

BluMetric Environmental Inc.
Fourth Quarter 2023 Earnings Conference Call
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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the BluMetric Environmental Inc. 2023 Q4 Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. A reminder: this call is being recorded on Monday, January 29, 2024.

I would now like to turn the conference over to Brandon Chow. Please go ahead, sir.

Brandon Chow — Investor Relations, BluMetric Environmental Inc.

Thank you, operator. Welcome, everyone, to BluMetric Environmental's quarterly earnings conference call. This call will cover BluMetric's financial and operating results for the fiscal fourth quarter ended September 30, 2023. Following our prepared remarks, we will open the conference call to a question-and-answer session. Our call today will be led by Scott MacFabe, BluMetric's CEO, and Dan Hilton, the Company's CFO.

Before we begin our remarks, I would like to remind everyone that some of the statements on this conference call may be forward-looking statements. Forward-looking statements may include, but are not necessarily limited to, financial projections or other statements of the Company's plans, objectives, expectations, or intentions. These matters involve certain risks and uncertainties. The Company's actual results may differ significantly from those projected or suggested in any forward-

looking statements due to a variety of factors, which are discussed in detail in our regulatory filings. There may also be references to certain non-IFRS measures such as EBITDA, backlog, working capital, free cash flow, and net cash. These non-IFRS measures are not recognized measures under International Financial Reporting Standards and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Please see our disclosures for further information and reconciliations of these non-IFRS measures.

I will now hand the call over to Scott MacFabe. Please go ahead, Scott.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Brandon, for the introduction. Good afternoon and good morning to our west coast participants on the call. Thank you, everyone, and welcome to our fourth quarter and 2023 year-end earnings call for BluMetric Environmental. We appreciate all of you taking the time to join us on today's conference call.

To begin with, please join me in extending a warm welcome to our new CFO, Dan Hilton. Dan joins us with a proven track record as a finance leader in both fast-growing and established technology companies with his most recent company, Fully Managed Inc., having been acquired by TELUS prior to joining us here at BluMetric. This is our first conference call with him and we're excited to have him as part of our team. So welcome, Dan.

As per usual, I'll start out by providing an overview of the fourth quarter and year end and then Dan will go over our financial results in more detail. As a reminder, BluMetric is a full-service

environmental consulting and engineering clean tech firm. We focus on consultancy, but we also provide agile water and wastewater systems. Through a track record that spans over 45 years, BluMetric has evolved into a full-service integrator of environmental solutions in the fields of water and wastewater treatment and professional environmental services. We aspire to be the environmental solutions and water clean tech company of choice globally.

Now let's discuss the quarter and year end in more detail. In the fourth quarter we underwent a notable turnaround, experiencing improvements in revenue generation, gross margins, and profitability. This positive shift highlights the one-time nature of the events that we experienced in the previous quarter. While we expected some of those challenges to leak into Q3 and over into Q4, our team was able to work very, very hard to deliver on the projects which were initially delayed while also managing our cost, as reflected in the quarter's gross margins.

Revenues for the quarter and year end were relatively stable with prior periods and this stability highlights the resilience of BluMetric's business model, which is driven by its recurring environmental consulting services and agile water and wastewater systems. At this point, we're currently sitting on a record backlog, which potentially sets us up well for modest revenue growth in 2024 and beyond as we execute through it. Furthermore, gross margins were up quarter-over-quarter and trending in the right direction. As mentioned in prior calls, our goal is to get our gross margins back on track, well above our historical range of 20%, which would favourably impact our bottom line, as we've seen in the last quarter. Overall gross margin for the year was consistent with the year prior, as the stronger margin in the fourth quarter helped offset the weakness in the third. Additionally, the Company saw higher operating expenses, which were the result of continuing our key growth investments in our sales team

and infrastructure to support higher levels of revenue. We're in a delicate balance of wanting to sustain our profitability while making, at the same time, balance these growth investments. Thankfully, we can utilize our strong balance sheet to support these initiatives, which is important in the current market we're in.

While some of the sales pipeline has taken longer to convert than initially hoped, we continue to be pleased with the progress of our growth initiatives, which have helped us drive a record backlog. We also continue to explore broader market opportunities for our agile water systems, particularly with new partners who can help us with geographical expansion outside of Canada. In our key markets—commercial, industrial, and government—our full year revenues remained consistent with the previous year.

Our military market revenues declined 13% year over year, but that's primarily due to reduced activity on our shipboard reverse osmosis systems, or SRODs, but that contract is awaiting a replacement. Additionally, our \$12.2 million contract, which has been increased slightly with Rheinmetall, is in the backlog and scheduled for delivery mostly through 2025. The mining market saw a 36% year-over-year revenue growth driven by an expanding customer base and the resumption of work on a large water treatment facility contract that will be delivered to the mine site. Despite facing a decline in revenue in the military market, it maintains our most substantial sales pipeline in terms of order value due to the scale and nature of these contracts. These contracts are typically in the multimillion dollar range and span multiple years, like the previously announced Rheinmetall Canada partnership. In addition, contracts like the shipboard reverse osmosis desalination system, which is up for renewal, help us with recurring base of business to work on. As we win more, we're aiming to reduce

the overall lumpiness and introduce more service revenues. We're optimistic that the combination of our unique water technologies and a growing need for resilient water solutions will contribute to wider adoption.

Lastly, I'd like to take some time to speak about the resiliency we're developing in our business. For example, in fiscal year 2023 the Company completed 1,151 projects compared to 993 projects in the fiscal year 2022. In addition, no single customer contributed more than 10% of our total revenues compared to one, 16%, in 2022, showcasing how we're positioning ourselves. What is also important to note is that the number of projects we work on serves as a leading indicator for future business as clients take on more projects with us and expand existing mandates. Overall, we believe to be well positioned to capitalize on our future growth opportunities with our record high working capital, which also happens to be higher than our current market cap; strong balance sheet consisting of minimal debt; and market tailwinds for its consulting services and clean products.

I'd like now to hand this over to Dan for a more detailed overview of the quarterly and year-end financials. Please go ahead, Dan.

Dan Hilton — Chief Financial Officer, BluMetric Environmental Inc.

Thank you, Scott.

I'd like to take a moment to thank all of you for joining the call and a special thanks to the BluMetric team, who've been very welcoming since my arrival last quarter. Today I'll be presenting to you BluMetric's fiscal fourth quarter and year-end results in more detail.

Revenue for the fiscal year was \$35.1 million compared to \$34.3 million for the fiscal year ended September 30, 2022. The revenue for the fourth quarter of fiscal year 2023 was \$10.3 million compared to \$9.9 million in the corresponding period in 2022. As Scott mentioned, revenues were relatively stable year over year for both the quarter and annual periods.

Our gross margin was 22% for the fiscal year, which is comparable to the prior year. The gross margin for the fourth quarter of fiscal year 2023 was 26% compared to 18% in the same quarter of the prior year. The increase in gross margin was attributable to the project mix coupled with the delayed recognition of some revenues due to wildfire activity experienced earlier in the year. We were generally pleased with how the team was able to turn things around in the fourth quarter, having expected some of the challenges of Q3 to persist. Our goal continues to be restoring our historical gross margins well above 20% and we believe this is possible with continued cost controls, price increases, and risk management initiatives which we are rolling out.

Operating expenses for the fiscal year 2023 came in at \$6.6 million compared to \$5.8 million in the prior year. The increase is mainly due to increases in non-cash share compensation costs related to awards granted under the employee stock option plan as well as an increase in marketing travel, IT consulting, recruiting, and legal contracting costs. In addition, the Company held a strategic employee summit in April 2023 to plan for future growth as operations return to their normal pre-pandemic levels. In the fourth quarter, operating expenses increased slightly to \$1.7 million compared to \$1.6 million for the same quarter in the prior year.

EBITDA for fiscal 2023 was \$1.7 million compared to \$2.2 million in the prior year. In the fourth quarter, EBITDA increased significantly to \$1.1 million compared to only \$0.3 million for the same quarter in the prior year.

Net income for fiscal year 2023 was \$0.5 million compared to \$1.3 million in the prior year. In the fourth quarter, net income increased to \$0.7 million compared to \$0.2 million for the same quarter in the previous year.

On September 30, 2023, BluMetric had a net cash balance of \$2.2 million compared to a net cash balance of \$3.6 million on September 30, 2022. The increase in operating expenses as business activities returned to its normal levels, timing of payments of trade accounts payable, and timing of revenue recognition based on milestone deliverables account for most of the decrease in cash. Cash produced from operating activities, excluding changes to working capital, was approximately \$1.4 million for the fiscal year 2023 compared with cash produced from operating activities, excluding changes to working capital, of \$2 million for the same period in 2022. The decrease in cash flow generation is due to the previously mentioned reasons.

Cash consumed in investing activities of \$336,000 for the fiscal year, sorry, for the 2023 quarter is related to strategic investments in field equipment and were made to be used in future water treatment-related projects. This is compared to cash consumed by investing activities of \$83,000 in the same period in 2022. For the nine months ended June 30, 2023, cash used in financing activities was \$1 million compared to cash used in financing activities of \$0.9 million in the same period for 2022.

As of September 30, 2023, the Company had approximately \$5.7 million in immediate cash availability between its operating line and existing cash balances and the Company remains in compliance with all of its banking covenants. We believe the Company remains well financed to achieve its objectives and maintains a clean capital structure with minimal debt. This is evidenced by a strong working capital position of \$11.1 million, up from \$10.9 million at the end of the prior fiscal year.

That concludes my updates on the financials. I'd like to thank everyone for taking the time to allow us to present our results to you today and I'll hand it back over to Scott for some final remarks.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Dan. That was a great update. We'll now take some questions from call participants and I will pass it back over to the operator. Thanks.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press star and one on your telephone keypad. If you wish to cancel your request, please press star two. Please ensure to lift your handset, if you are using a speakerphone, before pressing any keys.

Your first question comes from Roger Dent, a private investor. Your line is now open.

Roger Dent — Analyst, Private Investor

Hey, Scott. Nice quarter. It looks like a real improvement from what we've seen the last little bit. Always, I think, we're trying to get a handle on what the outlook is really like and I guess my question is, when you look at Q4, is there any reason to think that this is not a repeatable kind of performance going forward on a regular basis?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Well, Roger, nice to hear from you and thank you for your compliments on the quarter. The best way to describe Q4 is I think Q4 represents the way we ought to operate. I think Q4 represents a quarter where we pivoted so very, very appropriately coming off of a difficult one and then got where we need to be. So it points out a couple of things. One, how we can operate and how we can adjust so quickly to be able to produce the results we deserve.

So I would say that Q4 is a nice clean quarter. We didn't have any surprises, any issues from even pre-RTO creep up and [inaudible]. And so, as a result, I think that Q4 represents the kind of results that we hope to expect to continue to produce going forward. We worked very hard to get back where we needed to be. And I look at where we finished off; we definitely were the beneficiaries of seeing the results pick back up of any of the delays as well that we had in Q3. So it was a good, strong quarter and I would like to see that that gets replicated in the future, yes.

Roger Dent — Analyst, Private Investor

Okay. Thanks very much.

Operator

Your next question comes from John Lewis, a private investor. Your line is now open.

John Lewis — Private Investor

Thank you, operator. Scott, congrats on a great Q, and Dan, welcome to the team. I've got to tell you, after Q3 I was a little apprehensive about opening the press release this morning, but you blew away my expectations and probably some folks in the market and we're seeing the stock respond. I know it's difficult, small cap, to say how things are going to be Q over Q. I guess I would ask about, when you say record backlog, is there a number you can give or can you give it in context of previous quarters?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Yeah, I can talk in terms of book sales. Right now we're looking, you know, started our revenue around... We've got to get above \$35 million. We need to head to \$40 million to \$50 million and on. And so I, I said leading indicators, what we see in our pipeline and what we see in absolute backlog, and our sales are lining up now at over \$51 million for last fiscal year. And that really is a key benchmark for us. We pushed hard because, as you probably recall, John, the company was not known as an aggressive sales organization. We're still not there yet, but people are looking at how internally we're organizing ourselves better. We've got market sector leads that are pushing on sales goals and delivering on those goals, and so, as a result... And also, of course, we're self-funded, so we're investing our own cash into a needed area of the business. And so we are very happy to see that, you know, currently closed the year at \$51 million in sale. Not all of that is available to us in this fiscal year, it will go into the following, so

we're also looking at time stamping our backlog and doing the kind of things that I'm used to seeing in larger firms, the systems that Dan's used to as well, where we can really get a better insight into how it looks. But the bottom line here is we were delighted with our year-end sales and that continues. We're only as good as the last quarter at the end of the day, but when we're looking at what we're accomplishing now and what we continue to press on, especially in our clean tech side, I mean it's always been our, you know, it may be a boring drumbeat, but the reality is, when you look at where our pipeline is really robust and where we said we're going to focus our sales and where we see those long sales cycles starting to come to pass to turn into real backlog, a lot of it is happening there. In our mining as well. That mining sector is, for our size, needs to be much bigger than it is. And it is diversifying. It is getting better clients that appreciate our value proposition. They're willing to pay for it. I think that's reflected in our gross margins as well. Commercial industrial remains stable and so does government. So it's not a bad portfolio of market sectors or verticals.

John Lewis — Private Investor

So Rheinmetall, if I've pronounced it correctly, that's part of the backlog, correct?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

It is. Yes, it is.

John Lewis — Private Investor

Could you remind us, as I'm very interested in the clean tech side, could you remind us what that product is and what the application, you know, our products and what the applications are?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Yes, absolutely. I'll do my best. As you recall, when I first came, now it's, believe it or not, six years ago, we had quite a diverse array of technologies that, in many ways, we're a long way of becoming proven and of value to the markets, and so we really targeted and focused on what we're good at. And so it was very clear, especially in the military sector, we're known to be one of if not the water experts for the Department of National Defence in Canada. If you're drinking water on a boat, chances are it was produced from one of our systems. If you're working with land forces and you're drinking clean water, AKA as happened recently up in Iqaluit when their systems were contaminated, the Army went up there and fired up a couple of our systems that they own and produced clean water for Iqaluit for probably three months until their systems were clean.

All those are big systems and they're of value and that's what we're known for, but it became clear there's a high demand for what we call mission-ready water and mobility and agile water solutions which are scaled down that have the same level of robust engineering, simple operation, and the ease of deployment. And so the ASUWPS contract that we team with Rheinmetall on is a system that is trailer-based. It's meant to support a population of about 200, 250 people on deployment. We're making all the technology. Rheinmetall is the technology integrator. They're pulling together the trailer and the power system or power supply and interface. So what it does is it gets us to stick to what we're really good at. We don't want to be making trailers. We don't want to be doing necessarily all of the other things that the best integrators can. So Rheinmetall, that's what they're known for. So the first unit in the flow of this project is just about to be delivered to Rheinmetall. It will be inspected and then eventually approved by the client, this year we expect, and then after that we get into full production.

And I think it's at least 20 systems plus the one that we submitted for the first approval, so we have at least four tranches of five units. And most of that production and revenue associated with it will be at the end of this year and leak mostly into 2025. If we see revenue this year, we'll be ahead of schedule. Does that help John?

John Lewis — Private Investor

Yeah. One other question, just to follow up on that. We're in a competition with the DND. I think we were paid upwards of \$0.5 million to develop a product. Is that a similar product or is that something different?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Sorry, John, I'm not sure I understand your question, what you're referring to.

John Lewis — Private Investor

Oh, the Canadian Department, the pop up?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Oh. Yeah, sorry. Thank you. I understand your question. I apologize. Yeah, we were in a competition to support SNC at the time, they called something different now but SNC-Lavalin, and we provided a mobile wastewater system and the package where we were plugged into for the rest of the Pop Up City competition. We were given all kinds of props and kudos for our aspect of the system, but the rest that the team presented did not prevail. But what it did is, by taking advantage of that

opportunity, we were funded by the competition to develop a mobile wastewater system that's ready to go and we anticipate that that will be a future need at the DND as well. So we're always trying to get ahead of that sales cycle and make sure we're in the universe of opportunities with our clients to understand what we're looking for. So, paired with our clean tech clean water system, we now have a mobile system that we can pair with it for wastewater, which is in high demand for the DND but also for mining clients as well.

John Lewis — Private Investor

Excellent. You've told me a lot about what you do. Just to like give you a heads up on the public side of junior investing, which I think we've discussed has been bombed out for the last couple of years, definitely seeing some interest these days in profitable, growing companies with cash in the bank, and you tick all those boxes. So keep that up, keep up the great work, and I look forward to the next call. Thank you.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, John. I appreciate it. Because clearly our strategy is to profitably run an operation that produces our own ability to fund our own growth without diluting our stock and rewarding our shareholders as a result and growing while we do it. In many ways, it sounds like defying gravity, but we can do it. We run a tight business. I'm delighted with my management team. When we say that we're stingy, we're not stingy; we invest, we don't spend. And with Dan helping me here you've got two Scotsmen, and I'm not sure if you ever heard the parody but, you know, copper wire was produced by

two Scotsmen fighting over a penny. So we don't spend frivolously, we invest well, and I hope that that all comes to bear with our shareholders that are due and new interest in BluMetric going forward.

John Lewis — Private Investor

Awesome. Thank you. I'm finished operator.

Operator

Your next question comes from Mathieu Martin from Rivemont. Your line is now open.

Mathieu Martin — Analyst, Rivemont

Hey, guys. I was just curious, as you start 2024 with the current backlog you have and some of the re-occurring service revenues that you generate, how much visibility do you have on this year's revenue as you start the year?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Well, we have our plan set at the end of our fiscal year. So, back in September we spent a fair amount of time with our market sector leadership, we look at what we have in our pipeline and factor that out, and so I would say that those projections were higher than we've seen and we're pretty conservative in terms of what we think is available. And so, as I said, our sales, which we know, as we close the year at over \$50 million and spilling that over into the following year with time-stamp backlog, gives us the kind of backlog that we're looking at in terms of, we'd say months, and that ranges from 10 to 12 months, a full year's worth of work. And that doesn't include the kind of work where we have very

quick turn new wins and revenue production, specifically in our commercial industrial business. So, beyond getting much deeper into a deep dive on our backlog, what's available and what's time stamped, I think we've got a very solid year set out in front of us and we've got some aggressive sales that we're pushing forward as well. So we're pretty optimistic.

Mathieu Martin — Analyst, Rivemont

Okay. That's great. Thank you. And just one last question on the gross margin percentage. You mentioned your goal to increase gross margins over time. Do you have like a long-term target? Just trying to get a sense of the kind of margin expansion we could see over time.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Yeah, that's a great question. And we, since, not just since Q3, we've been looking hard at our margins. I don't like that it hangs currently in the low to mid-20s. I think where we ended our fourth quarter is a good start. But at the same time what we're doing is Dan and I are taking a step back and doing a deep dive also at how are competitors actually calculate their gross margins compared to how we do it. We want to make sure that we're market competitive, because we are compared to them as well. So what I would say is the kind of margins we like and the kind of ones we need to maintain are what we saw in our fourth quarter. And going forward we need to look at how that actually benchmarks compared to our competition, which may be doing the math slightly different than we are. So within a month we'll be reporting on our Q1, it won't be long, and I think by then we'll have a far better answer to that question. But I think, at minimum, I'd like to see us continue to build off of where we were in Q4.

Mathieu Martin — Analyst, Rivemont

Okay. Perfect. Perfect. Sounds great. That's it for me. Thank you very much.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Thank you, Mathieu.

Operator

Your next question comes from Jordan Grant from Seaton Group. Your line is now open.

Jordan Grant — Analyst, Seaton Group

Hi, Scott, and welcome, Dan. Congratulations on a great fourth quarter report. In your presentation you mentioned about the SROD contract, that military revenues were down because it sounds like you're between two contracts, the old one has expired and I guess the new one is up in a bidding process at this point. Is that...?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

That's right, Jordan. And Jordan, good to hear your voice. Nice to hear from you.

Jordan Grant — Analyst, Seaton Group

Could you just tell us a bit more about the sort of timing and process and competition for that renewal of that contract?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Yeah. We're deep in the competition right now and, obviously, I can't speak in too much detail about that, but definitely this year we're in deep negotiations/conversations as we prepare to respond to the re-up on that contract for our shipboard systems. But one thing that we really haven't mentioned much about is the land-based systems. We also have the contract to do the refurbishment of those systems. So we have recurring revenue coming in on our land-based systems now, but the SRODs, we did finish a big, a major contract with Seaspan, but at the same time we're definitely in the running right now to do it all over again. From what we've heard, they like us, they like what we do and how we do it, and so I think we've proven ourselves. I know we've proven ourselves. But I would hope to hear before the end of the fiscal year how that all goes and hopefully sooner if we can, Jordan.

Jordan Grant — Analyst, Seaton Group

Right. And so what happens with the military, with the navy if they need work done on an SROD this year before the contract is awarded? How does that get handled?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Well, you're familiar with the business I know and the one thing that's pretty clear to us is, when the need comes directly from the client, meaning the Royal Canadian Navy, then budgets tend to change and we act. So what can start out as a long protracted negotiation or a long protracted discussion about wants and needs, if it goes on too long, it doesn't take much for the navy to put their hand up and say

enough and we need you out there. And that has happened over the years as well. So we do garner that respect and we're ready to support them however we need to.

Jordan Grant — Analyst, Seaton Group

Thanks for the explanation, Scott. Hopefully the others found that helpful.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

And as well, Jordan, we are pursuing other avenues to be able to partner with others to be able to bring to the forefront our ability to respond and support the Department of National Defence, especially the navy. And it's great revenue for us. It's sticky. We hire a lot of people, from helmets to hard hats, where we get a lot of retired Department of National Defence folks to come on board with us. So we're looking to see growth there, because there's a real need for us to be able to deploy and support, troubleshoot all those things on the systems that the navy has. And so I would expect, if all things go our way, we hope to see some growth there also.

Jordan Grant — Analyst, Seaton Group

Is there potential for growth for the same products in the same type of market with other militaries?

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Absolutely. We've been spending a fair amount of time last fiscal year and into this year really looking for partners that we can team with who have geographic access to markets that we currently

don't, that have a technical advantage that makes us a great teaming partner for our water tech to team with them. So I would say stay tuned as we continue to hammer away at that. But we love that we're respected by the Canadian Department of National Defence, but we can't forever be an unintended best-kept secret, and so do know that the sales team is working very hard to work with more than just Rheinmetall on finding global opportunities to integrate our technology and use our good stuff where it ought to be used as opposed to just in our backyard.

Jordan Grant — Analyst, Seaton Group

Thanks, Scott.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Great to hear from you, Jordan. Take care.

Operator

Our next question comes from Eric Szustak, a private investor. Your line is now open.

Eric Szustak — Private Investor

Hi there. My name is Eric Szustak. I'm a fairly recent shareholder of BluMetric and I'm hoping the company continues to do well. I'm interested in your international strategy in terms of where your focus is, because Canada is a small market. Our federal government doesn't seem to be supporting our defence capabilities. So I think it's very smart to expand internationally. So I'm curious where in the world you're going, where you see the opportunities.

I'm also wondering whether you're focusing at all on Eastern Europe. I know there have been a couple of Rebuild Ukraine conferences already. Companies are lining up. We have no idea how long will last or when it will end, we live in interesting times for sure, but there are companies already looking at going into Ukraine after things subside. I know the Canadian government is also supporting Canadian companies when they buy supplies for Ukraine. As an example, there is a company in Mississauga that builds troop carriers and they've been getting millions of dollars of contracts from the Canadian government to supply these to Ukraine. Eastern Europe in general is gearing up. They're gearing up their capabilities everywhere and I think even portable water treatment facilities would be part of that. So they've been holding defence conferences in places like Poland. Our Canadian government is very supportive of that through the trade commissioner's office and also through export development in Canada. So, just curious on your strategy for international growth.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Well, Eric, nice to meet you and thank you for the great question. A little background: BluMetric has worked with the DART team for the Canadian Royal Navy. That's a disaster relief division where our systems have been on boats for many, many years and are pulled into port for a humanitarian focus for many years as well. So we love that deployment and we actively participate in it.

Last year, as you would expect, had many inquiries regarding our systems, agility, opportunity, to be able to fill contracts, and I think what was going on, especially out of the UK, was trying to understand what was going on in the Ukraine and the conclusion was, at the time, they need bullets more than they need water tech. And so a lot of the funding has continued to focus in that direction, but

it won't be forever. So we're well positioned already to support, with many of the large technology integrators like Rheinmetall, who are global and have deep connections in those markets and established brick-and-mortar in those geographies, to work with us to be able to get our technology in the right hands and in the right place.

We love the fact that we're bringing military-grade technology to a far more agile, mobile, mission-ready technology platform. We think it's long overdue. We have rave interest in it and hope that it grows the way it deserves to grow. And there are a lot of governments that are looking at this \$12.2 million contract that we're currently executing now in other countries. So, from the standpoint of what we're producing, the need, where we can get it and in whose hands, it really is, I think, important for our strategy to make sure that we stick to our knitting and don't become diluted in or confused in what we really bring to the table. We bring the technology and, in markets that we're not used to working in or haven't in a big way, we are definitely garnering the interest of many of the large government contractors and technology integrators that are excited about teaming with us. We're even looking at ways to compartmentalize it, to make it very easy to, in many ways, plug and play what it is that we do. But again, at the end of the day, it has to be resilient, it has to be deployable, it has to be simple and it has to be resilient, and those are all the things that we bring together in our technology and that's something they like.

The other part of it, too, is as we work with, say, you know, we talk about the shipboard systems. The contract that we just finished with Seaspan, Seaspan builds boats for more than the Royal Canadian Navy. They build boats for anybody who wants to buy a boat that likes what they build. And so we see

that relationship as a key one and a growing one. So to think that we can put our technology on boats that Seaspan is building for other navies is a very convenient way to do it as well.

So I hope that answers your question, Eric, and if not, feel free to send me an email. I'd be happy to discuss it further.

Eric Szustak — Private Investor

Okay. Thank you.

Operator

There are no further questions at this time. Scott, please proceed with your closing remarks.

Scott MacFabe — Chief Executive Officer, BluMetric Environmental Inc.

Well, everyone, thank you so much for joining us for our call. We really enjoyed the questions. We look forward to advancing the successful enterprise that we call BluMetric Environmental. Believe me, we've got a lot of hard working, smart people leaning in and all working very hard to produce the results that we want and you deserve. So again, thank you for dialing in. We look forward to our next quarterly call coming up in a month. Thank you, operator. Appreciate it.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for joining. You may now disconnect.