

Interim Consolidated Financial Statements

Three and Nine Month Periods
Ended June 30, 2014 and Three
and Nine Month Periods Ended
May 31, 2013

(expressed in Canadian Dollars)



Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the company have been prepared by, and are the responsibility of, the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Notice to Reader

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

	June 30, 2014	September 30, 2013
ASSETS		
Current assets		
Accounts receivable (Note 3)	4,607,599	7,204,156
Unbilled revenues	1,967,904	2,107,243
Inventories	1,549	13,900
Prepaid expenses	215,168	179,758
Investment tax credits recoverable	86,523	128,763
	6,878,743	9,633,820
Non-current assets		
Property, plant and equipment	2,733,110	2,327,966
Intangible assets	1,250,734	1,497,740
Investment accounted for using the equity method (Note 4)	391,876	411,478
Long term investment	11,085	11,085
Goodwill	5,916,662	5,916,662
Total assets	17,182,210	19,798,751
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 5)	161,085	1,258,471
Credit facilities (Note 5)	1,340,000	1,520,000
Accounts payable and accrued liabilities (Note 6)	5,413,635	6,230,676
Deferred revenue	151,073	131,087
Note and loans payable	344,079	337,971
Obligations under finance leases	3,379	14,256
Current portion of long-term debt (Note 7)	1,405,616	1,928,828
	8,818,867	11,421,289
Non-current liabilities		
Obligations under finance leases	5,934	8,460
Long-term debt (Note 7)	1,447,560	588,775
Convertible debenture	1,205,046	1,130,684
Due to shareholders	438,053	269,531
Contingent consideration	156,282	156,282
Total liabilities	12,071,742	13,575,021
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	4,629,424	4,629,424
Contributed surplus	331,308	186,606
Retained earnings	149,736	1,407,700
Total equity	5,110,468	6,223,730
	17,182,210	19,798,751

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

APPROVED BY THE BOARD

Roger Woeller, Director

Jordan B. Grant, Director

BLUMETRIC ENVIRONMENTAL INC.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended June 30, 2014 and May 31, 2013

(in Canadian dollars) (unaudited)

	Common shares	Share capital	Contributed surplus and other equity	Retained earnings	Total attributable to owner of parent	Non controlling interest	Total equity
Balance at October 1, 2013	25,191,656	4,629,424	186,606	1,407,700	6,223,730	-	6,223,730
Share based compensation (Note 8)	-	-	144,702	-	144,702	-	144,702
Net income and comprehensive income for the period	-	-	-	(1,257,964)	(1,257,964)	-	(1,257,964)
Balance at June 30, 2014	25,191,656	4,629,424	331,308	149,736	5,110,468	-	5,110,468

	Common shares	Share capital	Contributed surplus and other equity	Retained earnings	Total attributable to owner of parent	Non controlling interest	Total equity
Balance at September 1, 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	14,157,433	2,325,642	-	-	2,325,642	-	2,325,642
Existing shares of Seprotech prior to reverse takeover	6,644,692	-	-	-	-	-	-
Purchase of shares of a subsidiary	-	-	-	63,171	63,171	(255,948)	(192,777)
Conversion of Series I special shares to common shares	2,831,325	-	-	-	-	-	-
Common shares issued on private placement	1,558,206	1,044,000	-	-	1,044,000	-	1,044,000
Warrants issued on private placement	-	(11,251)	11,251	-	-	-	-
Share issue costs related to private placement	-	(122,063)	-	-	(122,063)	-	(122,063)
Share based compensation (Note 8)	-	-	17,447	-	17,447	-	17,447
Net income and comprehensive income for the period	-	-	-	1,086,776	1,086,776	-	1,086,776
Balance at May 31, 2013	25,191,656	4,629,424	28,698	4,810,728	9,468,850	-	9,468,850

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

BLUMETRIC ENVIRONMENTAL INC.**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****For the three and nine months ended June 30, 2014 and May 31, 2013**

(in Canadian dollars, except the number of shares) (unaudited)

	Three months ended June 30, 2014	Three months ended May 31, 2013	Nine months ended June 30, 2014	Nine months ended May 31, 2013
				Restated (Note 14)
Revenue (Note 12)	6,497,910	7,266,666	20,741,109	19,599,481
Cost of goods sold	5,005,106	6,016,303	16,247,709	15,890,795
Gross profit	1,492,804	1,250,363	4,493,400	3,708,686
Operating expenses:				
Selling, general and administrative expenses	1,650,188	1,970,842	5,349,000	4,465,342
Gain on debt restructuring	-	-	-	(133,754)
Business acquisition expenses	-	-	-	228,485
Total operating expenses	1,650,188	1,970,842	5,349,000	4,560,073
Operating loss	(157,384)	(720,479)	(855,600)	(851,387)
Finance costs	(126,844)	(52,352)	(382,762)	(235,389)
Share of net loss of an associated company (Note 4)	(7,169)	-	(19,602)	-
Net loss and comprehensive loss for the period	(291,397)	(772,831)	(1,257,964)	(1,086,776)
Net loss per share:				
Basic	(\$ 0.01)	(\$ 0.03)	(\$ 0.05)	(\$ 0.05)
Fully Diluted (Note 11)	(\$ 0.01)	(\$ 0.03)	(\$ 0.05)	(\$ 0.05)
Weighted average number of shares outstanding:				
Basic	25,191,656	25,191,656	25,191,656	22,902,358
Fully Diluted (Note 11)	25,191,656	25,191,656	25,191,656	22,902,358

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

BLUMETRIC ENVIRONMENTAL INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and nine months ended June 30, 2014 and May 31, 2013
(in Canadian dollars) (unaudited)

	Three months ended June 30, 2014	Three months ended May 31, 2013	Nine months ended June 30, 2014	Nine months ended May 31, 2013
Cash flows from operating activities				
Net loss for the period	(291,397)	(772,831)	(1,257,964)	(1,086,776)
Non-cash items:				
Depreciation of property, plant and equipment	132,905	84,808	392,105	259,176
Amortization of intangible assets	85,912	93,347	256,656	204,107
Loss on disposal of property, plant and equipment	-	-	8,886	485
Share of net loss of an associated company	7,169	-	19,602	-
Share-based compensation (Note 8)	24,194	8,182	144,702	17,447
Interest accretion on convertible debenture	24,787	-	74,362	-
Gain on debt restructuring	-	-	-	(133,754)
Changes in working capital items (Note 10)	378,711	2,004,166	1,958,022	2,756,018
Net cash generated by (used in) operating activities	362,281	1,417,672	1,596,371	2,016,703
Cash flows from investing activities				
Acquisition of property, plant and equipment	(4,777)	(103,821)	(810,135)	(197,490)
Acquisition of intangible assets	-	(21,057)	(9,650)	(233,837)
Proceeds on disposition of property, plant and equipment	-	-	4,000	-
Reverse takeover, net cash received	-	-	-	123,732
Net cash generated by (used in) investing activities	(4,777)	(124,878)	(815,785)	(307,595)
Cash flows from financing activities				
Issuance of share capital, net of costs	-	-	-	921,937
Increase (decrease) in note and loans payable	6,108	(59,041)	6,108	(747,134)
Issuance of long-term debt	-	-	700,000	-
Repayment of long-term debt	(126,203)	82,650	(364,427)	(78,715)
Repayment of finance leases	(845)	(3,738)	(13,403)	(6,268)
Increase in due to shareholders	3,522	269,531	168,522	(172,096)
Increase in use of credit facilities	(400,000)	(440,000)	(180,000)	(1,700,000)
Net cash generated by (used in) financing activities	(517,418)	(150,598)	316,800	(1,782,276)
Net change in cash and cash equivalents	(159,914)	1,142,196	1,097,386	(73,168)
Bank indebtedness – Beginning of period	(1,171)	(1,474,835)	(1,258,471)	(259,471)
Bank indebtedness – End of period	(161,085)	(332,639)	(161,085)	(332,639)
Supplementary Information				
Cash interest paid - included in operating activities	27,647	9,738	118,428	102,964
Cash taxes paid - included in operating activities	-	-	-	-

The accompanying notes are an integral part of these condensed consolidated interim 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 Tecnologias S.A. de C.V., El Salvador were amalgamated on November 17, 2012 and continued under the Canada Business Corporations Act.

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 condensed interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements follow the same accounting policies as the Company’s most recent annual financial statements for the thirteen month period ended September 30, 2013, which can be found, along with other information, at www.sedar.com.

The condensed interim consolidated 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.

These condensed interim consolidated financial statements do not contain all of the information and disclosures required for annual financial statements, and should be read in conjunction with the Company’s annual audited consolidated financial statements for the thirteen month period ended September 30, 2013 and the nine month period ended August 31, 2012.

b. Going concern

These condensed interim 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 incurred significant operating losses for the fiscal period ended September 30, 2013 which resulted in a violation of one of the Company's debt covenants. This triggered a cross default clause which resulted in long-term debt being reclassified to current debt. This covenant breach has remained unremedied at June 30, 2014. As a result of this reclassification, the Company's working capital is in a deficit position of \$1.9 million. The Company's ability to continue operating is dependent upon achieving profitability, 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 condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 28, 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 condensed interim consolidated financial statements have been prepared on the historical cost basis.

The accounting policies set out in the Company's most recent annual financial statements have been applied consistently to all periods presented in these condensed interim consolidated financial statements, except as noted below. As such, they should be read in conjunction with the consolidated annual financial statements and related note disclosures for the thirteen month period ended September 30, 2013.

On October 1, 2013, BluMetric adopted the following new accounting standards that were previously issued by the International Accounting Standards Board:

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 has concluded

that there is no effect on the classification (as subsidiaries or otherwise) of any of the Company's investees held during the period or comparative periods covered by these financial statements.

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. Management has concluded that there is no effect on disclosure requirements for any of the Company's investments held during the period or comparative periods covered by these financial statements.

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 for annual periods beginning on or after January 1, 2013. The Company's adoption of IFRS 13, prospectively from October 1, 2013, did not have a material financial impact on the condensed consolidated interim financial statements.

f. Critical Accounting Judgements, Estimates and Assumptions

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from the judgements, estimates and assumptions made by management.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the thirteen month period ended September 30, 2013.

3. Accounts Receivable

Accounts Receivable

	June 30, 2014	September 30, 2013
Trade receivables	\$ 4,541,534	\$ 7,475,254
Other receivables	235,530	144,867
Allowance for doubtful accounts	(169,465)	(415,965)
	\$ 4,607,599	\$ 7,204,156

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.

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

The Company has an investment in Wasdell Falls Power Corporation which it accounts for under the equity method. During the nine months ended June 30, 2014, the Company recognized losses in the amount of \$19,602 (May 31, 2013 - \$nil). Wasdell Falls Power Corporation has not yet achieved the commencement of operations. Accordingly, they have not generated any revenues to date.

5. Credit Facilities and Bank Indebtedness

As at March 31, 2014, short-term bank credit facilities consisted of an operating line of credit in the amount of \$2,000,000 (September 30, 2013 - \$2,000,000) and a separate facility specifically for issuing client project-related letters of credit in the amount of \$150,000 (September 30, 2013 - \$500,000). The line of credit carries a floating rate of interest of prime plus 2.25% (September 30, 2013 – prime plus 0.5%), is payable on demand and is secured by a general security agreement over the Company’s assets.

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 a minimum tangible net worth at June 30, 2014 of \$nil. As at June 30, 2014, the Company is in default of the tangible net worth covenant (see Note 2(b) – Going Concern).

6. Accounts Payable and Accrued Liabilities

	June 30, 2014	September 30, 2013
Trade payables	\$ 3,554,609	\$ 3,907,579
Salaries and benefits payable	621,518	664,939
Other accrued liabilities and payables	1,237,508	1,658,158
	<u>\$ 5,413,635</u>	<u>\$ 6,230,676</u>

Provisions in the amount of \$26,462 (September 30, 2013 - \$21,012) are included in other accrued liabilities and payables and are entirely with respect to product warranty provisions.

As at June 30, 2014, other accrued liabilities and payables includes amounts owing to key management personnel of \$101,408 (September 30, 2013 - \$ 398,162).

7. Long-Term-Debt

At June 30, 2014, the Company is in default of one of its debt covenants (see Note 5), which has triggered a cross default on its bank term loans. Consequently, the long term debt portion attributable to these loans of \$862,548 (September 30, 2013 - \$1,222,319) has been reclassified to current liabilities.

8. Shareholders' Equity

Share Options

Activity in the share option plan is summarized as follows:

	Nine months ended June 30, 2014		Nine months ended May 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	2,096,468	\$ 0.61	498,000	\$ 1.13
Granted	145,000	0.50		
Exercised	-	-		
Forfeited	(137,693)	0.50	(41,500)	2.60
Outstanding, end of period	2,103,775	\$ 0.60	456,500	\$ 1.00
Exercisable, end of period	776,423	\$ 0.68	152,177	\$ 1.00

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 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 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.

Share-Based Compensation

Fair value of options granted in the quarter

The fair value of options granted is recognized as compensation cost. On October 11, 2013, the Company issued 1,724,400 options to purchase Common Shares to officers, directors, employees and consultants. The exercise price is \$0.50 per share and, with the exception of 275,000 shares, have a term of 5 years. A total of 538,750 options vested immediately, with the remainder vesting over 3 years. The fair value of options granted during the nine months ended June 30, 2014 was estimated on the date of grant using the following assumptions:

Fair value at grant date	\$	0.78
Share price at grant date	\$	0.54
Exercise price	\$	0.50
Expected volatility		94%
Expected option life (years)		3.71
Expected dividends		-
Risk-free interest rate		2.03%

During the nine months ended June 30, 2014, the Company recognized \$144,702 in compensation expense (nine months ended May 31, 2013 - \$17,447).

9. Information Included in the Interim Consolidated Statements of Comprehensive Income

	For the three months ended June 30, 2014	For the three months ended May 30, 2013	For the nine months ended June 30, 2014	For the nine months ended May 30, 2013
Employee Benefit Expenses				
Wages, salaries and short term benefits	3,172,740	3,586,453	10,011,351	9,262,284
Share based compensation cost	24,194	8,181	144,702	17,447
Pensions - defined contribution plans	83,951	87,714	265,928	238,609
Employee group benefit expense	149,857	150,505	453,557	423,388
	<u>3,430,742</u>	<u>3,832,853</u>	<u>10,875,538</u>	<u>9,941,728</u>
Finance Costs				
Interest on convertible debentures	66,576	2,034	169,816	18,110
Interest on debt restructuring	10,452	-	32,093	96,436
Interest on bank loans	21,616	15,147	63,937	49,489
Other interest and financial expense	28,200	35,328	117,641	72,088
Interest income	-	(158)	(725)	(735)
	<u>126,844</u>	<u>52,351</u>	<u>382,762</u>	<u>235,388</u>

10. Changes in Working Capital Balances

	For the three months ended June 30, 2014	For the three months ended May 30, 2013	For the six months ended June 30, 2014	For the six months ended May 30, 2013
Accounts receivable	\$ 1,103,237	\$ 2,200,662	\$ 2,596,557	\$ 3,580,033
Inventory	305	(848,100)	12,351	(841,360)
Unbilled revenues	(453,827)	-	139,339	691,557
Prepaid expenses	(15,009)	(48,590)	(35,410)	(112,631)
Investment tax credits	-	17,717	42,240	13,056
Accounts payable and accrued liabilities	(246,032)	(515,209)	(817,041)	(1,441,448)
Deferred revenue	(9,963)	1,197,686	19,986	866,811
	<u>\$ 378,711</u>	<u>\$ 2,004,166</u>	<u>\$ 1,958,022</u>	<u>\$ 2,756,018</u>

11. Earnings per Share

Outstanding options, warrants and convertible debentures were not included in the computation of diluted loss per share for the three months and nine months ended June 30, 2014 because to have done so would have been anti-dilutive.

12. Segmented Disclosure

Revenue

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

	For the three months ended June 30, 2014	For the three months ended May 31, 2013	For the nine months ended June 30, 2014	For the nine months ended May 31, 2013
Consulting services	\$ 5,104,685	\$ 4,755,136	\$ 14,733,926	\$ 13,196,405
Design/build services	1,393,225	2,511,530	6,007,183	6,403,076
	<u>\$ 6,497,910</u>	<u>\$ 7,266,666</u>	<u>\$ 20,741,109</u>	<u>\$ 19,599,481</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.

	For the three months ended June 30, 2014	For the three months ended May 31, 2013	For the nine months ended June 30, 2014	For the nine months ended May 30, 2013	For the six months ended February 28, 2013
Canada	\$ 6,003,660	\$ 6,845,276	\$ 18,613,544	\$ 17,810,638	\$ 10,965,362
International	387,819	265,325	1,582,154	1,568,285	1,302,960
United States	106,431	156,065	545,411	220,558	64,493
	\$ 6,497,910	\$ 7,266,666	\$ 20,741,109	\$ 19,599,481	\$ 12,332,815

Of total revenue for the three months ended June 30, 2014, approximately 18% was derived from one client (three months ended May 31, 2013 - 47% from one client).

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

13. 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:

	Nine month period ended June 30, 2014	Nine month period ended May 31, 2013
Salaries and short-term benefits	\$520,482	\$541,357

14. Restatement of Comparative Results

The unaudited condensed interim consolidated financial statements previously issued for the nine month period ended May 31, 2013 contained errors and adjustments which were corrected in the annual audited financial statements for the thirteen month period ended September 30, 2013. The table below summarizes the adjustments made to the May 31, 2013 statements of financial position and comprehensive income as a result.

	Notes	As previously reported on May 31, 2013	Adjustments	As restated as at May 31, 2013
		\$	\$	\$
ASSETS				
Current assets				
Accounts receivable		4,389,645		4,389,645
Unbilled revenues		2,854,961		2,854,961
Inventory		13,900		13,900
Prepaid expenses		357,128		357,128
Investment tax credits recoverable	E	177,827	(56,121)	121,706
		7,793,461	(56,121)	7,737,340
Non-current assets				
Property, plant and equipment	J	2,723,751	(459,337)	2,264,414
Intangible assets	J	1,451,160	119,407	1,570,567
Investments accounted for using the equity method	B	132,775	278,799	411,574
Long-term investments		10,990		10,990
Deferred tax asset	K	-	55,474	55,474
Goodwill and other assets	C	6,004,642	(87,980)	5,916,662
TOTAL ASSETS		18,116,779	(149,758)	17,967,021
LIABILITIES				
Current liabilities				
Bank indebtedness		332,639		332,639
Credit facilities and bank loans		1,080,000		1,080,000
Accounts payable and accrued liabilities	F	4,306,940	200,000	4,506,940
Deferred revenue		1,269,395		1,269,395
Note and loans payable		324,320		324,320
Obligation under finance leases		14,256		14,256
Current portion of long-term debt	H	439,225	(100)	439,125
		7,766,775	199,900	7,966,675
Non-current liabilities				
Obligation under finance lease		15,045		15,045
Long-term debt	H	2,293,975	(59,283)	2,234,692
Due to related parties		269,531		269,531
Deferred taxes	K	87,896	(58,398)	29,498
Contingent consideration	D	-	156,282	156,282
Total liabilities		10,433,222	238,501	10,671,723
SHAREHOLDERS' EQUITY				
Share capital	A	3,236,329	1,393,095	4,629,424
Contributed surplus		28,698		28,698
Retained earnings	A,B,C, D,E,J,K	4,418,530	(1,781,354)	2,637,176
Total equity		7,683,557	(388,259)	7,295,298
TOTAL LIABILITIES & EQUITY		18,116,779	(149,758)	17,967,021

	Notes	As previously reported on May 31, 2013	Adjustments	As restated as at May 31, 2013
		\$	\$	\$
Revenue	F,G	19,630,376	(30,895)	19,599,481
Cost of goods sold		15,890,795		15,890,795
Gross profit		3,739,581	(30,895)	3,708,686
Selling, general and administrative expenses	E,G,I	4,458,554	6,788	4,465,342
Gain on debt renegotiation	H	-	(133,754)	(133,754)
Business acquisition expenses	I	133,586	94,899	228,485
Total operating expenses		4,592,140	(32,067)	4,560,073
Operating loss		(852,559)		(851,387)
Finance costs	H	(161,018)	(74,371)	(235,389)
Net loss and comprehensive loss for the period		(1,013,577)	(73,199)	(1,086,776)

- A** During the year ended November 30, 2011 the Company issued 23,009 stock-options that were subsequently exercised in the year. The Company failed to record a \$236,072 compensation expense related to these options. In addition, as part of the RTO between WESA Group Inc. and Seprotech the existing share capital of \$1,157,023 was closed out to retained earnings in error. The correction of these errors has resulted in an increase in share capital and a corresponding decrease in retained earnings of \$1,393,095.
- B** During the year ended November 30, 2011, the Company entered into an agreement to sell its interest in Wasdell Falls Power Corporation. The Company did not recognize a gain on the sale of one half their interests in the joint venture. In addition, the adoption of IFRS resulted in further adjustments being required. The net impact of these adjustments was an increase to investments accounted for using the equity method and an increase to retained earnings of \$278,799.
- C** During the year ended November 30, 2011, the Company acquired additional shares of one of their subsidiaries to increase their interests from 50% to 66.67%. The Company accounted for this transaction principally as an increase in goodwill rather than an equity transaction. The correction of this error had the impact of decreasing goodwill and retained earnings by \$87,980.
- D** The amount of the liability related to the contingent consideration resulting from the increase in the Company's interests in their subsidiary had not been recorded by the Company. The correction of this error had the impact of increasing long-term liabilities by \$156,282 and decreasing retained earnings by the same amount.
- E** Tax credits related to research and development expenditures were not adjusted as required. The net impact of this error was a decrease in investment tax credits recoverable of \$56,121, an increase in operating expenses of \$148,265 and an increase in retained earnings of \$92,144.
- F** The Company failed to recognize a provision related to outstanding project deliverables. This resulted in a decrease in revenue and an increase in liabilities of \$200,000.

- G** A number of adjustments were made to revenue related to cut off and collectability issues at August 31, 2012. The net impact was an increase in revenue of \$169,105 and a decrease in selling, general and administrative expenses of \$59,345.
- H** 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. The effect of this agreement resulted in the following impact: long term debt was decreased by \$59,383; financing charges were increased by \$74,371; and a gain on debt restructuring was recognized of \$133,754.
- I** Expenses incurred relating to the RTO were not fully allocated to business acquisition expenses. This resulted in a decrease in selling, general and administrative expenses and an increase in business acquisition expenses of \$94,899.
- J** On conversion to IFRS, the Company re-evaluated the useful lives of their property, plant and equipment and intangible assets to better reflect their actual use. The effect of this difference was to decrease property, plant and equipment by \$459,337, increase intangible assets by \$119,407 and decrease retained earnings by \$339,930.
- K** The correction of certain of the above adjustments had an impact on the deferred tax balances.

15. Subsequent Event

On July 16, 2014, the Company re-mortgaged its head office building at 3108 Carp Road for gross proceeds of \$1,060,000. The mortgage carries an interest rate of 7.99% and has a term of 2 years, with monthly payments based on a 25 year amortization rate.