

Consolidated Financial Statements

Thirteen Month Period Ended
September 30, 2013 and Nine
Months Ended August 31, 2012

(expressed in Canadian Dollars)





Independent Auditor's Report

To the Shareholders of
BluMetric Environmental Inc.

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We have audited the accompanying consolidated financial statements of BluMetric Environmental Inc., which comprise the consolidated statements of financial position as at September 30, 2013 and August 31, 2012 and the consolidated statements of comprehensive loss, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the thirteen-month period ended September 30, 2013 and nine-month period ended August 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BluMetric Environmental Inc. as at September 30, 2013 and August 31, 2012 and its financial performance and its cash flows for the thirteen-month period ended September 30, 2013 and the nine-month period ended August 31, 2012 in accordance with International Financial Reporting Standards.

Emphasis of matters

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
February 7, 2014

BLUMETRIC ENVIRONMENTAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

	September 30	August 31
	2013	2012
	\$	\$
ASSETS		
Current assets		
Accounts receivable (Note 4)	7,204,156	7,057,884
Unbilled revenues	2,107,243	2,211,875
Inventory (Note 5)	13,900	-
Prepaid expenses	179,758	113,383
Investment tax credits recoverable	128,763	99,762
	9,633,820	9,482,904
Non-current assets		
Property, plant and equipment (Note 6)	2,327,966	2,166,005
Intangible assets (Note 7)	1,497,740	229,867
Investments accounted for using the equity method (Note 8)	411,478	411,478
Long term investments (Note 8)	11,085	11,085
Deferred taxes (Note 18)	-	55,474
Goodwill (Note 9)	5,916,662	1,592,095
Total assets	19,798,751	13,948,908
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 10)	1,258,471	259,471
Credit facilities (Note 10)	1,520,000	2,780,000
Accounts payable and accrued liabilities (Note 11)	6,230,676	3,433,700
Deferred revenue	131,087	179,215
Note and loans payable (Note 12)	337,971	-
Obligations under finance leases (Note 13)	14,256	-
Current portion of long-term debt (Note 15)	1,928,828	279,975
	11,421,289	6,932,361
Non-current liabilities		
Obligations under finance leases (Note 13)	8,460	-
Long-term debt (Note 15)	588,775	1,157,456
Convertible debenture (Note 14)	1,130,684	-
Due to shareholders (Note 16)	269,531	441,627
Deferred taxes (Note 18)	-	29,498
Contingent consideration (Note 26)	156,282	78,141
Total liabilities	13,575,021	8,639,083
SHAREHOLDERS' EQUITY		
Share capital (Note 17)	4,629,424	1,393,096
Contributed surplus and other equity (Note 17)	186,606	-
Retained earnings	1,407,700	3,660,781
Equity attributable to owners of the parent	6,223,730	5,053,877
Non-controlling interest	-	255,948
Total equity	6,223,730	5,309,825
Total liabilities and shareholders' equity	19,798,751	13,948,908

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

APPROVED BY THE BOARD

Roger Woeller, Director

Jordan B. Grant, Director

BLUMETRIC ENVIRONMENTAL INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the thirteen and nine months ended September 30, 2013 and August 31, 2012
(in Canadian dollars)

	Special shares #	Common shares #	Share capital \$	Contributed surplus and other equity \$	Retained earnings \$	Total attributable to owner of parent \$	Non controlling interest \$	Total equity \$
Balance at November 30, 2011	-	634,468	1,393,096	-	3,786,646	5,179,742	244,187	5,423,929
Net loss and comprehensive loss for the period	-	-	-	-	(125,865)	(125,865)	11,761	(114,104)
Balance at August 31, 2012	-	634,468	1,393,096	-	3,660,781	5,053,877	255,948	5,309,825
Shares exchanged on reverse takeover	-	(634,468)	-	-	-	-	-	-
Shares issued to shareholders of WESA on reverse takeover (Note 3)	2,831,325	14,157,433	2,325,642	-	-	2,325,642	-	2,325,642
Existing shares of Seprotech prior to reverse takeover (Note 3)	-	6,644,692	-	-	-	-	-	-
Purchase of shares of a subsidiary (Note 26)	-	-	-	-	63,171	63,171	(255,948)	(192,777)
Conversion of Series I special shares to common shares (Note 17)	(2,831,325)	2,831,325	-	-	-	-	-	-
Common shares issued on private placement (Note 17)	-	1,558,206	1,044,000	-	-	1,044,000	-	1,044,000
Warrants issued on private placement (Note 17)	-	-	(11,251)	11,251	-	-	-	-
Share issue costs related to private placement	-	-	(122,063)	-	-	(122,063)	-	(122,063)
Equity component of convertible debenture (Note 17)	-	-	-	195,901	-	195,901	-	195,901
Deferred tax asset on equity component of convertible debenture (Note 18)	-	-	-	(53,716)	-	(53,716)	-	(53,716)
Warrants issued on convertible debenture (Note 17)	-	-	-	26,375	-	26,375	-	26,375
Share issue costs related to convertible debenture	-	-	-	(20,351)	-	(20,351)	-	(20,351)
Share based compensation	-	-	-	27,146	-	27,146	-	27,146
Net loss and comprehensive loss for the period	-	-	-	-	(2,316,252)	(2,316,252)	-	(2,316,252)
Balance at September 30, 2013	-	25,191,656	4,629,424	186,606	1,407,700	6,223,730	-	6,223,730

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

BLUMETRIC ENVIRONMENTAL INC.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****For the thirteen and nine months ended September 30, 2013 and August 31, 2012**

(in Canadian dollars, except the number of shares)

	Thirteen months ended September 30, 2013 \$	Nine months ended August 31 2012 \$
Revenue (Note 23)	31,549,194	16,645,601
Cost of goods sold	25,936,279	13,752,812
Gross profit	5,612,915	2,892,789
Operating expenses:		
Selling, general and administrative expenses	6,500,643	2,654,091
Research and development	910,075	171,979
Gain on debt restructuring (Note 15)	(133,754)	-
Impairment of intangible assets (Note 7)	81,838	-
Business acquisition expenses	252,586	110,859
Total operating expenses	7,611,388	2,936,929
Operating loss	(1,998,473)	(44,140)
Finance costs (Note 19)	(357,244)	(65,144)
Loss before income taxes	(2,355,717)	(109,284)
Income taxes (Note 18)	(39,465)	4,820
Net loss and comprehensive loss for the period	(2,316,252)	(114,104)
Net loss and comprehensive loss for the period attributable to:		
Owners of the parent	(2,316,252)	(125,865)
Non-controlling interest	-	11,761
	(2,316,252)	(114,104)
Net loss per share attributed to the equity holders of the parent company (Note 21):		
Basic	(\$ 0.10)	(\$ 0.01)
Fully Diluted	(\$ 0.10)	(\$ 0.01)
Weighted average number of shares outstanding (Note 21):		
Basic	23,592,713	16,988,758
Fully Diluted	23,592,713	16,988,758

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

BLUMETRIC ENVIRONMENTAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the thirteen and nine months ended September 30, 2013 and August 31, 2012
(in Canadian dollars)

	Thirteen months ended September 30, 2013 \$	Nine months ended August 31, 2012 \$
Cash flows from operating activities		
Net loss for the period	(2,316,252)	(114,104)
Non-cash items:		
Depreciation of property, plant and equipment	474,578	246,965
Amortization of intangible assets	288,571	43,268
Loss on disposal of property, plant and equipment	1,257	8,256
Impairment of intangible assets	81,838	-
Gain on debt restructuring	(133,754)	-
Interest accretion on convertible debenture	37,652	-
Deferred tax expense	(27,740)	(50,089)
Share-based compensation	27,146	-
Changes in working capital items (Note 20)	1,432,103	(2,266,147)
Net cash generated by (used in) operating activities	(134,601)	(2,131,851)
Cash flows from investing activities		
Acquisition of property, plant and equipment (Note 6)	(498,612)	(296,931)
Acquisition of intangible assets (Note 7)	(320,016)	(76,548)
Reverse takeover, net cash received (Note 3)	123,732	-
Net cash generated by (used in) investing activities	(694,896)	(373,479)
Cash flows from financing activities		
Issuance of share capital, net of costs	921,937	-
Issuance of convertible debenture, net of costs	1,307,822	-
Decrease in note and loans payable	(733,483)	-
Issuance of long term debt	636,600	258,298
Repayment of long term debt	(871,530)	(189,156)
Increase in finance leases	1,247	-
Decrease in due to shareholders	(172,096)	(55,559)
Increase (decrease) in use of credit facilities	(1,260,000)	2,630,000
Net cash generated by (used in) financing activities	(169,503)	2,643,583
Effect of exchange rate changes on the balance of cash held in foreign currencies	-	-
Net change in cash and cash equivalents	(999,000)	138,253
Bank Indebtedness – Beginning of period	(259,471)	(397,724)
Bank Indebtedness – End of period	(1,258,471)	(259,471)
Supplementary Information		
Interest paid - included in operating activities	157,124	60,288
Taxes paid - included in operating activities	32,158	24,345

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

1. Nature of Operations

On November 16, 2012 BluMetric Environmental Inc. (“BluMetric” or the “Company”) completed a reverse take-over (“RTO”) with WESA Group Inc. (“WESA”) pursuant to which BluMetric acquired 100% of the issued and outstanding common shares of privately held WESA. BluMetric and WESA and all subsidiaries with the exception of WESA Technologies S.A. de C.V., El Salvador were amalgamated on November 17, 2012 and continued under the Canada Business Corporations Act. The RTO transaction is more fully described in Note 3, “Business Acquisition – Reverse takeover”.

BluMetric is an integrated product and service organization providing sustainable solutions to complex environmental issues in Canada and abroad. The Company serves clients in many industrial sectors, and at all levels of government, both domestically and internationally.

BluMetric focuses on two main areas:

- professional consulting services on environmental earth sciences and engineering, contaminated site remediation, water resource management, industrial hygiene, occupational health and safety, and renewable energy; and
- water and wastewater design-build and pre-engineered product solutions.

The head office of the Company is located at 3108 Carp Road, Ottawa, Ontario, Canada K0A 1L0. The Company’s common shares are listed on the Toronto Venture Exchange (“TSX.V”) in Canada.

2. Going Concern, Basis of Presentation and Summary of Accounting Policies

a. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

b. Going concern

These consolidated financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, certain adverse conditions and events cast significant doubt upon the validity of this assumption.

BluMetric has incurred significant operating losses for the fiscal period ended September 30, 2013 and the Company is currently in violation of one of its debt covenants. This has triggered a cross default clause and has resulted in long-term debt being reclassified to current debt in these financial statements. As a result of this reclassification, the Company’s working capital is in a deficit position of \$1.8 million. The Company’s ability to continue operating is dependent upon regaining profitable operations, raising additional capital and continuing to satisfy creditors. The Company continues to report significant stable revenues, and is working to control costs and restructure its operations. However, there can be no assurance it will be successful in these efforts.

If the going concern assumption was not appropriate for these financial statements, then adjustments would likely be necessary in the carrying amounts of assets and liabilities, revenues and expenses, the accumulated deficit and the classifications used in the consolidated statement of financial position. These adjustments could be material.

c. Authorization of Financial Statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on February 7, 2014.

d. Presentation and Functional Currency

The Company's presentation and functional currency is the Canadian dollar, which is also the functional currency of the subsidiary.

e. Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis.

f. Critical Accounting Judgements, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of the Company's assets, liabilities, revenues and expenses during the reporting periods presented.

i. Judgements

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements:

a. Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances (see note 2b above).

b. Percentage of completion of revenue contracts

The gross amount due from customers for contract work is presented within unbilled revenues for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings.

For contracts accounted for using the percentage of completion method, the stage of completion is assessed by management by taking into consideration all information available at the reporting date. In this process, management exercises significant judgement about milestones, actual work performed and the estimated costs to complete work.

c. Consulting contracts

Determining if the Company is acting as a principal or an agent in the context of the particulars of the underlying contracts requires management judgement.

d. Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires

significant judgement. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

ii. Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

a. Useful lives of depreciable assets

Management reviews the useful lives, depreciation methods and residual values of depreciable assets at each reporting date, at which management assesses the useful lives which represent the expected utility of the assets of the Company. Actual results, however, may vary due to technical or commercial obsolescence.

b. Allowance for doubtful accounts and revenue adjustments

At each reporting year, the Company makes an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other revenue adjustments, taking into consideration customer credit-worthiness, current economic trends and past experience. If future collections and trends differ from estimates, future earnings will be affected.

c. Impairment assessments

Long-lived assets, such as property, plant and equipment and intangible assets, subject to amortization, are tested for recoverability when there is an indication that their carrying value may not be recoverable. Goodwill is tested at least annually. Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and assumptions in many cases. The carrying value of a long-lived asset is not recoverable when it exceeds the sum of the discounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying value of a long-lived asset over its fair value. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In most cases, determining the applicable discount rate involves estimating the appropriate adjustments to market risk and the appropriate adjustment to asset specific risk factors. The actual results may vary and cause significant adjustments to the Company's assets within the next financial year.

d. Share-based compensation

The estimation of share-based payments costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

e. Business Combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 3). These fair value calculations may be impacted by variables such that the future value of the combination could be materially affected.

g. Principles of Consolidation

The consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiary WESA Technologies S.A. de C.V., El Salvador. All inter-company transactions and balances between these companies have been eliminated on consolidation including unrealized gains or losses.

The subsidiary is an entity over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights for its subsidiary. The subsidiary has a reporting date of December 31.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

h. Investment in Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of comprehensive income (loss) reflects the Company's share of the results of operations of the associate. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of comprehensive income (loss) outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as share of profit of an associate in the statement of comprehensive income (loss).

Upon loss of control over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

i. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

j. Financial Assets and Liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured

initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognized when the contractual rights to the cash flows from the particular financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

For the purpose of subsequent measurement, financial assets are classified as loans and receivables and available for sale financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Available for sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available for sale financial assets include the equity investment in Wasdell Falls Power Corporation. The equity investment in Wasdell Falls Power Corporation is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognized in profit or loss.

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

All income and expenses relating to financial assets are recognized in profit or loss and are presented within finance costs and finance income, except for impairment of accounts receivable which is presented within general and administrative expenses.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

Classification:

Accounts receivable	Loans and receivables
Long-term investments	Available for sale
Bank indebtedness	Financial liabilities at amortized cost
Credit facilities	Financial liabilities at amortized cost
Trade payables	Financial liabilities at amortized cost
Other accrued liabilities and payables	Financial liabilities at amortized cost
Note and loans payable	Financial liabilities at amortized cost
Long term debt	Financial liabilities at amortized cost
Convertible debenture	Financial liabilities at amortized cost
Due to shareholders	Financial liabilities at amortized cost
Contingent consideration	Financial liabilities at amortized cost

k. Convertible debentures

The convertible debentures are separated into their debt and equity components. The value of the debt component of the debentures is determined, at the time of issuance, by discounting the future interest obligations and the principle payment due at maturity, using a discount rate which represents the estimated borrowing rate available to the Company for similar debentures having no conversion rights. The remaining portion of the gross proceeds of the debentures issued is presented as an option to convert debentures in equity net of the tax implications, and the attributed amount remains over the term of the related convertible debentures. Convertible debenture issue costs are applied against the two components on a pro rata basis of the allocated proceeds of issue.

l. Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currencies at the exchange rates prevailing at the period end date are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

m. Revenue Recognition

Revenue comprises revenue from the rendering of services and the sale of goods. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, sales taxes, returns and rebates.

Unbilled revenue represents work in progress that has been recognized as revenue but not yet invoiced to clients.

Amounts billed in advance of performance are recorded as deferred revenue. Deferred revenue is classified as non-current if it relates to performance obligations that are expected to be fulfilled after 12 months from the consolidated financial position dates.

Service revenue Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized by reference to the stage of completion using the cost approach. Stage of completion is measured by reference to costs incurred to date as a percentage of total costs to complete the contract.

Revenue from time-and-material contracts without stated ceilings and from short-term projects is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period in which the losses are determined.

In the course of providing its services, the Company incurs certain direct costs such as travel and living expenses for its staff, and other expenditures such as sub-consultants and third-party product or service providers, that are recoverable directly from clients. These direct costs are included in the Company's

gross revenue, as management has determined that they are acting as the principle in these projects. Since such direct costs can vary significantly from contract to contract, changes in revenue may not be indicative of the Company's revenue trends.

Equipment refurbishment revenue

Where the outcome of a refurbishment contract can be measured reliably and receipt of payment is considered probable, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, based on contractual milestones reached, such as approval of scope of work, acceptance of preliminary budget estimates based on scope of work, stage of assembly, acceptance of sub-contracted equipment and services, direct labour costs, inspection, factory acceptance testing, which represent a proportion of the contract costs incurred for work performed to date relative to the estimated contract costs.

Variations in contract work and claims related thereto are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred if it is probable that it will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

n. Basic and Diluted Earnings (Loss) Per Share

The basic earnings (loss) per share is calculated on the basis of net earnings (loss) attributable to the owners of the parent divided by the weighted average number of common shares outstanding during the year. The diluted share amount is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares.

o. Inventory

Inventory consists of raw materials and is stated at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis. Cost includes all direct costs associated with the inventory. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

p. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, where applicable, borrowing costs and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Company reviews residual values and remaining useful lives are updated as required at least annually.

Depreciation is calculated on a straight line basis to write down the cost less estimated residual value over the anticipated useful lives of the assets as follows:

Buildings	20 years
Field equipment	3 to 5 years
Computer hardware	3 years
Office furniture and equipment	5 years
Paving	15 years
Vehicles	3 years
Leasehold improvements	Over term of lease

In the case of assets under finance leases expected useful lives are determined by reference to comparable owned assets or over the lease term, if shorter.

Depreciation is included in administrative expenses of the consolidated statement of comprehensive income.

q. Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment. They are amortized on a straight-line basis over their remaining estimated useful lives as these assets are considered finite.

The following useful lives are applied:

Patents	17 years
Trademarks	25 years
Technology	3 years
Customer lists	5 years
Software	5 years

Amortization is included in administrative expenses of the consolidated statement of comprehensive income.

r. Impairment Testing of Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable revenue streams (cash generating units).

The recoverable amount is the higher of fair value less selling costs and value in use. 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 the 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 of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income (loss). Impairment losses for cash-generating units are charged pro rata to the assets in the cash generating units.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income (loss).

s. Goodwill

Goodwill is not amortized but it is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or a group of cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. The recoverable amount is the greater of its value in use and its fair value less costs to sell, generally determined using a discounted cash flow model. An impairment loss recognized for goodwill is not reversed in a subsequent period, even if future value suggests that goodwill has been recovered.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss.

t. Research and Development Costs

Research costs are expensed as they are incurred. Research costs incurred pursuant to specific contracts with third parties for which the Company is obligated to deliver a product are charged to cost of sales. Research costs incurred pursuant to research activities that do not involve sales contracts with third parties are expensed in the year incurred.

Development costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet the following recognition requirements:

- The development costs can be measured reliably
- The project is technically and commercially feasible
- The Company intends to and has sufficient resources to complete the project
- The Company has the ability to use or sell the product or equipment
- The product or equipment will generate probable future economic benefits

Development costs not meeting these criteria for capitalization are expensed as incurred.

u. Investment Tax Credits

Investment tax credits are accounted for under the cost reduction method whereby they are netted against the research and development costs and the cost of the property, plant and equipment to which they relate. Investment tax credits are recorded when the Company has incurred qualifying expenditures and there is reasonable assurance the tax credit will be realized.

v. Provisions and Contingent Liabilities

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the the present obligation at the end of the reporting period.

Provisions are measured at the present value of the expected expenditures to settle the obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation, and when the effect of the time value of money is material, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision during the period to reflect the passage of time is recognized as finance costs.

Provisions for warranty are established based on management's best estimates as to the amounts that could be disbursed based on contract terms, and are typically a percentage of the sales or contract price. Relevant disbursements made by the Company are accounted for by reducing the associated provision when the claim from the customer is deemed relevant, in accordance with the contract terms and conditions.

Contingent liabilities represent a possible obligation to the Company arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

w. Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease.

An operating lease is a lease in which a significant portion of the risks and rewards of ownership are retained by the lessor. Payments under an operating lease are recognized as an expense on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments plus incidental payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance cost and the liability. The finance charge is recognized in profit or loss within finance costs and is allocated to

each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

x. Income Taxes

Income tax expense comprises both current and deferred tax, which is recognized in earnings except to the extent it relates to items recognized directly in shareholders' equity. When it relates to the latter, the income tax is recognized directly in shareholders' equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or deductible, and is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting year.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Current income tax liabilities are established where appropriate on the basis of amounts expected to be paid to the taxing authorities.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax is calculated, without discounting, using tax rates and laws enacted or substantially enacted at the reporting date in Canada, and which are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. Deferred tax liabilities are always provided for in full.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off the recognized amounts and the deferred taxes relate to the same taxable entity and the same taxation authority.

y. Equity

Share Capital

Share capital represents the amount received for shares issued. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from share capital, net of any tax effects.

If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus.

Contributed Surplus

Contributed surplus includes charges related to share options and warrants. When share options are exercised, the related compensation cost is transferred to share capital.

Retained Earnings

Retained earnings include all current and prior period retained profits.

z. Share-Based Payments

The Company offers a share option plan to directors, executive officers, key employees and consultants who provide services to the company.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of goods and services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

The fair value at the grant date of share options is determined using the Black-Scholes pricing model and is recognized in the consolidated income statement as a compensation expense using a graded vesting schedule over the vesting period, based on the company's estimate of the number of shares which will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. Any impact arising from revision of the original estimates is recognized in the income statement such that the cumulative compensation expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different from those estimated on vesting.

Any consideration received by the Company upon the exercise of stock options is credited to share capital and the share options reserve component resulting from share-based payment is transferred from contributed surplus to share capital upon the issuance of shares.

aa. Pension Benefit Plans

The Company maintains a defined contribution pension plan for employees in which the Company matches on a dollar for dollar basis contributions (up to a maximum of from 2-5% of salary, as determined by a formula reflecting an individual's length of tenure and age) made by employees into a registered plan managed by a third-party fund manager. There was no unfunded pension plan liability as at September 30, 2013.

bb. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Company has determined that there is currently only one operating segment.

cc. New Standards and Interpretations Issued but not yet effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

i. IFRS 9 'Financial Instruments' (IFRS 9)

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities and the chapter on hedge accounting have been issued. The chapter dealing with impairment methodology is still being developed. In November 2012, the IASB published an exposure draft in order to make limited modifications to IFRS 9's financial asset classification model to address application issues. In addition, in November 2013, the IASB decided to defer, to a date to be announced, the implementation of IFRS 9. The Company's management has yet to assess the impact of this new standard on its consolidated financial statements. However, Management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

ii. Consolidation standards

A package of new consolidation standards is effective for annual periods beginning or after January 1, 2013. Information on these new standards is presented below. Management has not yet completed its assessment of the impact of these new and revised standards on the Company's consolidated financial statements.

IFRS 10 'Consolidated Financial Statements' (IFRS 10)

IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation - Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Company's existing investees.

IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

iii. IFRS 13 'Fair Value Measurement' (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Management's provisional analysis is that IFRS 13 will not change its valuation methodologies.

3. Business Acquisition - Reverse Takeover

On November 16, 2012, the Company completed its acquisition of all of the issued and outstanding common shares of WESA, following which the two companies were amalgamated. Prior to completion of the transaction, the Company changed its name from Seprotech Systems Incorporated ("Seprotech") to BluMetric Environmental Inc. and consolidated its common shares on a ten to one basis. Pursuant to the acquisition agreement, in exchange for obtaining all of the issued and outstanding common shares of WESA, the Company issued 14,157,433 common shares (post-consolidation) to the former shareholders of WESA as well as 2,831,325 Series 1 Special Shares (see Note 17). This represents approximately 71.8% of the combined entity's ownership. As a result, WESA has been identified as the accounting acquirer and the transaction a reverse takeover ("RTO").

In accordance with IFRS 3, "Business Combinations" the transaction is a reverse takeover of an operating company, Seprotech management having determined that the definition of a business under the standard has been met. The resulting financial statements are presented as a continuance of WESA (accounting acquirer), and comparative figures presented in the financial statements are those of WESA. The results of Seprotech's operations have been included in the Company's financial statements from the closing date of November 16, 2012 and going forward.

The fair value of the deemed consideration transferred in the RTO is equivalent to the fair value of the 6,644,692 Seprotech common shares controlled by the original Seprotech shareholders. The fair value of the Seprotech common shares were estimated to be \$2,325,642 based on a fair market value of \$0.35 per share, being the closing market price on the last day before trading was halted following announcement of the RTO.

The following table describes management's determination of purchase price allocation over the fair value of Seprotech's net tangible and intangible assets acquired upon completion of the RTO on November 16, 2012.

Consideration deemed transferred		\$ 2,325,642
<u>Assets acquired</u>		
Cash	\$ 123,732	
Accounts receivable	911,794	
Inventories	20,640	
Unbilled revenues	486,543	
Prepaid expenses	131,114	
Investment tax credit recoverable	35,000	
Property, plant and equipment	139,184	
Intangible assets	1,318,266	
	<u>\$ 3,166,273</u>	
<u>Liabilities assumed:</u>		
Bank indebtedness	\$ 490,570	
Trade and other payables	2,400,051	
Deferred revenue	223,369	
Note, loans payable and secured debenture	1,071,454	
Obligation under finance lease	21,469	
Long term debt	958,285	
	<u>\$ 5,165,198</u>	
Net identifiable assets acquired		(1,998,925)
Goodwill		<u>\$ 4,324,567</u>

The Goodwill of \$4,324,567 comprises the value of the expected synergies arising from the acquisition, which is not separately recognized. None of the goodwill recognized is expected to be deductible for income tax purposes.

If the reverse takeover transaction had occurred on September 1, 2012, revenue for the Company would have been \$33,450,991 and net loss would have been \$2,554,294.

4. Accounts Receivable

	<u>September 30,</u> <u>2013</u>	<u>August 31,</u> <u>2012</u>
Trade receivables	\$ 7,475,254	\$ 6,644,260
Other receivables	144,867	601,302
Allowance for doubtful accounts (Note 25)	<u>(415,965)</u>	<u>(187,678)</u>
	<u>\$ 7,204,156</u>	<u>\$ 7,057,884</u>

All of the Company's trade and other receivables have been reviewed for indications of impairment. An allowance for doubtful accounts has been established for any trade receivable found to be impaired.

5. Inventory

	September 30, 2013	August 31, 2012
Raw materials	\$ 16,308	\$ -
Inventory provision	(2,408)	-
	\$ 13,900	\$ -

During the thirteen months ended September 30, 2013, \$4,432 of inventory was recognized in cost of goods sold (2012 - \$nil).

6. Property, Plant & Equipment

All of the Company's property, plant and equipment are pledged as security for the bank loans and secured debenture. Accordingly, there are restrictions on the title of such assets.

	Land	Buildings	Computer hardware	Field equipment	Office furniture & equipment	Leasehold improvements	Paving	Vehicles	Total
Cost									
Balance at September 1, 2012	282,873	2,052,561	1,831,549	314,266	612,677	379,631	43,726	249,457	5,766,740
Additions	-	-	95,611	19,085	81,579	302,337	-	-	498,612
Additions from reverse takeover	-	-	22,707	83,661	32,816	-	-	-	139,184
Disposals	-	-	(6,542)	-	(773)	-	-	-	(7,315)
Balance at September 30, 2013	282,873	2,052,561	1,943,325	417,012	726,299	681,968	43,726	249,457	6,397,221
Accumulated Depreciation									
Balance at September 1, 2012	-	892,318	1,544,681	209,774	494,337	329,431	24,045	106,149	3,600,735
Depreciation	-	170,956	147,108	38,448	31,108	49,998	4,149	32,811	474,578
Disposals	-	-	(6,058)	-	-	-	-	-	(6,058)
Balance at September 30, 2013	-	1,063,274	1,685,731	248,222	525,445	379,429	28,194	138,960	4,069,255
Net book value at September 30, 2013	282,873	989,287	257,594	168,790	200,854	302,539	15,532	110,497	2,327,966

	Land	Buildings	Computer hardware	Field equipment	Office furniture & equipment	Leasehold improvements	Paving	Vehicles	Total
Cost									
Balance at December 1, 2011	282,873	2,039,308	1,761,155	286,098	597,098	342,727	43,726	161,776	5,514,761
Additions	-	13,253	70,394	28,168	15,579	36,904	-	132,633	296,931
Disposals	-	-	-	-	-	-	-	(44,952)	(44,952)
Balance at August 31, 2012	282,873	2,052,561	1,831,549	314,266	612,677	379,631	43,726	249,457	5,766,740
Accumulated Depreciation									
Balance at December 1, 2011	-	788,976	1,451,237	194,080	488,568	317,994	21,172	128,439	3,390,466
Depreciation	-	103,342	93,444	15,694	5,769	11,437	2,873	14,406	246,965
Disposals	-	-	-	-	-	-	-	(36,696)	(36,696)
Balance at August 31, 2012	-	892,318	1,544,681	209,774	494,337	329,431	24,045	106,149	3,600,735
Net book value at August 31, 2012	282,873	1,160,243	286,868	104,492	118,340	50,200	19,681	143,308	2,166,005

7. Intangible Assets

All of the Company's intangible assets are pledged as security for the bank loans and convertible debenture. Accordingly, there are restrictions on the title of such assets.

During the thirteen month period ended September 30, 2013, the Company received notification that technology it was developing for waste water treatment was not patentable. All remaining capitalized costs related to this initiative were written off, resulting in an impairment loss of \$81,838.

	Computer			Technology	Customer	
	Trademarks	Software	Patents		Lists	Total
Cost						
Balance at September 1, 2012	46,700	605,207	-	-	-	651,907
Additions	26,195	257,663	6,160	-	30,000	320,018
Additions through reverse takeover	158,501	10,742	119,457	258,416	771,150	1,318,266
Impairment	(8,415)	-	(74,762)	-	-	(83,177)
Balance at September 30, 2013	222,981	873,612	50,855	258,416	801,150	2,207,014
Accumulated Amortization						
Balance at September 1, 2012	19,233	402,807	-	-	-	422,040
Amortization	19,016	83,256	10,299	43,067	132,933	288,571
Impairment	(1,339)	-	-	-	-	(1,339)
Balance at September 30, 2013	36,910	486,063	10,299	43,067	132,933	709,272
Net book value at September 30, 2013	186,071	387,549	40,556	215,349	668,217	1,497,740

	Computer			Technology	Customer	
	Trademarks	Software	Patents		Lists	Total
Cost						
Balance at December 1, 2011	35,469	539,890	-	-	-	575,359
Additions	11,231	65,317	-	-	-	76,548
Balance at August 31, 2013	46,700	605,207	-	-	-	651,907
Accumulated Depreciation						
Balance at December 1, 2011	17,275	361,497	-	-	-	378,772
Amortization	1,958	41,310	-	-	-	43,268
Balance at August 31, 2013	19,233	402,807	-	-	-	422,040
Net book value at August 31, 2013	27,467	202,400	-	-	-	229,867

8. Investments Accounted for using the Equity Method and Long-term Investments

As at December 1, 2010, the Company had a 50% interest in Wasdell Falls Power Corporation, a jointly controlled entity involved in the business of developing a hydroelectric power generation project in the region of the Wasdell Falls dam. During the year ended November 30, 2011, the Company entered into an agreement to sell its interest in Wasdell Falls Power Corporation. The sale involves three transaction steps, the last of which has not yet occurred. Total consideration is to be \$465,455, plus 1,500,000 common shares of Coastal Hydro Corporation, a privately owned company. To date, the purchasers have paid \$332,776 in connection with the agreement in exchange for one half of the Company's interest in Wasdell Falls Power Corporation. The Company revalued their remaining 25% interest in Wasdell Falls Power Corporation at a fair value of \$411,478, based on an observed equivalent cash transaction. As a

result, the Company recognized a gain on the sale of one half of their interests in the joint venture of \$422,853 during the year ended November 30, 2011.

The final step of the transaction will occur once Wasdell Falls Power Corporation has achieved the commencement of operations. At this time, the Company will receive the remaining cash and common shares of Coastal Hydro Corporation in exchange for their remaining interests in Wasdell Falls Power Corporation.

The Company's investment in Wasdell Falls Power Corporation is accounted for under the equity method. Wasdell Falls Power Corporation has not yet generated any revenues or expenses. Accordingly, there is no income recorded in these financial statements.

	September 30, 2013	August 31, 2012
	<u>\$</u>	<u>\$</u>
<u>Investments subject to significant influence</u>		
Class A Common shares of Wasdell Falls Power Corporation (377,501 at August 31, 2012 and November 30, 2011)	411,478	411,478
<u>Long term investments</u>		
17,828 Class A shares of Canzone Limited	11,085	11,085

9. Goodwill

	September 30, 2013	August 31, 2012
Opening Balance	1,592,095	1,592,095
Reverse takeover of Seprotech (Note 3)	4,324,567	-
Balance at September 30, 2013	<u>\$ 5,916,662</u>	<u>\$ 1,592,095</u>

For the purpose of annual impairment testing performed in the final quarter of each year, goodwill is allocated to the following CGU groups, which are the groups of units expected to benefit from the synergies of the business combinations:

	September 30, 2013	August 31, 2012
Professional Services	1,592,095	1,592,095
Design/Build Services	4,324,567	-
Balance at September 30, 2013	<u>\$ 5,916,662</u>	<u>\$ 1,592,095</u>

The recoverable amount of each CGU group has been determined based on a value in use calculation using cash flow projections from the annual financial budgets approved by senior management and the

Board of Directors followed by an extrapolation over four further years. The pre-tax discount rate applied to cash flow projections for each CGU is 15.0% (2012: 15%) and cash flows are extrapolated using a 2.0% growth rate (2012: 2.0%).

The calculation of value in use for the Professional Services CGU is most sensitive to the following assumptions:

- Gross margins
- Discount rates
- Growth rates used

Gross margins – Gross margins are based on average values achieved in the years preceding the beginning of the budget period. There have been no increases reflected for anticipated efficiency improvements.

Discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors.

Growth rates – Growth rates used by management are similar to the rate of inflation in Canada.

The fair value of each CGU group was higher than its carrying amount, resulting in no impairment being identified as part of the annual impairment test as at September 30, 2013 and August 31, 2012.

10. Credit Facilities and Bank Indebtedness

As at September 30, 2013, short-term bank credit facilities consisted of an operating line of credit in the amount of \$2,000,000 (2012 - \$2,400,000) and a separate facility specifically for issuing client project-related letters of credit in the amount of \$500,000 (2012 - \$500,000). On August 27, 2012, the Company's bank increased the limit of the operating line of credit to \$2,900,000 for a period of 90 days. The line of credit carries a floating rate of interest of prime plus 0.5%, is payable on demand and is secured by a general security agreement over the Company's assets.

At September 30, 2013 letters of credit totalling U.S. \$56,000 (2012 - U.S. \$485,862) were secured by the separate facility at the same date.

	September 30, 2013	August 31, 2012
Line of credit	\$ 1,520,000	\$ 2,780,000
Bank indebtedness (cash on hand, net of outstanding items)	1,258,471	259,471
	<u>\$ 2,778,471</u>	<u>\$ 3,039,471</u>

The Company has certain covenants in accordance with its banking agreement which include maintaining a debt to service ratio in excess of 1.2:1 and maintaining, on a quarterly basis, a

minimum tangible net worth of \$2.4 million. As at September 30, 2013, the Company is in default of the tangible net worth covenant (see Note 2(b) – Going Concern).

11. Accounts Payable and Accrued Liabilities

	<u>September 30, 2013</u>	<u>August 31, 2012</u>
Trade payables	\$ 3,907,579	\$ 2,287,690
Salaries and benefits payable	664,939	388,645
Other accrued liabilities and payables	<u>1,658,158</u>	<u>757,365</u>
	<u>\$ 6,230,676</u>	<u>\$ 3,433,700</u>

Provisions in the amount of \$21,012 (Aug 31, 2012 - \$nil) are included in other accrued liabilities and payables and are entirely with respect to product warranty provisions.

As at September 30, 2013, other accrued liabilities and payables includes amounts owing to key management personnel of \$398,162 (August 31, 2012 - \$ 441,627).

12. Note and Other Loans Payable

Note Payable

On December 6, 2007 the assets of PJ Hannah Equipment Corp. (“PJH”) were acquired. This acquisition was partially financed by the issuance of a \$400,000 note bearing interest at 4% per annum, compounded semi-annually, repayable in four equal, annual installments of principal and interest. The promissory note does not have a specific maturity date. The obligation has been reduced by \$175,680 pertaining to SR&ED refunds received by the seller. Payments under the promissory note ceased following a dispute with PJH. At year end, the Company was in default of the repayment terms of this promissory note (see also Note 27, Contingencies).

Bridge Financing

On November 29, 2011 BluMetric arranged bridge financing with a director of the Company of potentially up to \$200,000, with an interest rate of 7% payable monthly in arrears, and maturing February 27, 2012. The facility was extended to April 30, 2013, subsequent to which it has continued on an interest only (7%) month to month basis.

	<u>September 30, 2013</u>	<u>August 31, 2012</u>
Note payable	\$ 224,320	\$ -
Bridge financing	<u>113,651</u>	<u>-</u>
	<u>\$ 337,971</u>	<u>\$ -</u>

As part of the RTO, the Company assumed a secured debenture of \$147,133, which was fully repaid in April 2013.

13. Obligations Under Finance Leases

The finance lease for office equipment is repayable in quarterly installments of principal and interest of \$2,845, bearing imputed interest of 5.25% per annum, and is due to be repaid in October 2014.

A new finance lease for field equipment was signed March 1, 2013 over 48 months, repayable in monthly installments of principal and interest of \$330, bearing interest of 29% per annum.

All finance leases are secured by the underlying equipment. As at September 30, 2013, the net carrying amount of equipment under finance lease is \$26,738 and is included as part of office furniture and equipment. There were no finance leases as at August 31, 2012.

	Future Minimum Lease Payments	Finance Charges	Present Value of Minimum Lease Payments
September 30, 2013			
Less than one year	\$ 15,203	\$ 947	\$ 14,256
Between one and five years	9,919	1,459	8,460
More than five years	-	-	-
Total obligation under finance lease	<u>\$ 25,122</u>	<u>\$ 2,406</u>	<u>\$ 22,716</u>

14. Convertible Debenture

On June 27, 2013 the Company completed the private placement of 1,430 unsecured convertible debenture units (the "Units"), for gross proceeds of \$1,430,000. Each Unit of the Offering comprises a C\$1,000 convertible debenture (the "Convertible Debentures") and 1,666 one-half common share purchase warrant (each whole warrant, a "Warrant").

The Convertible Debentures are convertible, at the option of the subscriber, at any time prior to the maturity date, into common shares of the Company ("Common Shares") at a conversion price of C\$0.60 per Common Share representing a conversion rate of approximately 1,666 Common Shares per C\$1,000 in principal amount of the Convertible Debentures. Holders of the Convertible Debentures also have the option to receive interest payments in cash or, subject to the approval of the TSX Venture Exchange, Common Shares based on the 20-day volume weighted average price, which will not be lower than the Discounted Market Price of the Common Shares (as defined in the TSX Venture Manual), at the time of payment. The Convertible Debentures mature three years from the Closing, and bear interest at a rate of 9% per annum, calculated from date of issue, semi-annually in arrears and compounded annually.

Each Warrant entitles the holder to purchase one Common Share at an exercise price of C\$0.75 per Common Share for a period of two years from the Closing. The Common Shares underlying the Convertible Debentures and the Warrants are subject to a four-month hold period from the date of Closing and the Common Shares issued in respect of the interest payments if any, are subject to a four-month hold period from the date of issue.

The Convertible Debentures were determined to be a compound instrument. The initial carrying amount of the financial liability was determined to be \$1,234,099 and was based on the fair value of the future interest and principal payments. The residual amount of \$195,901 has been classified as equity. The Convertible Debentures, net of the equity component and issue costs of \$148,533 are accreted using an effective interest rate of 15% over their term, such that the carrying amount will equal the total face value at maturity.

15. Long-Term-Debt

	September 30, 2013	August 31, 2012
Bank loan, bearing interest at prime plus 0.50%, repayable in monthly principal instalments of \$4,542 plus interest, due March 2017, secured by a collateral mortgage on building with a carrying value of \$534,985 and an unlimited guarantee from a related company.	\$ 190,750	\$ 249,792
Bank loan, bearing interest at prime plus 0.75%, repayable in monthly principal instalments of \$3,022 plus interest, due April 2023, secured by a charge on building with a carrying value of \$452,638.	347,556	386,845
Bank loan, bearing interest at prime plus 0.75%, repayable in monthly principal instalments of \$1,611 plus interest, due March 2023, secured by a charge on building with a carrying value of \$233,010	183,667	204,611
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of \$3,325 plus interest, due December 2014, secured by a general security agreement.	49,877	93,103
Bank loan, bearing interest at prime plus 1% per annum, payable in monthly principal instalments of \$1,716 plus interest, due June 2016, secured by a general security agreement.	56,614	78,917
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of \$1,763 plus interest, due November 2015, secured by a general security agreement.	45,836	68,754
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of \$2,178 plus interest, due November 2016, secured by a general security agreement.	82,779	111,098
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of \$1,992 plus interest, due July 2017, secured by a general security agreement.	91,651	117,553
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of \$9,896 plus interest, due March 2017, secured by a general security agreement. ⁽¹⁾	415,625	-
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of \$2,693 plus interest, due April 2018, secured by a general security agreement. ⁽²⁾	150,827	-
Ford Credit loan, bearing interest at prime, payable in monthly instalments of \$3,190, due May 2016 and secured by a general security agreement.	85,286	126,758
Restructured trade debt ⁽³⁾	817,135	-
Total	2,517,603	1,437,431
Current portion of long-term debt	1,928,828	279,975
Long-term portion of long-term debt	\$ 588,775	\$ 1,157,456

- (1) During the period ended September 30, 2013, the Company drew down a capital funding facility provided by the Toronto-Dominion Bank. Under this facility the bank will fund up to 75% of the cost of capital purchases and/or improvements made by the Company.
- (2) On March 8, 2013 the Toronto-Dominion Bank paid out the syndicate of Credit Unions (led by Unity Savings & Loan) by providing the Company with a four-year term loan.
- (3) On November 15, 2012, the Company reached agreement with a number of creditors with respect to repayment terms for outstanding amounts payable, in the aggregate amount of \$958,285. Of this amount, \$666,771 is owed to related parties. The agreement requires the Company to repay this amount on a monthly basis, with blended payments of \$22,947 principal and interest at 7% per annum such that repayment in full will be effected in four years. A gain on restructuring was recognized in the thirteen month period ended September 30, 2013 of \$133,754. Effective March 1, 2013, payments were suspended and the outstanding balances have been postponed in favour of the Company's bank.

At September 30, 2013, the Company is in default of one of its debt covenants (see Note 10), which has triggered a cross default on its bank loans. Consequently, the long term debt portion attributable to these loans has been reclassified to current liabilities.

16. Due to Shareholders

These amounts are non-interest bearing. As the timing of repayment is at the discretion of the Board of Directors, the amounts have been excluded from current liabilities. These loans are not collateralized by any assets of the Company.

17. Shareholders' Equity

Share Capital

Authorized

Common Shares

The Company is authorized to issue an unlimited number of Common Shares. The holders of the Company's Common Shares are entitled to dividends as and when declared by the board of directors of the Company, to one vote per share at meetings of shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares.

Special Shares

The Company is authorized to issue an unlimited number of Special Shares, issuable in series, of which 2,831,325 Series 1 Special Shares were designated pursuant to the share exchange agreement dated September 20, 2012, and subsequently issued in connection with the RTO. On July 2, 2013 the 2,831,325 Series 1 Special Shares were converted into 2,831,325 Common Shares of the Company.

Share Consolidation

Following the approval of its shareholders on September 21, 2012 and in conjunction with the RTO, the Company effected a ten to one consolidation of its common shares. The consolidated financial statements have been adjusted to reflect the share consolidation.

Private Placement

On November 16, 2012, concurrent with closing the RTO, the Company completed a brokered private placement of 1,558,206 common shares for gross proceeds of \$1,044,000.

Share Options

Seprotech (legal acquirer) established a share option plan available to directors, officers, key employees and consultants which has been taken over by the Company. The options were granted at the greater of the then current fair market value of the common shares of the Company and the \$0.10 per share minimum required by the TSX Venture Exchange regulations, under terms and conditions determined by the Board of Directors. Upon closing the RTO, outstanding options were also consolidated on a ten to one basis. As at September 30, 2013, 455,667 options were outstanding, and the maximum number of options issuable under the plan was 3,200,000, which amount was approved by shareholders and by the TSX Venture Exchange. Options granted under the plan carry a five-year life and typically vest over a three-year period. No options were granted during the thirteen month fiscal period ended September 30, 2013.

Activity in the share option plan is summarised as follows:

	Options #	Weighted Average Exercise Price \$
Options outstanding, August 31, 2012	-	-
Assumed in the reverse takeover	498,000	\$1.13
Exercised	-	-
Expired	41,500	\$2.60
Forfeited	833	\$1.00
Options outstanding, September 30, 2013	455,667	\$1.00

A summary of share options outstanding at September 30, 2013 is as follows:

Total Outstanding		Total Exercisable	
Number of Options	Weighted Average Exercise price	Number of Options	Weighted Average Exercise price
245,667	\$1.00	234,341	\$1.00
160,000	\$1.00	-	-
50,000	\$1.00	-	-
455,667	\$1.00	234,341	\$1.00

Share-Based Compensation

The fair value of employee share options granted is recognized as compensation cost. During the thirteen month fiscal period ended September 30, 2013 and the nine month fiscal period ended August 31, 2012 no employee share options were granted.

During the thirteen months ended September 30, 2013, the Company recognized \$27,146 in compensation expense related to the vesting of previously granted stock options.

Warrants

On November 16, 2012 BluMetric issued 66,184 broker compensation warrants in connection with the private placement of 1,558,206 common shares. Each warrant is exercisable into one common share of the Company, at a price of \$0.67 per share, until November 16, 2014. The fair value of these warrants was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: share price on date of grant - \$0.35; dividend yield – 0%; volatility of 120% based on the historical weekly volatility of the Company’s common shares over a 2 year period; risk free interest rate 2 %; and an expected life of 2 years. The resulting fair value of the warrants was estimated as \$11,251. The value of these warrants has been reflected in these financial statements as a reduction in proceeds from the issuance of share capital.

On June 27, 2013 BluMetric issued 131,875 broker compensation warrants in connection with the private placement of 1,430,000 unsecured convertible debenture units. Each warrant is exercisable into one common share of the Company, at a price of \$0.60 per share, until June 27, 2015. The fair value of these warrants was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: share price on date of grant - \$0.40; dividend yield – 0%; volatility of 116% based on the historical daily volatility of the Company’s common shares between October 1, 2011 and September 30, 2013; risk free interest rate – 2%; and an expected life of 2 years. The resulting fair value of the warrants was estimated as \$26,375. The value of these warrants has been reflected in these financial as a reduction in the proceeds from the issuance of both the debt and equity components of the debenture.

There has been no activity related to these warrants since their issuance and they remain unexercised at year end.

18. Income Taxes

Income tax expense recognized in the Statements of Comprehensive Income consists of the following components:

	Thirteen Months Ended September 31 2013 \$	Nine Months Ended August 31 2012 \$
<u>Current income tax expense (recovery)</u>		
Current year	(11,725)	71,070
Over provided in prior years	-	(16,161)
	<u>(11,725)</u>	<u>54,909</u>

Deferred income tax expense (recovery)

Origination and reversal of timing differences	(27,740)	(50,089)
Total	(39,465)	4,820

The provision for income taxes differs from the result that would be obtained by applying the combined Canadian federal and provincial statutory income tax rates to income before taxes. The reconciliation between the statutory income tax rate and the Company's effective tax rate of income tax is as follows:

	Thirteen Months Ended September 31, 2013 \$	Nine Months Ended August 31, 2012 \$
Loss before tax	(2,355,717)	(109,284)
Statutory tax rate	27.42%	27.42%
Expected tax expense	(645,938)	(29,966)
Rate differences	(8,724)	(1,749)
Changes in temporary differences	546,674	-
Non-taxable income / non-deductible expenses	71,085	46,236
Prior period adjustments	(2,562)	(16,162)
Other	-	6,461
Total tax expense	(39,465)	4,820
Effective income tax rate	(1.68)%	(4.41)%

The following is a reconciliation of the deferred income tax assets and liabilities recognized by the Company:

	Opening Balance, August 31, 2012	Recognized in Income	Equity Component	Ending Balance, September 31, 2013
Property, plant and equipment	(23,679)	270,790		247,111
Operating losses	19,862	(19,862)		-
Deferred charges	59,832	(229,982)		(170,150)
Investment tax credits	(18,895)	18,895		-
Investments	(14,403)	(10,097)		(24,500)
Transitional debit	(2,468)	2,468		-
Transitional credit	5,727	(5,727)		-
Others	-	1,255	(53,716)	(52,461)
Total liability	25,976	(27,740)	(53,716)	-

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	Opening Balance, December 1, 2011	Recognized in Income	Ending Balance, August 31, 2012
Property, plant and equipment	(27,431)	3,752	(23,679)
Operating losses	1,577	18,285	19,862
Deferred charges	56,205	2,627	58,832
Investment tax credits	(43,574)	24,679	(18,895)
Investments	(14,403)	-	(14,403)
Transitional debit	(4,000)	1,532	(2,468)
Transitional credit	9,188	(3,461)	5,727
Others	(1,674)	1,674	-
Total asset (liability)	<u>(24,112)</u>	<u>50,088</u>	<u>25,976</u>

	September 31	August 31
	2013	2012
	\$	\$
Deferred tax asset	-	55,474
Deferred tax liability	-	(29,498)
Net deferred tax asset (liability)	<u>-</u>	<u>25,976</u>

As at September 30, 2013, the Company has \$10,600,037 (2012 - \$nil) of timing differences for which no deferred tax asset has been recognized as follows:

	2013
Property, plant and equipment	\$ 1,100,104
Operating losses	7,114,693
Transitional credit	55,290
Research and development expenses	2,292,781
Reserves	23,420
Financing costs	13,750
	<u>\$ 10,600,038</u>

The Company has the following non-capital losses for which no deferred tax asset has been recognized. These losses are available to reduce income taxes in future periods and can be carried over the following years:

2033	\$	1,434,578
2032		78,399
2031		576,315
2030		779,798
2029		472,337
2028		111,680
2027		2,722,896
2026		-
2025		437,145
2024		-
2023		<u>501,545</u>
	\$	<u>7,114,693</u>

19. Information Included in Consolidated Statements of Comprehensive Income

	For the Thirteen Months Ended September 30, 2013	For the Nine Months Ended August 31, 2012
<u>Employee Benefit Expenses</u>		
Wages, salaries and short term benefits	14,417,995	7,752,608
Share based compensation cost	27,146	-
Pensions - defined contribution plans	355,529	337,497
Employee group benefit expense	623,255	201,557
	<u>15,423,925</u>	<u>8,291,662</u>
<u>Finance Costs</u>		
Interest on convertible debentures	57,882	-
Interest on debt restructuring	98,466	-
Interest on bank loans	120,866	35,828
Other interest and financial expense	80,721	31,802
Interest income	(691)	(2,486)
	<u>357,244</u>	<u>65,144</u>
<u>Other elements of expenses</u>		
Depreciation of property, plant and equipment	474,578	246,965
Amortization of intangible assets	288,571	43,268
Foreign exchange	15,101	(21,222)

20. Changes in Working Capital Balances

	For the Thirteen Months Ended September 30, 2013	For the Nine Months Ended August 31, 2012
Accounts receivable	\$ 765,522	\$ (2,352,172)
Unbilled revenues	591,175	44,570
Inventory	6,740	-
Prepaid expenses	64,739	(16,330)
Investment tax credits	5,999	440,170
Accounts payable and accrued liabilities	269,425	(528,278)
Deferred revenue	<u>(271,497)</u>	<u>145,893</u>
Total financial liabilities at amortized cost	<u>\$ 1,432,103</u>	<u>\$ (2,266,147)</u>

21. Earnings per Share

As a result of the net loss attributable to the owners of the parent of \$2,316,252 reported for the thirteen month period ended September 30, 2013 and the net loss attributable to the owners of the parent of \$125,865 for the nine months ended August 31, 2012, outstanding options and warrants were not included in the computation of diluted loss per share because to have done so would have been anti-dilutive.

22. Commitments

Future payments required under operating leases that have initial or remaining lease terms in excess of one year at September 30, 2013 are as follows:

	Premises	Equipment	Total
	\$	\$	\$
< 1 year	472,664	34,256	506,920
1 - 5 years	417,078	-	417,078
> 5 years	-	-	-
	<u>889,742</u>	<u>34,256</u>	<u>923,998</u>

The operating leases relate to equipment leases and leases related to properties occupied by the Company. There are no options to purchase the property at the expiry of the lease period.

Lease payments recognized as an expense for rental of premises and equipment for the thirteen months ended September 30, 2013 were \$588,329 and \$110,496 (total \$698,825) respectively and \$323,087 and \$69,057 (total \$392,144) for the nine months ended August 31, 2012.

23. Segmented Disclosure

Revenue

The Company currently operates under a single reportable segment consisting of the following revenue streams:

	<u>September 30, 2013</u>	<u>August 31, 2012</u>
Consulting services	\$ 21,410,154	\$ 14,841,651
Design/build services	10,139,040	1,803,950
	<u>\$ 31,549,194</u>	<u>\$ 16,645,601</u>

Geographical Segmentation

The Company operates in three principal geographical areas, Canada (Country of domicile), the United States and internationally, which represents wide distribution.

Sales reported by client location based on origin of purchase (i.e. domicile of contracting party, not final destination of equipment) are as follows.

	Thirteen months ending September 30, 2013			
	<u>Canada</u>	<u>Int'l</u>	<u>US</u>	<u>Total</u>
Revenue	28,412,835	2,202,366	933,993	31,549,194

	Nine months ending August 31, 2012			
	<u>Canada</u>	<u>Int'l</u>	<u>US</u>	<u>Total</u>
Revenue	14,355,757	2,207,378	82,466	16,645,601

Of total revenue for the thirteen months ended September 30, 2013, approximately 10% was derived from one client (2012 - 12% from one client). At the end of the fiscal period there was \$1,485,696 in accounts receivable from one client and \$446,383 from a second client.

The Company does not currently, or in the ordinary course of business, hold non-current assets outside of its domicile (Canada).

24. Related Party Transactions

All related party transactions are reflected under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at fair market value.

Compensation of Key Management Personnel

The remuneration of key management personnel during the period was as follows:

	Thirteen month period ended September 30, 2013	Nine month period ended August 31, 2012
Salaries and short-term benefits	\$921,588	\$646,171

25. Financial Instruments

Financial Assets and Financial Liabilities

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	September 30, 2013	August 31, 2012
	\$	\$
Accounts receivable	7,204,156	7,057,884
Total loans and receivables	7,204,156	7,057,884
Bank indebtedness	1,258,471	259,471
Credit facilities	1,520,000	2,780,000
Accounts payable and accrued liabilities	5,544,725	3,045,055
Note and loans payable	337,971	-
Debt	2,517,603	1,437,431
Convertible debenture	1,130,684	-
Due to shareholders	269,531	441,627
Contingent consideration	156,282	78,141
Total financial liabilities at amortized cost	\$ 12,735,267	\$ 8,041,725
Long term investments available for sale	11,085	11,085

Fair Value

The carrying amounts for accounts receivable, bank indebtedness, credit facilities, accounts payable and accrued liabilities, note and loans payable approximate fair value because of the short-term maturity of these instruments.

The fair values of obligations under long-term debt are determined by discounting future cash flows using rates that are implicit in the specific contracts. The carrying value approximates their fair value.

The fair value of amounts due to shareholders was \$234,375 at September 30, 2013 (\$384,000 at August 31, 2012), determined by discounting the amounts by the Company's borrowing rate over the expected payment term.

The fair values of the convertible debenture and the contingent consideration approximate their book values, determined by discounting the amounts by the Company's borrowing rate over the expected payment term.

Risk Management Objectives and Policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised below. The main types of risk are Credit Risk, Market Risk and Liquidity Risk.

The Company's risk management is co-ordinated in close cooperation with the board of directors, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The financial instrument that potentially exposes the Company to credit risk is accounts receivable.

The Company typically has a limited number of customers resulting in concentration of customers in revenue and receivables, as disclosed in Note 23.

The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its receivables in order to mitigate any possible credit losses. The allowance for doubtful accounts and past due receivables are reviewed by management at each reporting date. The Company updates its estimate of the allowance for doubtful accounts based on an examination of the aged accounts receivable listing, considering such factors as customer payment history, status of pending litigation and the current financial condition of the customers. Accounts receivable are written off once determined not to be collectible.

Accounts receivable disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable. There are no credit issue concerns regarding amounts due to the company which are current.

The Company's management considers that all financial assets which are not impaired or past due for each of the September 30, 2013 and August 31, 2012 reporting dates under review are of good credit quality.

Accounts receivable that are past due and present a potential credit risk are as follows:

	<u>September 30, 2013</u>	<u>August 31, 2012</u>
	\$	\$
Past due 61 to 90 days	471,056	1,381,915
Past due greater than 90 days	1,311,643	640,086
Allowance for doubtful accounts	(415,965)	(187,678)
	<u>1,366,734</u>	<u>1,834,323</u>

Of the past due accounts receivable greater than 90 days of \$1,311,643, none is contractually held back pending completion of certain customer terms and conditions.

The continuity of the allowance for doubtful accounts is as follows:

	<u>September 30, 2013</u>	<u>August 31, 2012</u>
	\$	\$
Opening balance	187,678	67,638
Bad debt expense provision	885,149	141,566
Accounts written off	(656,862)	(21,526)
Closing balance	<u>415,965</u>	<u>187,678</u>

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company currently settles all of its financial obligations out of cash and bank indebtedness. The ability to do so relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

The following table outlines the liquidity risk associated with the Company's payment obligations as at the periods ended September 30, 2013 and August 31, 2012 respectively.

	September 30, 2013					
	Total	In less than 3 months			Payment Due	
		months	4 - 12 Months	2 - 5 Years	Over 5 Years	
Credit facilities and bank loans	\$ 2,778,471	\$ 2,778,471	\$ -	\$ -	\$ -	\$ 2,778,471
Trade and other payables	5,544,725	4,287,262	1,257,463	-	-	5,544,725
Note, loans payable and secured debenture	337,971	337,971	-	-	-	337,971
Finance lease obligation	25,122	3,835	11,505	9,782	-	25,122
Long-term debt	\$ 2,785,152	\$ 205,606	\$ 603,774	\$ 1,610,218	\$ 365,554	2,785,152
Convertible debenture	1,620,199	32,175	96,525	128,700	1,362,799	1,620,199
Due to related party	269,531	-	269,531	-	-	269,531
Contingent consideration	156,282	-	-	156,282	-	156,282
	<u>\$ 13,517,453</u>	<u>\$ 7,645,320</u>	<u>\$ 2,238,798</u>	<u>\$ 1,904,982</u>	<u>\$ 1,728,353</u>	<u>\$ 13,517,453</u>

	August 31, 2012					
	Total	In less than 3 months			Payment Due	
		months	4 - 12 Months	2 - 5 Years	Over 5 Years	
Credit facilities and bank loans	\$ 3,039,471	\$ 3,039,471	\$ -	\$ -	\$ -	\$ 3,039,471
Trade and other payables	3,045,055	3,045,055	-	-	-	3,045,055
Long-term debt	\$ 1,624,201	\$ 82,922	\$ 245,140	\$ 816,300	\$ 479,839	1,624,201
Due to related party	441,627	-	441,627	-	-	441,627
Contingent consideration	78,141	-	-	78,141	-	78,141
	<u>\$ 8,228,495</u>	<u>\$ 6,167,448</u>	<u>\$ 686,767</u>	<u>\$ 894,441</u>	<u>\$ 479,839</u>	<u>\$ 8,228,495</u>

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in interest rates. At the end of the thirteen month period ended September 30, 2013 the Company had \$1,520,000 in outstanding revolving credit facilities and \$2,517,603 in long term debt which were floating rate obligations and \$337,971 in outstanding note and loans payable which was a fixed rate obligation. A 1% increase in interest rates at the reporting date would increase the net loss and reduce equity for the period by \$20,532.

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in currency exchange rates.

The Company operates internationally and is therefore subject to foreign currency risk as follows:

	September 30, 2013 CAD \$	September 30, 2013 US \$	August 31, 2012 CAD \$	August 31, 2012 US \$
Cash	(165,775)	(170,798)	98,741	97,526
Accounts receivable	1,083,293	1,116,117	29,547	29,184
Accounts payable	410,544	422,983	75,303	74,326

The Company incurs expenses and earns revenues in Canadian and U.S. dollars. To date the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure, but it endeavours to create natural hedges where there are opportunities to do so.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

A 10% strengthening of the US dollar against the Canadian dollar would have decreased the net loss and increased equity by \$ 52,234.

26. Contingencies

PJ Hannah Equipment Corp.

By Asset Purchase Agreement dated December 6, 2007, the Company acquired certain assets of PJH (see Note 12). A dispute has arisen between the vendor and the Company with respect to the terms of this purchase, and the post-closing conduct of the vendor with respect to several matters, most significantly the completion of jobs in progress at the time of closing. The matter is currently being addressed by correspondence through legal counsel. If the parties are unable to resolve their differences, the matter may be arbitrated. At this time, it does not appear that any material monetary claim will be advanced by the vendor as against the Company beyond enforcement of the terms of the Asset Purchase Agreement. The Company has a material monetary claim against the vendor for services rendered, in excess of the amounts provided for in the Asset Purchase Agreement. However, at this time, there can be no certainty that the Company will recover any of this amount from the vendor. As at September 30, 2013, amounts owing to the vendor and related companies exceed the Company's claim against the vendor.

OEL Hydrosys

During the year ended November 30, 2011, the Company acquired shares of their subsidiary, OEL Hydrosys, from one of the minority shareholders, increasing the Company's ownership in the subsidiary from 50% to 66.67%. The purchase consideration was \$97,372 in cash and a contingent payment based on achieving the final stage of the sale of the Company's remaining investment in Wasdell Falls Power Corporation (see Note 8). At the acquisition date, the fair value of the contingent consideration was determined to be \$78,141.

During the year ended September 30, 2013 and prior to the RTO described in Note 3, the Company acquired the remaining shares of this subsidiary, increasing the Company's ownership from 66.67% to 100%. The purchase consideration was \$127,500 in cash and a contingent payment based on the same criteria as above (based on achieving the final stage of the sale of the Company's remaining investment in Wasdel Falls Power Corporation). At the acquisition date, the fair value of the contingent consideration was determined to be \$78,141.

The fair value of the contingent consideration in both transactions was calculated using a discounted cash flow method based upon the likelihood and timing of the project becoming operational and a discount rate of 15%. The combined contingent consideration for the above two transactions at September 30, 2013 is \$156,282.

27. Capital Management

The Company's objective is to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business through organic growth and selective acquisitions. Management defines capital as comprising the Company's total shareholders' equity, credit facilities, note and loans payable, long term debt and the convertible debenture. In order to maintain or adjust its capital structure, the Company could issue new shares, or raise new debt. To date, no dividends have been paid to the Company's shareholders and none are planned.

The Company's goal is to achieve a debt to equity ratio not in excess of 2:1. There were no changes in the Company's approach to capital management during the year. The Company's view is that there was no increase in risk related to capital management during the thirteen month period ended September 30, 2013.

28. Subsequent Event

On October 11, 2013, the Company issued 1,724,400 options to purchase Common Shares to officers, directors, employees and consultants. The exercise price was \$0.50 per share, and with the exception of 275,000 shares to a consultant, have a term of 5 years. The majority of the options vest over 3 years; some vest immediately.