BQE Water

BQE WATER INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. Management of the Company have prepared this document in conjunction with their broader responsibilities for reasonable assurance regarding the reliability of the financial reporting and the establishment and maintenance of adequate information systems and internal controls to ensure that the financial information is complete and reliable. Management also believes that any internal controls and procedures for financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. The Audit Committee of the Board of Directors, consisting of independent directors, has reviewed this document and all other publicly reported financial information, for integrity, usefulness, reliability and consistency.

This 2020 MD&A should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). All financial information in this MD&A is derived from the Company's Financial Statements prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business operations for the foreseeable future. Our accounting policies are described in note 3 of our audited consolidated financial statements. All financial information is presented in **Canadian dollars** unless otherwise noted. This MD&A has been prepared as at April 28, 2020.

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

OUR BUSINESS

BQE Water Inc. ("BQE Water" or the "Company") is helping to make the mining and metallurgical industry more environmentally sustainable and profitable by implementing innovative water management and treatment solutions that support and improve operations in this sector. Central to our business model is that BQE Water produces clean water and stable residues (or saleable by-products) and that we monetize the value of our unique process know-how through recurring revenues generated from plant operations services.

BQE Water is headquartered in Vancouver, British Columbia, Canada. The Company has regional offices in Chile and China, which are two key geographical markets in our business. BQE Water is listed on the TSX Venture Exchange under the symbol BQE. Additional information may be found on our website at www.bqewater.com and on SEDAR at www.sedar.com.

OUR STRATEGY

The Company's main strategy is to apply our unique expertise and intellectual property ("IP") related to the treatment of mine water and metallurgical bleed streams to help our clients minimize the life cycle costs and risks associated with water. Additionally, we recognize that sustained growth and the financial success of our business are linked to ongoing innovation and the expansion of our IP portfolio which we are actively engaged in through our own operations and through inquiries from clients evaluating new projects.

The Company monetizes the value of its IP and expertise through services that span the full life cycle of mining projects from permitting to closure. The Company's primary service is the long-term operation of water treatment plants we have designed to generate recurring revenue that is linked to the plant's performance. As the period between the identification of new projects and treatment plants entering their operating phase can be lengthy, BQE Water also generates revenues from technical services that are project specific and are generally non-recurring in nature. The services provided by BQE Water are grouped into two key areas:

Operational Services

Revenues from operational services provided by the Company are earned through water treatment fees or through the sale of recovered base metals. Water treatment fees are either tolling fees charged per cubic metre of clean water treated and discharged subject to specific water quality criteria or fees for the Company's expertise linked to the achievement of operational targets and delivered through supervisory and ongoing operational support services. The Company also monetizes the value of its IP through joint ventures by sharing in the value of metals recovered from treating wastewater.

Technical Services

Technical services provided by the Company can be grouped into consulting and technical innovation services. Consulting services help mining companies define water problems, identify opportunities for improving project performance and present solutions to address specific water management issues. Such services include feasibility & assessment studies, toxicity investigations, process engineering design, treatment plant commissioning and plant optimization. Technical innovation services offers our clients beneficial design and technological improvements drawn from our unique knowledge and expertise acquired from ongoing plant operations services. This also provides the Company with opportunities to develop new technologies, through either laboratory treatability assessments or field pilot demonstrations, as triggered by industry needs. These services allow BQE Water to follow projects through the entirety of their development and implementation phases, and to provide recurring operational services for our clients.

NON-GAAP MEASURES

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

Proportional Results

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

Proportional Revenues

This non-GAAP financial measure of Proportional Revenue adds BQE Water's shares of joint venture revenues to the Company's revenues reported under GAAP. Proportional Revenues for the year ended December 31, 2020 and 2019 are as follows:

(in $'000s)	**2020**	2019
	$	$
Reported revenues under GAAP	**7,696**	5,640
Share of reported revenues from joint ventures	**5,801**	5,550
Proportional Revenues for the year	**13,497**	11,190

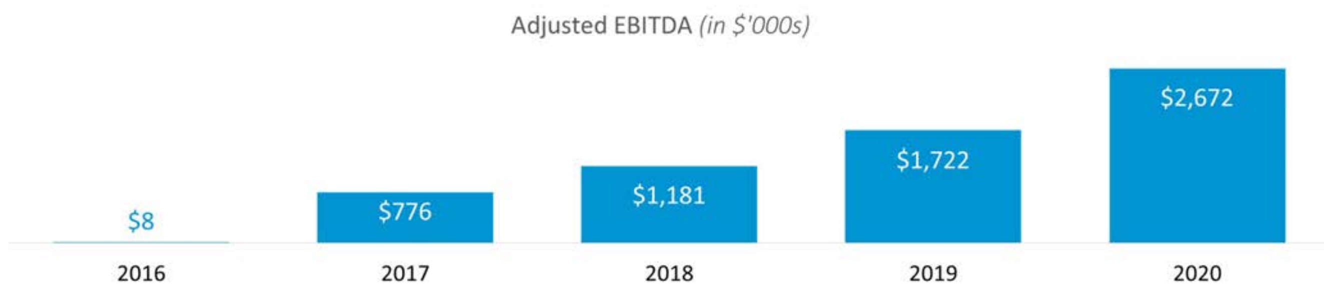
Adjusted EBITDA

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

(in $'000s)	**2020**	2019
	$	$
GAAP: Net income	**1,166**	242
add: interest expense (income)	**7**	(4)
add: income tax expense	**376**	282
add: depreciation and amortization	**770**	695
EBITDA	**2,319**	1,215
add: share-based payment expenses	**387**	153
add: bad debt expenses	**-**	383
deduct: other income	**(89)**	(66)
add: net foreign exchange loss	**55**	37
Adjusted EBITDA	**2,672**	1,722

FINANCIAL HIGHLIGHTS

- Increased Adjusted EBITDA by 55%, from $1.7 million in 2019 to $2.7 million in 2020.
- Grew revenues reported under GAAP by 36%, from $5.6 million in 2019 to $7.7 million in 2020, and grew Proportional Revenues by 21%, from $11.2 million in 2019 to $13.5 million in 2020.
- Recorded historic high net income of $1.2 million in 2020 compared to $242,000 in 2019, an increase of 382%.
- Grew diluted Earnings Per Share by 375%, from $0.20 in 2019 to $0.95 in 2020.
- Increased working capital by 94% year-over-year, from $1.8 million to $3.5 million as of December 31, 2020.
- Increased net cash by $1.1 million over the 12-month period, from $2.1 million to $3.2 million at the end of 2020.



OPERATIONAL SERVICES HIGHLIGHTS

Our operational services consist of the operation of water treatment plants, which generate recurring revenues for the Company from two main sources: sales of recovered metals and water treatment fees.

Revenues from Sales of Recovered Metals

The Company operates four water treatment plants that generate revenues from the sale of recovered metals, three plants from the JCC-BQE Joint Venture ("JCC-BQE") and one plant from the MWT-BQE Joint Venture ("MWT-BQE").

JCC-BQE Joint Venture

Our 50/50 joint venture with partner Jiangxi Copper Company ("JCC") operates water treatment plants at Dexing Mine and at Yinshan Mine in Jiangxi province of China. The volume of water treated and pounds of copper recovered by the plants fluctuate seasonally depending on precipitation levels in the region. The operating results for the 12 months ended December 31, 2020 are as follows:

(in '000s)	2020	2019
Water treated (cubic metres)	21,094	22,052
Copper recovered (pounds)	3,312	3,449

During 2020, all three plants met mechanical availability and process performance set by the Company. Both the volume of water treated and the mass of copper recovered decreased by approximately 4% year-over-year. Changes in water volume and feed grade are largely the result of environmental conditions which are beyond the control of the joint venture. The minimal variances between 2019 and 2020 indicate very stable operations.

MWT-BQE Joint Venture

Our 20% share of MWT-BQE is with our 80% partner Beijing MWT Water Treatment Project Limited Company ("MWT") and together we operate a water treatment plant at a smelter in Shandong province of China. MWT-BQE generates the majority of its revenues from the sale of zinc recovered from smelter wastewater, along with small traces of copper found in the stream. The operating results for the 12 months ended December 31, 2020 are as follows:

(in '000s)	2020	2019
Zinc recovered (pounds)	1,254	1,023
Copper recovered (pounds)	226	142

The mass of zinc recovered increased by 23% and the mass of copper recovered increased by 59%. During 2020, the smelter periodically operated their production lines with a slightly higher-grade ore, which led to a higher concentration of zinc and copper in the feed composition and also an increase in the volume of wastewater treated by the plant. The joint venture has no control in the composition and volume of the feed that flows into the plant.

Revenues from Water Treatment Fees

The Company is contracted to operate and provide technical support for water treatment plants that generate recurring revenues in the form of water treatment and operations support fees. They include four plants operated by BQE Water for Glencore at Raglan Mine in Northern Québec and a plant operated by the MWT-BQE joint venture but supported and supervised by BQE Water in China. Operating fees from the Glencore operations are primarily based on the volume of water treated and discharged in accordance with strict regulatory requirements. The MWT-BQE plant generates fixed operations support fees for the achievement of operational targets that rely on the Company's technical expertise.

The Company successfully completed the commissioning of the first industrial scale plant utilizing its patented Selen-IX™ process for selenium management at the Kemess property in Northern BC owned by Centerra Gold. During 2020, the plant operated and treated water for approximately a month. In December 2020, the Kemess property was declared to be in an extended state of care and maintenance, with water treatment not required under this status.

The volume of water treated for the 12 months ended December 31, 2020 are as follows:

(in '000s)	2020	2019
4 Treatment plants at Raglan Mine (cubic metres)	1,555	1,982
Treatment plant at MWT-BQE (cubic metres)	637	588
Treatment plant at Kemess property (cubic metres)	119	-

TECHNICAL SERVICES HIGHLIGHTS

BQE Water's technical expertise and IP are applicable globally across broad areas of water management. The highlights of technical services provided to clients and technical innovation projects during 2020 are summarized below.

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

- Successfully completed the commissioning and performance testing of the Selen-IX™ plant at the Kemess property in Northern BC.
- Completed the engineering design and initiated procurement for the first commercial scale direct selenium ERC plant at a mine in the US.
- Continued to provide engineering services to support equipment procurement and fabrication for the first Selen-IX™ plant outside of mining currently under construction at a power utility ash pond in the US.

Cyanide Management and Recovery for Precious Metals Extraction Projects using SART

- Successfully completed the commissioning of the SART plant for Shandong Zhongkuang Group in China.
- Initiated the commissioning of the SART plant for Zhaojin Mining Industry in China.
- Initiated the design of a SART plant for a gold mine in Central America.

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

- Development of a water management plan and monitoring program for El Mirador Mine in Ecuador.
- Design of a water treatment plant integrated into a gold metallurgical plant to enable Zero Liquid Discharge operation.
- Expansion of an ammonia removal water treatment system for an existing gold mine in Ontario.
- Scoping level engineering for a selenium removal plant at an active mine in Canada.
- Treatability assessment of organo-arsenic removal from mine water at an active gold mine in Asia.
- Assessment of improvements to the water management and treatment strategy for the KSM project in BC.
- Water treatment design for a gold mine in Central America.
- Engineering design of a treatment plant for the simultaneous removal of sulphate and selenium from mine influenced water in the US.
- Pilot demonstration of selenium removal to support the permitting of a new mine in North America.
- Preliminary technical assessment for selective thiocyanate removal combined with cyanide recovery from carbon-in-pulp tailings at a project site in North America.

2020 COMMENTARY AND OUTLOOK FOR 2021

Overall, 2020 was not only another successful year continuing with the multi-year trend of improvements in the Company's financial performance, but also a year in which the Company achieved several key technical milestones. The highlights can be summarized as follows:

- Achieved the best financial performance in Company history with net income of $1.2 million and Adjusted EBITDA of $2.7 million, representing year-over-year increases of 382% and 55% respectively.
- Completed the commercialization of the first large scale plant operation utilizing the Company's patented Selex-IX™ process technology to produce treated water with selenium concentrations of less than 2 parts per billion.
- Advanced two additional large scale selenium removal projects to the plant construction phase, including one in the power generation sector to remediate a coal ash pond in the US.
- Completed the commissioning of the first SART plant in China, as well as the first SART plant globally, to recover copper and zinc in one plant, reflecting BQE Water's leadership in cyanide recovery and recycle technology.
- Expanded the technical team to reflect the increase in projects and to strengthen the Company's capabilities in areas critical to future growth, including plant operations (in North America and China), environmental health & safety, and technology development.
- Improved environmental health & safety systems to ensure the Company can maintain continued strong safety and environmental records as the number of operations and the scope of field services increases.
- Secured a backlog of project work providing better visibility for cash flows in 2021.
- Improved the Company's working capital year-over-year by 94%, further strengthening the Company's ability to manage cash throughout 2021.

Since 2014, management of the Company has pursued a business strategy focused on ESG (Environmental, Social and Governance) and growing recurring revenues by monetizing the value of the Company's intellectual property through plant operations. However, prior to commencing new operations, we recognized that we needed to provide various types of professional services to our clients first, often for years, before projects reached the operations phase. In this context, 2020 represented a significant milestone as some projects that have been in our pipeline for several years became operational. Moreover, current construction of new projects provides us with good visibility with respect to additional plants that are expected to be operational in 2021 and 2022.

Key to the Company's strategy is the use of local operators and the development of local centres of operational excellence in close geographic proximity to plant locations. This proved to be critical during the COVID-19 pandemic as travel restrictions were enforced by many national and regional governments while water treatment was declared an essential service. Our ability to mobilize local teams to successfully deliver operations services without interruption in Eastern and Western Canada and in China demonstrated the strength of our technical team and the robustness of our business strategy. Building on this experience, we plan to develop our US operations team and expand our outreach to indigenous communities living near our plants in 2021. We envision these communities becoming valuable long-term partners to help us build inclusive operations teams while ensuring projects benefit all stakeholders.

While we are proud of our results and achievements in 2020 and are working towards continued growth, we recognize the COVID-19 pandemic has created headwinds and uncertainties in our business. In particular, business development activities have been curtailed due to our inability to travel, concerns about liquidity have reduced capital spending by mining companies, and the lack of certainty around the post pandemic economy continues to influence decisions on projects globally. Nevertheless, we are entering 2021 with a relatively strong balance sheet and good visibility, with several key projects advancing towards operations. A majority of our projects are driven by a requirement for environmental compliance which is essential to the success of mining projects and to the ESG policies adopted by many mining companies. Finally, water use, treatment and discharge limits continue to tighten. These trends bode well for us as we position ourselves to capitalize on opportunities that may arise during any post pandemic economic recovery in the commodities sector.

In summary, the Company expects to achieve the following in 2021:

- Initiate long-term operations support of two new SART plants in China, increasing the Company's recurring revenues from China outside of the JCC and MWT joint venture operations.
- Complete commissioning and initiate long-term operation of the new selenium treatment plant at a coal ash pond in the US under a contract signed in 2020.
- Initiate commissioning of the new treatment system for the simultaneous removal of sulphate and selenium at a mine in the US. This plant is expected to become operational in Q1 2022. The operating contract is expected to be signed prior to the start of commissioning in Q4 2021.
- Continue development of our US based operations team.
- Commence pro-active outreach to indigenous groups and communities at all existing and potential new projects.
- Complete our 18th operating season at Raglan Mine, while creating long-term employment opportunities for members of indigenous communities through our Inuit partners.
- Successfully execute engineering design and pilot projects in North and South America, some of which may advance to the implementation phase in 2022.
- Continue new technology development in strategic areas by utilizing government funding secured in 2020 and establishing candidate sites for potential early adoption.

SELECTED FINANCIAL INFORMATION

(in $'000 except for per share amounts)	**2020**	2019
	$	$
Revenues	**7,696**	5,640
Operating expenses	**4,431**	2,789
	3,265	2,851
General and administration expenses	**1,622**	1,631
Sales and development expenses	**971**	1,063
Share-based payment expenses	**387**	153
Depreciation	**148**	131
Share of earnings from joint ventures	**(1,139)**	(849)
Income from operations and joint ventures	**1,276**	722
Net of other (expenses) income	**(8)**	14
Bad debt expenses	**-**	(383)
Income tax expenses	**(102)**	(111)
Net income for the year	**1,166**	242
Other comprehensive income (loss)		
Translation gain (loss) on foreign operations	**228**	(284)
Comprehensive income (loss) for the year	**1,394**	(42)
Earnings per share (basic)	**0.96**	0.20
Earnings per share (diluted)	**0.95**	0.20
Non-GAAP Measures:		
Proportional Revenues	**13,497**	11,190
Adjusted EBITDA	**2,672**	1,722

	at December 31 2020	at December 31 2019
	$	$
Working capital	**3,543**	1,829
Total assets	**10,464**	8,376
Total non-current liabilities	**821**	331
Shareholders' equity	**8,088**	6,405

COMPARISON OF QUARTERS

Financial data for the last eight quarters:

(in $'000s) Quarters ended	**Dec-20** **$**	Sept-20 $	Jun-20 $	Mar-20 $	Dec-19 $	Sept-19 $	Jun-19 $	Mar-19 $
Revenues	**1,609**	2,738	1,414	1,936	1,382	2,326	1,216	716
Operating expenses	**934**	1,381	921	1,195	882	857	607	444
	675	1,357	493	741	500	1,469	609	272
General and administration	**413**	342	435	433	480	405	362	383
Sales and development	**349**	153	239	229	230	241	274	319
Shared-based payment expenses	**107**	113	118	49	13	55	64	22
Depreciation	**42**	33	36	36	(23)	54	50	50
Share of (earnings) loss from joint ventures	**(101)**	(785)	(380)	127	263	(402)	(507)	(202)
(Loss) income from operations and joint ventures	**(135)**	1,501	45	(133)	(463)	1,116	366	(300)
Other income (expenses), net	**30**	(58)	(95)	115	21	37	(17)	(27)
Bad debt expenses	**-**	-	-	-	(95)	(287)	(1)	-
Income tax expenses	**(97)**	-	(5)	-	(91)	(17)	(3)	-
Net (loss) income	**(202)**	1,443	(55)	(18)	(628)	849	345	(327)
Translation (loss) gain	**(63)**	97	(191)	387	70	(140)	(241)	27
Comprehensive (loss) income	**(265)**	1,540	(246)	369	(558)	709	104	(300)
Non-GAAP Measures:								
Proportional Revenues	**3,085**	5,287	2,771	2,356	2,005	3,991	3,138	2,057
Adjusted EBITDA	**133**	2,039	412	91	(451)	1,495	756	(80)

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

SUMMARY OF Q4 2020 FINANCIAL RESULTS

The following is a summary of selected financial results for the three-month periods ended December 31, 2020 and 2019.

Proportional Revenues

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

(in $'000s)	**Q4 2020**		Q4 2019		
Revenue source	**$**	**% of total**	$	% of total	% Change
Sale of recovered metals from operations	**1,476**	**48%**	623	31%	137%
Water treatment fee from operations	**534**	**17%**	131	7%	308%
Technical services	**1,075**	**35%**	1,251	62%	(14%)
Total Proportional Revenues	**3,085**	**100%**	2,005	100%	54%

Revenues from the sale of recovered metals of value comprises the Company's share of joint venture revenue from the operation of water treatment plants in China. The amount of revenue is impacted by the quantity of metals recovered and the metal prices listed on the Shanghai Futures Exchange. During Q4 2020, the Company's share of revenues from the JCC-BQE joint venture increased 113% from the comparable period in 2019 due to an approximate 76% increase in the quantity of copper recovered for the period and a 21% increase in the average copper price in the period. During Q4 2020, the MWT-BQE joint venture contributed $243,000 to the Company's share of Proportional Revenue compared to $43,000 in Q4 2019. The increase of $200,000 was due to a substantial sale of 173,000 pounds of copper completed during Q4 2020, which was approximately 77% of the year's total production.

Revenues from water treatment fees are generated from the Company's seasonal operation of water treatment plants at Raglan Mine and from operations support at the MWT-BQE plant. The increase of $403,000 from the same period in 2019 is attributed mainly to the operations at Raglan Mine. During Q4 2020, the treatment plants at Raglan Mine treated 66% more water than the same period in 2019. Due to the late start of the ChemSulphide® treatment plant at Raglan Mine, as water was not being discharged until mid-July due to the long lead time to replace a discharge pump, the 2020 operating season was extended until mid-November. The Company continued to provide ongoing operations support at the MWT-BQE water treatment plant during Q4 2020, earning $52,000 in revenues compared to $46,000 in Q4 2019.

Revenues from technical services decrease by $176,000 from the same period in 2019. These revenues are non-recurring in nature and consist of water management services such as treatability assessments, permitting assistance, engineering and plant design, construction and commissioning of water treatment plants, laboratory testing and pilot demonstrations. The amount represents the sum of multiple contracts from various clients of varying contract values.

Expenses

Total operating expenses in Q4 2020 were $934,000 compared to $882,000 in Q4 2019, a variance of $52,000, which is due to changes of project activity during the quarter and the duration of the water treatment during the period. In addition, each individual project requires different levels of technical expertise and resources depending on the specific mine conditions and water treatment solutions.

In Q4 2020, general and administration costs were $413,000 compared to $480,000 in Q4 2019. The $67,000 decrease in general and administration costs was mainly due to the decrease in office expenses and travel expenses during the period.

Sales and development costs in Q4 2020 were $349,000 compared to $230,000 in Q4 2019, representing an increase of $119,000. Due to the decrease of technical services activity during the quarter, more labour resources and assay expenses were designated for business and technology development initiatives during the quarter when compared to Q4 2019.

SUMMARY OF 2020 FINANCIAL RESULTS

The following is a summary of selected financial results for the year ending December 31, 2020 and 2019.

Proportional Revenues

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

(in $'000s)	**2020**		2019		
Revenue source	**$**	**% of total**	$	% of total	% Change
Sale of recovered metals from operations	**5,801**	**43%**	5,550	50%	5%
Water treatment fee from operations	**1,785**	**13%**	1,663	14%	7%
Technical services	**5,911**	**44%**	3,977	36%	49%
Total Proportional Revenues	**13,497**	**100%**	11,190	100%	21%

Revenues from the sale of base metals recovered comprises the Company's share of revenues from its joint ventures in China. The sale of copper and zinc recovered during the operation of water treatment plants is impacted by the amount and market price of metal concentrate sold. During 2020, the Company's share of revenues from the JCC-BQE joint venture increased $66,000 or 1% from 2019. While the total pounds of copper recovered decreased by 4% over the prior year, the average copper price was $3.26/LB in 2020 and $3.09/LB in 2019, representing a 5% increase. The remaining $185,000 increase was from the MWT-BQE joint venture, which contributed copper and zinc recovery sales of $411,000 to the Company's Proportional Revenue in 2020 compared to $226,000 in 2019. This increase is due to the greater quantity of metals recovered from the plant feed which had a higher concentration of zinc and copper.

Water treatment fee revenues include the tolling fees earned from each cubic metre of water discharged at Raglan Mine and at the newly commissioned plant at the Kemess property in Northern BC, as well as operations support fees from the MWT-BQE plant in Shandong, China. The addition of the Selen-IX™ plant at Kemess added new revenues of $250,000 during 2020. Treatment fees from the Raglan operation decreased by $136,000 year-over-year due to the late start of the ChemSulphide® treatment plant as water was not being discharged until mid-July due to the long lead time to replace a discharge pump. Lastly, the Company continued to support the operation at the MWT-BQE water treatment plant, earning $193,000 in revenues compared to $185,000 in 2019.

Revenues from technical services had the largest increase of $1.9 million, or 49%, in 2020 when compared to the previous year. These revenues are non-recurring in nature and relate to water management services such as treatability assessments, permitting assistance, engineering and plant design, construction and commissioning of water treatment plants, laboratory testing and pilot demonstrations. In 2020, there was an increase in project activity across the full spectrum of services provided by the Company, most notably in the areas of engineering and plant design for three US-based selenium removal water treatment plants.

Operating Expenses

Total operating expenses in 2020 were $4.4 million compared to $2.8 million in 2019, an increase of $1.6 million. The 59% increase in operating expenses is partly attributed to the 49% increase in project activity related to technical services completed in the year. Each individual project requires varying levels of technical expertise and resources depending on the specific mine conditions and treatment requirements. The remaining increase of operating expenses are due to the additional labour resources required for the commissioning of the Kemess plant and the new SART plants in China, both of which are required prior to the generation of new recurring revenues. Total employee benefits, which is the largest component contained within operating expenses, were $3.2 million in 2020 compared to $2.2 million in 2019.

Expenses

In 2020, general and administration expenses remained the same as 2019, at $1.6 million. With no major change year-over-year, increases in professional services fees and insurance expenses were offset by decreases in general office expenses during the year.

Sales and development costs in 2020 were $971,000 compared to $1.1 million in 2019, a decrease of $92,000. The variance is due to internal labour resources being re-allocated from technology development to the fulfillment of technical services contracts and due to the decrease in travel related expenses for business development during the year.

Depreciation expenses were $148,000 in 2020 compared to $131,000 in 2019. With the adoption of IFRS 16 on January 1, 2019, the Company's depreciation expense includes the amortization of right-of-use assets. The increase of $17,000 was due to an office lease extension which extended the amortization period of right-of-use assets for another 36 months.

Share-based payment expenses were $387,000 in 2020 compared to $153,000 in 2019, an increase of $234,000. Share-based payment expenses mainly consist of non-cash compensation expenses relating to stock options expenses which are expensed on a straight-line basis over the vesting period. In January 2020, the Company granted 51,000 stock options, which accounted for $225,000 of additional share-based payment expenses during the year. Other share-based payment expenses were due to fair value adjustments of deferred and restricted share units resulting from the increase of the Company share price.

Other Income and Expenses

The net of other income and expenses was an expense of $8,000 compared to an income of $14,000 in 2019. Other income and expenses consist of finance costs, foreign exchange and other income.

Net finance costs were $17,000 in 2020 compared to $15,000 in 2019. Foreign exchange loss was $55,000 in 2020 compared to $37,000 in 2019. These exchange gains and losses arise mainly from changes in the value of the US dollar, Mexican peso, Chilean peso and Chinese renminbi relative to the Company's reporting currency in Canadian dollars. The remaining variance is from other income of $64,000 in 2020 and $66,000 in 2019. Other income are recoveries from written off liabilities, and other gains and fees earned which are non-operating in nature.

Income Tax

In 2020, net income tax expenses were $102,000 compared to $111,000 in the prior year. The income tax charges in both years consist of a 10% withholding tax in China for the distributions made by the JCC-BQE joint venture. These taxes are not able to be offset against accumulated tax benefits in other jurisdictions.

Net Income and Comprehensive Loss

Overall net income for the year was $1.2 million compared to $242,000 in 2019.

As the Company operates through subsidiaries and joint ventures with functional currencies which differs from the Company's reporting currency of the Canadian dollar, any exchange differences on the translation of the net assets of such entities are recognized in a separate component of equity, which is through other comprehensive income or loss. After the translation adjustment, total comprehensive income for the year was $1.4 million compared to a comprehensive loss of $42,000 in 2019.

SUMMARY OF OPERATIONAL SERVICES

JCC-BQE Joint Venture Operation, Jiangxi Province, China

In 2007, BQE Water entered into a 50/50 joint venture arrangement with JCC, China's largest copper producer and in April 2008, the joint venture completed the construction and commissioning of its first water treatment plant at JCC's Dexing Mine, an active copper mine in China. The plant utilizes BQE Water's ChemSulphide® process to remove dissolved copper from acid mine drainage generated by waste dumps and low-grade stockpiles. The high-grade copper concentrate recovered from the water is shipped to JCC's refinery. In 2014, the joint venture completed the construction and commissioning of two new water treatment plants at JCC's Yinshan Mine and Dexing Mine sites. Both plants also utilize BQE Water's ChemSulphide® process.

All three water treatment plants were designed by BQE Water and are operated by the joint venture. The plants are managed jointly whereby BQE Water is responsible for technical operations and JCC is responsible for local administrative, procurement and government activities. The joint venture partners share 50% in the revenues and costs. Revenues are generated through the sale of recovered copper from the plants based on the metal price during the day when the concentrate is shipped, less refining costs.

Operating results for all three plants during the year were as follows:

(in '000s)

Dexing 1	2020	2019
Water treated (cubic metres)	7,872	8,728
Copper produced (pounds)	1,251	1,452

Dexing 2	2020	2019
Water treated (cubic metres)	9,400	9,360
Copper produced (pounds)	1,327	1,215

Yinshan	2020	2019
Water treated (cubic metres)	3,822	3,964
Copper produced (pounds)	734	782

Total Joint Venture	2020	2019
Water treated (cubic metres)	21,094	22,052
Copper produced (pounds)	3,312	3,449

The volume of water treated and pounds of copper recovered at all three plants will fluctuate depending on precipitation levels and the prevailing environmental conditions at site. The two plants, Dexing 1 and Dexing 2, treat water from the same source and water may be diverted from one plant to the other to optimize operations.

During 2020, all three plants met or exceeded mechanical availability and process performance. Changes in water volume and feed grade are largely the result of environmental conditions beyond the control of the joint venture and will fluctuate from period to period.

MWT-BQE Joint Venture Operation, Shandong Province, China

In 2016, BQE Water entered into a joint venture agreement with MWT for the design, construction and operation of a treatment plant that recovers copper and zinc from wastewater generated by the Guoda gold smelter and refinery owned by Zhaoyuan Gold Smelting Co., Ltd ("Zhaoye"). BQE Water provides its technology and plant operating experience in exchange for an ongoing 20% share of the profit from metals recovered and technical support fees. The water treatment plant was completed and commissioned in 2018. Copper concentrate produced by the plant is sold back to Zhaoye and the zinc concentrate is sold to local metal traders.

Operating results for the plant during the year were as follows:

(in '000s)	2020	2019
Water treated (cubic metres)	637	588
Zinc recovered (pounds)	1,254	1,023
Copper recovered (pounds)	226	142

Raglan Mine Operation for Glencore Canada Corporation, Quebec, Canada

BQE Water operates four water treatment plants at Raglan Mine, an active nickel mine in Northern Québec which is owned by Glencore Canada Corporation ("Glencore"). The four plants include: BQE Water's ChemSulphide® process plant, BQE Water's Met-IX™ process plant, a lime neutralization plant at Spoon and the newly added lime plant at Katinniq. All plants discharge treated water into the environment. The ChemSulphide® and Met-IX™ plants also recover nickel from wastewater which is blended into the nickel concentrate produced by the mine. Because of the harsh winter conditions in Northern Québec, water is not available for processing until the spring thaw; the plant runs seasonally, typically from late spring to fall. BQE Water is responsible for all aspects of the plant operation and depending on the plant, the Company charges a treatment fee per cubic metre of water discharged or a monthly operation fee.

The volume of water treated for the four plants during the year were as follows:

(in '000s cubic metres)	2020	2019
ChemSulphide® and Met-IX™ plants	640	879
Spoon plant	355	381
Katinniq plant	560	722
Total	1,555	1,982

In 2020, we successfully completed our 17^{th} operating season at the site. The timing and length of the 2020 operating season was comparable with previous seasons in the past, with our operating crew deployed from May to November.

Kemess Operation for Centerra Gold, British Columbia, Canada

The Company successfully completed the commissioning of the first industrial scale plant utilizing its patented Selen-IX™ process for selenium management at the Kemess property in Northern BC owned by Centerra Gold. Since late August 2020, the plant has operated continuously treating up to 5,600 m^3/day of mine impacted water to produce treated water with selenium concentrations of less than 2 parts per billion. During 2020, the plant operated and treated water for approximately a month. In December 2020, the Kemess site was declared to be in a state of care and maintenance. With the site only requiring active water treatment during mine construction, operation and closure but not during care and maintenance, the new water treatment plant is not expected to operate until the site status changes.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2020, BQE Water had 1,217,435 common shares issued (1,210,434 at December 31, 2019) and 82,833 stock options outstanding (39,501 at December 31, 2019).

As of the date of this MD&A, on April 28, 2021, the Company has 1,222,769 common shares issued and outstanding; and 77,499 stock options outstanding.

At December 31, 2020, the Company had Cash of $3.2 million, an increase of approximately $1.2 million from December 31, 2019. For the 12 months ended December 31, 2020, the Company's Cash provided by operating activities was $145,000.

The Company had a working capital position at the end of the year of $3.5 million, an increase of $1.7 million from December 31, 2019. At December 31, 2020, BQE Water's significant working capital items, aside from Cash, include trade and other receivables of $1.7 million ($1.2 million at December 31, 2019) and trade payable and accrued liabilities of $1.1 million ($1.4 million at December 31, 2019).

The Company has an interest-free loan with the Minister of Western Economic Diversification Canada under the Western Innovation Initiative ("WINN") program. As of December 31, 2020, the WINN loan balance is $412,500 and the Company has obligations to repay it in 60 equal monthly installments commencing on April 1, 2021 until March 1, 2026. Further, the Company has credit facilities available with the Royal Bank of Canada ("RBC") including a credit card facility of $15,000 and a revolving demand credit facility of $500,000 which had not been utilized as of December 31, 2020.

The Company has commitments of $388,000 until 2023 under operating leases for office and laboratory premises and for assay services.

The Company believes that it has sufficient working capital resources to finance its current operations beyond the next 12 months, albeit with the continuing potential for a temporary working capital shortfall based on short-term fluctuations in the Company's non-recurring revenues combined with the timing of the annual dividend payment from China.

RELATED PARTY TRANSACTIONS

For the year ended December 31, 2020 and 2019, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	2020	2019
	$	$
Salaries, fees and short-term benefits	671,197	633,354
Share-based payments	170,749	31,564
	841,946	664,918

Included in salaries, fees and short-term benefits, are consulting services received from companies owned by the Company's management that amount to $135,000 for the year ended December 31, 2020 ($120,000 in 2019).

Included in trade payables and accrued liabilities as of December 31, 2020 is $13,162 ($100,768 at December 31, 2019) of director fees, management consulting service fees with companies owned by the Company's management, and termination benefits.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the 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:

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:

a) 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;

b) Management's judgement on determining the timing of the transfer of control and satisfaction of performance obligations of either at a point in time or over time; and

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

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.

COVID-19 Economic Uncertainties

The Company has assessed the economic impacts of the novel coronavirus ("COVID-19") pandemic on its consolidated financial statements. As at December 31, 2020, management has determined that the Company's ability to execute its medium- and longer-term plans, the economic viability of its assets and the carrying value of its long-lived assets are not materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations, orders, potential hindrances to our supply chain, disruptions in the markets for our services, commodity prices and foreign exchange prices along with the actions the Company has taken at its operations to protect the health and safety of its workforce and local communities. At this time, the full extent of the impact that the COVID-19 outbreak may have on the Company is unknown and will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

Revenue Recognition

Revenue for technical services relating to water management are recognized using the project stage of completion method, which requires judgment related to 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.

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.

Right-of-Use Assets & Lease Obligations

To determine the value of the initial recognition and subsequent re-measurement of right-of-use-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.

GENERAL

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected.

The Company's management has evaluated the design and effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in the reports it files are recorded, processed, summarized and reported within the appropriate time periods and forms.

The Company's management has also evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as of the end of the period covered by this report. The risk of a significant error is mitigated by the active involvement of senior management and the oversight of the Board of Directors in all affairs of the Company; open lines of communication within the Company; the present levels of activities and transactions within the Company being readily transparent; and the thorough review of the Company's financial statements by management and the Board of Directors. Based on the result of the assessment, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's internal controls over financial reporting have been adequately designed. During the current year, the Company's management implemented a formal testing program on the operating effectiveness of its controls and concluded that they are also effective.

There has been no change in BQE Water's internal controls over financial reporting during the year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Adoption of New Accounting Standards and Amendments

The Company has adopted the following new accounting standards during 2020:

Amendments to IFRS 3 – Definition of a Business

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. The Company adopted the amendments to IFRS 3 on a prospective basis on January 1, 2020. The adoption of the amendments to IFRS 3 did not have an impact on the financial statements.

RISKS AND UNCERTAINTIES

Companies operating in the process technology sector face many and varied risks. While the company strives to manage such risks to the extent possible and practical, risk management cannot eliminate risk completely. Following are the risk factors which the Company's management believes are most important in the context of the Company's business. It should be noted that this list may not be exhaustive and other risks may apply. An investment in the Company may not be suitable for all investors.

Dependence on Key Personnel

The Company is substantially dependent upon a number of key management, technical, project and business development personnel. The loss of any one or more of the Company's key employees or consultants could have an adverse material effect on its business. Additionally, the Company's ability to develop, manufacture and market its services and compete with current and future competitors depends, in large part, on its ability to attract and retain qualified personnel. Competition for qualified personnel in the Company's industry may prove to be intense and it may have to compete for personnel with companies that have substantially greater financial and other resources than it does. Failure to attract and retain qualified personnel could have an adverse material effect on the Company's business operating results and financial condition.

Maintaining Safety and Protecting the Environment

Despite the Company's efforts to minimize the risk of safety and environmental incidents, they can occur from time to time and, if and when they do, the impact on the Company can be significant. The Company's success in the water management and treatment space is highly dependent on its ability to keep its project sites and offices safe and any failure to do so can have serious impact on the personal safety of its employees and others. In addition, it can expose the Company to contract termination, fines, regulatory sanctions or even criminal prosecution.

The Company's safety record and operation safety practices also have a direct bearing on its ability to secure new project work. Certain clients will not engage particular contractors or consultants to perform work if their safety practices do not conform to predetermined standards or if they have an unacceptably high incidence of safety infractions or incidents.

The Company adheres to very rigorous safety policies and procedures which are continually reinforced on its project sites and offices. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of the Company's operations, or its competitive position.

Economic and Project Site Dependence

The Company currently derives its revenues from a limited number of sources (contracts). For certain contracts, the Company has made significant investments in fixed plants that are dependent on conditions at the project site that may be beyond the control of the Company. Changes in site conditions and/or the loss of any one contract could result in a materially adverse effect on the Company's financial condition.

Commodity Prices

For the Company's joint venture operations, it generates revenues by selling recovered metals of value from treated water. These recovered metals face commodity price risks and thus their prices may vary based on world supply and demand. There can be no assurance that the prices of these metals will maintain at current buying rates.

Uncertain Profitability, Funding Needs, Financing Risks and Dilution

The Company believes there are many sites which can benefit from the Company's processes. The Company has designed and/or built 24 plants to date deploying proprietary technologies developed by BQE Water and applying them to meet site specific conditions. The Company has been profitable but there are risks that the Company will not be able to continue to generate sufficient cash flow from non-recurring projects and to receive timely annual dividends from the Company's investments in joint ventures to cover ongoing development and administration costs.

BQE Water's ability to continue future operations is dependent on its ability to generate positive cash flow from existing water treatment operations and projects currently under construction, securing additional design, engineering, construction and operating contracts, and if required, additional internal cost restructuring and financing in the future.

Sources of potential financing include, but are not limited to, a combination of strategic partnerships, joint venture arrangements, project debt finance, issuance of equity and other capital markets alternatives. Management will pursue such additional sources of financing when required and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company and that they will be available on terms which are acceptable to the Company.

The issuance of common shares to the capital of the Company in the future could also result in further dilution to the Company's shareholders. There are also outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future which will result in dilution to the Company's shareholders.

Global Pandemic

Efforts to fight the COVID-19 pandemic have been taken by national and local governments. These efforts have had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. During the pandemic, the Company initiated a work from home policy and requested all employees to engage in active social distancing. A majority of the Company's ongoing projects, being regulatory driven, are considered essential and continued without any significant disruptions. The Company's operation of water treatment plants continues since treatment of contaminated water is considered an essential service.

Although there is currently no significant direct COVID-19 impact to the Company, the COVID-19 pandemic could impact our suppliers, customers, local communities and other stakeholders, which could impact the Company's ability to operate in the future. The COVID-19 pandemic and responses to it may also lead to an economic recession or downturn that may materially adversely affect the Company's operations or liquidity position. One or more of the Company's employees could contract COVID-19 or be directly affected by someone who does contract COVID-19 and may be required to self-isolate. At this time, the full extent of the impact the COVID-19 outbreak may have on the Company is unknown and will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

Credit Risk

The Company's credit risk is primarily associated with trade and other receivables, however, it also arises on cash. The Company invests its cash with counterparties that it believes are of high credit quality as assessed by reputable rating agencies. To manage credit risk on trade and other receivables, the Company transacts with customers with strong credit ratings with ongoing credit evaluation and account monitoring procedures. Prior to 2019, the historical level of customer default was negligible. For the year ended December 31, 2019, the Company wrote off trade receivables of $288,405 due to the default from one of its customers with aging balances over 90 days. As a result, the credit risk associated with trade receivables with aging balances over 90 days are considered higher than normal.

Currency Risk

The Company conducts significant business in Canada, the 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 Company's joint venture operations sell and incur costs mainly in Chinese renminbi. 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. The Company is also exposed to currency risk through assets and liabilities denominated in currencies other than the Canadian dollar.

Technology Risk

The Company has completed the construction and commissioning of a number of plants. The operating and engineering data from these plants is used in estimates for new projects under evaluation and/or in the design engineering stage. Notwithstanding the foregoing, each new commercial venture undertaken by the Company has the inherent technical risk of any continuous biological and/or chemical process, which could include the loss of the biological feedstock.

Intellectual Property Protection

The Company cannot provide any assurance that any further intellectual property applications will be approved. Even if they are approved, such patents, trademarks or other intellectual property registrations may be successfully challenged by others or invalidated. The success of the Company and its ability to compete are substantially dependent on its internally developed technologies and processes which the Company will need to protect through a combination of patent, copyright, trade secret and trademark law.

The trademark, copyright and trade secret positions of the Company's business are uncertain and involve complex and evolving legal and factual questions. In addition, there can be no assurance that competitors will not seek to apply for and obtain trademarks and trade names that will prevent, limit or interfere with the Company's BioSulphide®, ChemSulphide®, Met-IX™, Sulf-IX™ and Selen-IX™ processes. Litigation or regulatory proceedings, which could result in substantial cost and uncertainty to the Company, may also be necessary to enforce the intellectual property rights of the Company or to determine the scope and validity of other parties' proprietary rights. There can be no assurance that the Company will have the financial resources to defend its patents, trademarks and copyrights from infringement or claims of invalidity.

The patent positions of emerging companies can be highly uncertain and involve complex legal and factual questions. Thus, there can be no assurance that any patent applications made by or on behalf of the Company will result in the issuance of patents, that the Company will develop additional proprietary products that are patentable, that any patents issued or licensed to the Company will provide the Company with any competitive advantages or will not be challenged by any third parties, that the patents of others will not impede the ability of the Company to do business or that third parties will not be able to circumvent the patents assigned or licensed to the Company. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate any of the Company's products or, if patents are issued and licensed to the Company, design around the patented product developed for the benefit of the Company.

Since patent applications are maintained in secrecy for a period of time after filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that the inventors of the patents were the first creators of inventions covered by pending applications, or that it was the first to file patent applications for such inventions. There can be no assurance that the Company's patents, if issued, would be valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

The Company is not currently aware of any claims asserted by third parties that the Company's intellectual property infringes on their intellectual property. However, in the future, a third party may assert a claim that the Company infringes on their intellectual property. If the Company is forced to defend against these claims, which may be with or without any merit or whether they are resolved in favour or against the Company, the Company may face costly litigation and diversion of management's attention and resources. As a result of such a dispute, the Company may have to develop costly non-infringement technology or enter into license agreements which may not be available at favourable terms.

Access to Proprietary Information

The Company generally controls access to and distribution of its technologies, documentation and other proprietary information. Despite efforts by the Company to protect its proprietary rights from unauthorized use or disclosure, parties may attempt to disclose, obtain or use its solutions or technologies. There can be no assurance that the steps the Company has taken or will be taking will prevent misappropriation of its solutions or technologies, particularly in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in Canada or the United States.

Competition

The Company is aware of and does address existing competitors for water treatment opportunities. There is a possibility that other companies will enter these markets and compete with the Company. Such competitors could possess greater financial resources and technical facilities. Increased competition could result in significant price competition, reduced profit margins or loss of market share. The Company believes it's technologies for water treatment solutions is far beyond the capabilities of others available in the market, but the Company may not be able to compete successfully with future competitors and cannot ensure that competitive pressures will not materially and adversely affect its business, operating results and financial condition.

Information Systems and Cyber-Security Risk

The Company relies on information technology to manage, process, store and transmit electronic information. Complete, accurate, available and secure information is vital to the Company's operations and any compromise in such information could result in improper decision making, inaccurate or delayed operational and/or financial reporting, delayed resolution to problems, breach of privacy and/or unintended disclosure of confidential information. Failure in the completeness, accuracy, availability or security of the Company's information systems, the risk of system interruption or failure during system upgrades or implementation, or a breach of data security could adversely affect the Company's operations and financial results.

In addition, cyber-security incidents relating to the Company's information technology systems may disrupt operations and impact operating results. Cyber-security incidents may occur from a range of techniques, from phishing or hacking attacks to sophisticated malware, hardware or network attacks. While the Company has implemented systems, policies, procedures, practices, hardware and backups designed to prevent and limit the effect of cyber-security attacks, there can be no assurance that these measures will be sufficient to prevent, detect or address the attacks in a timely matter or at all. A successful cyber-attack may allow unauthorized interception, destruction, use or dissemination of the Company's confidential information, which could have a material adverse effect on the business.

Environmental Regulation

The Company's business and operations are subject to environmental regulations in various jurisdictions in which it operates. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business and operations.

Management of Growth

The Company could experience growth that could put a significant strain on each of the Company's managerial, operational and financial resources. The Company must implement and constantly improve its operational and financial systems and expand, train and manage its employee base to manage growth. The Company might also establish additional water treatment facilities which would create additional operational and management complexities. In addition, the Company expects that its operational and management systems will face increased strain as a result of the expansion of the Company's technologies and services. The Company might not be able to effectively manage the expansion of its operations and systems, and its procedures and controls might not be adequate to support its operations. In addition, management might not be able to make and execute decisions rapidly enough to exploit market opportunities for the expansion of the Company's technologies and services. If the Company is unable to manage its growth effectively, its business, results of operations and financial condition will suffer.

Conflicts of Interest

Certain directors, officers and other members of management of the Company and its subsidiaries serve (and may in the future serve) as directors, officers, promoters and members of management of other companies and therefore, it is possible that a conflict may arise between their duties as a director, officer or member of management of the Company or its subsidiaries and their duties as a director, officer, promoter or member of management of such other companies. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the Business Corporations Act (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Possible Volatility of Share Price

The market price of the Company's common shares could be subject to wide fluctuations in response to, and may be adversely affected by, quarterly variations in operating results, announcements of technological innovations or new products by the Company or its competitors, changes in financial estimates by securities analysts, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. Broad market fluctuations or any failure of the Company's operating results in a particular quarter to meet market expectations may adversely affect the market price of the Company's common shares.

Lack of Dividends

No dividends have been paid to date on the Company's common shares. The Company anticipates that for the foreseeable future the Company's earnings, if any, will be retained for use in its business and that no cash dividends will be paid on the common shares.

BQE WATER INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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, 2020 and December 31, 2019, and the consolidated statements of income and comprehensive income (loss), 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, 2020 and December 31, 2019, 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.

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.

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

Vancouver, British Columbia

MNP LLP

April 28, 2021

Chartered Professional Accountants

BQE WATER INC.

Consolidated Statements of Financial Position
As at December 31, 2020 and 2019
(Expressed in Canadian dollars)

	note	**December 31 2020 $**	December 31 2019 $
Assets			
Current assets			
Cash		**3,239,692**	2,060,060
Trade and other receivables	5	**1,685,717**	1,237,261
Prepaid and deposits		**172,711**	171,023
Total current assets		**5,098,120**	3,468,344
Non-current assets			
Plant and equipment	7	**319,664**	249,444
Investment in joint ventures	8	**5,021,154**	4,641,460
Deposits		**24,881**	16,822
Total non-current assets		**5,365,699**	4,907,726
Total assets		**10,463,819**	8,376,070
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	6, 9	**1,055,487**	1,381,840
Loans	10	**61,875**	-
Deferred revenues	20(d)	**75,349**	5,135
Lease obligations	11	**92,128**	104,517
Deferred benefits	12	**270,003**	148,220
Total current liabilities		**1,554,842**	1,639,712
Non-current liabilities			
Loans	10	**350,625**	254,511
Deferred revenues	20(d)	**283,740**	-
Lease obligations	11	**186,877**	76,516
Total non-current liabilities		**821,242**	331,027
Total liabilities		**2,376,084**	1,970,739
Shareholders' Equity			
Share capital	13	**56,386,413**	56,344,407
Contributed surplus		**10,565,312**	10,320,533
Accumulated other comprehensive income		**1,445,214**	1,216,730
Accumulated deficit		**(60,309,204)**	(61,476,339)
Total shareholders' equity		**8,087,735**	6,405,331
Total liabilities and shareholders' equity		**10,463,819**	8,376,070

Commitments (note 19)

Approved and authorized by the Board of Directors

Signed "Peter Gleeson"	*Signed "Sara Elford"*
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 (Loss)
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	note	Year ended December 31 2020 $	2019 $
Revenues	20	**7,696,361**	5,639,834
Operating expenses (excluding depreciation)	14	**4,430,958**	2,789,136
Operating margin before depreciation		**3,265,403**	2,850,698
General and administration	14	**1,621,996**	1,630,839
Sales and development	14	**970,547**	1,063,115
Share-based payment expenses	6, 12	**386,882**	153,125
Depreciation	7	**147,669**	131,262
Share of earnings from joint ventures	8	**(1,139,450)**	(848,555)
Income from operations and joint ventures		**1,277,759**	720,912
Finance costs, net	15	**(16,967)**	(15,335)
Foreign exchange loss		**(54,938)**	(36,939)
Other income (loss), net	16	**63,698**	(316,605)
Income before income taxes		**1,269,552**	352,033
Income tax expense	17	**(102,417)**	(110,853)
Net income for the year		**1,167,135**	241,180
Other comprehensive income (loss)			
Items that will be reclassified subsequently to income (loss)			
Translation gain (loss) on foreign operations		**228,484**	(284,061)
Comprehensive income (loss) for the year		**1,395,619**	(42,881)
Earnings per share			
Basic	13(c)	**0.96**	0.20
Diluted	13(c)	**0.95**	0.20
Weighted average number of shares outstanding			
Basic	13(c)	**1,215,884**	1,208,681
Diluted	13(c)	**1,232,858**	1,213,236

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, 2020 and 2019
(Expressed in Canadian dollars)

	note	**Year ended December 31** Number of Shares	**2020 $**	Year ended December 31 Number of Shares	2019 $
Share Capital					
Balance, beginning of the year	13(b)	**1,210,434**	**56,344,407**	1,208,435	56,332,413
Exercise of options	12 (a)	**7,001**	**42,006**	1,999	11,994
Balance, end of the year		**1,217,435**	**56,386,413**	1,210,434	56,344,407
Contributed surplus					
Balance, beginning of the year			**10,320,533**		10,265,959
Equity settled share-based payments	12		**244,779**		54,574
Balance, end of the year			**10,565,312**		10,320,533
Accumulated other comprehensive income					
Balance, beginning of the year			**1,216,730**		1,500,791
Other comprehensive income (loss) for the year			**228,484**		(284,061)
Balance, end of the year			**1,445,214**		1,216,730
Accumulated deficit					
Balance, beginning of the year			**(61,476,339)**		(61,717,519)
Net income for the year			**1,167,135**		241,180
Balance, end of the year			**(60,309,204)**		(61,476,339)
Total shareholders' equity					
Balance, beginning of the year			**6,405,331**		6,381,644
Exercise of options	12		**42,006**		11,994
Equity settled share-based payments	12		**244,779**		54,574
Other comprehensive income (loss) for the year			**228,484**		(284,061)
Net income for the year			**1,167,135**		241,180
Balance, end of the year			**8,087,735**		6,405,331

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, 2020 and 2019
(Expressed in Canadian dollars)

	note	Year ended December 31 **2020** **$**	 2019 $
Operating activities			
Net income for the year		**1,167,135**	241,180
Items not affecting cash			
Income tax expense	17	**102,417**	110,853
Bad debt expense	16	**-**	383,035
Share of earnings from joint ventures	8	**(1,139,450)**	(848,555)
Finance costs, net	15	**16,967**	15,335
Depreciation expense	7	**147,669**	131,262
Net foreign exchange loss		**7,409**	57,561
Share-based payment expenses	12	**386,882**	153,125
		689,029	243,796
Change in non-cash operating working capital items	18	**(442,770)**	(449,892)
Cash provided by (used in) operations		**246,259**	(206,096)
Income taxes paid	17	**(100,808)**	(112,257)
Net cash provided by (used in) operating activities		**145,451**	(318,353)
Investing activities			
Purchase of plant and equipment	7	**(20,237)**	(9,864)
Net distribution received from joint venture	8	**973,500**	825,867
Interest received	15	**4,792**	9,905
Net cash provided by investing activities		**958,055**	825,908
Financing activities			
Lease payments on principal portion	11	**(99,486)**	(91,423)
Lease payments on interest portion	11, 15	**(21,478)**	(25,216)
Proceeds from exercise of stock options	12	**42,006**	11,994
Proceeds from loans	10	**157,989**	254,511
Interest paid	15	**(298)**	(24)
Net cash provided by financing activities		**78,733**	149,842
Effect of exchange rate changes on cash		**(2,607)**	(22,649)
Net change in cash		**1,179,632**	634,748
Cash, beginning of the year		**2,060,060**	1,425,312
Cash, end of the year		**3,239,692**	2,060,060

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 28, 2021 by the Company's Board of Directors.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

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

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 and are prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2019, with the exception of Amendments to IFRS 3 as described below.

Amendments to IFRS 3 – Definition of a Business

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. The Company adopted the amendments to IFRS 3 on a prospective basis on January 1, 2020. The adoption of the amendments to IFRS 3 did not have an impact on the 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, 2020	Ownership interest as at Dec. 31, 2019
Biomet Mining Corporation	Canada	100%	100%
BioteQ Water (Chile) SpA	Chile	100%	100%
BioteQ Water Mexico S.A. de C.V.	Mexico	100%	100%
BioteQ (Shanghai) Water Treatment Technologies Co. Ltd.*	China	0%	100%
BQE Water (Hangzhou) Co. Ltd.	China	100%	100%

* Dissolved on September 2, 2020

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, 2020	Ownership interest as at Dec. 31, 2019
JCC-BioteQ Environmental Technologies Co. Ltd.	China	50%	50%
Shandong MWT BioteQ Environmental Technologies Co. Ltd.	China	20%	20%

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.

b) Foreign Currency Translation

i) Functional and 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 are respective of their functional currency, such as the Chilean peso ("CLP") and Chinese renminbi ("RMB"). The consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Company's presentation currency.

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 unrestricted bank deposits, some of which are interest-bearing.

d) 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.

e) 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 statement of profit or loss 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

f) 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 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. Financial assets are recognized when the Company becomes party to the contractual provisions of the instrument. On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or fair value through other comprehensive income 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 earnings. As at December 31, 2020, 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 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 earnings, except for impairment. For interest-bearing financial assets, interest calculated using the effective interest method and any foreign exchange gains and losses on monetary financial assets are recognized in profit or loss.

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 and trade and other receivables shall exclude 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, 2020 and 2019.

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 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.

iv) Share Capital
The Company's ordinary common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, warrants and stock options, net of any tax effects, are recognized as a deduction from equity.

g) Leases
The Company recognizes right-of-use ("RoU") assets and lease obligations in the consolidated statement of financial position initially measured as the present value of future lease payment and recognizes depreciation of RoU assets and interest on lease obligations in the consolidated statement of income. Lease payments, including both principal and interest components, are recognized within the consolidated statement of cash flows within financing activities.

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 recognised 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.

h) Impairment
i) Plant and equipment
The Company's plant and equipment 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

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 an 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.

i) 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. As at December 31, 2020 and 2019, the Company did not have any liability for provisions.

j) Revenue Recognition

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

i) Operation of Water Treatment Plants

For revenue based on water treatment fees, the above criteria are generally met as water treatment services are provided and performance obligations are satisfied when the customer receives the control of discharged clean water and as operational targets are achieved. The Company has an agreement with a customer for the operation of water treatment plants, and revenue from water treatment fees are earned based on the volume of water treated and discharged into the environment. The Company also has an agreement with the Company's joint venture for the operations support of a water treatment plant, 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 are passed from the Company 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 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, the Company recognizes revenue from technical services by either the project stage of completion method or the completed contract methods.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

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) 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 determining 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 impairment indicators for asset impairment on long-term assets such as plant and equipment or investment in joint ventures.

b) 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) COVID-19 Economic Uncertainty

The Company has assessed the economic impacts of the novel coronavirus ("COVID-19") pandemic on its consolidated financial statements. As at December 31, 2020, management has determined that the Company's ability to execute its medium and longer-term plans, the economic viability of its assets and the carrying value of its long-lived assets are not materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations, orders, potential hindrances to our supply chain, disruptions in the markets for our services, commodity prices and foreign exchange prices along with the actions the Company has taken at its operations to protect the health and safety of its workforce and local communities. At this time, the full extent of the impact that the COVID-19 outbreak may have on the Company is unknown and will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

ii) 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.

iii) 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.

iv) 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.

5. TRADE AND OTHER RECEIVABLES

	Dec. 31, 2020	Dec. 31, 2019
	$	$
Trade receivables	1,274,976	775,931
Contract assets (note 20 (c))	410,715	446,719
Other	26	14,611
	1,685,717	1,237,261

The Company's changes in allowance for expected credit loss for the year ended December 31, 2020 and 2019 are as follows:

	2020	2019
	$	$
Allowance for expected credit loss, beginning of the year	94,630	-
Recognition of bad debt expense	-	383,035
Write-off of uncollected trade receivables	-	(288,405)
Allowance for expected credit loss, end of the year	94,630	94,630

6. RELATED PARTY TRANSACTIONS AND BALANCES

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

For the year ended December 31, 2020 and 2019, the compensation awarded to the Company's key management, which includes the Board of Directors and executive management, are as follows:

	2020	2019
	$	$
Salaries, fees and short-term benefits	671,197	633,354
Share-based payments (note 12(a) and 12(c))	170,749	31,564
	841,946	664,918

Included in salaries, fees and short-term benefits, are consulting services received from companies owned by the Company's management that amount to $135,000 for the year ended December 31, 2020 ($120,000 in 2019).

Included in trade payables and accrued liabilities as of December 31, 2020 is $13,162 ($100,768 at December 31, 2019) of director fees, management consulting service fees with companies owned by the Company's management, and termination benefits.

7. PLANT AND EQUIPMENT

	Right-of-use assets[1]	Pilot plants	Other[2]	Total
	$	$	$	$
Cost				
As at December 31, 2018	-	580,593	642,757	1,223,350
Additions	272,116	-	9,864	281,980
Foreign exchange translation	224	-	-	224
As at December 31, 2019	272,340	580,593	652,621	1,505,554
Additions	196,535	-	20,237	216,772
Foreign exchange translation	1,561	-	-	1,561
As at December 31, 2020	**470,436**	**580,593**	**672,858**	**1,723,887**
Accumulated Depreciation				
As at December 31, 2018	-	(580,593)	(544,318)	(1,124,911)
Depreciation for the year	(95,399)	-	(35,863)	(131,262)
Foreign exchange translation	63	-	-	63
As at December 31, 2019	(95,336)	(580,593)	(580,181)	(1,256,110)
Depreciation for the year	(106,873)	-	(40,796)	(147,669)
Foreign exchange translation	(444)	-	-	(444)
As at December 31, 2020	**(202,653)**	**(580,593)**	**(620,977)**	**(1,404,223)**
Carrying Amount				
As at December 31, 2019	177,004	-	72,440	249,444
As at December 31, 2020	**267,783**	**-**	**51,881**	**319,664**

[1]Right-of-use assets comprises lease assets (note 11) such as office building and office equipment.
[2]Other comprises leasehold improvements, furniture, office equipment and lab equipment.

8. INVESTMENT IN JOINT VENTURES

The Company's share of investment in joint ventures on December 31, 2020 was $5,021,154 ($4,641,460 on December 31, 2019), comprised of:

	JCC-BQE $	MWT-BQE $
Balance, January 1, 2019	4,947,798	14,651
Share of net income (loss)	864,592	(161,697)
Share of translation loss on foreign operation	(345,063)	(19,247)
Contributions made	97,633	-
Distributions received	(923,500)	-
Unrecognized share of net loss and translations loss	-	166,293
Balance, December 31, 2019	4,641,460	-
Share of net income	1,139,450	19,795
Share of translation gain on foreign operation	213,744	6,285
Distributions received	(973,500)	-
Unrecognized share of net income and translations gain	-	(26,080)
Balance, December 31, 2020	5,021,154	-

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 2020, the Company received a gross cash distribution of $973,500 ($5 million RMB) compared to $923,500 ($5 million RMB) in 2019.

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 Company's share of net earnings in the joint venture for the year ended December 31, 2020 was $1,139,450 ($864,592 in 2019).

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

Statement of financial position

	Dec. 31, 2020 $	Dec. 31, 2019 $
Assets		
Current assets		
Cash and short-term investments	2,000,668	2,183,228
Trade and other receivables	544,530	150,070
Income taxes recoverable	67,749	18,649
Inventory	117,191	38,392
Prepaid expenses	2,283	1,047
	2,732,421	2,391,386
Non-current assets		
Plant and equipment	3,401,170	3,699,322
Deferred tax assets	65,964	63,121
	3,467,134	3,762,443
Total assets	6,199,555	6,153,829
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,178,401	1,512,369
Total liabilities	1,178,401	1,512,369
Partner's Equity		
Joint venture partner equity	3,961,989	3,961,989
Accumulated other comprehensive income	1,384,820	1,171,076
Accumulated deficits	(325,655)	(491,605)
Total partner's equity	5,021,154	4,641,460
Total liabilities and partner's equity	6,199,555	6,153,829

Statement of operations and comprehensive income

	2020	2019
	$	$
Revenues	5,389,662	5,323,088
Plant and other operating costs (excluding depreciation)	3,110,673	3,436,789
	2,278,989	1,886,299
General and administration	372,737	388,322
Depreciation of plant and equipment	533,678	481,278
Income from operations	1,372,574	1,016,699
Finance income	15,878	19,055
Other income	24,754	56
Income before income taxes	1,413,206	1,035,810
Income tax expense	(273,756)	(171,218)
Net income for the year	1,139,450	864,592
Other comprehensive income (loss)		
Translation income (loss) on foreign operation	213,744	(345,063)
Comprehensive income for the year	1,353,194	519,529

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, 2020 was $26,080 (net loss of $180,944 in 2019). 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 loss is reduced to zero. As of December 31, 2020, the balance of unrecognized share of net losses for MWT-BQE is $140,213 ($166,293 on December 31, 2019).

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

	Dec. 31, 2020 $	Dec. 31, 2019 $
Current assets	87,270	34,182
Plant and equipment	47,014	60,276
Current liabilities	60,388	55,145
Non-current liabilities	28,911	-
Partner's equity	-	-

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

	2020 $	2019 $
Revenues	411,067	227,215
Plant and other operating costs (excluding depreciation)	181,377	181,575
	229,690	45,640
Non-operating costs	121,755	123,977
Depreciation of plant and equipment	88,140	83,360
Net income (loss) for the year	19,795	(161,697)
Other comprehensive income (loss)	6,285	(19,247)
Comprehensive income (loss) for the year	26,080	(180,944)

9. TRADE PAYABLE AND ACCRUED LIABILITIES

	Dec. 31, 2020 $	Dec. 31, 2019 $
Trade payable and accruals	429,035	845,131
Payroll liability	592,115	536,709
Tax payable	34,337	-
	1,055,487	1,381,840

10. 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 commencing on April 1, 2021 until March 1, 2026. As of December 31, 2020, the Company has received a total of $412,500 under this loan agreement ($254,511 on December 31, 2019).

11. LEASES

The Company's carrying value of lease obligations are as follows:

	Dec. 31, 2020 $	Dec. 31, 2019 $
Balance at January 1	181,033	272,116
Addition of lease obligations	196,535	-
Interest expense on lease obligations	21,463	25,216
Lease payments on interest portion	(21,478)	(25,216)
Lease payments on principal portion	(99,486)	(91,423)
Foreign exchange translation	938	340
Ending Balance	279,005	181,033
Less: current portion of lease obligations	92,128	104,517
Non-current portion of lease obligations	186,877	76,516

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, 2020 and 2019 are as follows:

	2020 $	2019 $
Classified as short-term or as low value	27,473	43,485
Leases with variable lease payments	74,886	95,361
	102,359	138,846

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

	Dec. 31, 2020 $
2021	119,877
2022	116,650
2023	91,236
Total undiscounted lease payments	327,763
Less: imputed interest	(48,758)
Total carrying value of lease obligations	279,005

12. SHARE-BASED PAYMENT EXPENSES

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

	Dec. 31, 2020	Dec. 31, 2019
	$	$
Stock options (a)	244,779	54,574
Deferred share units (b)	104,742	42,205
Restricted share units (c)	37,361	56,346
	386,882	153,125

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.

On January 8, 2020, the Company granted 51,000 stock options with an exercise price of $8.75 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 $7.36 per option. The significant assumptions in the valuation model were: a volatility of 124.2%, an expected option life of five years and an annual risk-free interest rate of 1.62%.

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

	2020		2019	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	$		$	
Outstanding at January 1	6.00	39,501	6.00	62,000
Granted	8.75	51,000	-	-
Forfeited	6.00	(667)	6.00	(500)
Expired	-	-	7.00	(20,000)
Exercised	6.00	(7,001)	6.00	(1,999)
Outstanding at December 31	7.69	82,833	6.00	39,501
Exercisable at December 31	6.00	31,833	6.00	25,665

The Company uses the Black-Scholes option pricing model in determining the fair value of the stock options. During the year ended December 31, 2020, the Company recognized $244,779 ($54,574 in 2019) of non-cash compensation expense related to stock options. The expiry date by exercise price at December 31, 2020 are as follows:

Exercise price $	Expiry Date	number of outstanding share options	number of exercisable share options
6.00	December 7, 2022	31,833	31,833
8.75	January 8, 2025	51,000	-

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, 2019	15,385	86,171
Redeemed	(4,201)	(36,502)
Fair value adjustment	-	45,865
Other adjustment	(610)	(3,660)
Balance, December 31, 2019	10,574	91,874
Fair value adjustment	-	104,742
Balance, December 31, 2020	10,574	196,616

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.

During 2020, the Company granted 3,281 RSUs to management and employees of the Company. The RSUs granted remained unvested as at December 31, 2020.

The following table presents the changes to the RSU plan:

	Number of units	Value $
Balance, January 1, 2019	-	-
Granted	6,485	42,477
Fair value adjustment	-	13,869
Balance, December 31, 2019	6,485	56,346
Granted	3,281	7,258
Forfeited	(381)	-
Redeemed	(2,032)	(20,320)
Fair value adjustment	-	30,103
Balance, December 31, 2020	7,353	73,387

13. SHARE CAPITAL

a) Authorized

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

b) Issued

As at December 31, 2020, the Company had 1,217,435 common shares outstanding (1,210,434 on December 31, 2019).

c) Earnings per share

The calculation of earnings per share for the year ended December 31, 2020 and 2019 are as follows:

	2020 $	2019 $
Net income	1,167,135	241,180
Basic weighted average number of shares outstanding	1,215,884	1,208,681
Dilution of securities	16,974	4,555
Diluted weighted average number of shares outstanding	1,232,858	1,213,236
Earnings per share:		
Basic	0.96	0.20
Diluted	0.95	0.20

14. EXPENSES BY NATURE

	2020	2019
	$	$
Operating expenses (excluding depreciation)		
Employee benefits	3,159,432	2,183,043
Consulting and contractor expenses	670,790	311,097
Raw materials and consumables used	383,772	169,011
Travel expenses	86,771	101,869
Equipment rental expenses	68,222	9,265
Other expenses	61,971	14,851
	4,430,958	2,789,136
General and administration		
Employee benefits	691,205	689,534
Director fees	85,900	93,700
Consulting and contractor expenses	463,953	414,571
Rental expenses	87,345	99,867
Insurance expenses	191,993	170,968
Other expenses	101,600	162,199
	1,621,996	1,630,839
Sales and development		
Employee benefits	746,925	799,150
Consulting and contractor expenses	141,791	68,141
Travel expenses	11,135	100,260
Rental expenses	15,014	38,979
Other expenses	55,682	56,585
	970,547	1,063,115

15. FINANCE COSTS

The net of finance costs is comprised as follows:

	2020	2019
	$	$
Finance income	4,792	9,905
Interest expense	(21,759)	(25,240)
	(16,967)	(15,335)

16. OTHER INCOME AND LOSS

The net of other income and loss is comprised as follows:

	2020	2019
	$	$
Other income	63,698	66,430
Bad debt expense (note 5)	-	(383,035)
	63,698	(316,605)

17. INCOME TAXES

Income tax expense differs from that computed by applying the applicable Canadian federal and provincial statutory rate of 27% (2019 – 27%) before taxes as follows:

	2020	2019
	$	$
Expected income tax expense at statutory rates	342,779	95,049
Non-taxable income	(236,870)	(163,200)
Withholding tax	102,359	102,292
Functional currency adjustments	(48,202)	26,912
Different statutory tax rates on foreign subsidiaries	(3,251)	(19,913)
Change in unrecognized deferred tax assets	(54,398)	69,713
Income tax expense	102,417	110,853

	2020	2019
	$	$
Current tax expense	102,417	110,853
Deferred tax expense	-	-
Income tax expense	102,417	110,853

The Company's unrecognized deductible temporary differences and non-capital losses at December 31, 2020 and 2019 are as follows:

	2020 $	2019 $
Canada		
Plant and equipment	1,282,900	1,336,726
Net capital losses	8,056,712	8,056,712
Non-capital losses	27,257,500	27,894,047
Investment tax credits	-	52,688
Deferred benefits and others	549,007	311,342
	37,146,119	37,651,515
Foreign Jurisdictions		
Plant and equipment	60,905	76,068
Unrealized foreign exchange loss	1,370,211	1,086,152
Non-capital losses	2,992,543	3,207,806
Other	12,154	-
	4,435,813	4,370,026
Total unrecognized deductible temporary differences	41,581,932	42,021,541

The Company's investment tax credits, expiring between 2019 and 2020, may be used to reduce future Canadian income taxes that are otherwise payable. As at December 31, 2020, the Company has not recognized a deferred tax asset in respect of non-capital loss carry forwards of approximately $27,257,500 ($27,894,047 in 2019) 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	1,581,506
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
	27,257,500

In addition, the Company has available tax losses in other jurisdictions that total $2,992,543 ($3,207,806 in 2019). 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 $1,234,150 beginning to expire in 2022.

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2020	2019
Change in non-cash working capital items	$	$
Increase in trade and other receivables	(443,832)	(318,568)
Increase in prepaid and deposits	(9,595)	(66,631)
(Decrease) increase in trade payable and accrued liabilities	(320,894)	55,857
Increase (Decrease) in deferred revenue	351,871	(84,048)
(Decrease) in deferred benefits	(20,320)	(36,502)
Change in non-cash working capital items	(442,770)	(449,892)

19. COMMITMENTS

The Company has commitments of $388,130 under operating leases for office and laboratory premises, and for laboratory assay services, as follows:

	$
2021	216,839
2022	95,547
2023	75,744
	388,130

20. REVENUE

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

a) Disaggregation of Revenue

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

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

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

The disaggregated revenue of the Company are as follows:

	2020	2019
	$	$
Operations contracts	1,785,632	1,663,639
Technical services contracts	5,910,729	3,976,195
	7,696,361	5,639,834

b) Remaining Performance Obligations

As at December 31, 2020, the aggregate amount of the transaction price of ongoing contracts allocated to remaining performance obligations is $1,555,007, compared to $916,191 as at December 31, 2019. The remaining performance obligations of the Company are expected to be fully completed in the next 12 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 changes in contract assets for the year ended December 31, 2020 and 2019 are as follows:

	2020	2019
	$	$
Contract assets, beginning of the year	446,719	199,719
Amounts invoiced included in the beginning balance	(378,370)	(178,699)
Net increase in contract assets recognized during the year	342,366	425,699
Contract assets, end of the year	410,715	446,719

d) Changes in Deferred Revenue

The Company's changes in deferred revenue for the year ended December 31, 2020 and 2019 are as follows:

	2020	2019
	$	$
Deferred revenue, beginning of the year	5,135	92,556
Recognition of deferred revenue included in the beginning balance	-	(92,556)
Net increase in deferred revenue recognized during the year	353,954	5,135
Less:		
Non-current portion of deferred revenue, end of the year	(283,740)	-
Current portion of deferred revenue, end of the year	75,349	5,135

21. SEGMENTED INFORMATION

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

a) Geographic Information

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

	2020	2019
	$	$
Revenue		
Canada	2,510,742	3,360,685
USA	3,583,905	213,899
Latin America	1,049,423	1,129,871
China	552,291	920,579
Other	-	14,800
	7,696,361	5,639,834

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

	Dec. 31, 2020	Dec. 31, 2019
	$	$
Canada	310,606	223,441
China	5,030,212	4,667,463
	5,340,818	4,890,904

b) Information about Major Customers

The following table presents revenue for individual customers exceeding 10% of annual revenue for the year ended December 31, 2020 and 2019:

	2020	2019
	$	$
Customer A	1,342,113	1,565,220
Customer C	384,700	942,444
Customer D	439,335	920,579
Customer E	2,485,240	100,333
Customer F	935,720	17,318
Total	5,587,108	3,545,894
Represents percentage of total revenue for the year	73%	63%

22. 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, 2020 and 2019 as are follows:

	2020	2019
	$	$
Shareholders' equity	8,087,735	6,405,331
Working capital	3,543,278	1,828,632
Non-current liabilities	821,242	331,027

23. 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 2019.

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, and trade and other receivables excluding tax 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, 2020	Dec. 31, 2019
	$	$
Cash	3,239,692	2,060,060
Trade and other receivables (exclude tax receivable)	1,685,717	1,222,784
	4,925,409	3,282,844

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 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, 2020 is considered higher than normal and the Company has an allowance for expected credit losses at December 31, 2020 of $94,630 ($94,630 at December 31, 2019). 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, 2020	Dec. 31, 2019
	0-30 days	31-90 days	Over 90 days	Total	Total
	$	$	$	$	$
Trade and other receivables (exclude tax receivable)	458,530	901,783	325,404	1,685,717	1,222,784

Of the Company's receivables, despite overdue balances of $1,227,187, collection is reasonably assured. The definition of items that are past due is determined by reference to terms agreed upon with individual customers. 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, 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, were as follows:

				December 31, 2020
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash	1,203,035	19,912	31,438	248,093
Trade and other receivables (exclude tax)	504,810	-	33,964	483,403
Trade and other payables (exclude tax)	(136,184)	(912)	(405,164)	(14,429)
Gross balance sheet exposure	1,571,661	19,000	(339,762)	717,067

	December 31, 2019			
	U.S. dollar	Mexican peso	Chilean peso	Chinese RMB
Cash	332,754	5,847	21,406	815,085
Trade and other receivables (exclude tax)	287,983	-	-	284,533
Trade and other payables (exclude tax)	(255,774)	-	(338,183)	(6,732)
Gross balance sheet exposure	364,963	5,847	(316,777)	1,092,886

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.

	2020	2019
	$	$
U.S. dollar	157,166	36,496
Mexican peso	1,900	585
Chilean peso	(33,976)	(31,678)
Chinese RMB	71,707	109,289
	196,797	114,692

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, 2020, the Company has working capital of $3,543,278 ($1,828,632 as of December 31, 2019). 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 $15,000 and a revolving demand credit facility of $500,000. As of December 31, 2020, the revolving demand credit facility remains undrawn. The Company believes that it has access to sufficient funding through the use of the credit facility and its Cash to meet its foreseeable operating requirements.

The following table shows the contractual maturities of debt commitments. Refer to note 10 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.

				Dec. 31, 2020	Dec. 31, 2019
	< 1 year	1 to 3 years	> 3 years	Total	Total
	$	$	$	$	$
Trade payable and other payables (excludes tax payable)	1,021,150	-	-	1,021,150	1,381,840
Deferred benefits	270,003	-	-	270,003	148,220
Loans	61,875	247,500	103,125	412,500	254,511
Lease obligations	119,877	207,886	-	327,763	206,443
	1,472,905	455,386	103,125	2,031,416	1,991,014

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 to its capital management strategy (note 22).

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 $538,966 in 2020 ($532,309 in 2019).

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 $34,241 in 2020 ($14,585 in 2019).

24. 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 measured at fair value on a recurring basis in the statement of financial position are classified and measured as follows:

	Category	Dec. 31, 2020 $	Dec. 31, 2019 $
Financial assets			
Cash	Financial assets at amortized cost	3,239,692	2,060,060
Trade and other receivables (excludes tax receivable)	Financial assets at amortized cost	1,685,717	1,222,784
Financial liabilities			
Trade payable and other payables (excludes tax payable)	Financial liabilities at amortized cost	1,021,150	1,381,840
Loan	Financial liabilities at amortized cost	412,500	254,511
Lease obligation	Financial liabilities at amortized cost	279,005	181,033
Deferred benefits	Financial instruments at FVTPL	270,003	148,220

The carrying values of the financial assets and liabilities presented above approximate their fair values. 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(f). 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. There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2020 and 2019. 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.