

Management Discussion & Analysis

**Financial Quarters Ended
June 30, 2018 and
June 30, 2017**
(expressed in Canadian Dollars)



August 29, 2018

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This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric's financial condition and results of operations for the quarter ended June 30, 2018. The MD&A should be read in conjunction with the Company's consolidated condensed interim financial statements and related notes for the three months ended June 30, 2018 as well as the MD&A and audited consolidated financial statements and notes for the year ended September 30, 2017. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

This discussion and analysis of the financial condition and the results of operations contain forward-looking statements about expected future events and the financial and operating performance of the Company. These statements, which include descriptions of the Company's business strategy, potential variances impacting the Company's internal and external performance drivers, and the Company's ability to meet its ongoing working capital needs through the ensuing 12 months, are included in the "Discussion of Results and Financial Condition for the Quarter Ended June 30, 2018", "Liquidity", and "Business Outlook" sections which follow. These statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. This MD&A also makes reference to certain non-IFRS measures to assist users in assessing BluMetric's performance. Non-IFRS measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Financial Terms and Definitions".

Business Overview and Strategy

In 1977, BluMetric started by providing water and soil assessment services to its clients, primarily in the land development market. For over forty years, BluMetric, a Canadian company, has provided cost-effective and sustainable solutions to help its clients overcome their most difficult water related environmental and business challenges. The Company has evolved into a broad spectrum environmental solution provider setting a standard of care that follows water from its source to its return to the environment. BluMetric's strategy is to deliver a product, service or system that helps its clients successfully manage their water related environmental, health, and safety responsibilities. By building partnerships with its customers, BluMetric provides a long-term holistic approach to water management, differentiating itself from competitors that simply provide a single service or product.

BluMetric focusses its efforts in North America, a geographic region with significant growth potential in markets where BluMetric has had its greatest success. Operating from nine offices in North America, the Company has served hundreds of clients from the Panama Canal to the Arctic Circle. The business continues to stabilize and focus on value-added solutions for target industries and clients. In order to stay competitive, the Company will continue to develop strategic alliances and search for cutting-edge technologies that provide better products and services.

The BluMetric team of experts consists of highly experienced and motivated scientists, environmental specialists, engineers, occupational and industrial hygienists, environmental auditors, project managers, financial specialists, and support personnel.

Technology and Innovation

Innovation is driven by client demands as they face more stringent environmental regulations or the emergence of a previously unknown contaminant. Finding a solution for a specific problem is a creative process that helps differentiate BluMetric from its competitors. Creating a commercial product that caters to those needs in the marketplace is innovative. A commercial product must satisfy the scientific aspect of the problem, but to be economically viable it must fill a significant demand in the marketplace. All potential new products or technologies go through a stage gate process to confirm the technology works and the potential market is of sufficient size to provide a return on investment. The following products and technologies have been evaluated in light of these requirements.

Ammonia Removal – BluMetric's previous MD&A discussed the problems associated with surplus ammonia in the environment and the resulting regulatory and political pressure, as well as how BluMetric's products and technology solve these problems. Interest in the MARS product, BluMetric's patented ammonia removal systems, continues to grow as the advantages of lower capital and operating costs become apparent.

In Q3 BluMetric completed the installation and commissioning of two full-scale ammonia removal systems and completed two extensive pilot testing programs. Results from these activities ratified the viability of the product and has spawned further interest in the mining and industrial sectors.

Industrial Wastewater Treatment - As stated in the previous MD&A, the Company's MARS, CR3 and VDR patent applications were recently consolidated to encompass all three technologies. These interlocking patents strengthen BluMetric's position and afford greater coverage.

The commercialization of these products is an ongoing process as client needs and field data allow BluMetric to fine tune the product and properly train its employees.

The commercialization of these products has the following advantages:

- Streamlines the quotation process
- Reduces the reliance on engineering for the development of budget proposals
- Increases the accuracy of the costing process
- Provides an efficient platform for sales training
- Delivers a concise and credible presentation to potential clients

Cyanide – In late 2016 mining regulators changed the cyanide limits for the effluent exiting the tailings ponds and mining facilities. In close association with the Company's technology partners and NRC/NRCAN, BluMetric tested a new treatment process and based on the results, a patent application has been generated. The process and patent application was refined and submitted in Q1. This cyanide treatment system was incorporated into BluMetric's trailer mounted pilot and tested at two mine sites with positive results. Testing with our technology partners has continued and will be completed in Q4.

Continuing Research - BluMetric continues to pursue new opportunities by conducting scientific research on various processes, economic research on the potential market size, and regulatory and political research on the market drivers. The following represent the three most critical endeavours for 2018.

1. Emerging Contaminants - BluMetric has developed a method to remove PFOA, PFOS, and other emerging contaminants and suspected carcinogens, from contaminated groundwater. In Q3 this technology was tested with positive results for the removal of 1-4 Dioxane.

2. Acid Mine Drainage and zero liquid discharge - A full scale pilot, with a technology partner in the oil, gas, and mining sector, was completed in Q3 of fiscal year 2017 and came on line in Q4 of fiscal year 2017. In Q3 of fiscal year 2018, the second full-scale pilot was completed and delivered to site. It will go operational in Q4 of this year.

3. Enhanced Primary Treatment – EPT is an array of developing innovative products that reduce the load to the treatment plant by intercepting, removing, and recovering thermal and organic energy from wastewater.

BluMetric will continue to foster and develop strategic partnerships where these alliances either augment the Company's technologies or expand the Company's geographic reach.

Sales and Marketing

BluMetric continues to balance its capacity for innovation and forward-thinking with a time tested client-centric approach that involves an emphasis on understanding clients' environmental issues and the prevention of problems. BluMetric has narrowed its business development focus to key markets where it offers the deepest skill sets.

Satisfied clients provide repeat business as well as incredibly valuable word-of-mouth advertising to allied companies. The Company's sales approach continues to evolve with innovative products, technology based partnerships, and license agreements.

In North America the focus is on these key markets:

- Mining
- Military
- Commercial and Industrial (site remediation and wastewater)
- Government (with specific expertise in Northern Canada)

Mining - Historically most of BluMetric's work in the mining sector has been at existing operations; however, in late 2017 and early 2018 the Company experienced increased exposure to Greenfield mining projects. As examples, the Company has been retained by a major base metals company to provide environmental permitting support for a proposed new mine in Northern Ontario, and subsequently prepared the environmental chapter for a feasibility study for a proposed gold mine in northern Manitoba. The Company has also secured a number of mining contracts focusing on engineering and detailed design of remedial solutions and care and maintenance of closed mining facilities. The opening of a new office in Thunder Bay and the initiation of a significant five year contract is a launching point for further business development and growth in the region. As well, the Company's consulting experience, relationships with mine development consultants and experience providing mine water treatment systems for new and existing mines puts BluMetric in a good position to take advantage of the next growth cycle in new mine developments.

Military – Subsequent to the quarter ended June 30, 2018 (press release dated July 31, 2018), BluMetric was awarded a three year, \$14.4 million contract in support of repairing and overhauling, as required by the Royal Canadian Navy, their Shipboard Reverse Osmosis Desalination (SROD) purification units.

In addition to being selected to repair and overhaul the SROD units as required by the Navy, BluMetric will provide engineering support, field support, and immediate response service for the SROD units in both the RCN's operational and disaster relief roles.

Over the past 7 years BluMetric has worked closely with DND, under contract, on water purification systems for both the Navy and Land Forces. As a result, BluMetric has been able to provide efficient and cost-effective products to DND. The Company's technical capabilities and responsiveness make it an excellent fit for the work that will be performed in support of this critical function on board Navy Ships.

Government (North) - Sales and execution effort for this division are led by a team, primarily out of the Kingston, Yellowknife and the satellite Whitehorse office, experienced in the logistical details required for Northern work. During Q3 several large projects were again undertaken in the Arctic that required a large degree of coordination and specialty knowledge to complete under challenging weather conditions.

These projects included:

- Final commissioning and operation of a satellite telemetry based system that allows for real time monitoring and observation of remediation sites located in extremely remote locations. This represents the deployment of new equipment and cutting edge technology previously not deployed to such remote locations. Great potential was previously anticipated in this area and continued to be realized with new ongoing work in this market.
- Response to several sizable fuel oil spills in the arctic combining the need for rapid response and coordination of many resources in challenging settings. The projects required the unique combination of Environmental Site Assessment, Remediation, Occupational Health & Safety and Water Treatment expertise, all areas in which BluMetric excels.

Board of Directors

The Board of Directors currently consists of six members, four of whom are independent. The independent directors reflect a wide range of senior experience in the management of publicly traded and privately held companies. The Board members have expertise in finance, operations, management, and governance for environmental companies, as well as other enterprises.

Executive Management

The Senior Management team comprises: Scott MacFabe Chief Executive Officer, who began on March 1, 2018; Vivian Karaikos, Chief Financial Officer; Dan Scroggins, Senior Vice President, Research and Innovations and Tim Beckenham, Senior Director, Operations.

This team is supported by well-qualified and experienced managers that lead business development, production, health and safety, operations and every other aspect of the corporation.

Our People

The BluMetric team consists of approximately 165 experienced environmental professionals. They are experts in providing a comprehensive range of water related environmental services and engineered solutions, from contaminated site assessment and remediation to complete turn-key wastewater treatment systems.

Staffing levels fluctuate seasonally with the hiring of contract staff and students to meet peak demand periods. The Company strives to recruit and retain highly skilled employees who are able to use their technical expertise to deliver creative solutions.

Diversity

Diversity is inherent at BluMetric. BluMetric's employees speak many different languages and come from a wide range of cultural, ethnic, educational, religious, and political backgrounds. Women represent 45% of the workforce from welders and field service technicians to the top members of the executive team and Board of Directors.

BluMetric's goal is to capitalize on the strength derived from diversity while affording the team members the greatest opportunity to excel, grow, and contribute to business and society.

Results of Operations

	Three Months Ended				Nine Months Ended			
	Jun 30, 2018	Jun 30, 2017	Change	Change	Jun 30, 2018	Jun 30, 2017	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Revenue	8,416,374	7,434,291	982,083	13%	23,684,084	22,941,695	742,389	3%
Gross profit	1,652,911	1,444,903	208,008	14%	4,940,651	4,745,222	195,429	4%
Gross margin %	20%	19%			21%	21%		
Operating Costs	1,459,326	1,204,632	254,694	21%	4,193,034	3,833,488	359,546	9%
EBITDA ¹	217,050	337,414	(120,364)	-36%	842,453	1,205,412	(362,959)	-30%
Adjusted EBITDA ²	245,438	418,523	(173,085)	-41%	889,220	1,259,251	(370,031)	-29%
Net earnings	65,233	69,908	(4,675)	-7%	334,628	388,150	(53,522)	-14%
Common shares outstanding	28,675,695	27,880,140			28,675,695	27,880,140		
Net income per share	0.00	0.00			0.01	0.01		
Total assets					10,518,024	11,704,141	(1,186,117)	-10%
Working capital					3,976,660	4,732,148	(755,488)	-16%
Long term debt and demand loan					3,692,347	4,444,649	(752,302)	-17%
Shareholders' equity					2,898,635	2,408,376	490,259	20%

Note 1: EBITDA is a non-IFRS measure (see "Financial Terms and Definitions") and is calculated as net income before interest expense, income taxes, depreciation, and amortization.

Note 2: Adjusted EBITDA is a non-IFRS measure and is calculated as EBITDA, gain or loss on foreign exchange, stock-based compensation, gain or loss on sale of property plant and equipment, gain or loss on sale of other assets, gain or loss on debt conversion, gain or loss on debt extinguishment, gain or loss on investments held for sale, and impairment of goodwill.

Discussion of Results and Financial Condition for the Financial Quarter Ended June 30, 2018

This analysis compares the quarter ended June 30, 2018 with the quarter ended June 30, 2017.

During the quarter ended June 30, 2018, total revenue was \$8.4 million (June 30, 2017 - \$7.4 million), an increase of approximately \$1.0 million (13%). The increase in revenue comes primarily from an increase in consulting projects due in part to a large assignment in the North that was substantially completed during the quarter, as well as an increase in engineered solutions projects as new contracts initiated near the end of Q4 2017 neared completion in the current quarter.

The Company operates in three geographical areas, Canada (country of domicile), the United States, and focused international (Caribbean and Central America).

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		For the nine months ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Canada	7,535,310	7,419,136	21,256,142	22,788,703
United States	650,742	15,155	1,242,455	32,774
International	230,322	-	1,185,487	120,218
	8,416,374	7,434,291	23,684,084	22,941,695

A significant amount of the revenue generated by engineered solutions projects in the nine months ended June 30, 2018 is from contracts with customers in the United States and the Caribbean.

Gross profit for the quarter ended June 30, 2018 was \$1.7 million, approximately \$200,000 higher than the quarter ended June 30, 2017. Gross margin was at 20%, compared to 19% for the quarter ended June 30, 2017.

Operating costs for the quarter ended June, 2018 were \$1.5 million compared to \$1.2 million in the same quarter the prior year. In the previous year quarter (June 30, 2017) there were vacant positions that have since been filled, as well as bad debt recoveries of approximately \$60,000.

Finance costs were \$128,352 for the quarter ended June 30, 2018, a decrease from the \$170,363 reported the same quarter a year earlier. This was due primarily to the repayment of a mortgage on the sale of an office building in Ottawa in Q4 2017. In addition there was a repayment and conversion to equity of some of the restructured trade debt in Q1 2018, and the replacement of the mortgage on the existing property at 3108 Carp Road with a demand loan at a lower interest rate at the end of Q2 2018.

Net earnings for the quarter ended June, 2018 were \$65,233 compared with net earnings of \$69,908 in the same quarter the previous year.

Shareholders' equity increased to \$2.9 million at June 30, 2018 from \$2.4 million at June 30, 2017. The improvement is a result of the continued profitability, a debt conversion that took place in the Q1 of 2018. In addition, on April 9, 2018, the Company issued 283,917 common shares pursuant to a Settlement Agreement with a key management member at a conversion price of \$0.22 per share.

The Consolidated Statement of Financial Position as at June 30, 2018 showed working capital of \$4.0 million, compared to \$4.7 million reported at June 30, 2017. Working capital as at June 30, 2018 is negatively impacted by the replacement of a long term mortgage on the property at 3108 Carp Road with a demand loan with fixed repayments over a 20 year term. As noted below under "Proposed Transactions and Subsequent Events", the property which is related to this mortgage is currently up for sale.

EBITDA and Adjusted EBITDA (see "Financial Terms and Definitions")

	For the three months ended		For the nine months ended	
	June 30		June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net earnings	65,233	69,908	334,628	388,150
Depreciation of property, plant and equipment	11,136	32,835	27,670	100,756
Amortization of intangible assets	12,329	64,308	67,166	192,922
Finance costs	128,352	170,363	412,989	523,584
EBITDA	217,050	337,414	842,453	1,205,412
Foreign exchange loss (gain)	(7,209)	18,281	(1,037)	(503)
Share-based compensation	13,279	(5,934)	30,949	(1,864)
Loss (Gain) on debt conversion	1,420	-	(8,813)	-
Loss on debt extinguishment	-	-	23,056	-
Gain on disposal of property, plant and equipment	-	-	(9,500)	-
Gain on disposal of other assets	-	-	(8,786)	-
Loss on sale of subsidiary	20,898	-	20,898	-
Impairment of assets held for sale	-	68,762	-	68,762
Realized gain on investment held for sale	-	-	-	(12,556)
Adjusted EBITDA	245,438	418,523	889,220	1,259,251

Adjusted EBITDA for the three months ended June 30, 2018 was \$245,438 compared to \$418,523 for the three months ended June 30, 2017.

Quarterly Results

Quarterly financial information for the eight quarters ended June 30, 2018
 (in 000's, except as otherwise indicated)

	Q3 2018	Q2 2018	Q1 2018	Q4 2017
	June 30, 2018	March 31, 2018	Dec 31, 2017	Sept 30, 2017
Revenue	8,416	7,708	7,560	7,587
Cost of sales	6,763	6,091	5,889	5,893
Gross profit	1,653	1,616	1,671	1,694
Gross margin %	20%	21%	22%	22%
Operating expenses	1,459	1,311	1,422	1,580
Finance costs	128	136	149	168
Net earnings (loss)	65	169	101	(54)
Weighted average common shares	28,650,735	28,391,778	28,263,869	27,880,140
Income (loss) per share	0.00	0.01	0.00	(0.00)
	Q3 2017	Q2 2017	Q1 2017	Q4 2016
	June 30, 2017	March 31, 2017	Dec 31, 2016	Sept 30, 2016
Revenue	7,434	7,219	8,288	7,258
Cost of sales	5,989	5,615	6,592	6,169
Gross profit	1,445	1,604	1,696	1,089
Gross margin %	19%	22%	20%	15%
Operating expenses	1,205	1,349	1,280	1,053
Finance costs	170	165	188	122
Net earnings (loss)	70	90	228	(87)
Weighted average common shares	27,880,140	27,880,140	27,880,140	27,880,140
Income (loss) per share	0.00	0.00	0.01	(0.00)

Quarterly Trend Analysis

Historically, the Company's consulting projects have followed a seasonal pattern with the second and third quarters, ended March 31 and June 30 respectively, experiencing relatively lower levels of activity when compared to the balance of the year. This seasonality is in large part weather-related, as it is easier and more productive to conduct outdoor environmental investigations, site remediation, and construction-related projects in Canada during the summer. In addition, the December holiday period can have a significant impact on activity levels possible in that quarter (BluMetric's first quarter) depending on how it falls in the month.

Q3 18 vs Q3 17

Revenues for the third quarter of 2018 were \$8.4 million compared to \$7.4 million for the quarter ended June 30, 2017, an increase of approximately \$1.0 million, mainly as a result of increased engineered solutions projects when compared to the prior year, primarily in the mining sector. Net earnings for the quarter are \$65,200 compared to \$69,900 for same quarter in the prior year. Gross profit improved to \$1.7 million in the quarter from \$1.4 million in the same quarter the prior year representing a 20% gross margin and a slight improvement over the 19% achieved in the same quarter last year. Operating costs increased to \$1.5 million from \$1.2 million in the same quarter in the prior year. In the previous year quarter (June 30, 2017) there were vacant positions that have since been filled, as well as bad debt recoveries of approximately \$60,000.

Q2 18 vs Q2 17

Revenues in the second quarter of 2018 were \$7.7 million compared to \$7.2 million for the quarter ended March 31, 2017, an increase of \$500,000. While there was an increase of \$1 million in water systems projects, there was an offsetting decrease in consulting projects of approximately \$500,000. BluMetric has seen an increase in mining, food and beverage and government projects. Net earnings for the quarter are \$168,900 compared to \$89,800 in the same quarter the prior year. Gross profit remained relatively consistent at \$1.6 million which represents 21% of revenue compared to 22% of revenue the same quarter the prior year. Operating costs are also fairly consistent at \$1.3 million quarter over quarter with a few minor offsetting variances.

Q1 18 vs Q1 17

Revenues in the first quarter of 2018 were \$7.6 million compared with \$8.3 million for the quarter ended December 31, 2016, a decrease of \$700,000 or 9%. The decrease comes primarily from consulting projects but is offset by an increase in engineered solutions projects primarily in the mining and food and beverage sectors as existing and newly signed systems are being delivered. These types of projects were nearing completion in the same quarter last year. Net earnings for the quarter were \$101,000 for the quarter compared to \$228,000 the same quarter a year earlier. Gross profit was nearly flat with \$1.7 million in both quarters, though the gross margin improved from 20% to 22%. Operating costs increased from \$1.3 million in Q1 2017 to \$1.4 million in Q1 2018. This increase is primarily due to a \$250,000 severance for the previous CEO of the Company which was recognized in Q1, with a slight offset in bad debt expense.

Q4 17 vs Q4 16

For the fourth quarter of 2017 revenue was \$7.6 million compared to \$7.3 million in the fourth quarter of 2016. This was due to increased activity in project work across the Company. The net loss for the quarter was \$54,000 compared with net loss of \$87,000 for the same quarter in the previous year. While there was a \$600,000 improvement in gross margin, there was an offsetting increase in operating costs of \$527,000. The gross profit improvement is due to larger activity in engineered solutions projects, which typically have higher gross margins. The increase in operating costs is largely the result of an increase in the bad debt provision as well as increased consulting and professional fees.

Liquidity

The Company's short-term credit facilities consist of an operating demand loan in the amount of \$2,500,000 with a \$500,000 sublimit for letters of credit. The facility carries a floating interest at prime plus 2.25%, is collateralized by a first ranking general security agreement over all of the Company's present and future assets, and is subject to margining based on the amounts of eligible accounts receivable. Each letter of credit must be 100% guaranteed in favour of the bank through a separate program provided by the Export Development Corporation. At June 30, 2018, the effective interest rate under this facility was 5.70% (June 30, 2017 – 4.95%).

The Company also has a corporate credit card facility in the amount of \$165,000.

As at June 30, 2018, the Company had drawn \$nil on its operating demand loan (June 30, 2017 \$825,463) and it had drawn \$210,193 in outstanding letters of guarantee (June 30, 2017 - \$207,145). The letters of guarantee expire on July 26, 2018.

In addition to the above credit facilities, the Company entered into an agreement with a lending institution on September 12, 2016 for a secured five-year term loan in the amount of \$2,500,000. This loan bears interest at a rate of 10% and requires the Company to pay royalty fees on gross revenue beginning February 2018. The royalty rate is tiered and applies at a rate of 0.35% of gross revenue up to \$38,000,000, and then decreases to 0.15% of gross revenue in excess of that amount. As of June 30, 2018, \$82,761 (June 30, 2017 -\$80,835) was accrued in other accruals and payables with respect to these royalties.

The Company has certain covenants in accordance with its short-term credit facilities and its term loan. As at June 30, 2018 the Company is in compliance with all covenant requirements. The Company is actively pursuing a focused service strategy, improved cost control and the sale of non-core assets, as well as the pursuit of new revenue contracts. In addition, the credit and loan arrangements described above have provided the Company with additional capital to fund its growth initiatives. The Company has generated net earnings for the quarter ended June 30, 2018 as well as for the previous two fiscal years and anticipates having sufficient funds over the next twelve months to discharge its liabilities. Nevertheless, there is no assurance that these ongoing initiatives will continue to be successful.

Business Outlook

The following comments include forward-looking information and users are cautioned that actual results may vary.

The Company is targeting both organic revenue growth and growth through association with technology suppliers. BluMetric's focus will continue to be on improving project margins while reducing overhead costs.

The best opportunities for growth are on projects where the client's operating expenses can be reduced as a result of proposed solutions and where solutions help clients meet more stringent regulatory requirements.

Capital Resources

The Company's future growth strategy contemplates investment in various technologies and processes requiring capital for prototyping purposes. Accordingly, the Company may opportunistically approach capital markets for additional equity funding if conditions are favourable.

Business Risks

The Company is subject to risks and uncertainties in the normal course of business that could materially affect the financial condition of the Company. These risks and uncertainties include, but may not be limited to, the following:

- Macroeconomic risk of recession in key markets or the economy as a whole;
- Reliance on key clients;
- Failure to retain and develop key personnel;
- Competition from companies which are better-financed or have disruptive technologies;
- Major swings in currency valuations after setting the price of foreign contracts; and
- Cybersecurity threats.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

All related-party transactions are conducted under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at the amounts agreed upon by the parties.

Proposed Transactions and Subsequent Events

As at June 30, 2018, the Company has its office property at 3108 Carp Road for sale. There are no other significant assets or business acquisitions or dispositions being considered by the Company.

Inter-Corporate Relationships

The Company sold its shares in its subsidiary in El Salvador effective June 30, 2018. The Company received total proceeds of US\$100 for all the shares outstanding and recognized a

loss on sale of \$20,898 in the three months ended June 30, 2018.

Summary of Outstanding Shares and Dilutive Instruments

The Company currently has the following shares and dilutive instruments outstanding:

Shares:	28,675,695 common shares
Warrants:	nil
Options:	1,670,875 options

Financial Terms and Definitions

Definition of Additional IFRS Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings, and subtotals when such presentation is relevant to an understanding of a company's financial position and performance. Because IFRS requires such additional GAAP measures, the measures are considered additional IFRS measures rather than non-IFRS measures. The Company believes that the measures defined here are useful for providing investors with additional information to assist them in understanding components of BluMetric's financial results.

Gross Profit. Gross profit is calculated as gross revenue minus direct expenses and direct payroll costs. Direct expenses are certain costs incurred in the delivery of BluMetric's services such as subcontractors, equipment, and other expenditures that are recoverable directly from clients. Direct payroll costs include the cost of salaries and related fringe benefits for employees. The monitoring of gross margin percentage levels ensures the Company is within the established acceptable range for the profitability of operations.

Definition of Non-IFRS Measures

This Management Discussion and Analysis includes reference to and uses terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These non-IFRS measures may not be comparable to similar measures presented by other companies. The measures defined here are useful for providing investors with additional information to assist in understanding components of the financial results.

EBITDA. EBITDA represents net earnings before interest expense, earnings taxes, depreciation of property and equipment, and amortization of intangible assets. EBITDA assists measuring operating performance of the Company. There is no direct comparable IFRS measure for EBITDA.

Adjusted EBITDA. Adjusted EBITDA additionally excludes items that are significant and irregular (such as the sale of a building or goodwill impairment), non-cash based (such as share-based compensation), or non-operational in nature (such as foreign exchange gains and losses).

Management believes that Adjusted EBITDA as defined above is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. Adjusted EBITDA is also used by investors and analysts for valuation purposes. The intent of the Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Management's Responsibility for Financial Reporting

The consolidated condensed interim financial statements of BluMetric Environmental Inc. and all the information in this Management Discussion and Analysis have been prepared by management, which is solely responsible for the integrity and fairness of the data presented, including the many amounts, which due to necessity, are based on estimates and judgments. The accounting policies followed in the preparation of these consolidated condensed interim financial statements conform to International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those that it deems most appropriate in the circumstances. Financial information presented throughout this report is consistent with that in the consolidated financial statements.

BluMetric maintains systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible, principally through its Audit Committee, for ensuring that management fulfills its financial reporting responsibility.

Additional Information

Additional information on the Company can be found at www.blumetric.ca and at www.sedar.com.