BQE Water Reports Audited Year End 2023 Results

VANCOUVER, BC, April 25, 2024 /CNW/ - **BQE Water Inc.** (TSXV: BQE), a leader in the treatment and management of mine impacted waters, is pleased to release its audited consolidated financial results for the year ended December 31, 2023.

"We are extremely pleased with our annual results which reflect the stage of the Company's growth as we establish new streams of recurring revenue from water treatment plant operations," said David Kratochvil, President & CEO of BQE Water. "In 2023, we expanded our scope in the Yukon and added an operation in Southwest America which, together, increased operational services revenues by $4.1 million over last year. Our revenues from technical services also increased by 23% year.over.year, which helped propel us to new highs in revenues, Adjusted EBITDA and net income, and provides us with good visibility with respect to our future growth potential."

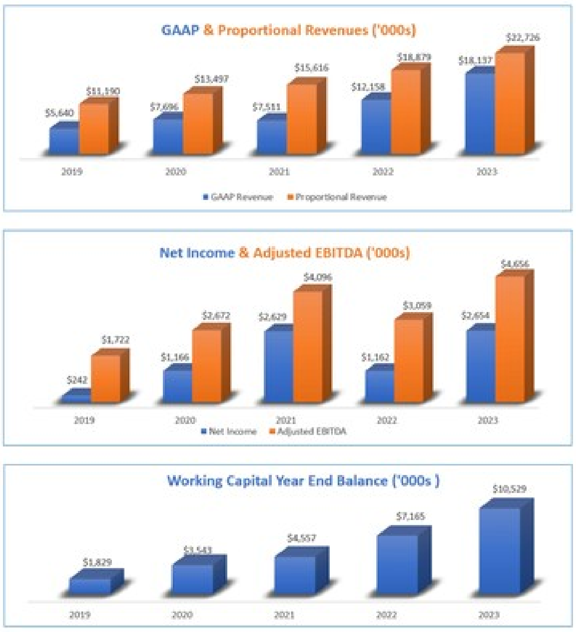
FINANCIAL HIGHLIGHTS

- Achieved record Proportional Revenues of $22.7 million in 2023, a 20% increase from 2022.
- Recorded historic high revenues under GAAP of $18.1 million in 2023, a 49% increase compared to 2022.
- Share of income from China joint ventures was $419,000, $1.1 million lower than in 2022.
- Net income for the year was $2.6 million compared to $1.2 million in 2022, a 128% increase.
- Adjusted EBITDA was $4.6 million compared to $3.1 million the year prior, a 52% increase.
- Increased working capital by 47% year-over-year to $10.5 million as at December 31, 2023.
- Grew net cash and cash equivalents by 27% year-over-year to $7.9 million as of December 31, 2023.

Selected financial results for the 3 and 12 months ended December 31, 2023 are as follows:

(in '000s)	3 months ended Dec. 31		12 months ended Dec. 31	
	2023	2022	2023	2022
Revenues under GAAP	**5,014**	3,465	**18,137**	12,158
Proportional Revenues	**5,431**	4,479	**22,726**	18,879
Net income (loss)	**249**	(244)	**2,654**	1,162
Adjusted EBITDA	**541**	(90)	**4,656**	3,059

Selected financial results for the last 5 years are as follows:



BQE Water financial results (CNW Group/BQE Water Inc.)

OPERATIONAL SERVICES HIGHLIGHTS

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

Operations	Location	Revenue Source
JCC-BQE Joint Venture	Jiangxi province, China	Sales of recovered metals
MWT-BQE Joint Venture	Shandong province, China	Sales of recovered metals
Raglan Mine for Glencore	Northern Québec, Canada	Water treatment fees
Minto Mine for Government of Yukon	Yukon, Canada	Water treatment fees
Zhongkuang Metallurgical Facilities for MWT	Shandong province, China	Operations support fees
Zhaojin Metallurgical Facilities for MWT	Shandong province, China	Operations support fees
Power utility ash pond for WesTech	Eastern USA	Water treatment fees
Base metal project for a metal producer	Southwestern USA	Water treatment fees

JCC-BQE Joint Venture Operations

Our 50/50 joint venture with partner Jiangxi Copper Company ("JCC") operates three water treatment plants at Dexing Mine and at Yinshan Mine in Jiangxi province of China. The volume of water treated and pounds of copper recovered by the plants fluctuate seasonally depending on precipitation levels in the region. The operating results for the 12 months ended December 31, 2023 are as follows:

(in '000s)	2023	2022
Water treated (cubic metres)	19,493	17,704
Copper recovered (pounds)	1,935	2,829

During 2023, all three plants met mechanical availability and process performance set by the Company. While the volume of water treated increased by 10% year-over-year, the mass of copper recovered decreased by 32%. The notable decrease in copper recovery compared to previous year can largely be attributed to the resource depletion in the waste rock dumps. We expect copper production in the coming years to fluctuate around this decreased level based on the lower grade waste rock currently stockpiled.

MWT-BQE Joint Venture Operations

Our 20% share of MWT-BQE is with our 80% partner Beijing MWT Water Treatment Project Limited Company ("MWT") and together we operate a water treatment plant at a smelter in Shandong province of China. MWT-BQE generates revenues from the sale of zinc and copper recovered from smelter wastewater. The operating results for the 12 months ended December 31, 2023 are as follows:

(in '000s pounds)	2023	2022
Zinc recovered	162	527
Copper recovered	49	218

The mass of zinc and copper recovered decreased by 69% and 78% respectively. The smelter operated their production lines with ores from different sources which led to varying concentrations of zinc and copper in the feed composition and a fluctuation 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. During 2023, the plant was shut down intermittently as the value of zinc and copper in the feed was lower than the recovery cost of the metals.

BQE Water Operations

The number of operating days contributing to water treatment or support fees for the 12 months ended December 31, 2023 are as follows:

(in days)	2023	2022
Raglan Mine water treatment plants	206	157
Minto Mine water treatment plant	312	127
Zhongkuang SART plant	364	349
Zhaojin SART plant	354	159
Water treatment plant for ash pond in Eastern USA	238	328
Water treatment plants in Southwest USA	363	248

The volume of water treated for the 12 months ended December 31, 2023 are as follows:

(in '000s cubic metres)	2023	2022
Raglan Mine water treatment plants	2,218	1,870
Minto Mine water treatment plant	938	378
SART plants in China	602	411
Water treatment plants in the USA	168	18

The Company, with our Inuit partner Nuvumiut Development, operates four water treatment plants at Raglan Mine for Glencore Canada Corporation ("Glencore"). From May to December 2023, we mobilized our operations team for the 20th operating season at the mine. The total volume of water treated across all four plants at Raglan Mine in 2023 increased by 19% compared to 2022.

Since August 2022, we have provided operational services for Minto Metals at Minto Mine in the Yukon. In May 2023, the customer ceased active operations at the mine and the Yukon Government stepped in to ensure the continuation of water management services in support of environmental protection. During 2023, while working directly for the Yukon Government, our team continued to treat and discharge clean water at the mine for the full season until plant winterization in October.

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

In 2022, we began operations of a treatment plant utilizing our Selen-IX™ process to remove selenium from ash pond water for WesTech Engineering ("WesTech"). In 2023, our operations team continued providing water treatment services with the Selen-IX™ circuit to manage the presence of selenium in the feed.

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

TECHNICAL SERVICES HIGHLIGHTS

BQE Water's technical expertise and IP are applicable globally across broad areas of water management. Highlights of some of our technical services and technical innovation projects during 2023 are summarized below.

Trusted Advisory Services (Water Management and Water Studies)

- Completed a pilot demonstration of selenium removal from mine water using Selen-IX™ at a gold mine in the US to meet end-of-pipe limit of less than 2 parts per billion.
- Completed a technical assessment of water treatment requirements and options for closure and post-closure at a mine in the Yukon overseen by the provincial government.
- Successfully completed commissioning of a new water treatment plant at a base metal mine in the US.
- Provided water treatment expertise to the executive team of a top tier metal producer in due diligence for an acquisition of an existing mining operation.
- Continued to provide engineering design services for three water treatment plants to support permitting of the KSM gold-copper project in British Columbia.
- Continued to provide engineering services for design for the construction of a new water treatment plant for water recycle at a gold mine in Mexico.
- Completed the water treatment pilot test campaign integrated into a rare earth elements metallurgical extraction project in Chile.
- Provided water treatment expertise and laboratory testing services in investigations of effluent toxicity at a mine in Eastern Canada.
- Completed a pilot scale demonstration of a new innovative method of managing thiosalts in mine effluents at an operating mine in Canada.
- Completed an operations performance and engineering analysis of bottlenecks in an existing reverse osmosis plant in Chile, and prepared a plan for upgrades to increase the plant capacity with minimal capital expense.
- Completed a laboratory scale program aimed at increasing water recovery and reducing brine waste for a reverse osmosis system being planned for implementation at a gold mine in BC.

Cyanide Management (Destruction and Recycle)

- Completed laboratory testing and scoping level engineering design for a cyanide removal plant to meet effluent discharge of less than 7 parts per billion for a mine in development in the US.
- Completed a treatability assessment for the removal of cobalt and associated cyanide from an existing gold mine in Ontario.
- Continued with the engineering design for a third SART plant for Shandong Gold in China.

COMMENTARY AND OUTLOOK

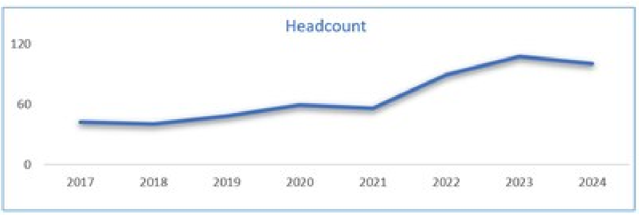
We are extremely pleased with our 2023 results, which delivered another set of new highs in several key financial metrics including Proportional Revenue, GAAP revenue, Adjusted EBITDA, and working capital.

BQE Water's 2023 financial performance is reflective of the success of our long-term business strategy, a key element of which is growing our recurring revenues from water treatment operations. This component of our revenues doubled between 2022 and 2023 and represented the main driver of our financial improvement year-over-year. The strong increase in recurring revenues in 2023 resulted from technical services delivered to customers in prior years since it typically takes several years for these technical services to mature into recurring operational services. Our business strategy is simultaneously centered on growing recurring revenue from water treatment fees rather than from the sale of recovered metals. In 2023, metals sales represented 20% of our Proportional Revenues, while water treatment fees grew to 36% of our Proportional Revenues. Our share of income from joint ventures, which earn revenues from metals sales, represented approximately 14% of our consolidated net income.

Despite our positive overall results in 2023, there are also risks and opportunities for improvement. Firstly, in 2023, we reported a bad debt write-off due to the insolvency of Minto Metals Corporation ("Minto"). This non-recurring expense relates to unpaid amounts owed to the Company for services rendered in 2023. When BQE entered into a contract with Minto in 2022, management weighed the risk of the customer's low working capital against the opportunity to provide services to a mine with significant water treatment requirements. When Minto entered receivership in May 2023, it was our presence on site that allowed us to secure a new and expanded contract directly with the Government of Yukon. Overall, this new contract more than compensated for BQE's bad debt write-off. It also provided the Company with the opportunity to gain recognition from the Government of Yukon, positioning us well for potential future projects administered by the government in the province. The bulk of the Company's operational services are, and will continue to be, provided to mid-tier and top-tier metal producers; however, working with junior mining companies is part of our business. As such, we will continue to carefully weigh the pros and cons of every contract we enter with a view to minimizing the risk of incurring bad debt expenses without adequate offsets.

In 2023, BQE Water also reported an unusually low share of income from our joint venture with JCC in China due primarily to lower sales of recovered copper relative to prior years. While the mass of copper recovered is expected to decline over time due resource depletion in the waste rock piles that the copper containing wastewater comes from, the waste rock piles still contain a significant quantity of copper and, in management's opinion, the drop in copper production in 2023 will not necessarily be reflective of copper recoveries in future years. The release of copper from waste rock is driven by climatic conditions such as temperature, humidity, and frequency and duration of rain events. Overall, investors should expect volatility in the mass of copper recovered from the JV operations in future years. Fluctuations in the price of copper is and will be another major determinant for our net income from joint ventures in the future. As noted above, the impact from metals sales to the Company's overall financial results has and will continue to decrease as our recurring revenue from water treatment plant operations continues to grow over the medium and long term.

Lastly, sales & development expenses and general & administration expenses together increased 27% in 2023. While some of these expenses are expected to increase due to the Company's growth, we have identified multiple opportunities to improve efficiency across the organization with respect to workflow, communication, and resource allocation. Executing these opportunities will be management's focus in 2024. Investors can nevertheless expect higher costs resulting from more proactive business development, marketing and investor relations activities, as well as increases in insurance costs and financial audit expenses. Overall, however, we believe our operating and profit margins can continue to improve year-over-year due to active management of costs, internal efficiencies, and economies of scale. In terms of labor resources, our focus will be on improving the utilization of existing resources prior to embarking on any further hiring initiatives. The figure below shows the evolution of our team from 2017 to 2023, including our projections for 2024, which highlights our focus in 2024 on the consolidation of the rapid growth of the past two years.



Headcount (CNW Group/BQE Water Inc.)

With respect to our outlook for 2024, we have relatively good visibility and certainty over key projects and activities. For operational services, we expect our recurring revenues will continue to increase. In 2024, we will have the first full year of operations at the newest selenium removal plant commissioned in Q3 2023. We also anticipate new contracts for operational services in 2024 with North American customers who complete the construction of new plants in 2024 and begin the transition to the operations phase in the second half of 2024 or early 2025. This momentum will be supported by the expected commissioning of our third SART plant in China that is expected to transition into operations in the first half of 2025, providing a similar revenue stream as the first two SART plants. It is important to note that the size and scope of operational services contracts vary, and will continue to vary, based on site specific requirements. For technical and advisory services, we anticipate the start of construction of one new North American treatment facility in 2024 that BQE designed and helped with permitting in previous years. Our outlook for 2024 as described above does not include certain potential "major projects" because the timing of these projects is not sufficiently certain to include at this time.

In the long-term, the drivers for continued growth remain firmly in place and include:

- Tightening government regulations and increased enforcement around water quality.
- Social acceptability of new mines creating a major driver for water management and treatment decisions.
- Global decarbonization driving demand for metals production.
- Outsourcing of innovation in the mine water space combined with our track record of bringing innovation to market.
- Increased role of Indigenous communities in clean water production and environmental monitoring.
- Clean-up and closure of ash ponds as one of the largest environmental liabilities faced by power utilities.

Despite these trends and our optimistic outlook for 2024, we continue to caution readers about the risks that may create sudden and potentially significant headwinds for us and our business. These include geopolitical risks with China, weak inflows of capital into the mining sector, a global recession, and/or prolonged weakness in commodity prices. For these reasons, we remain focused on fiscal prudence and maintaining our working capital at a level that allows us to withstand exogenous impacts. Our financial results in 2023 and the current outlook for 2024 support our view that we remain on track for profitable growth and have sufficient cash reserves to mitigate key risks.

SELECTED FINANCIAL INFORMATION

For a complete set of Financial Statements and MD&A, please go to www.bqewater.com.

(in $'000 except for per share amounts)	**2023**	2022
	$	$
Revenues	**18,137**	12,158
Operating expenses	**(9,075)**	(7,107)
Operating margin	**9,062**	5,051
Share of income from joint ventures	**419**	1,487
General and administration	**(2,727)**	(2,464)
Sales and development	**(2,655)**	(1,768)
Share-based payments	**(466)**	(671)
Depreciation and amortization	**(430)**	(264)
Income from operations and joint ventures	**3,203**	1,371
Other income, net	**115**	108
Bad debt expense	**(473)**	(8)
Income tax expenses	**(191)**	(309)
Net income for the year	**2,654**	1,162
Earnings per share (basic)	**2.12**	0.93
Earnings per share (diluted)	**2.08**	0.92

Proportional Revenues (Non-GAAP measures)	**22,726**	18,879
Adjusted EBITDA (Non-GAAP measures)	**4,656**	3,059
Comprehensive income	**2,302**	994

	at Dec 31	at Dec 31
	2023	2022
	$	$
Cash and cash equivalents	**7,928**	6,234
Proportional cash (Non-GAAP measures)	**9,790**	9,582
Working capital	**10,529**	7,165
Total assets	**18,856**	15,988
Total non-current liabilities	**1,900**	555
Shareholders' equity	**14,776**	12,638

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, 2023). 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.

SOURCE BQE Water Inc.

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