BQE Water

BQE WATER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

Independent Auditor's Report

To the Shareholders of BQE Water Inc.:

Opinion

We have audited the consolidated financial statements of BQE Water Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition – Estimate of total expected hours or costs to complete project contracts

Key Audit Matter Description

As described in Note 3(l), Note 4(c), and Note 22 to the consolidated financial statements, technical services contracts are remunerated on agreed upon time-based rates or fixed prices. For most fixed price technical services contracts, the Company recognizes the revenue over time based on the project stage of completion method, whereby the percentage of revenues earned to date is estimated using an input measure, usually as the ratio of labor hours or contract costs incurred to date to total estimated labor hours or costs.

We considered this to be a key audit matter due to the significant judgements made by management in estimating the costs to complete which drives the timing of revenue. Changes to costs to complete estimates can have a material impact on the amount of revenue recognized. These estimates are subjective and complex due to the unique nature of many of the projects and are dependent on the status of each individual project at year end. As a result, significant auditor judgement and audit effort was required.

Audit Response

We responded to this matter by performing procedures over the estimate of total expected hours for each project or the costs to complete project contracts. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding and evaluated the design and implementation of essential controls related to the Company’s process for estimating and updating hours or costs required to complete projects;
- Compared the hours and costs incurred and the estimated hours or costs to complete against the original estimates and

investigated any significant changes;

- Assessed management's ability to forecast, by comparing the original total estimated hours or costs to the total hours or costs incurred for contracts completed during the year;
- Obtained management's calculations and tested the mathematical accuracy;
- Inspected a sample of contracts, and when applicable, change orders, to understand the contract scope and key terms in order to assess the appropriateness of revenue recognition;
- Interviewed, on a sample basis, operational personnel of the Company to evaluate reasonability of progress to date, the estimate of labor hours and costs to be incurred to complete the project, and factors impacting the amount of time and cost to complete the project;
- Tested, on a sample basis, the labour hours and costs incurred to supporting evidence; and
- Assessed the adequacy and appropriateness of the related financial statement disclosures.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jian-Kun Xu.

Vancouver, British Columbia

MNP LLP

April 27, 2023

Chartered Professional Accountants

BQE WATER INC.

Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(Expressed in Canadian dollars)

	note	December 31 2022 $	December 31 2021 $
Assets			
Current assets			
Cash		**6,234,352**	3,943,714
Restricted cash	5	**180,307**	83,137
Trade and other receivables	6, 7 (b)	**3,206,869**	2,009,201
Prepaid and deposits		**337,850**	233,022
Total current assets		**9,959,378**	6,269,074
Non-current assets			
Plant and equipment	8	**395,456**	255,141
Intangible assets	9	**314,775**	398,715
Investment in joint ventures	10	**5,301,227**	6,855,401
Deposits		**17,080**	24,881
Total non-current assets		**6,028,538**	7,534,138
Total assets		**15,987,916**	13,803,212
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	7, 11	**1,240,780**	1,041,802
Loans	12	**82,500**	82,500
Deferred revenues	22 (d)	**436,039**	73,243
Lease obligations	13	**191,988**	120,039
Other liabilities	9	**142,000**	-
Deferred benefits	14	**700,949**	394,441
Total current liabilities		**2,794,256**	1,712,025
Non-current liabilities			
Loans	12	**185,625**	268,125
Deferred revenues	22 (d)	**283,740**	253,560
Lease obligations	13	**85,802**	86,412
Other liabilities	9	**-**	169,700
Total non-current liabilities		**555,167**	777,797
Total liabilities		**3,349,423**	2,489,822
Shareholders' Equity			
Share capital	15	**56,654,061**	56,573,611
Contributed surplus		**10,919,623**	10,669,159
Accumulated other comprehensive income		**1,582,782**	1,750,386
Accumulated deficit		**(56,517,973)**	(57,679,766)
Total shareholders' equity		**12,638,493**	11,313,390
Total liabilities and shareholders' equity		**15,987,916**	13,803,212

Commitments (note 21)

Approved and authorized by the Board of Directors:

"Peter Gleeson", Executive Chairman

"Sara Elford", Director

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

BQE WATER INC.
Consolidated Statements of Income and Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

		Year ended December 31	
		2022	2021
		$	$
	note		
Revenues	7 (b), 22	**12,157,696**	7,511,259
Operating expenses (excluding depreciation)	18	**(7,106,966)**	(3,948,527)
Operating margin before depreciation		**5,050,730**	3,562,732
Share of income from joint ventures	10	**1,487,336**	2,803,151
General and administration	18	**(2,464,143)**	(1,822,932)
Sales and development	18	**(1,768,322)**	(1,373,867)
Share-based payments	7 (a), 14	**(670,615)**	(302,749)
Depreciation and amortization	8, 9	**(263,668)**	(167,995)
Income from operations and joint ventures		**1,371,318**	2,698,340
Finance income (costs)	16	**26,834**	(23,832)
Foreign exchange gain (loss)		**48,098**	(21,342)
Other income	17	**24,785**	106,645
Income before income taxes		**1,471,035**	2,759,811
Income tax expenses	19	**(309,242)**	(130,373)
Net income for the year		**1,161,793**	2,629,438
Other comprehensive income			
Items that will be reclassified subsequently to income			
Translation (loss) gain on foreign operations		**(167,604)**	305,172
Comprehensive income for the year		**994,189**	2,934,610
Earnings per share			
Basic	15 (d)	**0.93**	2.13
Diluted	15 (d)	**0.92**	2.11
Weighted average number of shares outstanding			
Basic	15 (d)	**1,248,890**	1,231,673
Diluted	15 (d)	**1,263,912**	1,247,374

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

BQE WATER INC.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	note	Year ended December 31 Number of Shares	2022 $	Year ended December 31 Number of Shares	2021 $
Share Capital					
Balance, beginning of the year	15 (b)	**1,244,968**	**56,573,611**	1,217,435	56,386,413
Exercise of stock options	14 (a)	**11,960**	**80,450**	27,533	187,198
Balance, end of the year		**1,256,928**	**56,654,061**	1,244,968	56,573,611
Contributed surplus					
Balance, beginning of the year			**10,669,159**		10,565,312
Equity settled share-based payments	14 (a)		**250,464**		103,847
Balance, end of the year			**10,919,623**		10,669,159
Accumulated other comprehensive income					
Balance, beginning of the year			**1,750,386**		1,445,214
Other comprehensive (loss) income for the year			**(167,604)**		305,172
Balance, end of the year			**1,582,782**		1,750,386
Accumulated deficit					
Balance, beginning of the year			**(57,679,766)**		(60,309,204)
Net income for the year			**1,161,793**		2,629,438
Balance, end of the year			**(56,517,973)**		(57,679,766)
Total shareholders' equity					
Balance, beginning of the year			**11,313,390**		8,087,735
Exercise of options	14 (a)		**80,450**		187,198
Equity settled share-based payments	14 (a)		**250,464**		103,847
Other comprehensive (loss) income for the year			**(167,604)**		305,172
Net income for the year			**1,161,793**		2,629,438
Balance, end of the year			**12,638,493**		11,313,390

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

BQE WATER INC.
Consolidated Statements of Cash Flow
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	note	Year ended December 31 2022 $	2021 $
Operating activities			
Net income for the year		**1,161,793**	2,629,438
Items not affecting cash			
Bad debt expense (recovery)	6, 17	**8,050**	(94,630)
Share of income from joint ventures	10	**(1,487,336)**	(2,803,151)
Finance (income) expense, net	16	**(26,834)**	23,832
Depreciation and amortization	8, 9	**263,668**	167,995
Foreign exchange (gain) loss		**(49,574)**	32,460
Share-based payments	14	**670,615**	302,749
		540,382	258,694
Change in non-cash operating working capital items	20	**(904,105)**	(508,516)
Net cash used in operating activities		**(363,723)**	(249,822)
Investing activities			
Purchase of plant and equipment	8	**(81,401)**	(44,890)
Purchase of intangible assets	9	**(100,000)**	(150,000)
Dividends received from joint ventures	10 (a)	**2,896,500**	1,177,200
Contributions made to joint ventures	10 (c)	**(49)**	-
Interest received	16	**53,345**	5,573
Net cash provided by investing activities		**2,768,395**	987,883
Financing activities			
Lease payments on principal portion	13	**(166,360)**	(110,012)
Lease payments on interest portion	13	**(26,400)**	(29,322)
Proceeds from exercise of stock options	14 (a)	**80,450**	187,198
Repayment of loans	12	**(82,500)**	(61,875)
Interest paid		**(94)**	(84)
Net cash used in financing activities		**(194,904)**	(14,095)
Effect of exchange rate changes on cash		**80,870**	(19,944)
Net increase in cash		**2,290,638**	704,022
Cash, beginning of the year		**3,943,714**	3,239,692
Cash, end of the year		**6,234,352**	3,943,714

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

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issue on April 27, 2023 by the Company's Board of Directors.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, and have been prepared under the historical cost basis except for those assets and liabilities that are measured at fair values at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies as set out below have been consistently applied to all periods presented in the consolidated financial statements:

a) Basis of Consolidation

These consolidated 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 Dec. 31, 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 Dec. 31, 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%

i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. The activities of any dissolved subsidiary are recorded up to the date of dissolution.

ii) Investments in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The financial results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the joint venture. The Company will record a subsequent investment in joint venture adjustment upon the receipt of cash distribution or dividend produced by the joint venture's profit. When the Company's share of losses in the joint venture exceeds the Company's interest in that joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports a profit, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

When the Company transacts with a joint venture, profits or losses resulting from the transactions with the joint venture are recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Company.

iii) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred is measured as the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition are recognized at their fair value at the acquisition date except for certain assets and liabilities which are recognized and measured in accordance with the applicable IFRS guidance. Goodwill arising on acquisition is recognized as an asset and is measured as the fair value of consideration paid less the fair value of the net identifiable assets and liabilities recognized.

If the Company's interest in the fair value of the acquiree's net identifiable assets and liabilities exceeds the fair value of consideration paid, the excess is recognized immediately in the statement of operations as a bargain purchase. Transaction costs, other than those associated with the issuance of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred.

b) Foreign Currency Translation

i) Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Company's presentation currency.

Items included in the financial statements of each consolidated entity in BQE Water Inc.'s group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's subsidiaries and its joint ventures, except for BioteQ Water Mexico S.A. de C.V. which is CAD, are respective of their local currency, such as the United States dollars ("USD"), Chilean peso ("CLP") and Chinese renminbi ("RMB").

For the purpose of presenting these consolidated financial statements, entities including joint ventures that have a functional currency different from the presentation currency (“foreign operations”) are translated into CAD as follows:

- Assets and liabilities: at the closing rate at the date of the statement of financial position.
- Income and expenses: at the average rate for the period (as this is considered a reasonable approximation of actual rates prevailing at the transaction dates).

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

ii) Transactions and Balances

In preparing the financial statements of each individual BQE Water entity, transactions in currencies other than the entity’s functional currency (“foreign currency”) are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for the exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

c) Cash

Cash consists of cash on hand, on demand bank deposits and guaranteed investment certificates with maturity less than 91 days, some of which are interest-bearing.

d) Restricted Cash

Restricted cash is comprised of cash that is held by a bank as collateral for stand-by letters of credit. These balances are subject to collateral restrictions until the completion of the project and are therefore, not available for general use by the Company.

e) Inventory and Work in Progress

Inventories of metal concentrates in the Company’s joint venture are valued at the lower of average production cost and net realizable value. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour and other direct costs (including external services) and related production overheads but exclude administrative and finance costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Chemical and spare part inventories in the Company’s joint ventures are valued at the lower of cost and net replacement cost, which approximates net realizable value. Work in progress represents the costs that the Company incurred for projects that are not completed at the statement of financial position date. This amount includes both direct materials and direct labour costs.

f) Plant and Equipment

i) Recognition and Measurement

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. The cost of self-constructed plant and equipment includes the costs of materials, costs directly attributable to bringing the assets to a working condition for their intended use such as labour, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Self-constructed assets are classified to the appropriate categories of plant and equipment and subject to depreciation when ready for their intended use. If significant components of a plant or equipment have different useful lives, then they are accounted for as separate items (major components) of plant and equipment.

ii) Subsequent Measurement

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of income in the financial period in which they are incurred.

Plant and equipment items are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of a plant and equipment item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

iii) Depreciation

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost net of their residual values, over the shorter of their estimated useful lives and the contract life. Depreciation commences when the asset is fully constructed and available for use. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate. Depreciation categories and useful lives for items included in plant and equipment are as follows:

Asset	Estimated useful life
Computer equipment	3 years
Furniture, office and lab equipment	5 years
Right-of-use assets & leasehold improvements	Remaining lease term
Pilot plants	3 to 5 years
Water treatment plants	Shorter of contract life or 10 to 20 years

g) Intangible assets

Intangible assets are recorded at cost, net of amortization and any provision for impairment.

Intellectual property assets are being amortized over the useful life of 5 years, being the remaining useful life of the related intellectual property assets from acquisition. Residual values and useful lives are reviewed at each reporting date. Where an indicator of impairment exists, intangible assets are subject to impairment testing as described in "Impairment of assets" under Note 3 (j).

h) Financial Instruments

Financial assets and liabilities, including derivatives, are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument or derivative contract. Financial instruments are required to be initially measured at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

i) Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. These levels are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

ii) Financial Assets

Based on their nature, the Company classifies its non-derivative financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets is based on the contractual cash flow characteristics and the Company’s business model for managing the financial asset. On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVTOCI criteria as measured at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. This designation will be recorded until the financial asset is derecognized.

Derivative instruments are recorded in the consolidated statements of financial position at fair value with both realized and unrealized changes in fair value recognized immediately in other income in the consolidated statements of income and other comprehensive income. As at December 31, 2022, the Company did not have any outstanding financial derivatives.

Financial assets are derecognized when the contractual cash flows from the asset expire or when the Company transfers the right to receive the contractual cash flows of the asset in a transaction whereby all risks and rewards of the financial asset are transferred. Any retained interest in the financial asset transferred is recognized as a separate financial asset or liability.

Financial assets and liabilities are offset and presented net in the consolidated statements of financial position only when a legal right of offset exists and the Company intends to settle the transaction on a net basis or realize the asset and the liability simultaneously.

Financial Assets at Amortized Cost

Financial assets with fixed or determinable payments that are neither derivatives nor quoted in an active market are classified as financial assets at amortized cost. The objective is to hold such assets to collect contractual cash flows and contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. These financial assets are initially recognized at fair value plus any transaction costs directly attributable to the asset. These assets, including any interest-bearing financial assets, are subsequently measured at amortized cost using the effective interest method, less any impairment losses.

Financial Assets at Fair Value Through Other Comprehensive Income (“FVTOCI”)

Financial assets at FVTOCI represent those non-derivative financial assets that are held to achieve an objective by both collecting contractual cash flows and selling the financial assets, where contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. Financial assets at FVTOCI are initially measured at fair value plus any transaction costs directly attributable to the asset. Subsequent fair value gains or losses are recognized in other comprehensive income, except for impairment.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")
A financial asset is measured at FVTPL if it does not meet the criteria for assets measured at amortized cost or fair value through other comprehensive income. Financial assets at FVTPL include held for trading assets and derivative instruments. Financial assets are classified as held for trading if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy and have been acquired principally for the purpose of selling in the near term. A financial asset is measured at FVTPL if it is a derivative that is not designated as effective as a hedging instrument. Financial assets at FVTPL are measured at fair value with changes recognized in profit or loss. Transaction costs associated with assets classified as FVTPL are recognized as incurred through profit or loss.

Cash, restricted cash, and trade and other receivables excluding all tax receivable, such as value added tax ("VAT") and GST/PST/QST/HST/IVA, are classified as financial assets at amortized cost. No financial asset was designated as FVTPL or FVTOCI as at December 31, 2022 and 2021.

iii) Financial Liabilities
The Company classifies its financial liabilities into one of the following categories:

Financial Liabilities at Fair Value Through Profit or Loss
This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company has classified contingent liabilities, included in other liabilities, and deferred benefits, which are the provisions related to the Company's Deferred Share Units ("DSU") and Restricted Share Units ("RSU"), as FVTPL. Financial liabilities that are initially recognized at FVTPL originally include any transaction costs directly attributable to the liability.

Other Financial Liabilities
This category consists of liabilities carried at amortized cost using the effective interest method. The Company has classified trade payable and accrued liabilities, which exclude all tax payable such as VAT and GST/PST/QST/HST/IVA, lease obligations, and loans as financial liabilities at amortized cost.

The Company initially recognizes financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognized when their contractual obligations are discharged, cancelled or have expired. Any adjustment to the amortized cost of the financial liability arising from a modification or exchange is recognized in profit or loss at the date of the modification or exchange.

i) Leases
At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether 1) the supplier has a substantive substitution right, 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period; and 3) the Company has the right to direct the use of the asset.

For contracts that contain a lease, the Company recognizes a right-of-use ("RoU") asset and a lease obligation at the lease commencement date in the consolidated statement of financial position. The RoU asset is initially measured based on the initial amount of the lease obligation plus any initial direct costs incurred less any lease incentives received. The RoU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term.

The lease obligation is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease obligation is subsequently measured at amortized cost using the effective interest rate method.

A lease modification is accounted for as a separate lease from the original lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets; and the consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. If the lease modification merely extends the Company's right to use an existing leased asset to which it already has access, the modification is not accounted for as a separate lease. Instead, the Company recalculates the existing lease obligations on the effective date of the lease modification to include the lease payments until the end of the extended period and a corresponding adjustment is also made to the RoU asset. The additional RoU asset and lease obligations relating to the extended period are therefore recognized on the date of modification.

For short-term leases (terms of 12 months or less) and leases of low-value assets, the Company has opted to recognize these lease payments as expenses on the consolidated statement of income, as permitted by IFRS 16. This expense is presented within general and administration expenses.

j) Impairment

i) Plant and equipment & intangible assets

The Company's plant and equipment & intangible assets are reviewed for indications of impairment at each financial position date. Such indications may be based on events or changes in the market environment, or on internal sources of information. If any such indication is present, the recoverable amount of the asset is estimated to determine whether impairment exists. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation can be identified.

An asset's recoverable amount is the higher of its fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recognized in profit and loss for the period. Impairment losses recorded may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. Where impairment is subsequently reversed, the carrying amount is increased to the revised estimate of the recoverable amount but only to the extent that it does not exceed the carrying value that would have been determined (net of depreciation) had no impairment loss been recognized in prior periods.

ii) Receivables

Receivables measured at amortized cost are assessed at each reporting date to determine whether there is objective evidence of impairment. An expected credit loss impairment model is applied, where expected credit losses are the present value of all cash shortfalls over the expected life of the receivable. A receivable is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the receivable, and that the loss event will have a negative effect on the estimated future cash flows of that receivable that can be estimated reliably.

An impairment loss in respect of receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired receivables continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

iii) Equity-Accounted Investment in Joint Venture
An equity accounted investment in joint venture is reviewed for indication of impairment at each financial position date. Indications include observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its FVLCD and VIU. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings or loss in the period in which the reversal occurs.

k) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when: (i) the Company has present legal or constructive obligations as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligations; and (iii) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligations. The increase in the provision due to passage of time is recognized as interest expense.

l) Revenue Recognition

Revenue is recognized by applying the five-step model under IFRS 15. The Company recognizes revenue when or as the control of goods or services are transferred to the customer and performance obligations are satisfied.

i) Operation of Water Treatment Plants
For revenue based on water treatment fees, the performance obligations are satisfied and revenue is recognized when water treatment services are provided and the customer receives control of the clean water to be discharged into the environment and as discharge limits and targets are achieved. The Company has agreements with a customers for the operation of different water treatment plants, and considerations for such plants are earned based on a fixed monthly fee, an hourly fee based on time onsite, or water treatment fee based on the volume of water treated and discharged into the environment. Some agreements have a combination of the above as total considerations for water treatment operation services. The Company also has an agreement with the Company's joint venture and other customers for the operations support of a water treatment plants, with revenues earned for ongoing operations support and supervisory services.

Revenues are also earned by the Company's joint ventures on the sale of metal concentrates recovered from the operation of water treatment plants. For the sale of metal concentrate, the performance obligations are satisfied when the control of the metal concentrate is passed from the Company's joint ventures to the customer. Revenue is recognized based on the final settlement of weights and assays and is recorded at the fair value, based on prevailing market prices adjusted in accordance with agreed upon terms. Smelting and transportation charges are netted against revenue for sales of metal concentrate.

ii) Technical Services Relating to Water Management
Technical services include both water management consulting and technical innovation services. Water management consulting services include feasibility and assessment studies, toxicity investigations, process engineering design, plant commissioning and plant optimization. Technical innovation services include field pilot demonstrations, laboratory treatability assessments, designing and conducting experiments, and delivery of final reports on the results. Technical services contracts can be remunerated on agreed upon time-based rates or a fixed price commitment for the scope of the contract. The services are passed onto the customer upon the delivery of the work product, such as a written report or

completion of a performance test, or as hours of services are performed for the customer. As control of the services passes from the Company to the customer over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. Depending on the specific circumstances of the individual contracts, such as the nature, scope and value of the contracts, the Company recognizes revenue from technical services by either the project stage of completion method or the completed contract method.

m) Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants are recognized as follows:

- Grants relating to plant and equipment are included in non-current liabilities as deferred government grants are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.
- Grants that compensate the Company for expenses incurred are deferred and recognized in the statement of profit or loss on a systematic basis in the periods in which the intended expenses are recognized.

n) Employee Benefits

i) Bonus Plans

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the key performance indicators of the Company. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

ii) Defined Contribution Plans

Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which the related service is provided by the employees.

iii) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates:

- When the Company can no longer withdraw the offer of those benefits.
- When the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.
- When benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

o) Share-based Payments

The Company maintains a Deferred Share Unit (“DSU”) plan, a Restricted Share unit (“RSU”) plan and a stock option plan for employees and directors of the Company. The DSU plan and the RSU plan are considered as cash-settled share-based payments and the stock option plan is considered as equity-settled share-based payments.

RSUs are measured initially at the fair value and the amount payable is recognized as an expense with a corresponding increase in liabilities over the vesting period. The RSUs vest over three years in equal installments and the Company will settle all RSUs in cash. Compensation expense relating to the initial award and changes in the market price at each reporting date is recognized on a straight-line basis in profit or loss over the vesting period.

DSUs are measured initially at the fair value and such liabilities are recognized as an obligation at the grant date. The fair value of the amount payable to holders of DSUs is equivalent to the cash value of the common shares at the report date. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognized in profit or loss for the period.

Stock options are measured at the fair value of the equity instruments at the grant date. Fair value is measured using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in contributed surplus. Each vesting tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the contributed surplus. Upon exercise of stock options, the consideration paid by the option holder is recorded as an increase to share capital and the amount previously recognized in contributed surplus will not be reversed back to share capital.

Equity-settled share-based payment with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

p) Income Tax

The Company follows the asset and liability method of accounting for income taxes. Income tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination. Income tax comprises of two components: current and deferred.

i) Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxes as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax comprises the expected tax payable or receivable on the taxable profit for the year and any adjustment to tax payable or receivable in respect of previous years. Current tax also includes any tax arising from dividends. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred Tax

Under the asset and liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against those deductible temporary differences which can be utilized.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets and liabilities are not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries, associates and joint arrangements, and interests in joint ventures, to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the

related tax benefit will be realized. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse or the tax rates enacted or substantively enacted at the reporting date.
The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. Management believes that its tax liabilities for uncertain tax positions are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

q) Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method by adjusting the weighted average number of common shares outstanding for dilutive instruments. If the Company incurs net losses in a fiscal year, basic and diluted losses per share are the same.

r) Recent Accounting Pronouncements

There are new accounting standards and amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2023 that have not been applied in preparing the financial statements for the year ended December 31, 2022. These standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated 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 areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

a) Impact of COVID-19

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 December 31, 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.

b) Critical Judgements

Critical judgements that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statement are:

i) Management's assessment of the Company's ability to continue as a going concern, as the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business.

ii) Management's judgement on revenue recognition, when determining the performance obligations that exist in an arrangement and the timing of the transfer of control and satisfaction of performance obligations of either at a point in time or over time.

iii) Management' assessment of the intellectual property transaction in the previous year as an intangible asset acquisition and not a business combination arrangement.

iv) Management' assessment of impairment indicators for asset impairment on long-term assets such as plant and equipment or investment in joint ventures.

c) Key Sources of Estimation Uncertainty and Assumptions

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the reported amounts of assets and liabilities, income and expenses within the next fiscal year.

i) Revenue Recognition

Revenue for technical services relating to water management are recognized using the project stage of completion method, which requires judgment for estimating project inputs and costs for completion and making assumptions for scope changes. Depending on the services provided and on the contract terms, many variables are used in assessing the revenues earned based on the project stage of completion at the reporting date. For the revenue arrangements comprise multiple performance obligations, estimates are required when determining the relative fair value of each performance obligation utilizing standalone prices for similar deliverables where it exists or internally generated estimates of standalone price.

ii) Expected Credit Loss

Trade and other receivables are assessed for impairment at each reporting date by applying the expected credit loss impairment model. Expected credit loss represents management's best estimate and assumptions based on actual credit loss experience and informed credit assessment, and also takes into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

iii) Right-of-Use Assets & Lease Obligations

To determine the value of the initial recognition and subsequent re-measurement of RoU assets and lease obligations, management is required to exercise judgment in several areas. Management has reviewed its lease agreements to estimate the lease term by evaluating the probability of exercising its option to extend or renew its lease contracts. Further judgement is required to determine the discount rate on lease payments by assessing its incremental borrowing rate at each of the Company's locations.

iv) Contingent Consideration

Contingent consideration, resulting from purchase of intangible assets, is valued at fair value at the acquisition date as part the asset acquisition price. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on estimation of the earn-out bonus to be paid in the future. The key assumptions take into consideration are the eligible projects' revenue and costs in the contract term and the discount factor.

5. RESTRICTED CASH

The balance at December 31, 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

	Dec. 31, 2022 $	Dec. 31, 2021 $
Trade receivables, net	2,468,929	1,427,398
Contract assets (note 22 (c))	715,237	581,159
Other receivables	22,703	644
	3,206,869	2,009,201

The Company's changes in allowance for expected credit loss for the year ended December 31, 2022 and 2021 are as follows:

	2022 $	2021 $
Allowance for expected credit loss, beginning of the year	-	94,630
Recognition of expected credit loss	-	-
Bad debt recovery (note 17)	-	(94,630)
Allowance for expected credit loss, end of the year	-	-

7. RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Management Compensation

For the year ended December 31, 2022 and 2021, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	2022 $	2021 $
Salaries, fees and short-term benefits	786,908	698,615
Share-based payments (note 14 (a) and 14 (c))	223,842	101,595
	1,010,750	800,210

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 Nunavik. As the newly incorporated joint venture commenced financial activities in 2022, revenue earned from the joint venture for the year ended December 31, 2022 was $1,722,390 ($nil in 2021). Included in trade and other receivables as of December 31, 2022 is $154,611 ($nil at December 31, 2021) of trade receivables due from the joint venture.

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	237,950	-	81,401	319,351
Adjustment	(1,638)	-	-	(1,638)
Foreign exchange translation	2,368	-	-	2,368
As at December 31, 2022	**747,911**	**580,593**	**799,149**	**2,127,653**
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 year	(146,880)	-	(32,848)	(179,728)
Foreign exchange translation	(38)	-	-	(38)
As at December 31, 2022	**(464,199)**	**(580,593)**	**(687,405)**	**(1,732,197)**
Carrying Amount				
As at December 31, 2021	191,950	-	63,191	255,141
As at December 31, 2022	**283,712**	**-**	**111,744**	**395,456**

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

9. INTANGIBLE ASSETS

	Total $
Cost	
As at December 31, 2020	-
Additions	419,700
As at December 31, 2021 & 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 year	(83,940)
As at December 31, 2022	**(104,925)**
Carrying Amount	
As at December 31, 2021	398,715
As at December 31, 2022	314,775

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 other liabilities. As 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 was adjusted to $142,000 as at December 31, 2022 and the fair value adjustment has been recorded in other income (note 17).

10. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on December 31, 2022 was $5,301,227 ($6,855,401 on December 31, 2021), 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	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

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. In 2022, the Company received a gross cash distribution of $2,896,500 ($15 million RMB) compared to $1,177,200 ($6 million RMB) in 2021.

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.

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

	Dec. 31, 2022 $	Dec. 31, 2021 $
Assets		
Cash	3,348,036	4,145,245
Other current assets	539,830	1,331,127
Non-current assets	2,806,376	3,264,457
Total assets	6,694,242	8,740,829
Liabilities	1,429,943	1,885,428
Partner's Equity	5,264,299	6,855,401
Total liabilities and partner's equity	6,694,242	8,740,829

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

	2022 $	2021 $
Revenues	6,241,425	7,714,751
Operating expenses (excluding depreciation)	(3,554,958)	(3,629,017)
	2,686,467	4,085,734
Non-operating expenses	(447,169)	(238,312)
Depreciation of plant and equipment	(485,254)	(414,724)
Income tax expense	(303,587)	(629,547)
Net income for the year	1,450,457	2,803,151
Other comprehensive (loss) income	(145,059)	208,296
Comprehensive income for the year	1,305,398	3,011,447

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 comprehensive income in the joint venture for the year ended December 31, 2022 was $51,842 (comprehensive loss of $40,119 in 2021). 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 are reduced to zero. As of December 31, 2022, the balance of unrecognized share of net losses for MWT-BQE is $128,490 ($180,332 on December 31, 2021).

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

	Dec. 31, 2022	Dec. 31, 2021
	$	$
Current assets	92,214	59,672
Plant and equipment	28,908	32,873
Current liabilities	47,573	28,255
Non-current liabilities	26,014	28,031
Partner's equity	-	-

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

	2022	2021
	$	$
Revenues	480,345	389,904
Operating expenses (excluding depreciation)	(298,257)	(174,164)
	182,088	215,740
Non-operating expenses	(130,054)	(259,946)
Net income (loss) for the year	52,034	(44,206)
Other comprehensive (loss) income	(192)	4,087
Comprehensive income (loss) for the year	51,842	(40,119)

c) BQE Water Nuvumiut Development Inc.

During 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:

	Dec. 31, 2022	Dec. 31, 2021
	$	$
Current assets	139,743	-
Current liabilities	102,815	-
Partner’s equity	36,928	-

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

	2022	2021
	$	$
Revenues	928,368	-
Operating expenses	(890,859)	-
	37,509	-
Non-operating expenses	(630)	-
Net income for the year	36,879	-

11. TRADE PAYABLE AND ACCRUED LIABILITIES

	Dec. 31, 2022	Dec. 31, 2021
	$	$
Trade payable and accruals	647,151	591,533
Payroll liability	566,151	414,438
Tax payable	27,478	35,831
	1,240,780	1,041,802

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 December 31, 2022 is $268,125 ($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:

	Dec. 31, 2022 $	Dec. 31, 2021 $
Balance at January 1	206,451	279,005
Addition of lease obligations	237,950	36,495
Adjustment of lease obligations	(1,638)	-
Interest expense on lease obligations	26,417	29,322
Lease payments on interest portion	(26,400)	(29,322)
Lease payments on principal portion	(166,360)	(110,012)
Foreign exchange translation	1,370	963
Ending Balance	277,790	206,451
Less: current portion of lease obligations	191,988	120,039
Non-current portion of lease obligations	85,802	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 year ended December 31, 2022 and 2021 are as follows:

	2022 $	2021 $
Classified as short-term or as low value	85,507	31,771
Leases with variable lease payments	99,855	83,491
	185,362	115,262

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

	Dec. 31, 2022
	$
2023	213,453
2024	77,424
2025	9,109
2026	3,508
2027	1,754
Total undiscounted lease payments	305,248
Less: imputed interest	(27,458)
Total carrying value of lease obligations	277,790

14. SHARE-BASED PAYMENT EXPENSES

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

	Dec. 31, 2022	Dec. 31, 2021
	$	$
Stock options (a)	250,464	103,847
Deferred share units (b)	21,155	94,162
Restricted share units (c)	398,996	104,740
	670,615	302,749

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. 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, 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	(11,960)	6.73
Expired	(3,500)	6.00
Balance, December 31, 2022	90,340	21.10

As at December 31, 2022, the Company has 21,841 of share options outstanding which were exercisable with a weighted average exercise price of $8.75 (21,299 on December 31, 2021 with a weighted average exercise price of $7.16).

The weighted average market price per common share on the days of exercise during the year ended December 31, 2022 was $26.88 ($27.35 in 2021).

The Company uses the Black-Scholes option pricing model in determining the fair value of the stock options. During the year ended December 31, 2022, the Company recognized $250,464 ($103,847 in 2021) of non-cash compensation expense related to stock options. The expiry date by exercise price at December 31, 2022 are as follows:

Exercise price $	Expiry Date	number of outstanding share options	number of exercisable share options
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 that is fair valued 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:

	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	-	21,155
Balance, December 31, 2022	10,574	311,933

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 December 31, 2022 are as follows:

Grant date	Number of RSUs	Fair value $
April 28, 2021	3,520	79,200
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	-
Forfeited	(318)	-
Redeemed	(4,136)	(113,643)
Fair value adjustment	-	398,996
Balance, December 31, 2022	24,139	389,016

15. SHARE CAPITAL

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

b) Issued
As at December 31, 2022, the Company had 1,256,928 common shares outstanding (1,244,968 on December 31, 2021).

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 December 31, 2022, no common shares have been purchased and cancelled under the NCIB.

Subsequent to the reporting year, between January 1, 2023 to April 27, 2023, the Company repurchased for cancellation 2,600 of common shares under the NCIB.

d) Earnings per share
The calculation of earnings per share for the year ended December 31, 2022 and 2021 are as follows:

	2022 $	2021 $
Net income	1,161,793	2,629,438
Basic weighted average number of shares outstanding	1,248,890	1,231,673
Dilution of securities	15,022	15,701
Diluted weighted average number of shares outstanding	1,263,912	1,247,374
Earnings per share:		
Basic	0.93	2.13
Diluted	0.92	2.11

16. FINANCE INCOME (COST)
The net of finance income (cost) is comprised as follows:

	2022 $	2021 $
Finance income	53,345	5,573
Interest expense	(26,511)	(29,405)
	26,834	(23,832)

17. OTHER INCOME

The net of other income is comprised as follows:

	2022	2021
	$	$
Other income	5,135	12,015
Fair value adjustment on contingent consideration (note 9)	27,700	-
Bad debt (expense) recovery	(8,050)	94,630
	24,785	106,645

18. EXPENSES BY NATURE

	2022	2021
	$	$
Operating expenses (excluding depreciation)		
Employee benefits	4,829,730	2,798,433
Consulting and contractor expenses	1,285,307	858,877
Travel expenses	648,921	194,909
Raw materials and consumables used	278,733	80,642
Other expenses	64,275	15,666
	7,106,966	3,948,527
General and administration		
Employee benefits	1,178,594	773,818
Consulting and contractor expenses	485,193	525,405
Insurance expenses	323,883	238,696
Rental expenses	142,828	90,677
Travel expenses	107,377	21,918
Director fees	74,700	66,600
Other expenses	151,568	105,818
	2,464,143	1,822,932
Sales and development		
Employee benefits	1,360,695	1,123,434
Consulting and contractor expenses	157,383	133,161
Travel expenses	108,044	22,544
Rental expenses	42,534	24,585
Other expenses	99,666	70,143
	1,768,322	1,373,867

19. INCOME TAXES

Income tax expense differs from that computed by applying the applicable Canadian federal and provincial statutory rate of 27% (2021 – 27%) before taxes as follows:

	2022 $	2021 $
Expected income tax expense at statutory rates	397,179	754,149
Non-taxable income	(336,613)	(724,872)
Withholding tax	308,688	129,819
Functional currency adjustments	88,384	15,878
Different statutory tax rates on foreign subsidiaries	28,036	(13,820)
Change in unrecognized deferred tax assets	(176,432)	(21,781)
Income tax expense	309,242	130,373

	2022 $	2021 $
Current tax expense	309,242	130,373
Deferred tax expense	-	-
Income tax expense	309,242	130,373

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Details of deferred tax assets (liabilities) as at December 31, 2022 and 2021 are as follows:

	2022 $	2021 $
Foreign Jurisdictions		
Non-capital losses carry-forwards	89,632	-
Tax reserves	(81,500)	-
Plant and equipment	(17,273)	-
Other	9,141	-
Deferred tax assets (liabilities)	-	-

The Company’s unrecognized deductible temporary differences and non-capital losses at December 31, 2022 and 2021 are as follows:

	2022	2021
	$	$
Canada		
Plant and equipment	1,512,113	1,437,971
Net capital losses	8,056,712	8,056,712
Non-capital losses	26,966,018	27,201,361
Deferred benefits and others	932,018	581,318
	37,466,861	37,277,362
Foreign Jurisdictions		
Plant and equipment	200,572	163,829
Unrealized foreign exchange loss	951,680	1,547,146
Non-capital losses	199,569	2,580,111
Other	1,375,605	282,333
	2,727,426	4,573,419
Total unrecognized deductible temporary differences	40,194,287	41,850,781

The Company's investment tax credits, expiring between 2021 and 2022, may be used to reduce future Canadian income taxes that are otherwise payable. As at December 31, 2022, the Company has not recognized a deferred tax asset in respect of non-capital loss carry forwards of approximately $26,966,018 ($27,201,361 in 2021) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	$
2026	1,290,024
2027	1,628,919
2028	1,951,879
2029	2,372,749
2030	965,964
2031	3,007,451
2032	3,735,949
2033	3,403,636
2034	2,414,568
2035	1,458,931
2036	584,241
2037	3,191,545
2038	312,657
2039	647,505
	26,966,018

In addition, the Company has available tax losses in other jurisdictions that total $1,375,605 ($2,580,111 in 2021). These losses can be carried forward to offset against future taxable income in those jurisdictions with expiry periods from 5 years to indefinitely, with losses of $236,988 beginning to expire in 2024.

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2022	2021
Change in non-cash working capital items	$	$
Changes in trade receivables	(1,202,274)	(244,384)
Changes in restricted cash	(90,204)	(85,035)
Changes in other assets	(96,613)	(60,230)
Changes in trade payable and accrued liabilities	235,937	(43,675)
Changes in deferred revenues	362,713	(796)
Changes in other liabilities	(113,664)	(74,396)
Change in non-cash working capital items	(904,105)	(508,516)

21. COMMITMENTS

The Company has commitments of $392,951 under operating leases for office and laboratory premises, and for laboratory assay services, as follows:

	$
2023	256,027
2024	136,924
	392,951

22. 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 an operation support 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:

	2022	2021
	$	$
Operations contracts	4,132,834	2,481,484
Technical services contracts	8,024,862	5,029,775
	12,157,696	7,511,259

b) Remaining Performance Obligations

As at December 31, 2022, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is $3,262,663, 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.

c) Changes in Contract Assets

The Company's contract assets are grouped within trade and other receivables (note 6), and the changes in contract assets for the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
	$	$
Contract assets, beginning of the year	581,159	410,715
Amounts invoiced included in the beginning balance	(514,839)	(410,715)
Net increase in contract assets recognized during the year	648,917	581,159
Contract assets, end of the year	715,237	581,159

d) Changes in Deferred Revenue

The Company's changes in deferred revenue for the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
	$	$
Deferred revenue, beginning of the year	326,803	359,089
Recognition of deferred revenue included in the beginning balance	(73,243)	(54,211)
Net increase in deferred revenue recognized during the year	436,039	52,105
Revaluation on non-current portion of deferred revenue	30,180	(30,180)
Deferred revenue, end of the year	719,779	326,803
Less: Non-current portion of deferred revenue, end of the year	(283,740)	(253,560)
Current portion of deferred revenue, end of the year	436,039	73,243

23. 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:

	2022	2021
	$	$
Revenue		
Canada	4,249,190	3,307,028
USA	4,234,847	2,173,228
Latin America	2,951,577	995,326
China	585,386	986,668
Other	136,696	49,009
	12,157,696	7,511,259

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

	Dec. 31, 2022	Dec. 31, 2021
	$	$
Canada	674,618	625,400
USA	45,762	-
China	5,291,078	6,883,857
	6,011,458	7,509,257

b) Information about Major Customers

The following table presents revenue for individual customers exceeding 10% of annual revenue for the year ended December 31, 2022 and 2021:

	2022	2021
	$	$
Customer A	1,723,851	2,058,059
Customer B	3,405,173	1,620,119
Customer C	545,503	829,414
Customer D	1,640,478	97,631
Total	7,315,005	4,605,223
Represents percentage of total revenue for the year	60%	61%

24. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure that the Company has the financial capacity to support its current and anticipated volume of business and mix of geographical establishments, to manage unforeseen operational and project requirements, and to provide its investors with maximum long-term returns on equity.

In the management of capital, the Company defines capital as shareholder's equity and non-current liabilities, which includes loans, lease obligations, and deferred revenues. In order to facilitate the management of its capital requirements, the Company prepares annual budgets, which are approved by the Board of Directors annually. As a component of working capital, the Company maintains balances of cash, which are intended to cover current liabilities. To maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to a normal course issuer bid, raise additional debt financing or refinance existing debt with different characteristics. There were no changes in the Company's approach to capital management during the year.

The amounts of shareholders' equity, working capital and non-current liabilities at December 31, 2022 and 2021 as are follows:

	2022	2021
	$	$
Shareholders' equity	12,638,493	11,313,390
Working capital	7,165,122	4,557,049
Non-current liabilities	555,167	777,797

25. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to various risks, including credit risk, market risks such as foreign currency risk, liquidity risk, and commodity price risk. The Company's risk management activities are designed to mitigate possible adverse effects on the Company's performance, having regard for the size and scope of the Company's operations, with a primary focus on the preservation of capital. Risk management activities are managed by the Company's finance and accounting department, with oversight from the Board of Directors. The Company's risk management policies and procedures have not changed from 2021.

a) Credit Risk

Credit risk is the risk of an unexpected loss if a party to the Company's financial instruments fails to meet their contractual obligations. The Company's financial assets are primarily comprised of cash, restricted cash, and trade and other receivables excluding taxes receivable. Credit risk is primarily associated with trade and other receivables; however, it also arises on cash.

The Company's maximum exposure to credit risk is as follows:

	Dec. 31, 2022	Dec. 31, 2021
	$	$
Cash & restricted cash	6,414,659	4,026,851
Trade and other receivables (exclude tax receivable)	3,206,869	2,009,201
	9,621,528	6,036,052

The Company invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The Company invests its cash with counterparties that it believes are of high credit quality as assessed by reputable rating agencies. Given these high credit ratings, the Company does not expect any counterparties holding this cash to fail to meet their obligations. The Company's short-time investments, being on-demand within 90 days, are subject to minimal credit risk as they are placed with a major Canadian financial institution.

The Company transacts with customers with strong credit ratings and strives to minimize credit risk by performing credit reviews, ongoing credit evaluation and account monitoring procedures. The credit risk associated with trade receivables with aging balances over 90 days at December 31, 2022 is considered higher than normal. The Company used a historical 3-year trend to make estimates on expected credit loss. As at December 31, 2022, the Company has an allowance for expected credit losses of $nil ($nil at December 31, 2021). All of the Company's receivables have been reviewed for indicators of impairment. The aging of trade and other receivables is as follows:

				Dec. 31, 2022	Dec. 31, 2021
	0-30 days	31-90 days	Over 90 days	Total	Total
	$	$	$	$	$
Trade and other receivables (exclude tax receivable)	1,904,285	1,209,135	93,449	3,206,869	2,009,201

Of the Company's receivables, despite over 90 days overdue balances of $93,449, collection is reasonably assured. The definition of items that are past due is determined by reference to terms agreed upon with individual customers, typically ranging between 15 to 45 days. No trade receivables have been challenged by the respective customers and the Company continues to conduct business with them on an ongoing basis.

b) Currency Risk

The Company conducts business in Canada, United States, Mexico, Chile and China. As a result, the Company has foreign currency exposure with respect to items not denominated in Canadian dollars. The two main types of foreign exchange risk for the Company can be categorized as follows:

i) Transaction Exposure

The Company's operations sell mainly services and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

ii) Foreign Exchange Exposure

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the Canadian dollar: cash, restricted cash, trade and other receivable excluding tax receivable, and trade payable and accrued liabilities excluding tax payable. The currencies of the Company's financial instruments and other foreign currency denominated liabilities exposed to currency risk, based on notional amounts and presented in CAD, were as follows:

	December 31, 2022			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash & restricted cash	902,226	11,081	584,803	396,030
Trade and other receivables (exclude tax)	996,225	-	473,108	441,122
Trade and other payables (exclude tax)	(19,143)	(4,100)	(535,612)	(5,784)
Gross balance sheet exposure	1,879,308	6,981	522,299	831,368

	December 31, 2021			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash & restricted cash	749,094	14,844	360,842	786,795
Trade and other receivables (exclude tax)	640,802	-	172,971	392,668
Trade and other payables (exclude tax)	(14,991)	2,734	(281,168)	(25,280)
Gross balance sheet exposure	1,374,905	17,578	252,645	1,154,183

A 10% strengthening (weakening) of the Canadian dollar against the following currencies would have decreased (increased) the Company's net loss from its financial instruments presented by the amounts shown below.

	2022 $	2021 $
U.S. dollar	187,931	137,491
Mexican peso	698	1,758
Chilean peso	52,230	25,264
Chinese RMB	83,137	115,418
	323,996	279,931

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations from Cash. The ability to do this relies on the Company collecting its trade receivables in a timely manner and maintaining sufficient cash in excess of anticipated needs. As of December 31, 2022, the Company has working capital of $7,165,122 ($4,557,049 as of December 31, 2021). To further improve the Company's access to liquidity, 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 $1,000,000. As of December 31, 2022, the revolving demand credit facility remains undrawn. The Company believes that it has access to sufficient funding through its Cash to meet its foreseeable operating requirements without the use of the credit facility.

The following table shows the contractual maturities of debt commitments. Refer to note 12 in respect to the loan agreement between the Company and the Minister of Western Economic Diversification Canada. The amounts presented represent the future undiscounted principal and interest cash flows, and therefore, do not equate to the carrying amounts on the consolidated statements of financial position.

	< 1 year	1 to 3 years	> 3 years	Dec. 31, 2022 Total	Dec. 31, 2021 Total
	$	$	$	$	$
Trade payable and other payables (excludes tax payable)	1,213,302	-	-	1,213,302	1,005,971
Deferred benefits	700,949	-	-	700,949	394,441
Loans	82,500	185,625	-	268,125	350,625
Other liabilities	142,000	-	-	142,000	169,700
Lease obligations	213,453	86,533	5,262	305,248	228,578
	2,352,204	272,158	5,262	2,629,624	2,149,315

Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company continues to review expenditures to ensure adequate liquidity. A period of extended depression in the mining industry, which is the Company's main customer base, may necessitate the Company to seek financing opportunities in accordance with its capital management strategy (note 24).

d) Price Risk

The Company's net income or loss, and financial condition are subject to price risk due to fluctuations of the following:

i) Commodity Price Risk

The profitability of the Company's investment in joint ventures will be significantly affected by changes in the commodity price of copper being sold by the joint ventures of the Company. Copper prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for copper, the level of interest rates, the rate of inflation, investment decisions by large holders of copper, including governmental reserves, and the stability of exchange rates can all cause significant fluctuations in copper prices. A 10% change in copper prices would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by $624,143 in 2022 ($771,475 in 2021).

ii) Common Stock Price Risk

The Company is subject to price risk for changes in the Company's common stock price per share. The Company has implemented, as part of its long-term incentive plan, the DSU and RSU plans that the Company is required to satisfy in cash upon vesting. The Company considers the plan a financial liability and is required to fair value the outstanding liability with the resulting changes included in stock-based compensation expense in each period: an increase in share unit award prices would decrease the Company's net income or loss. A 10% change in common stock prices would impact the Company's net income or loss before taxes and other comprehensive income or loss before taxes by $102,403 in 2022 ($48,919 in 2021).

26. FAIR VALUE MEASUREMENT

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

The Company's financial assets and liabilities by category and information about financial assets and liabilities in the statement of financial position are classified and measured as follows:

	Category	Dec. 31, 2022 $	Dec. 31, 2021 $
Financial assets			
Cash	Financial assets at amortized cost	6,234,352	3,943,714
Restricted cash	Financial assets at amortized cost	180,307	83,137
Trade and other receivables (excludes tax receivable)	Financial assets at amortized cost	3,206,869	2,009,201
Financial liabilities			
Trade payable and other payables (excludes tax payable)	Financial liabilities at amortized cost	1,213,302	1,005,971
Loans	Financial liabilities at amortized cost	268,125	350,625
Lease obligation	Financial liabilities at amortized cost	277,790	206,451
Other liabilities	Financial liabilities at fair value	142,000	169,700
Deferred benefits	Financial liabilities at fair value	700,949	394,441

The carrying values of the financial assets and liabilities at amortized cost presented above other than long-term portion of loans and lease obligation approximate their fair values due to the short-term maturities of these instruments. Carrying amount of long-term loan and lease obligation approximate fair value due to prevailing interest rates and the risk characteristics of the instruments. The Company has not offset financial assets with financial liabilities.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value as described in note 3(h). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Company's deferred benefits, which consist of DSUs and RSUs, are held at fair value, measured by Level 1 inputs. The Company's contingent liabilities, recorded as other liabilities, are held at fair value, measured by Level 3 inputs. There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2022 and 2021. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.