

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, 2023 and 2022

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, 2023 and December 31, 2022
(Unaudited – expressed in Canadian dollars)

		September 30 2023 \$	December 31 2022 \$
	note		
Assets			
Current assets			
Cash		6,525,684	6,234,352
Restricted cash	5	172,818	180,307
Trade and other receivables	6, 7	5,518,712	3,206,869
Prepaid and deposits		466,408	337,850
Total current assets		12,683,622	9,959,378
Non-current assets			
Property and equipment	8	1,427,718	395,456
Intangible assets	9	251,820	314,775
Investment in joint ventures	10	4,466,761	5,301,227
Deposits		52,203	17,080
Total non-current assets		6,198,502	6,028,538
Total assets		18,882,124	15,987,916
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	7, 11	1,758,416	1,240,780
Loans	12	82,500	82,500
Deferred revenues		63,557	436,039
Lease obligations	13	135,817	191,988
Other liabilities	9	-	142,000
Deferred benefits	14	621,861	700,949
Total current liabilities		2,662,151	2,794,256
Non-current liabilities			
Loans	12	123,750	185,625
Deferred revenues		283,740	283,740
Lease obligations	13	1,282,480	85,802
Total non-current liabilities		1,689,970	555,167
Total liabilities		4,352,121	3,349,423
Shareholders' Equity			
Share capital	15	56,376,657	56,654,061
Contributed surplus		11,074,101	10,919,623
Accumulated other comprehensive income		1,192,603	1,582,782
Accumulated deficit		(54,113,358)	(56,517,973)
Total shareholders' equity		14,530,003	12,638,493
Total liabilities and shareholders' equity		18,882,124	15,987,916
Commitments (note 19)			

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, 2023 and 2022

(Unaudited – expressed in Canadian dollars)

	note	3 months ended September 30		9 months ended September 30	
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenues	20	6,245,654	3,503,412	13,122,837	8,692,350
Operating expenses (excluding depreciation)		(2,959,479)	(1,759,005)	(6,814,970)	(5,062,568)
Operating margin before depreciation		3,286,175	1,744,407	6,307,867	3,629,782
Share of income from joint ventures	10	382,355	280,886	870,492	1,742,911
General and administration		(609,928)	(590,900)	(2,031,536)	(1,773,824)
Sales and development		(555,193)	(414,111)	(1,725,507)	(1,204,690)
Share-based payments	7, 14	(108,626)	(172,139)	(327,900)	(461,588)
Depreciation and amortization	8, 9	(111,403)	(69,600)	(304,235)	(183,207)
Income from operations and joint ventures		2,283,380	778,543	2,789,181	1,749,384
Finance income (expense), net		(5,653)	6,991	25,657	(1,586)
Foreign exchange (loss) gain		(7,460)	77,230	(26,282)	(32,753)
Bad debt expenses	16	-	-	(258,737)	-
Other income		-	-	47,613	-
Income before income taxes		2,270,267	862,764	2,577,432	1,715,045
Income tax expenses		(139,815)	(288,850)	(172,817)	(309,242)
Net income for the period		2,130,452	573,914	2,404,615	1,405,803
Other comprehensive income (loss)					
<i>Items that will be reclassified subsequently to income</i>					
Translation gain (loss) on foreign operations		70,860	(165)	(390,179)	(247,597)
Total comprehensive income for the period		2,201,312	573,749	2,014,436	1,158,206
Net earnings per share					
Basic	15(d)	1.71	0.46	1.92	1.13
Diluted	15(d)	1.67	0.45	1.88	1.11
Weighted average number of shares outstanding					
Basic	15(d)	1,249,424	1,249,128	1,252,555	1,247,894
Diluted	15(d)	1,272,314	1,273,385	1,278,231	1,271,848

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, 2023 and 2022
 (Unaudited – expressed in Canadian dollars)

		Number of Shares	9 months ended Sept. 30, 2023 \$	Number of Shares	9 months ended Sept. 30, 2022 \$
	note				
Share Capital					
Balance, beginning of the period	15(b)	1,256,928	56,654,061	1,244,968	56,573,611
Exercise of stock options	14(a)	-	-	4,160	33,650
Shares repurchased	15(c)	(9,700)	(277,404)	-	-
Balance, end of the period		1,247,228	56,376,657	1,249,128	56,607,261
Contributed surplus					
Balance, beginning of the period			10,919,623		10,669,159
Equity settled share-based payments	14(a)		154,478		164,234
Balance, end of the period			11,074,101		10,833,393
Accumulated other comprehensive income					
Balance, beginning of the period			1,582,782		1,750,386
Other comprehensive loss for the period			(390,179)		(247,597)
Balance, end of the period			1,192,603		1,502,789
Accumulated deficit					
Balance, beginning of the period			(56,517,973)		(57,679,766)
Net income for the period			2,404,615		1,405,803
Balance, end of the period			(54,113,358)		(56,273,963)
Total shareholders' equity					
Balance, beginning of the period			12,638,493		11,313,390
Exercise of stock options	14(a)		-		33,650
Shares repurchased	15(c)		(277,404)		-
Equity settled share-based payments	14(a)		154,478		164,234
Net income for the period			2,404,615		1,405,803
Other comprehensive loss for the period			(390,179)		(247,597)
Balance, end of the period			14,530,003		12,669,480

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, 2023 and 2022
(Unaudited – expressed in Canadian dollars)

		9 months ended September 30	
		2023	2022
		\$	\$
	note		
Operating activities			
Net income for the period		2,404,615	1,405,803
Items not affecting cash			
Bad debt expenses		258,737	-
Share of income from joint ventures	10	(870,492)	(1,742,911)
Finance (income) expense, net		(25,657)	1,586
Depreciation and amortization	8, 9	304,235	183,207
Foreign exchange (gain) loss		(25,948)	74,249
Share-based payments	14	327,900	461,588
		2,373,390	383,522
Change in non-cash operating working capital items	18	(2,800,572)	(495,828)
Net cash used in operating activities		(427,182)	(112,306)
Investing activities			
Purchase of plant and equipment	8	(32,055)	(73,038)
Purchase of intangible assets	9	(142,000)	(100,000)
Dividends received from joint ventures	10	1,386,750	2,896,451
Interest received		84,278	17,145
Net cash used in investing activities		1,296,973	2,740,558
Financing activities			
Lease payments on principal portion	13	(166,974)	(107,974)
Lease payments on interest portion	13	(44,078)	(18,378)
Proceeds from exercise of stock options	14(a)	-	33,650
Repurchase of shares	15(c)	(277,404)	-
Repayment of loans	12	(61,875)	(61,875)
Interest paid		(239)	(71)
Net cash used in financing activities		(550,570)	(154,648)
Effect of exchange rate changes on cash		(27,889)	21,530
Change in cash		291,332	2,495,134
Cash, beginning of the period		6,234,352	3,943,714
Cash, end of the period		6,525,684	6,438,848

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, 2023
(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, 2022. 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 28, 2023.

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, 2023	Ownership interest as at Dec. 31, 2022
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, 2023	Ownership interest as at Dec. 31, 2022
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, 2023
(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, 2022 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, 2022 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, 2022.

5. RESTRICTED CASH

The balance at September 30, 2023 and December 31, 2022 includes a term deposit 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, 2023	Dec. 31, 2022
	\$	\$
Trade receivables, net	4,494,271	2,468,929
Contract assets	999,739	715,237
Other receivables	24,702	22,703
	<u>5,518,712</u>	<u>3,206,869</u>

7. RELATED PARTY TRANSACTIONS AND BALANCES

a) 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 Nunavik. Revenue earned from the joint venture for the three and nine months ended September 30, 2023 was \$1,140,027 and \$1,545,688 (\$1,117,435 and \$1,311,228 in 2022). Included in trade and other receivables as at September 30, 2023 is \$838,696 (\$154,611 at December 31, 2022) of trade receivables due from the joint venture.

b) Management Compensation

Included in trade payables and accrued liabilities as at September 30, 2023 is \$58,375 (\$nil at December 31, 2022) of director fees.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(Unaudited – expressed in Canadian dollars)

For the three and nine months ended September 30, 2023 and 2022, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries, fees and short-term benefits	209,564	195,297	648,220	586,420
Share-based payments (note 14(a) & (c))	31,394	65,085	117,226	155,365
	<u>240,958</u>	<u>260,382</u>	<u>765,446</u>	<u>741,785</u>

8. PROPERTY AND EQUIPMENT

	Right-of-use assets ¹	Pilot plants	Other ²	Total
	\$	\$	\$	\$
Cost				
As at December 31, 2021	509,231	580,593	717,748	1,807,572
Additions	237,950	-	81,401	319,351
Adjustment	(1,638)	-	-	(1,638)
Foreign exchange translation	2,368	-	-	2,368
As at December 31, 2022	<u>747,911</u>	<u>580,593</u>	<u>799,149</u>	<u>2,127,653</u>
Additions	1,241,840	-	32,055	1,273,894
Foreign exchange translation	(4,944)	-	-	(4,944)
As at September 30, 2023	<u>1,984,807</u>	<u>580,593</u>	<u>831,204</u>	<u>3,396,604</u>
Accumulated Depreciation				
As at December 31, 2021	(317,281)	(580,593)	(654,557)	(1,552,431)
Depreciation for the year	(146,880)	-	(32,848)	(179,728)
Foreign exchange translation	(38)	-	-	(38)
As at December 31, 2022	<u>(464,199)</u>	<u>(580,593)</u>	<u>(687,405)</u>	<u>(1,732,197)</u>
Depreciation for the period	(210,830)	-	(30,450)	(241,280)
Foreign exchange translation	4,591	-	-	4,591
As at September 30, 2023	<u>(670,438)</u>	<u>(580,593)</u>	<u>(717,855)</u>	<u>(1,968,886)</u>
Carrying Amount				
As at December 31, 2022	283,712	-	111,744	395,456
As at September 30, 2023	<u>1,314,369</u>	<u>-</u>	<u>113,349</u>	<u>1,427,718</u>

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, 2023
(Unaudited – expressed in Canadian dollars)

9. INTANGIBLE ASSETS

	Total \$
Cost	
As at December 31, 2021	-
Additions	419,700
As at Dec. 31, 2022 & Sept. 30, 2023	419,700
Accumulated Depreciation	
As at December 31, 2021	(20,985)
Depreciation for the year	(83,940)
As at December 31, 2022	(104,925)
Depreciation for the period	(62,955)
As at September 30, 2023	(167,880)
Carrying Amount	
As at December 31, 2022	314,775
As at September 30, 2023	251,820

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 would 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 would 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 regard 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 were allocated to this group. The total cost of the acquisition of \$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 at the time of acquisition. The fair value of the earn-out bonus was contingent on net profits generated from the newly acquired intellectual properties, and \$142,000 was confirmed as the earn-out bonus as at December 31, 2022 and payment was made in full in May 2023.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(Unaudited – expressed in Canadian dollars)

10. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on September 30, 2023 is \$4,466,761 (\$5,301,227 on December 31, 2022), and is comprised of:

	JCC-BQE	MWT-BQE	NVM-BQE
	\$	\$	\$
Balance, January 1, 2022	6,855,401	-	-
Contributions made	-	-	49
Share of net income	1,450,457	52,034	36,879
Share of translation loss on foreign operation	(145,059)	(192)	-
Dividends received	(2,896,500)	-	-
Unrecognized share of net income and translation loss	-	(51,842)	-
Balance, December 31, 2022	5,264,299	-	36,928
Share of net income (loss)	846,195	(37,981)	24,297
Share of translation loss on foreign operation	(318,208)	(14,170)	-
Dividends received	(1,386,750)	-	-
Unrecognized share of net loss and translation loss	-	52,151	-
Balance, September 30, 2023	4,405,536	-	61,225

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, 2023
 (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, 2023	Dec. 31, 2022
	\$	\$
Assets		
Cash	1,818,495	3,348,036
Other current assets	1,081,736	539,830
Non-current assets	2,323,005	2,806,376
Total assets	<u>5,223,236</u>	<u>6,694,242</u>
Liabilities	817,700	1,429,943
Partner's Equity	<u>4,405,536</u>	<u>5,264,299</u>
Total liabilities and partner's equity	<u>5,233,236</u>	<u>6,694,242</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 Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues	1,708,456	2,169,278	3,960,859	5,514,400
Operating expenses (excluding depreciation)	(928,909)	(1,437,644)	(2,069,555)	(2,776,929)
	<u>779,547</u>	<u>731,634</u>	<u>1,891,304</u>	<u>2,737,471</u>
Non-operating expenses	(182,325)	(136,355)	(358,601)	(250,172)
Depreciation of plant and equipment	(113,633)	(119,303)	(355,664)	(365,531)
Income tax expense	(127,027)	(219,376)	(330,844)	(407,354)
Net income for the period	<u>356,562</u>	<u>256,600</u>	<u>846,195</u>	<u>1,714,414</u>
Other comprehensive income (loss)	<u>77,409</u>	<u>10,105</u>	<u>(318,208)</u>	<u>(250,393)</u>
Comprehensive income for the period	<u>433,971</u>	<u>266,705</u>	<u>527,987</u>	<u>1,464,021</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(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 the results in the joint venture for the three and nine months ended September 30, 2023 included net losses of \$50,427 and \$37,981, respectively (net loss of \$23,448 and \$44,907 for the three and nine months ended September 30, 2022). As BQE Water 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. On September 30, 2023, the balance of the unrecognized share of net losses for MWT-BQE was \$180,642 (\$128,490 on December 31, 2022).

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, 2023	Dec. 31, 2022
	\$	\$
Current assets	51,268	92,214
Plant and equipment	24,927	28,908
Current liabilities	40,003	47,573
Non-current liabilities	-	26,014
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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues	9,920	35,070	211,720	193,066
Operating expense (excluding depreciation)	(23,398)	(37,130)	(150,011)	(155,349)
	(13,478)	(2,060)	61,709	37,717
Non-operating expenses	(33,209)	(17,518)	(87,845)	(70,790)
Depreciation of plant and equipment	(3,740)	(3,870)	(11,577)	(11,834)
Income tax expense	-	-	(268)	-
Net (loss) income for the period	(50,427)	(23,448)	(37,981)	(44,907)
Other comprehensive loss	3,108	(280)	(14,170)	(5,356)
Comprehensive loss for the period	(47,319)	(23,728)	(52,151)	(50,263)

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(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, 2023	Dec. 31, 2022
	\$	\$
Current assets	498,008	139,743
Current liabilities	436,783	102,815
Partner’s equity	61,225	36,928

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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues	614,475	602,298	833,151	706,752
Operating expenses	(589,648)	(577,962)	(799,465)	(678,196)
	24,827	24,336	33,686	28,556
Non-operating expenses	966	(50)	540	(59)
Income tax expense	-	-	(9,929)	-
Net income for the period	25,793	24,286	24,297	28,497

11. TRADE PAYABLE AND ACCRUED LIABILITIES

	Sept. 30, 2023	Dec. 31, 2022
	\$	\$
Trade payable and accruals	1,007,750	647,151
Payroll liability	658,004	566,151
Tax payable	92,662	27,478
	1,758,416	1,240,780

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(Unaudited – expressed in Canadian dollars)

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 is required to 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, on September 30, 2023 is \$206,250 (\$268,125 on December 31, 2022).

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 at the time the lease was assumed or entered into. The Company’s carrying value of lease obligations are as follows:

	Sept. 30, 2023	Dec. 31, 2022
	\$	\$
Balance at January 1	277,790	206,451
Addition of lease obligations	1,241,840	237,950
Adjustment of lease obligations	-	(1,638)
Interest expense on lease obligations	109,640	26,417
Lease payments on interest portion	(44,078)	(26,400)
Lease payments on principal portion	(166,974)	(166,360)
Foreign exchange translation	79	1,370
Ending Balance	<u>1,418,297</u>	<u>277,790</u>
Less: current portion of lease obligations	<u>135,817</u>	<u>191,988</u>
Non-current portion of lease obligations	<u>1,282,480</u>	<u>85,802</u>

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, 2023 are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Classified as short-term or as low value	19,402	19,631	57,548	59,392
Leases with variable lease payments	32,230	25,800	97,534	71,171
	<u>51,632</u>	<u>45,431</u>	<u>155,082</u>	<u>130,563</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(Unaudited – expressed in Canadian dollars)

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

	Sept. 30, 2023
	<u>\$</u>
2023	64,988
2024	244,855
2025	272,401
2026	257,103
2027	252,114
2028	253,205
2029	280,588
2030	284,856
2031	289,123
2032	293,391
2033	297,658
2034	<u>74,681</u>
Total undiscounted lease payments	2,864,963
Less: imputed interest	<u>(1,446,666)</u>
Total carrying value of lease obligations	<u>1,418,297</u>

14. SHARE-BASED PAYMENT EXPENSES

The Company's share-based payment expenses are comprised as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Stock options (a)	34,677	86,230	154,478	164,234
Deferred share units (b)	4,946	(10,071)	(21,252)	9,328
Restricted share units (c)	69,003	95,980	194,674	288,026
	<u>108,626</u>	<u>172,139</u>	<u>327,900</u>	<u>461,588</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

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
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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. The fair value of these options determined using the Black-Scholes valuation model was \$9.45 per option. The significant assumptions in the valuation model were with a volatility of 44.75%, an expected option life of 2.72 years and an annual risk-free interest rate of 2.79%.

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, 2022	53,300	8.12
Granted	52,500	30.00
Exercised	(11,960)	6.73
Expired	(3,500)	6.00
Balance, December 31, 2022	90,340	21.10
Balance, September 30, 2023	90,340	21.10

As at September 30, 2023, 55,340 of share options outstanding were exercisable with a weighted average exercise price of \$15.47 (21,841 on December 31, 2022 with a weighted average exercise price of \$8.75).

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, 2023, the Company recognized \$34,677 and \$154,478 (\$86,230 and \$164,234 in 2022) of non-cash compensation expense related to stock options. The expiry date by exercise price at September 30, 2023 is as follows:

Exercise price \$	Expiry Date	number of outstanding share options	number of exercisable share options
8.75	January 8, 2025	37,840	37,840
30.00	April 22, 2027	52,500	17,500

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. The following table presents the changes to the DSU plan:

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(Unaudited – expressed in Canadian dollars)

	Number of units	Value \$
Balance, January 1, 2022	10,574	290,778
Fair value adjustment	-	21,155
Balance, December 31, 2022	10,574	311,933
Fair value adjustment	-	(21,252)
Balance, September 30, 2023	10,574	290,681

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, 2022 and September 30, 2023 are as follows:

Grant date	Number of RSUs	Fair value \$
February 1, 2022	16,767	411,966
April 22, 2022	3,076	78,438
September 20, 2022	864	24,987
April 27, 2023	3,651	109,843
September 20, 2023	847	25,003

The following table presents the changes to the RSU plan:

	Number of units	Value \$
Balance, January 1, 2022	7,886	103,663
Granted	20,707	-
Forfeited	(318)	-
Redeemed	(4,136)	(113,643)
Fair value adjustment	-	398,996
Balance, December 31, 2022	24,139	389,016
Granted	4,498	-
Forfeited	(56)	-
Redeemed	(8,175)	(252,510)
Fair value adjustment	-	194,674
Balance, September 30, 2023	20,406	331,180

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(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, 2023, the Company had 1,247,228 common shares outstanding (1,256,928 on December 31, 2022).

c) Normal course issuer bid (NCIB)

On December 6, 2022, the Company had obtained the approval of the TSX Venture Exchange to commence on a NCIB to repurchase for cancellation up to 62,556 common shares, representing 5% of common shares issued and outstanding, over a 12-month period starting on December 12, 2022. As of September 30, 2023, 9,700 common shares have been purchased and cancelled under the NCIB.

Subsequent to the reporting period, between October 1, 2023 to October 31, 2023, the Company repurchased and cancelled 3,200 common shares under the NCIB.

d) Earnings Per Share

The calculation of earnings per share for the three and nine months ended September 30, 2023 and 2022 are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net income	2,130,452	573,914	2,404,615	1,405,803
Basic weighted average number of shares outstanding	1,249,424	1,249,128	1,252,555	1,247,894
Dilution of securities	22,890	24,257	25,676	23,954
Diluted weighted average number of shares outstanding	1,272,314	1,273,385	1,278,231	1,271,848
Net earnings per share:				
Basic	1.71	0.46	1.92	1.13
Diluted	1.67	0.45	1.88	1.11

16. BAD DEBT EXPENSES

For the three and nine months ended September 30, 2023, the Company wrote off trade receivables of \$258,737 due to the non-payment from one of its customers in Yukon. In May 2023, the customer ceased their operations at the mine site and the government later appointed a receiver for certain mining assets at site. The Company assessed the event as an indicator of impairment and recorded a substantial portion of trade receivables from this customer as bad debt expenses.

17. 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, 2023 was 27% (27% at December 31, 2022).

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(Unaudited – expressed in Canadian dollars)

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	9 months ended Sept. 30	
	2023	2022
	\$	\$
Change in non-cash working capital items		
Changes in trade receivables	(2,547,139)	(1,216,438)
Changes in restricted cash	-	(90,204)
Changes in other assets	(164,063)	142,410
Changes in accounts payable and accrued liabilities	534,237	327,167
Changes in deferred revenue	(372,504)	427,535
Changes in other liabilities	(251,103)	(86,298)
Change in non-cash working capital items	<u>2,800,572</u>	<u>(495,828)</u>

19. COMMITMENTS

The Company has commitments of \$1,742,740 under operating leases for office and laboratory premises, and for laboratory assay services, as follows:

	\$
2023	88,167
2024	267,822
2025	149,919
2026	149,919
2027	149,919
2028	149,919
2029	149,919
2030	149,919
2031	149,919
2032	149,919
2033	149,919
2034	37,480
	<u>1,742,740</u>

20. 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.

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023
(Unaudited – expressed in Canadian dollars)

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 monthly operation fee, or a combination of the two.

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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Operations contracts	3,165,821	1,958,831	5,434,635	2,807,140
Technical services contracts	3,079,833	1,544,581	7,688,202	5,885,210
	<u>6,245,654</u>	<u>3,503,412</u>	<u>13,122,837</u>	<u>8,692,350</u>

b) Remaining Performance Obligations

As at September 30, 2023, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is \$1,036,255, compared to \$3,262,663 as at December 31, 2022. 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.

21. SEGMENTED INFORMATION

The Company has one operating segment, principally being an integrated water management services and treatment solutions provider. 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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Canada	2,976,026	1,968,596	5,010,940	3,077,111
USA	2,586,254	759,715	5,006,278	3,234,082
Latin America	434,237	595,290	2,202,506	1,888,972
China	249,137	179,811	903,113	395,425
Other	-	-	-	96,760
	<u>6,245,654</u>	<u>3,503,412</u>	<u>13,122,837</u>	<u>8,692,350</u>

BQE WATER INC.

Notes to Condensed Consolidated Interim Financial Statements
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 (Unaudited – expressed in Canadian dollars)

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

	Sept. 30, 2023	Dec. 31, 2022
	\$	\$
Canada	1,636,247	674,618
USA	68,515	45,762
China	4,441,537	5,291,078
	<u>6,146,299</u>	<u>6,011,458</u>

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, 2023 and 2022:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Customer A	1,140,027	1,117,435	1,545,688	1,312,690
Customer B	2,096,699	564,377	4,137,503	2,772,151
Customer C	859,786	242,282	1,680,384	281,282
Customer D	603,425	303,758	1,060,278	687,185
	<u>4,699,937</u>	<u>2,227,852</u>	<u>8,423,853</u>	<u>5,053,308</u>
Represents percentage of total revenue for the period	75%	64%	64%	58%

BQE Water

BQE WATER INC.

Interim Management's Discussion and Analysis (Quarterly Highlights)

For the three and nine months ended September 30, 2023 and 2022

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights – for the three and nine months ended September 30, 2023 and 2022

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 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 Q3 2023 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, 2023 and 2022 (our "Interim Financial Statements"), our audited consolidated financial statements for the years ended December 31, 2022 and 2021 (our "Audited Financial Statements") and our Annual MD&A for the year ended December 31, 2022.

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, 2023. 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 interim MD&A has been prepared as at November 28, 2023.

Certain statements contained in the MD&A constitute forward-looking statements. Such forward-looking statements involve several 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 reflective 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 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 we would have reported if our Chinese joint venture operations had been proportionately integrated and are referred to as BQE Water's proportional share ("Proportional"). All Proportional financial measures disclosed in this MD&A are non-GAAP measures.

Proportional 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, 2023 and 2022 are as follows:

<i>(in \$'000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Reported revenues under GAAP	6,246	3,503	13,123	8,692
Share of revenues from joint ventures in China	1,718	2,204	4,173	5,707
Proportional Revenue for the period	7,964	5,707	17,296	14,399

Adjusted EBITDA

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

<i>(in \$'000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
GAAP: Net income	2,131	573	2,404	1,404
deduct: interest income, net	(1)	(8)	(33)	(8)
add: income taxes	267	508	504	717
add: depreciation and amortization	229	193	671	561
EBITDA	2,626	1,266	3,546	2,674
add: share-based payment expenses	109	172	328	462
deduct: other income	-	-	(47)	(22)
add: bad debt expense	-	-	259	-
add: net foreign exchange loss (gain)	7	(77)	26	33
Adjusted EBITDA	2,742	1,361	4,112	3,147

FINANCIAL HIGHLIGHTS

- Recorded Proportional and GAAP revenues of \$8.0 million and \$6.2 million in Q3 2023 respectively, 40% and 78% increases compared to Q3 2022 and both historic highs during a quarter largely due to new recurring revenues from operations and growth in technical services in 2023.
- Operating margin of \$3.3 million in Q3 2023 compared to \$1.7 million in Q3 2022, an 88% increase.
- Record high net income of \$2.1 million in Q3 2023 compared to \$573,000 in Q3 2022, a 272% increase.
- Adjusted EBITDA of \$2.7 million in Q3 2023 compared to \$1.4 million in Q3 2022, a 101% increase.
- Working capital of \$10.0 million as at September 30, 2023, an increase of \$2.9 million or 40% from December 31, 2022.

Other selected financial results for the three and nine months ended September 30, 2023 are as follows:

<i>(in '000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
Revenue from Operation Services	3,166	1,959	5,435	2,807
Revenue from Technical Services	3,080	1,544	7,688	5,885
Revenue from joint ventures in China	1,718	2,204	4,173	5,707
Proportional Revenues	7,964	5,707	17,296	14,399
Net income	2,131	573	2,404	1,404
Adjusted EBITDA	2,742	1,361	4,112	3,147

OPERATIONAL SERVICES HIGHLIGHTS

Our operational services consist of the operation or technical supervision of water treatment plants, which generate recurring revenues from three main sources: sales of recovered metals, water treatment fees and operations support fees. The Company's operations by source of revenue are as follows:

Operations	Location	Revenue Source
JCC-BQE Joint Venture	Jiangxi province, China	Sales of recovered metals
MWT-BQE Joint Venture	Shandong province, China	Sales of recovered metals
Raglan Mine for Glencore	Northern Québec, Canada	Water treatment fees
Minto Mine for Government of Yukon	Yukon, 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	Southwest 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, 2023 are as follows:

<i>(in '000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
Water treated (cubic metres)	6,631	6,395	17,068	15,183
Copper recovered (pounds)	741	1,097	1,757	2,509

In Q3 2023, all three plants met mechanical availability and process performance targets set by the Company. The volume of water treated increased by 4% while the mass of copper recovered decreased by 32% compared to Q3 2022. Changes in water volume and feed grade from period to period are largely the result of environmental conditions beyond the control of the joint venture.

MWT-BQE Joint Venture Operations

Our 20% share in 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. The operating results for the three and nine months ended September 30, 2023 are as follows:

<i>(in '000s)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
Water treated (cubic metres)	81	185	203	504
Zinc recovered (pounds)	35	199	114	305
Copper recovered (pounds)	4	7	45	113

The smelter periodically operated its production lines with ores from different sources which led to varying concentrations of zinc and copper in the feed and fluctuations in the volume of wastewater treated by the plant. The joint venture has no control over the composition and volume of feed that flows into the plant. During Q3 2023, the plant was shut down intermittently as the value of zinc and copper in the feed was lower than the recovery cost of the metals.

BQE Water Operations

The number of operating days contributing to water treatment or support fees by plant for the three and nine months ended September 30, 2023 are as follows:

<i>(in days)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
Raglan Mine water treatment plants	92	92	132	122
Minto Mine water treatment plant	92	35	273	35
Zhongkuang SART plant	92	92	272	257
Zhaojin SART plant	85	64	262	87
Water treatment plant in Eastern USA	55	92	182	273
Water treatment plants in Southwest USA	92	92	271	160

The volume of water treated by geographic location for the three and nine months ended September 30, 2023 are as follows:

<i>(in '000s cubic metres)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
Raglan Mine water treatment plants	1,320	1,316	1,541	1,534
Minto Mine water treatment plant	328	128	830	128
SART plants in China	147	160	454	266
Water treatment plants in USA	15	8	25	15

The Company, with Inuit partner Nuvumiut Development, operates four treatment plants at Raglan Mine in Nunavik for Glencore Canada Corporation (“Glencore”). During Q3 2023, the total volume of water treated across all four plants at Raglan Mine is comparable to that of Q3 2022.

In September 2022, we began providing operational services for Minto Metals at Minto Mine in the Yukon. In May 2023, the customer ceased active operations at the mine and the Yukon Government stepped in to ensure the continuation of water management services in support of environmental protection. Throughout this transition, our operators were onsite to operate the water treatment plant and provide continuous water treatment. During Q3 2023, while working directly for the Yukon Government, our team continued to treat and discharge clean water at the mine.

In 2021, we began operations of the Zhongkuang SART plant and the Zhaojin SART plant at metallurgical facilities in China. Both plants have been under our technical supervision since the start of full production. Both SART plants operated fully throughout Q3 2023 without disruption.

In 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”). In Q3 2023, our operations team continued providing water treatment services with the Selen-IX™ circuit to manage the presence of selenium in the feed.

In 2022, we completed the commissioning of a treatment plant utilizing a combination of nanofiltration and our proprietary selenium electro-reduction process for the simultaneous removal of selenium and sulphate from mine water for a base metal project in the American Southwest. During Q3 2023, our team completed the performance test milestone for a 2nd newly constructed selenium removal water treatment plant which entered the operation phase in August 2023. As a result, we are currently providing water treatment operation services for two water treatment plants in the American Southwest.

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 2023 are summarized below.

Selenium Removal Projects

- Continued the wet commissioning phase of the third BQE designed Selen-IX™ plant at a US mine.
- Deployed on-site pilot testing of Selen-IX™ demonstration as a key component for permitting of a gold mine expansion in the US.
- Completed a preliminary technical assessment to treat selenium rich wastewater at a power generation site in the US.

Water Consulting Projects (Water Management, Treatability, Permitting Assistance, Toxicity Mitigation)

- Completed a technical assessment of water treatment requirements and options for closure and post-closure at a mine in the Yukon overseen by the provincial government.
- Continued to provide engineering design services for three water treatment plants to support permitting of the KSM gold-copper project in British Columbia.
- Continued to provide engineering services for design for the construction of a new water treatment plant for water recycle at a gold mine in Mexico.
- Completed the water treatment pilot test campaign integrated into a rare earth elements metallurgical extraction project in Chile.
- Initiated work on an investigation of root causes of effluent toxicity at a mine in Eastern Canada.
- Initiated pilot scale tests to demonstrate a new innovative method of managing thiosalts in mine effluents at an existing mine in Canada.
- Initiated an engineering review of an existing reverse osmosis plant, with a focus on increasing plant capacity through optimization to avoid major capital expense, for a customer in Chile.
- Completed a laboratory scale program aimed at increasing water recovery and reducing brine waste for a reverse osmosis system being planned for implementation at a gold mine in BC.

Cyanide Management Projects (Cyanide Destruction, Recycle)

- Completed a lab scale program to confirm the design basis for a cyanide removal plant with the discharge limit of less than 10 ppb for a project in the US.
- Initiated proof of concept lab scale testing of removal of cobalt and associated cyanide from an existing gold mine in Canada.
- Continued with the engineering design for a third SART plant for Shandong Gold in China.

COMMENTARY AND OUTLOOK

We are remarkably pleased with our Q3 2023 and year-to-date financial results, which demonstrate that our strategic focus of rebalancing our revenue sources from the sales of recovered metals to fees from recurring water treatment operations is bearing fruit. On a year-to date basis, our water treatment fees from operations, for the first time, exceeded the sale of recovered metals by \$1.3 million. We expect this trend to continue and expand in future years.

In the first nine months of 2023, we extended our water treatment operation services to four different sites in North America and grew our year-to-date water treatment fee revenues to \$5.4 million, an increase of \$2.6 million or 94% compared to the same period in 2022. The growth in operation services was facilitated by a new selenium removal water treatment plant in the US entering the operation phase during Q3 2023 and our increased role in the operation of water treatment at the Minto Mine compared to 2022. Reflecting on the results of our China joint venture operations, it is too early to determine whether the drop in revenue from metals sales is a one-time event due to the lack of precipitation or part of a new long-term trend of diminishing tonnage of metals available for recovery. Either way, the financial impact of our long-term metals recovery operations have been mitigated with our current revenue model.

Revenue from technical services, which is generated from our specialized professional services in water management, has always been a forerunner to future operation services. Our year-to-date revenues from technical services grew to \$7.7 million, an increase of 31% from the same period in 2022 due to several major projects worked on in 2023. We are pleased with the successful completion of the pilot campaign for a rare-earth-extraction project in Chile, where successful integration and performance of water treatment into the extraction process plays a key role on obtaining environmental approvals for the project. We were also engaged with two new pilot projects: one involving site demonstration of our Selen-IX™ process at a gold mine in the US where selenium treatment is required as part of the mine expansion, and another related to a site demonstration of a new innovative treatment process developed by BQE to manage thiosalts in mining effluent for a mine in Canada.

Looking ahead to the remainder of 2023, we plan to continue executing our existing projects. In the fourth quarter, our operating season at our Canadian operations will pause and be winterized due the cold climate, while our US operations will continue year-round. While we do expect the revenue from either operation services or technical services to be at a similar level when compared to the year ago period, we do anticipate weaker results from our China joint venture in Q4 2023 compared to Q4 2022. We expect our balance sheet to continue to strengthen as we enter 2024.

SELECTED FINANCIAL INFORMATION

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

	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues	6,246	3,503	13,123	8,692
Operating expenses (excluding depreciation)	(2,959)	(1,759)	(6,815)	(5,063)
Operating margin	3,287	1,744	6,308	3,629
Share of income from joint ventures	382	281	870	1,743
General and administration	(610)	(591)	(2,032)	(1,774)
Sales and development	(555)	(414)	(1,726)	(1,205)
Share-based payments	(109)	(172)	(328)	(462)
Depreciation and amortization	(111)	(70)	(304)	(183)
Income from operations and joint ventures	2,284	778	2,788	1,748
Other income (expenses)	(13)	84	48	(35)
Bad debt expenses	-	-	(259)	-
Income tax expenses	(140)	(289)	(173)	(309)
Net income for the period	2,131	573	2,404	1,404
Net earnings per share (basic)	1.71	0.46	1.92	1.13
Net earnings per share (diluted)	1.67	0.45	1.88	1.11
Proportional Revenues (Non-GAAP measures)	7,964	5,707	17,296	14,399
Adjusted EBITDA (Non-GAAP measures)	2,742	1,361	4,112	3,147
Comprehensive income	2,202	573	2,014	1,158

	at Sept. 30,		at Dec. 31,	
	2023		2022	
	\$	\$	\$	\$
Cash	6,526	6,234		
Proportional cash (Non-GAAP measures)	8,344	9,582		
Working capital	10,021	7,165		
Total assets	18,882	15,988		
Total non-current liabilities	1,690	555		
Shareholders' equity	14,530	12,638		

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

<i>(in \$'000s)</i>	Sept-23	Jun-23	Mar-23	Dec-22	Sept-22	Jun-22	Mar-22	Dec-21
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	6,246	4,186	2,691	3,465	3,503	2,722	2,467	2,570
Operating expenses	(2,959)	(2,162)	(1,694)	(2,044)	(1,759)	(1,773)	(1,531)	(1,409)
	3,287	2,024	997	1,421	1,744	949	936	1,161
Share of results from								
joint ventures	382	407	81	(256)	281	1,129	333	499
General and administration	(610)	(750)	(672)	(690)	(591)	(579)	(604)	(535)
Sales and development	(555)	(557)	(613)	(564)	(414)	(436)	(354)	(270)
Share-based payments	(109)	(29)	(190)	(209)	(172)	(267)	(23)	(11)
Depreciation and amortization	(111)	(111)	(82)	(80)	(70)	(59)	(55)	(57)
Income (loss) from operations	2,284	984	(479)	(378)	778	737	233	787
Other income (expenses), net	(13)	(83)	143	142	84	(77)	(41)	13
Bad debt expense	-	(259)	-	(8)	-	-	-	-
Income tax expenses	(140)	(27)	(6)	-	(289)	(18)	(2)	-
Net income (loss)	2,131	615	(342)	(244)	573	642	190	800
Translation gain (loss)	71	(471)	10	80	-	(139)	(109)	120
Comprehensive income (loss)	2,202	144	(332)	(164)	573	503	81	920
Non-GAAP Measures:								
Proportional Revenue	7,964	5,772	3,560	4,479	5,707	5,164	3,529	4,389
Adjusted EBITDA	2,742	1,451	(80)	(90)	1,361	1,341	446	754

Quarterly results can fluctuate based on the number of plants operating, variations in the volume and grade of water treated, and movements in commodity prices. Seasonality at 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 and decline during the winter months due to lower seasonal precipitation and the annual maintenance schedule. Revenues from contracts for technical services related to water management and technical innovation projects occur based on the timing of client requirements.

SUMMARY OF Q3 2023 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended September 30, 2023 and 2022.

Proportional Revenue

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

<i>(in \$'000s)</i>	Q3 2023		Q3 2022		% Change
	\$	% of total	\$	% of total	
Sale of recovered metals from operations	1,718	22%	2,204	39%	(22%)
Water treatment fee from operations	3,166	40%	1,959	34%	62%
Technical services	3,080	38%	1,544	27%	99%
Total Proportional Revenues	7,964	100%	5,707	100%	40%

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 affected by the amount and market price of metal concentrate sold. During Q3 2023, our share of revenues from the JCC-BQE joint venture decreased by \$461,000 or 21% compared to the comparable period in 2022. The decrease is largely attributed to a 33% decrease in the quantity of copper recovered. The Company's share of revenue from the MWT-BQE joint venture in Q3 2023 was \$10,000, compared to \$35,000 in Q3 2022.

The Company earns water treatment fee revenues, including monthly fees and tolling fees from the volume of water treated and operations support fees, at four different sites including Raglan Mine in Nunavik through our partnership with Inuit company Nuvumiut Development, at Minto Mine in the Yukon, and at the three selenium removal plants in the US. The 62% increase in water treatment fees in the quarter is due to several operations. The new Minto Mine operations that commenced September 2022, provided \$588,000 of new revenues in Q3 2023. During Q3 2023, the third selenium removal treatment plant in the US began operations, and all three US plants in aggregate provided \$1.1 million of recurring revenues compared to \$446,000 in Q3 2022. In our operations at Raglan Mine, we earned comparable water treatment fees when compared to Q3 2022, as the volume of water treated between these two periods was similar. Our operation support fees are comprised of recurring technical support services at two SART plants in China that generated revenues of \$175,000 in Q3 2023 compared to \$180,000 in Q3 2022.

Revenues from technical services doubled in Q3 2023 when compared to Q3 2022. 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 strong in Q3 2023 due to several major projects. In Q3 2023, we continued the onsite commissioning of a third selenium removal treatment plant at a US mine and began a new pilot demonstration campaign for a mining customer in South Dakota.

Operating Expenses

Total operating expenses during Q3 2023 were \$3.0 million compared to \$1.8 million in Q3 2022, an increase of \$1.2 million or 68%. The increase in operating expenses is directly attributable to the 78% increase in operations services and 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 Q3 2023, we improved our operating margin to 53% compared to 50% in Q3 2022.

Expenses

In Q3 2023, general and administration costs were \$610,000 compared to \$591,000 in Q3 2022, representing a \$19,000 increase. The increase was attributable to the increase in insurance premiums for the comparable period.

Sales and development costs during Q3 2023 were \$555,000 compared to \$414,000 in Q3 2022, an increase of \$141,000 or 34%. The increase was mainly attributable to a \$118,000 increase in labor resources allocated to fulfill technological and business development initiatives, and a \$29,000 increase in travel expenses related to business development.

Share-based payment expenses were \$109,000 in Q3 2023 compared to \$172,000 in Q3 2022. Share-based payment expenses mainly consist of non-cash compensation expenses relating to the recently issued stock option and restricted share units, 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.

Depreciation and amortization expenses were \$111,000 in Q3 2023 compared to \$70,000 in Q3 2022. The increase in Q3 2023 was due to several newly added right-of-use assets, including an office building lease valued at \$1.2 million depreciating over 10 years, a lab lease and a vehicle lease.

Other Income and Expenses

The net of other expenses was \$13,000 in Q3 2023 compared to income of \$84,000 in Q3 2022. Other income or expenses consists of net finance cost and foreign exchange.

Net finance cost was \$6,000 in Q3 2023 compared to income of \$7,000 in Q3 2022. Finance income consists of interest income earned predominantly from on-demand guaranteed investment certificates and is netted against finance costs, which consist of interest paid and interest accrued for other liabilities.

Foreign exchange loss was \$7,000 in Q3 2023 compared to income of \$77,000 in Q3 2022. 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 Taxes

Income tax expenses were \$140,000 in Q3 2023, compared to \$289,000 in Q3 2022. 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, which is 2022 net income is roughly 50% of that in 2021.

Net Income

After income tax, overall net income for Q3 2023 was \$2.1 million compared to \$573,000 for the same period in 2022.

SUMMARY OF YEAR-TO-DATE 2023 FINANCIAL RESULTS

The following is a summary of selected financial results for the nine-month periods ended September 30, 2023 and 2022.

Proportional Revenues

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

<i>(in \$'000s)</i> Revenue source	YTD 2023		YTD 2022		% Change
	\$	% of total	\$	% of total	
Sale of recovered metals from operations	4,173	24%	5,707	40%	(27%)
Water treatment fees from operations	5,435	31%	2,807	19%	94%
Technical services	7,688	45%	5,885	41%	31%
Total Proportional Revenues	17,296	100%	14,399	100%	20%

Sales of recovered metals decreased by \$1.5 million or 27%, primarily due to lower revenues from the JCC-BQE joint venture. This decrease was attributable to a 30% decrease in the quantity of copper recovered 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 \$212,000 in 2023 compared to \$193,000 in 2022, which was due to higher amounts of zinc and copper sold during the period.

Year-to-date water treatment fee revenues increased by \$2.6 million or 94% compared to 2022, mainly due to the full year of new operations which started in 2022, such as a selenium removal plant in the US in April 2022 and Minto Mine operations in September 2022. In addition, the third selenium removal plant in the US began operations in August 2023 to further contribute water treatment fees. The Raglan Mine operations began discharging water in May and earned similar levels of revenue compared to 2022. The Company also continued to earn support fees in China for all of 2023, similar to the same period in 2022.

Revenues from technical services during the year increased by \$1.8 million from the same period in 2022. The 31% increase is attributable to increases in project activity in all areas of technical services, including commissioning activities in the US and multiple pilot demonstration projects in Chile.

Operating Expenses

Year-to-date operating expenses in 2023 were \$6.8 million compared to \$5.1 million for the same period in 2022, an increase of \$1.7 million. This 35% increase is consistent with the 51% increase in total revenues from water treatment fees and technical services. Year-to-date operating margin in 2023 increased to 48% compared to 42% for the same period in 2022.

Expenses

Year-to-date general and administration expenses were \$2.0 million compared to \$1.8 million for the same period in 2022. The \$258,000 increase was due to the \$169,000 increase in employee benefits and the \$58,000 increase in insurance premiums.

Year-to-date sales and development expenses were \$1.7 million compared to \$1.2 million for the same period in 2022, an increase of \$522,000. The increase was due to the deployment of additional labour resources for technical development initiatives and increases in travel related to business development.

Net Income

Overall, net income year-to-date for 2023 was \$2.4 million compared to \$1.4 million in the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2023, BQE Water had 1,247,228 common shares issued and outstanding (1,256,928 at December 31, 2022), and 90,340 stock options outstanding (90,340 at December 31, 2022).

As of the date of this MD&A, November 28, 2023, the Company has 1,256,728 common shares issued and outstanding, and 87,340 stock options outstanding.

In 2022, the Company obtained the approval of the TSX Venture Exchange to commence a Normal Course Issuer Bid (NCIB) to repurchase for cancellation up to 62,556 common shares, representing 5% of common shares issued and outstanding, over a 12-month period starting December 12, 2022. As of November 28, 2023, the Company has repurchased for cancellation 12,900 common shares under the NCIB (nil as of Dec 31, 2022).

At September 30, 2023, we had cash of \$6.5 million, an increase of approximately \$292,000 from December 31, 2022. For the nine months ended September 30, 2023, cash used in operating activities was \$427,000 compared to \$112,000 in 2022.

At September 30, 2023, we had restricted cash of \$173,000, compared to \$180,000 from December 31, 2022. 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.

Working capital is defined as current assets minus current liabilities. The Company had a working capital position at the end of the quarter of \$10.0 million, an increase of \$2.9 million from December 31, 2022. At September 30, 2023, our significant working capital items, aside from cash, include trade and other receivables of \$5.5 million (\$3.2 million at December 31, 2022) and trade payables and accrued liabilities of \$1.8 million (\$1.2 million at December 31, 2022).

The Company has an interest-free loan with the Minister of Western Economic Diversification Canada under the Western Innovation Initiative (WINN) program. At September 30, 2023, the WINN loan balance was \$206,000 with obligations to repay the loan in 60 equal monthly installments from April 1, 2021 to March 1, 2026. Additionally, 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 \$1.0 million which has not been utilized as of September 30, 2023.

The Company has commitments of \$1.7 million until 2034 under operating leases for office and laboratory premises and for assay services.

We have sufficient working capital resources to finance current operations beyond the next 12 months.

RELATED PARTY TRANSACTIONS

Management Compensation

For the three and nine months ended September 30, 2023 and 2022, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries, fees and short-term benefits	209,564	195,297	648,220	586,420
Share-based payments	31,394	65,085	117,226	155,365
	<u>240,958</u>	<u>260,382</u>	<u>765,446</u>	<u>741,785</u>

Included in trade payables and accrued liabilities as of September 30, 2023 is \$58,375 (\$nil at December 31, 2022) 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 Nunavik. Revenue earned from the joint venture for the three and nine months ended September 30, 2023 was \$1,140,027 and \$1,545,688 (\$1,117,435 and \$1,311,228 in 2022). Included in trade and other receivables as of September 30, 2023 is \$838,696 (\$154,611 at December 31, 2022) of trade receivables due from the joint venture.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 were the same as those applied in the Company's last annual audited consolidated financial statements for the year ended December 31, 2022.