,484)
Investing activities			
Purchase of plant and equipment	8	(73,038)	(6,881)
Purchase of intangible assets	9	(100,000)	(150,000)
Contributions made to joint ventures	10	2,896,451	1,177,200
Interest received		17,145	4,477
Net cash used in investing activities		2,740,558	1,024,796
Financing activities			
Lease payments on principal portion	13	(107,974)	(75,072)
Lease payments on interest portion	13	(18,378)	(22,763)
Proceeds from exercise of stock options	14(a)	33,650	151,198
Repayment of loans	12	(61,875)	(41,250)
Interest paid		(71)	(54)
Net cash (used in) provided by financing activities		(154,648)	12,059
Effect of exchange rate changes on cash		21,530	16,559
Change in cash		2,495,134	1,020,930
Cash, beginning of the period		3,943,714	3,239,692
Cash, end of the period		6,438,848	4,260,622

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 nine months ended September 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 November 23, 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 Sept. 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 Sept. 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 nine months ended September 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 September 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 nine months ended September 30, 2022
(Unaudited – expressed in Canadian dollars)

5. RESTRICTED CASH

The balance at September 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

	Sept. 30, 2022	Dec. 31, 2021
	\$	\$
Trade receivables, net	2,592,093	1,427,398
Contract assets	556,104	581,159
Other receivables	8,034	644
	<u>3,156,231</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 nine months ended September 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 Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries, fees and short-term benefits	195,297	173,028	586,420	515,586
Share-based payments (note 14(a))	65,085	16,994	155,365	78,300
	<u>260,382</u>	<u>190,022</u>	<u>741,785</u>	<u>593,886</u>

Included in trade payables and accrued liabilities as of September 30, 2022 is \$54,250 (\$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. As the newly incorporated joint venture begin to have financial activities in 2022, for the three and nine months ended September 30, 2022, the revenue earned from the joint venture was \$1,117,435 and \$1,311,228 respectively (\$nil in 2021). Included in trade and other receivables as of September 30, 2022 is \$311,278 (\$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 nine months ended September 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	161,013	-	73,038	234,051
Foreign exchange translation	1,120	-	-	1,120
As at September 30, 2022	671,364	580,593	790,786	2,042,743
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	(97,835)	-	(22,417)	(120,252)
Foreign exchange translation	1,373	-	-	1,373
As at September 30, 2022	(413,743)	(580,593)	(676,974)	(1,671,310)
Carrying Amount				
As at December 31, 2021	191,950	-	63,191	255,141
As at September 30, 2022	257,621	-	113,812	371,433

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 nine months ended September 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 September 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	(62,955)
As at September 30, 2022	(83,940)
Carrying Amount	
As at December 31, 2021	398,715
As at September 30, 2022	335,760

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 and 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 September 30, 2022.

BQE WATER INC.

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

10. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on September 30, 2022 is \$5,451,468 (\$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	-
Dividends 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)	1,714,414	(44,907)	28,497
Share of translation loss on foreign operation	(250,393)	(5,356)	-
Dividends received	(2,896,500)	-	-
Unrecognized share of net income and translation gain	-	50,263	-
Balance, September 30, 2022	5,422,922	-	28,546

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 nine months ended September 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:

	Sept. 30, 2022	Dec. 31, 2021
	\$	\$
Assets		
Cash	3,282,764	4,145,245
Other current assets	875,749	1,331,127
Non-current assets	2,786,532	3,264,457
	<u>6,945,045</u>	<u>8,740,829</u>
Total assets		
Liabilities	1,522,123	1,885,428
Partner's Equity	5,422,922	6,855,401
	<u>6,945,045</u>	<u>8,740,829</u>
Total liabilities and partner's equity		

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 Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	2,169,278	2,672,872	5,514,400	5,990,868
Operating expenses (excluding depreciation)	(1,437,644)	(1,436,603)	(2,776,929)	(2,491,526)
	<u>731,634</u>	<u>1,236,269</u>	<u>2,737,471</u>	<u>3,499,342</u>
Non-operating expenses	(136,355)	(95,349)	(250,172)	(216,159)
Depreciation of plant and equipment	(119,303)	(119,015)	(365,531)	(294,291)
Income tax expense	(219,376)	(321,638)	(407,354)	(685,116)
Net income for the year	<u>256,600</u>	<u>700,267</u>	<u>1,714,414</u>	<u>2,303,776</u>
Other comprehensive income (loss)	<u>10,105</u>	<u>177,475</u>	<u>(250,393)</u>	<u>113,879</u>
Comprehensive income for the year	<u>266,705</u>	<u>877,742</u>	<u>1,464,021</u>	<u>2,417,655</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 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 nine months ended September 30, 2022 was a net loss of \$23,448 and net loss of \$44,907, respectively (net loss of \$59,536 and \$11,434 for the three and nine months ended September 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 September 30, 2022, the balance of the unrecognized share of net losses for MWT-BQE is \$230,596 (\$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:

	Sept. 30, 2022	Dec. 31, 2021
	\$	\$
Current assets	68,461	59,672
Plant and equipment	29,161	32,873
Current liabilities	46,029	28,255
Non-current liabilities	26,266	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 Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	35,070	55,982	193,066	294,897
Operating expense (excluding depreciation)	(37,130)	(30,007)	(155,349)	(102,904)
	(2,060)	25,975	37,717	191,993
Non-operating expenses	(17,518)	(63,867)	(70,790)	(138,947)
Depreciation of plant and equipment	(3,870)	(21,644)	(11,834)	(64,480)
Net loss for the period	(23,448)	(59,536)	(44,907)	(11,434)
Other comprehensive (loss) income	(280)	6,013	(5,356)	2,557
Comprehensive loss for the period	(23,728)	(53,523)	(50,263)	(8,877)

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 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:

	Sept. 30, 2022	Dec. 31, 2021
	\$	\$
Current assets	206,931	-
Current liabilities	178,385	-
Partner’s equity	28,546	-

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	602,298	-	706,752	-
Operating expenses	(577,962)	-	(678,196)	-
	24,336	-	28,556	-
Non-operating expenses	(50)	-	(59)	-
Net income for the period	24,286	-	28,497	-

11. TRADE PAYABLE AND ACCRUED LIABILITIES

	Sept. 30, 2022	Dec. 31, 2021
	\$	\$
Trade payable and accruals	546,631	591,533
Payroll liability	574,146	414,438
Tax payable	130,839	35,831
	1,251,616	1,041,802

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 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 September 30, 2022 is \$288,750 (\$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:

	Sept. 30, 2022	Dec. 31, 2021
	\$	\$
Balance at January 1	206,451	279,005
Addition of lease obligations	162,651	36,495
Adjustment of lease obligations	(1,638)	-
Interest expense on lease obligations	18,661	29,322
Lease payments on interest portion	(18,378)	(29,322)
Lease payments on principal portion	(107,974)	(110,012)
Foreign exchange translation	1,729	963
Ending Balance	261,502	206,451
Less: current portion of lease obligations	152,413	120,039
Non-current portion of lease obligations	109,089	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 nine months ended September 30, 2022 are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Classified as short-term or as low value	19,631	5,483	59,392	16,152
Leases with variable lease payments	25,800	15,677	71,171	59,605
	45,431	21,160	130,563	75,757

BQE WATER INC.

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

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

	Sept. 30, 2022
	<u>\$</u>
2022	53,787
2023	157,810
2024	62,651
2025	8,837
Total undiscounted lease payments	283,085
Less: imputed interest	<u>(21,583)</u>
Total carrying value of lease obligations	<u>261,502</u>

14. SHARE-BASED PAYMENT EXPENSES

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Stock options (a)	86,230	24,719	164,234	79,128
Deferred share units (b)	(10,071)	(25,085)	9,328	124,104
Restricted share units (c)	95,980	19,826	288,026	88,564
	<u>172,139</u>	<u>19,460</u>	<u>461,588</u>	<u>291,796</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 nine months ended September 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, September 30, 2022	101,640	19.42

As at September 30, 2022, the Company has 33,141 of share options outstanding which 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 nine months ended September 30, 2022, the Company recognized \$86,230 and \$164,234 (\$24,719 and \$79,128 in 2021) of non-cash compensation expense related to stock options. The expiry dates by exercise price at September 30, 2022 are 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 nine months ended September 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	-	9,328
Balance, September 30, 2022	10,574	300,106

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 September 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
September 20, 2022	864	25,000

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	20,707	-
Redeemed	(3,169)	(86,277)
Fair value adjustment	-	288,026
Balance, September 30, 2022	25,424	305,412

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 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 September 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 nine months ended September 30, 2022 and 2021 are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income	573,914	1,543,618	1,405,803	1,828,939
Basic weighted average number of shares outstanding	1,249,128	1,238,490	1,247,894	1,228,552
Dilution of securities	24,257	21,287	23,954	20,187
Diluted weighted average number of shares outstanding	1,273,385	1,259,777	1,271,848	1,248,739
Net earnings per share:				
Basic	0.46	1.25	1.13	1.49
Diluted	0.45	1.23	1.11	1.46

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 September 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:

	9 months ended Sept. 30	
	2022	2021
	\$	\$
Change in non-cash working capital items		
Changes in trade receivables	(1,216,438)	(221,788)
Changes in restricted cash	(90,204)	-
Changes in other assets	142,410	(20,566)
Changes in accounts payable and accrued liabilities	327,167	164,847
Changes in deferred revenue	427,535	227,770
Changes in other liabilities	(86,298)	(45,223)
Change in non-cash working capital items	(495,828)	105,040

BQE WATER INC.

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

18. COMMITMENTS

The Company has commitments of \$433,615 under operating leases for office and laboratory premises, and for laboratory assay services, as follows:

	\$
2022	69,450
2023	212,127
2024	127,019
2025	25,019
	<u>433,615</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 Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Operations contracts	1,958,831	1,498,107	2,807,140	1,904,099
Technical services contracts	1,544,581	1,275,082	5,885,210	3,037,090
	<u>3,503,412</u>	<u>2,773,189</u>	<u>8,692,350</u>	<u>4,941,189</u>

BQE WATER INC.

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

b) Remaining Performance Obligations

As at September 30, 2022, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is \$3,717,714 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 Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Canada	1,968,596	1,921,752	3,077,111	2,442,510
USA	759,715	313,256	3,234,082	1,131,040
Latin America	595,290	346,852	1,888,972	598,621
China	179,811	173,829	395,425	751,518
Other	-	17,500	96,760	17,500
	<u>3,503,412</u>	<u>2,773,189</u>	<u>8,692,350</u>	<u>4,941,189</u>

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

	Sept. 30, 2022	Dec. 31, 2021
	\$	\$
Canada	671,884	625,400
China	5,435,502	6,883,857
USA	51,275	-
	<u>6,158,661</u>	<u>7,509,257</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 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 nine months ended September 30, 2022 and 2021:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Customer A	1,117,435	1,379,384	1,312,690	1,502,987
Customer B	564,377	312,975	2,772,151	908,793
Customer C	99,557	-	305,496	201,245
Customer D	179,811	147,149	395,425	612,039
Customer E	244,521	-	988,112	-
Customer F	303,758	1,440	687,185	63,509
	<u>2,509,459</u>	<u>1,840,948</u>	<u>6,461,059</u>	<u>3,288,573</u>
Represents percentage of total revenue for the period	72%	66%	74%	67%

BQE Water

BQE WATER INC.

Interim Management's Discussion and Analysis (Quarterly Highlights)

For the three and nine months ended September 30, 2022 and 2021

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three and nine months ended September 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 has prepared this document in conjunction with its broader responsibilities for reasonable assurance regarding the reliability of the financial reporting and the establishment and maintenance of adequate information systems and internal controls to ensure that the financial information is complete and reliable. Management also believes that any internal controls and procedures for financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. The Audit Committee of the Board of Directors, consisting of independent directors, has reviewed this document and all other publicly reported financial information, for integrity, usefulness, reliability and consistency.

This Q3 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 nine months ended September 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 September 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 November 23, 2022.

Certain statements contained in this 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 are relevant only on the date they are made and, as such, readers are advised to consider such forward-looking statements in light of the associated 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 proven 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 for removal 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 or teams deployed in the US, Chile and China, which are 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 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 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 nine-month periods ended September 30, 2022 and 2021 are as follows:

<i>(in \$'000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Reported revenues under GAAP	3,503	2,773	8,692	4,941
Share of revenues from joint ventures in China	2,204	2,729	5,707	6,286
Proportional Revenue for the period	5,707	5,502	14,399	11,227

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 income 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 Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
GAAP: Net income	573	1,545	1,404	1,831
add/deduct: interest expense	(8)	(2)	(8)	4
add: income taxes	508	439	717	815
add: depreciation and amortization	193	178	561	470
EBITDA	1,266	2,160	2,674	3,120
add: share-based payment expenses	172	19	462	292
deduct: other income	-	-	(22)	(95)
add: net foreign exchange loss	(77)	(40)	33	27
Adjusted EBITDA	1,361	2,139	3,147	3,344

FINANCIAL HIGHLIGHTS

- Added new recurring operational services revenues of \$242,000 in Q3 2022 from a water treatment plant in the Yukon that commenced operations during the quarter.
- Grew Proportional Revenues by \$205,000 or 4% and revenues by \$730,000 or 26% compared to Q3 2021.
- Recorded net income of \$573,000 and Adjusted EBITDA of \$1.4 million in Q3 2022 compared to \$1.5 million and \$2.1 million in Q3 2021.
- Increased working capital to \$7.3 million as at September 30 2022, an increase of \$3.2 million from June 30 2022.
- Increased Proportional Cash to \$9.7 million as at September 30 2022, an increase of \$2.5 million from June 30 2022.

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

<i>(in '000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
Revenues under GAAP	3,503	2,773	8,692	4,941
Proportional Revenues	5,707	5,502	14,399	11,227
Net income	573	1,545	1,404	1,831
Adjusted EBITDA	1,361	2,139	3,147	3,344

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 for 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
Minto Mine for Minto Metals	Yukon, 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	Eastern USA	Water treatment fees
Base metal project for a metal producer	Southwestern 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 nine months ended September 30, 2022 are as follows:

<i>(in '000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
Water treated (cubic metres)	6,395	7,949	15,183	18,075
Copper recovered (pounds)	1,097	1,128	2,509	2,594

In Q3 2022, all three plants met mechanical availability and process performance set by the Company. 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 nine months ended September 30, 2022 are as follows:

<i>(in '000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
Water treated (cubic metres)	185	139	504	481
Zinc recovered (pounds)	199	185	305	774
Copper recovered (pounds)	7	38	113	192

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”). In May 2022, we mobilized our operations team to site to commence our 19th operating season at the mine. Due to a drier season, the total volume of water treated across all four plants at Raglan Mine in Q3 2022 decreased by 19% compared to that of Q3 2021.

In August 2022, we entered into an operational services agreement with Minto Metals to operate a water treatment plant at Minto Mine. The mine is expected to treat approximately 750,000 to 1 million cubic metres of water per year. Our team mobilized to site on August 27, 2022 and began treating and discharging clean water.

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 Q3 2022, both SART plants operated for the full quarter as the upstream circuit 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 exchange for water treatment fees with fixed and variable components. During Q3 2022, we recommenced water treatment with the Selen-IX™ circuit as the upstream feed pumping system resumed operations.

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 ongoing plant operational services in exchange for water treatment fees comprised of a fixed guaranteed minimum and a variable fee linked to the volume of water treated. In Q3 2022, 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 nine months ended September 30, 2022 are as follows:

<i>(in days)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
Raglan Mine water treatment plants	92	92	122	115
Minto Mine water treatment plant	35	-	35	-
Zhongkuang SART plant	92	-	257	64
Zhaojin SART plant	64	48	87	112
Water treatment plant for ash pond in the US	92	-	273	-
Water treatment plant in American Southwest	92	-	160	-

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

<i>(in '000s cubic metres)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
Raglan Mine water treatment plants	1,316	1,628	1,534	1,773
Minto Mine water treatment plant	128	-	128	-
SART plants in China	160	76	266	232
Water treatment plants in USA	8	-	15	-

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 Q3 2022 are summarized below.

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

- Continued to provide engineering services for a third Selen-IX™ plant currently in the construction stage for a US mine.
- Initiated lab testing and preliminary engineering for a new uranium project in North America.
- Initiated lab testing for selenium removal from Flue Gas Desulphurization scrubber blow-down water for a US utility.

Cyanide Recovery, Destruction and Thiocyanate Management

- Initiated technical assessments to improve cyanide destruction systems at two mines in the US.
- Initiated technical assessment to optimize cyanide destruction and effluent discharge using reverse osmosis at a large gold heap leach operation in Peru.

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

- Continued to provide engineering design services for three water treatment plants to support permitting of the KSM project in BC.
- Continued to provide water treatment consulting services to support permitting of the Blackwater project in BC.
- Initiated a conceptual design study for water treatment to support the permitting of a new lithium project in Canada.
- Initiated the engineering design for a water treatment pilot plant to support permitting of a rare earth elements project 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.
- Continued to provide engineering design services for a water treatment plant to produce clean water for recycle at a mine in Mexico.

COMMENTARY AND OUTLOOK

2022 has, to date, been a year of promising growth for BQE Water in terms of our active project list, cash on hand and our future project pipeline. We also recorded another profitable quarter, with multiple encouraging developments, despite uncertainties in the global economy and rising inflation.

On the positive side, the success of our long-term business strategy and commercial model was demonstrated by:

- Signing a new multi-year plant operating services agreement with Minto Mine in the Yukon.
- Bringing into operation two US plants within the last nine months that are a source of steady recurring revenues.
- Nearly doubling our technical services revenue on a year-to-date basis compared to 2021, providing a good indication of the strength of our project pipeline as well as expected future growth in recurring revenues since technical services often precede plant operations services.
- Reaching record levels of working capital and cash derived from operations.
- Completing a successful demonstration of our Sulf-IX™ technology for sulphate removal at the first of multiple sites owned by the world's largest copper producer Codelco in Chile.

Challenges consist of a mix of those we are actively managing and those that are outside of our control:

- An increase in the number of employees and the associated costs of hiring, onboarding and training for new water treatment plant operations and technical roles in engineering, projects, lab and piloting has slightly reduced our operating margin. However, investing in building our team for the long term is essential to our growth and success.
- Inflation and a tight labour market are driving year-over-year increases in expenses through compensation adjustments, corporate insurance, employee health benefits and other professional service fees.
- A drought in China during a period that is normally the “wet season” reduces the income earned from our China joint venture.

Looking ahead to the remainder of the year, we expect continued strong revenues from operations and technical services as these are directly underpinned by our solid project pipeline. However, we are anticipating a shortfall in copper sales from our China joint venture to further increase in Q4 2022 as the Dexing region enters the dry season earlier than usual. While this shortfall in copper sales will reduce the share of income received from the joint venture, we anticipate it will be partially offset by the increase in revenues from operations and technical services.

We expect results for the remainder of the year to produce another consecutive year-over-year increase in working capital driven by normal operations. We also anticipate our project pipeline will remain robust as we enter 2023. As always, we need to caution investors about the possible negative impacts of a downturn in the global economy and particularly the resource sector on our performance. However, our proven and unique expertise in supporting clients with their environmental compliance and sustainable water treatment needs is highly supportive of our long-term outlook for strong corporate growth.

SELECTED FINANCIAL INFORMATION

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues	3,503	2,773	8,692	4,941
Operating expenses (excluding depreciation)	(1,759)	(1,088)	(5,063)	(2,540)
Operating margin	1,744	1,685	3,629	2,401
Share of income from joint ventures	281	700	1,743	2,304
General and administration	(591)	(427)	(1,774)	(1,287)
Sales and development	(414)	(273)	(1,205)	(1,104)
Share-based payments	(172)	(19)	(462)	(292)
Depreciation and amortization	(70)	(37)	(183)	(111)
Income from operations and joint ventures	778	1,629	1,748	1,911
Other expenses, net	84	34	(35)	(45)
Bad debt recovery	-	-	-	95
Income tax expense	(289)	(118)	(309)	(130)
Net income for the period	573	1,545	1,404	1,831
Net earnings per share (basic)	0.46	1.25	1.13	1.49
Net earnings per share (diluted)	0.45	1.23	1.11	1.46
Proportional Revenues ¹	5,707	5,502	14,399	11,227
Adjusted EBITDA ¹	1,361	2,139	3,147	3,344

	at Sept. 30,	at Dec. 31,
	2022	2021
	\$	\$
Cash	6,439	3,944
Proportional cash ¹	9,722	8,089
Working capital	7,252	4,557
Total assets	16,031	13,803
Total non-current liabilities	769	778
Shareholders' equity	12,669	11,313

Notes:

1. See Non-GAAP measures

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	Sept-22	Jun-22	Mar-22	Dec-21	Sept-21	Jun-21	Mar-21	Dec-20
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	3,503	2,722	2,467	2,570	2,773	1,188	980	1,609
Operating expenses	(1,759)	(1,773)	(1,531)	(1,409)	(1,088)	(944)	(507)	(934)
	1,744	949	936	1,161	1,685	244	473	675
Share of income from								
joint ventures	281	1,129	333	499	700	1,580	23	101
General and administration	(591)	(579)	(604)	(535)	(427)	(459)	(401)	(413)
Sales and development	(414)	(436)	(354)	(270)	(273)	(378)	(453)	(349)
Share-based payments	(172)	(267)	(23)	(11)	(19)	(184)	(88)	(107)
Depreciation and amortization	(70)	(59)	(55)	(57)	(37)	(37)	(37)	(42)
Income (loss) from operations	778	737	233	787	1,629	766	(483)	(135)
Other income (expenses), net	84	(77)	(41)	13	34	(39)	(40)	30
Bad debt recovery	-	-	-	-	-	95	-	-
Income tax expenses	(289)	(18)	(2)	-	(118)	(13)	-	(97)
Net income (loss)	573	642	190	800	1,545	809	(523)	(202)
Translation (loss) gain	-	(139)	(109)	120	227	28	(69)	(63)
Comprehensive income (loss)	573	503	81	920	1,772	837	(592)	(265)
Non-GAAP Measures:								
Proportional Revenue	5,707	5,164	3,529	4,389	5,502	4,174	1,551	3,085
Adjusted EBITDA	1,361	1,341	446	754	2,139	1,435	(231)	133

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 Q3 2022 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended September 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>	Q3 2022		Q3 2021		% Change
	\$	% of total	\$	% of total	
Sale of recovered metals from operations	2,204	39%	2,729	50%	(19%)
Water treatment fee from operations	1,959	34%	1,498	27%	31%
Technical services	1,544	27%	1,275	23%	21%
Total Proportional Revenues	5,707	100%	5,502	100%	4%

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 Q3 2022, our share of revenues from the JCC-BQE joint venture declined by \$504,000 or 19% compared to the comparable period in 2021. This was attributed to a 3% decrease in the quantity of copper recovered and a 17% decrease in average copper prices during the period. The Company's share of revenue from the MWT-BQE joint venture in Q3 2022 was \$35,000, compared to \$56,000 in Q3 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 partnership with Inuit company Nuvumiut Development, at the newly signed Minto Mine operations, and at the recently commissioned selenium removal plants in the US. The increase in water treatment fees is mainly due to the Minto Mine and US selenium treatment plant operations that generated \$689,000 in recurring revenues for Q3 2022. As water treatment at the US selenium plants was not required in the quarter, revenues earned from these operations consist of the fixed guaranteed fee for on-site water treatment services. The Raglan Mine operation treated 19% less water than the prior year's Q3, and we earned \$1.1 million in water treatment fees during the quarter compared to \$1.4 million in Q3 2021. Our operations support fees are comprised of recurring technical support services at several SART plants in China that generated revenues of \$180,000 in Q3 2022 compared to \$145,000 in Q3 2021.

Revenues from technical services increased by \$269,000 or 21% in Q3 2022 compared to the same period in 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 Q3 2022 as we continued the engineering design of a fourth selenium removal treatment plant in the American Southwest, supported the permitting at a project in BC, and with the 18-month pilot demonstration program for Codelco in Chile.

Operating Expenses

Total operating expenses during Q3 2022 were \$1.8 million compared to \$1.1 million in Q3 2021, an increase of \$671,000 or 62%. The increase in operating expenses is attributable to the 26% increase in project activity related to technical services completed and operational services provided in the quarter. Also included in the increase are compensation adjustments, headcount growth and their associated costs to service new water treatment plant operations and engineering contracts. Each individual project requires varying levels of technical expertise and resources depending on the specific mine conditions and treatment requirements.

Expenses

In Q3 2022, general and administration costs were \$591,000 compared to \$427,000 in Q3 2021, representing a \$164,000 increase. This increase was attributable to a \$68,000 increase in employee benefits, a \$46,000 net increase in professional services fees, a \$33,000 increase in travel expenses, and a \$18,000 increase in insurance premiums for the comparable period.

Sales and development costs during Q3 2022 were \$414,000 compared to \$273,000 in Q3 2021, an increase of \$141,000. The increase was attributable to a \$62,000 increase in internal labour resources allocated for technology development initiatives, a \$40,000 increase in professional services fees, and a \$12,000 increase in travel and event expenses related to business development.

Share-based payment expenses were \$172,000 in Q3 2022 compared to \$19,000 in Q3 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 \$153,000 is largely attributed to the issuance of stock options in April 2022 and RSU grants in February 2022.

Depreciation and amortization expenses were \$70,000 in Q3 2022 compared to \$37,000 in Q3 2021. The increase of \$33,000 was due to amortization expenses for the newly acquired intellectual property from R&S Environmental Consulting Services Inc. in Q4 2021 and for the new right-of-use assets, or office leases, added in Q3 2022.

Other Income and Expenses

Net finance income was \$7,000 in Q3 2022 compared to an expense of \$6,000 in Q3 2021. Finance income is earned from cash or 90-day Guaranteed Investment Certificates held by a financial institution. 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 gain was \$77,000 in Q3 2022 compared to \$40,000 in Q3 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.

Income tax expenses were \$289,000 in Q3 2022, compared to \$118,000 in Q3 2021. Income tax expenses are mainly attributed to 10% withholding taxes deducted from annual dividends received during quarter from the Company's investment from joint venture income earned in China during the preceding fiscal years.

Net Income

Overall net income for the three months ended September 30, 2022 was \$573,000 compared to \$1.5 million in the same period in 2021.

SUMMARY OF YEAR-TO-DATE Q3 2022 FINANCIAL RESULTS

The following is a summary of selected financial results for the nine-month periods ended September 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	5,707	40%	6,286	56%	(9%)
Water treatment fees from operations	2,807	19%	1,904	17%	47%
Technical services	5,885	41%	3,037	27%	94%
Total Proportional Revenues	14,399	100%	11,227	100%	28%

Sales of recovered metals decreased by \$579,000 or 9%, primarily due to revenues from the JCC-BQE joint venture where our share of revenues decreased by \$477,000 or 8% compared to 2021. This decrease was attributable to a 3% decrease in the quantity of copper recovered and a 5% decrease in the average copper prices during 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 \$193,000 in the first nine months of 2022 compared to \$295,000 in 2021, a decrease of \$102,000 due to lower zinc and copper recovered during the period.

Year-to-date water treatment fee revenues increased by \$903,000 or 47% compared to 2021, mainly due to the start of new operations in 2022. The two recently commissioned plants in the US provided new recurring revenues of \$886,000 and the new operations at Minto Mine provided new revenues of \$242,000. For the 2022 season, the Raglan Mine operations treated 13% less water than the prior year, resulting in a decrease of \$190,000 or 13% in water treatment fees compared to 2021. The Company continued to earn support fees in China of \$395,000 for the first nine months of 2022 compared to \$431,000 for the same period in 2021.

Revenues from technical services year-to-date increased by \$2.8 million or 94% compared to the same period in 2021. The nearly doubled increase was attributable to higher project activity in all areas of technical services, including commissioning activities in the US, engineering design of treatment plants, and the 18-month pilot demonstration project in Chile.

Operating Expenses

Year-to-date operating expenses in 2022 were \$5.1 million compared to \$2.5 million for the same period in 2021, an increase of \$2.6 million. This 99% increase is consistent with the 76% increase in total revenues from water treatment fees and technical services. Year-to-date operating margin in 2022 was 42% compared to 49% for the same period in 2021.

Expenses

Year-to-date general and administration expenses were \$1.8 million compared to \$1.3 million for the same period in 2021. The \$487,000 increase was due to a \$208,000 increase in employee benefits, a \$68,000 increase in insurance premiums and a net increase of \$108,000 paid to professional services.

Year-to-date sales and development expenses were \$1.2 million compared to \$1.1 million for the same period in 2021, an increase of \$101,000 or 9%. The increase was largely attributed to the increase of \$58,000 in travel and event expenses related to business development.

Net Income

Overall, net income year-to-date for 2022 was \$1.4 million compared to \$1.8 million in the same period in 2021, a decrease of \$427,000.

LIQUIDITY AND CAPITAL RESOURCES

At September 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 November 23, 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 September 30, 2022, we had cash of \$6.4 million, an increase of approximately \$2.5 million from December 31, 2021. For the nine months ended September 30, 2022, cash used in operating activities was \$112,000 compared to \$32,000 in 2021.

At September 30, 2022, we had restricted cash of \$161,000, 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 \$7.3 million, an increase of \$2.7 million from December 31, 2021. At September 30, 2022, our significant working capital items, aside from cash, include trade and other receivables of \$3.2 million (\$2.0 million at December 31, 2021) and trade payables and accrued liabilities of \$1.3 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 September 30, 2022, the WINN loan payable balance was \$289,000. 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 has not been utilized as at September 30, 2022.

The Company has commitments of \$434,000 until 2025 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.

RELATED PARTY TRANSACTIONS

For the three and nine months ended September 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 Sept. 30		9 months ended Sept. 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries, fees and short-term benefits	195,297	173,028	586,420	515,586
Share-based payments (note 14(a))	65,085	16,994	155,365	78,300
	<u>260,382</u>	<u>190,022</u>	<u>741,785</u>	<u>593,886</u>

Included in trade payables and accrued liabilities as of September 30, 2022 is \$54,250 (\$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 Quebec. As the newly incorporated joint venture begin to have financial activities in 2022, for the three and nine months ended September 30, 2022, the revenue earned from the joint venture was \$1,117,435 and \$1,311,228 respectively (\$nil in 2021). Included in trade and other receivables as of September 30, 2022 is \$311,278 (\$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 September 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.