

PRESS RELEASE
August 27, 2020

BQE Water Reports Q2 2020 Results

VANCOUVER, BC – BQE Water Inc. (TSX-V: BQE), a leader in the treatment and management of mine impacted waters, is pleased to release its interim consolidated financial results for the three and six months ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- Adjusted EBITDA of \$412,000 in Q2 2020 compared to \$756,000 in Q2 2019;
- Proportional Revenues of \$2.8 million in Q2 2020 compared to \$3.1 million in Q2 2019;
- Technical services revenues increased over 35% year-over-year, from \$942,000 in Q2 2019 to \$1.3 million in Q2 2020, indicating the potential for future operations revenues and continued growth over and above the six treatment plants currently in development;
- Net loss of \$55,000 in Q2 2020 compared to a net income of \$345,000 in Q2 2019;
- Working capital increased by 19% over the six-month period, from \$1.8 million at the end of 2019 to \$2.2 million at the end of Q2 2020; and
- Proportional Cash, which includes our share held in joint ventures, as of June 30, 2020 was \$3.4 million compared to \$2.9 million at March 31, 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 under the JCC-BQE Joint Venture (“JCC-BQE”) and one plant under 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 are as follows:

(in '000s)	3 mos ended Jun. 30		6 mos ended Jun. 30	
	2020	2019	2020	2019
Water treated (cubic metres)	5,561	7,347	8,270	13,086
Copper produced (pounds)	909	1,189	1,166	1,971

During Q2 2020, all three plants met or exceeded mechanical availability and process performance. However, both the volume of water treated and the mass of copper recovered decreased by 24% over the same period in 2019. The Dexing Mine continued to experience an unusually low volume of precipitation until the middle of Q2 2020, with only approximately half of the total rainfall compared to the same period of the prior year. Lower rainfall not only limited the volume of water flowing into the treatment plants, but also affected copper leaching from waste rock, which lowers the copper concentration in the plant feed. 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

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. 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 are as follows:

(in '000s)	3 mos ended Jun. 30		6 mos ended Jun. 30	
	2020	2019	2020	2019
Zinc recovered (pounds)	536	240	719	764
Copper recovered (pounds)	72	51	100	104

During the second quarter, the smelter adjusted their production lines with a higher-grade ore, which led to a higher concentration of copper and zinc in the feed composition and also an increase in the volume of water into the plant. The joint venture has no control in the volume and feed composition that flows into the plant. The changes made by the smelter are believed to be temporary and are expected to allow for the resumption of regular production in the latter part of 2020.

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 and one 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.

During Q2 2020, we mobilized our operations team to site to commence our 17th operating season at Raglan Mine. The team began operations at the Katinniq plant in April 2020 and at the ChemSulphide® plant in May 2020. Although we operated the ChemSulphide® plant during Q2, water was not discharged from the plant until late July due to the replacement of a discharge pump.

The MWT-BQE plant in Shandong generates an operation support fee paid to the Company by MWT-BQE. This fee is not linked to the volume of water treated but to the achievement of operational targets which rely on the Company’s expertise delivered through ongoing operations services.

The volume of water treated and discharged are as follows:

(in '000s)	3 mos ended Jun. 30		6 mos ended Jun. 30	
	2020	2019	2020	2019
4 WTP at Raglan Mine (cubic metres)	94	341	94	341
WTP at MWT-BQE (cubic metres)	179	131	332	282

TECHNICAL SERVICES HIGHLIGHTS

BQE Water's technical expertise and IP are applicable globally across broad areas of water management. The highlights of technical services provided to clients and technical innovation projects during Q2 2020 are summarized below.

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

- Hired and initiated training of the operations team for the Selen-IX™ plant at Kemess Mine in Northern BC.
- Initiated commissioning of the Selen-IX™ plant at Kemess Mine in Northern BC.
- Initiated engineering design of the first commercial scale Direct Selenium ERC plant at a mine in North America.

Cyanide Management/Recovery for Precious Metals Extraction Projects using SART

- Preparations for commissioning of the SART plant for Shandong Zhongkuang Group in China.
- Hired and initiated training of SART operations team in China.
- Continued engineering design for the SART plant being constructed for Zhaojin Mining Industry in China.

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

- Engineering design for improvements to an existing water treatment plant at El Mirador, a copper mine in Ecuador.
- Technical assessment of water treatment requirements to introduce a flotation circuit upstream of an existing cyanide leaching process for an existing gold mine in North America.
- Treatability assessment for selenium removal from tailings reclaim water at a project in the US.
- Treatability assessment for the simultaneous removal of sulphate and selenium from mine impacted 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.

COMMENTARY AND OUTLOOK

Although our year-to-date financial results are lower than those recorded in the prior year, they reflect necessary upfront investments in the Company's next growth phase and provide an indication of our stronger financial position. This new growth phase is being driven by the ramp-up of six water treatment

plants that will require ongoing operational services, as well as a growing number of new projects requiring the addition of new staff. As a result, in the first six months of 2020, our gross margin was 37%, which was a decrease from 46% in the same period of 2019. The underlying increase in operating expenses is attributed to the following:

- Hiring and training of the Kemess plant operations team prior to the recognition of new recurring revenue;
- Hiring and training of new staff in China to commission and provide ongoing operations support for the new SART plants prior the recognition of recurring revenue; and
- Hiring of new engineers and project-specific staff to support the current and anticipated increase in project activity.

Our net income for the first half of the year decreased by \$89,000 when compared to net income of \$18,000 recorded in the same period in 2019. This decrease was modest when considered against the following factors:

- A prolonged six-month draught at Dexing Mine, which reduced our share of income from the JCC joint venture by approximately \$450,000;
- A delayed start to the water treatment season at Raglan Mine, resulting in a decrease of approximately \$100,000 in net income; and
- The granting of new stock options in accordance with the approved stock option plan, leading to an additional non-cash expense of \$80,000 in share-based payment expenses.

While the decrease in our overall profitability in the first half of the year may be notable in the short-term, the long-term impact ranges from neutral to positive:

- The lack of rain at Dexing Mine over the first half of 2020 does not change the total tonnage of copper that is present at site and available for recovery. Copper is recovered from waste rock and the rain acts as the transport medium that brings the copper to the treatment plants. Since Q3 2020, precipitation levels have increased and exceeded last year's rainfall. We currently expect copper production at our JCC joint venture to catch up in the second half of 2020.
- The later start to the treatment season at Raglan Mine does not cancel the revenue flow, but simply delays the recognition of the revenues to the remaining months in 2020.
- Expenses from expanding our Canadian and Chinese operations teams and share-based payments represent an investment that is a precursor to generating new long-term recurring revenues with a capable team vested in the Company's success.

In light of all of the foregoing, our year-to-date financial results demonstrate that we are now able to finance the Company's growth without depleting our working capital or relying on proceeds from external financing. At the end of Q2 2020, we had working capital of \$2.2 million (up \$341,000 from December 31, 2019) and cash of \$1.9 million (down \$154,000 from December 31, 2019). Proportional Cash, which includes our share held in joint ventures, as of June 30, 2020 was \$3.4 million compared to \$4.2 million at December 31, 2019. Overall, we are pleased to report that BQE Water is in a more mature and stable financial position.

Looking ahead, we are optimistic about the second half of 2020. Whether or not our annual financial results improve over 2019 will depend on the timing of completing the commissioning of the Selen-IX™ plant at Kemess and the two SART plants in China, as these milestones will mark the start of new

recurring revenues. We also remain positive about our long-term outlook. At present, we have a backlog of technical services contracts that stretches into 2021 and our pipeline of potential new future projects has not seen any deterioration.

However, we must continue to caution that uncertainties about the future of the global economy and commodity prices due to COVID-19, and its impact on the resource industry, as well as geopolitical issues, represent ongoing risks that may negatively impact our business and longer term performance, particularly in China. 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 by COVID-19. 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.

SELECTED FINANCIAL INFORMATION

For a complete set of Financial Statements and Management Discussion and Analysis, please go to www.bqewater.com.

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

	3 mos ended Jun. 30		6 mos ended Jun. 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenues	1,414	1,216	3,350	1,932
Operating expenses	921	607	2,116	1,051
	493	609	1,234	881
General and administration expenses	435	362	867	745
Sales and development expenses	239	274	468	593
Share-based payment expenses	118	64	167	86
Depreciation	36	50	72	100
Share of earnings from joint ventures	(380)	(507)	(253)	(709)
Income (loss) from operations & joint ventures	45	366	(87)	66
Other expenses, net	(100)	(21)	16	(48)
Net (loss) income for the period	(55)	345	(71)	18
Other comprehensive (loss) income				
Translation (loss) gain on foreign operations	(191)	(241)	195	(214)
Comprehensive (loss) income for the period	(246)	104	124	(196)
Net (loss) earnings per share (basic and diluted)	(0.04)	0.29	(0.06)	0.01
Proportional Revenues	2,771	3,138	5,127	5,194
Adjusted EBITDA	412	756	503	677

	at Jun. 30		at Dec. 31
	2020		2019
Working capital	2,170		1,829
Total assets	9,049		8,376
Total long-term liabilities	736		331
Shareholders' equity	6,679		6,405

About BQE Water

BQE Water is a service provider specializing in water treatment and management for metals mining, smelting and refining. We are helping to transform the way the industry thinks about water in the context of natural resource projects by offering services and expertise which enables more sustainable water management practices and improved overall project performance at reduced risks. BQE Water invests in innovation and has developed unique intellectual property through the commercialization of several new technologies at mine sites around the world for organizations including Glencore, Jiangxi Copper, Freeport-McMoRan and the US EPA. BQE Water is headquartered in Vancouver, Canada and trades on the TSX Venture Exchange under the symbol BQE. Visit www.bqewater.com for more information.

The Toronto Venture Exchange has not reviewed and does not accept responsibility for the adequacy or the accuracy of this release.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain information contained herein may not be based on historical fact and therefore constitutes "forward-looking information" under applicable Canadian securities legislation. This includes without limitation statements containing the words "plan", "expect", "project", "estimate", "intend", "believe", "anticipate", "may", "will" and other similar words or expressions. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks, uncertainties and other factors that may cause actual events or results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the Company's dependence on key personnel and contracts, uncertainty with respect to the profitability of the Company's technologies, competition, technology risk, the Company's ability to protect its intellectual property and proprietary information, fluctuations in commodity prices, currency risk, environmental regulation and the Company's ability to manage growth and other factors described in the Company's filings with the Canadian securities regulators at www.sedar.com (including without limitation the factors described in the section entitled "Risks and Uncertainties" in the Company's MD&A for the year ended December 31, 2019). Given these risks and uncertainties, the reader is cautioned not to place undue reliance on forward-looking statements. All forward-looking information contained herein is based on management's current expectations and the Company undertakes no obligation to revise or update such forward-looking information to reflect subsequent events or circumstances, except as required by law.

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