

BLUMETRIC ENVIRONMENTAL INC.

CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS

**FOR THE THIRD QUARTER AND NINE MONTH PERIOD ENDED
JUNE 30, 2023**



About Us

BluMetric Environmental Inc. is a publicly traded environmental consulting and engineering company with expertise across professional and trade disciplines and technologies that allow for the design, fabrication and delivery of sustainable solutions to environmental and water challenges. BluMetric has more than 180 employees operating in ten offices and over 40 years of expertise. Headquartered in Ottawa, Ontario, BluMetric's team of industry experts serves Commercial and Industrial, Military, Mining and Government clients.

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

The accompanying condensed 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 Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

HEAD OFFICE
BluMetric Environmental Inc.
1682 Woodward Dr,
Ottawa, ON K2C 3R8
Canada

BluMetric Environmental Inc.
Condensed Unaudited Interim Statements of Financial Position
As at June 30, 2023 and September 30, 2022

(expressed in Canadian dollars)

	June 30, 2023 \$	September 30, 2022 \$
Current assets		
Cash and cash equivalents (note 4)	4,869,018	4,911,423
Accounts receivable (note 5)	4,668,230	7,565,177
Unbilled revenue	2,348,607	2,376,215
Contract assets	3,102,851	2,777,768
Prepaid expenses	240,018	291,921
	<u>15,228,724</u>	<u>17,922,504</u>
Non-current assets		
Property and equipment	394,053	168,710
Intangible assets	56,760	72,644
Right-of-use assets (note 6)	1,910,776	774,532
Deferred income tax assets	646,298	731,153
	<u>3,007,887</u>	<u>1,747,039</u>
	<u>18,236,611</u>	<u>19,669,543</u>
Current liabilities		
Trade and other payables (note 8)	3,340,320	5,905,070
Contract liabilities	532,799	243,035
Current portion of lease liabilities (note 6)	485,050	363,984
Current portion of long-term debt (note 9)	510,696	498,303
	<u>4,868,865</u>	<u>7,010,392</u>
Non-current liabilities		
Lease liabilities (note 6)	1,490,794	467,512
Long-term debt (note 9)	438,521	823,107
	<u>1,929,315</u>	<u>1,290,619</u>
	<u>6,798,180</u>	<u>8,301,011</u>
Shareholders' equity		
Share capital	5,796,819	5,796,819
Contributed surplus and other equity	940,826	677,298
Retained earnings	4,700,786	4,894,415
	<u>11,438,431</u>	<u>11,368,532</u>
	<u>18,236,611</u>	<u>19,669,543</u>

The accompanying notes are an integral part of these Condensed Unaudited Interim Financial Statements.

Approved by the Board of Directors

 "Ian Mor Macdonald" Director
 Ian Mor Macdonald

 "Scott MacFabe" Director
 Scott MacFabe

BluMetric Environmental Inc.
Condensed Unaudited Interim Statements of Changes in Shareholders' Equity
For the nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

	Common shares #	Share capital \$	Contributed surplus and other equity \$	Retained earnings) \$	Total \$
Balance – October 1, 2021	28,895,695	5,600,081	690,584	3,571,365	9,862,030
Share-based compensation (note 10)	-	-	17,742	-	17,742
Exercise of stock options (note 10)	540,000	196,738	(70,678)	-	126,060
Net earnings and comprehensive income for the period	-	-	-	1,134,506	1,134,506
Balance – June 30, 2022	<u>29,435,695</u>	<u>5,796,819</u>	<u>637,648</u>	<u>4,705,871</u>	<u>11,140,338</u>
Balance – October 1, 2022	29,435,695	5,796,819	677,298	4,894,415	11,368,532
Share-based compensation (note 10)	-	-	263,528	-	263,528
Net earnings(loss) and comprehensive income for the period	-	-	-	(193,629)	(193,629)
Balance – June 30, 2023	<u>29,435,695</u>	<u>5,796,819</u>	<u>940,826</u>	<u>4,700,786</u>	<u>11,438,431</u>

The accompanying notes are an integral part of these Condensed Unaudited Interim Financial Statements.

BluMetric Environmental Inc.

Condensed Unaudited Interim Statements of Net Earnings and Comprehensive Income For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

	For the three months ended		For the nine months ended	
	June 30, 2023 \$	June 30, 2022 \$	June 30, 2023 \$	June 30, 2022 \$
Revenue (note 14, 15)	6,941,257	8,353,226	24,833,267	24,383,252
Cost of sales (note 11)	5,908,452	6,394,885	19,926,984	18,578,229
Gross profit (loss)	1,032,805	1,958,341	4,906,283	5,805,023
Operating expenses and other items				
Selling, general and administrative (note 11)	1,894,091	1,513,657	4,835,490	4,232,811
Operating profit	(861,286)	444,684	70,793	1,572,212
Finance costs (note 11)	(13,714)	(28,764)	(56,313)	(85,319)
Earnings (loss) before income taxes	(875,000)	415,920	14,480	1,486,893
Income tax expense (recovery) (note 12)	(145,635)	98,058	208,109	352,387
Net earnings (loss) and comprehensive income (loss) for the period	(729,365)	317,862	(193,629)	1,134,506
Earnings (loss) per share				
Basic	(0.02)	0.01	(0.01)	0.04
Diluted	(0.02)	0.01	(0.01)	0.04
Weighted average number of shares outstanding (note 13)				
Basic	29,435,695	29,406,464	29,435,695	29,342,508
Diluted	29,442,989	29,425,907	29,436,705	29,414,674

The accompanying notes are an integral part of these Condensed Unaudited Interim Financial Statements.

BluMetric Environmental Inc.
Condensed Unaudited Interim Statements of Cash Flows
For the nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

	For the nine months ended	
	June 30, 2023	June 30, 2022
	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings(loss) and comprehensive income for the period	(193,629)	1,134,506
Non-cash items:		
Deferred income tax expense (note 12)	84,855	176,936
Increase (decrease) in credit loss allowance	(218,855)	71,351
Depreciation of property and equipment	42,732	46,099
Amortization of intangible assets	15,884	10,834
Depreciation of right of use assets (note 6)	433,376	325,318
Share-based compensation (note 10)	263,528	17,742
Changes in working capital balances	595,244	216,984
	<u>1,023,135</u>	<u>1,999,770</u>
Investing activities		
Acquisition of property and equipment	(268,077)	(47,761)
Acquisition of intangible assets	-	(27,025)
	<u>(268,077)</u>	<u>(74,786)</u>
Financing activities		
Repayment of long-term debt	(372,192)	(490,588)
Principal payments on leases (note 6)	(425,271)	(327,699)
Exercise of stock options (note 10)	-	126,060
	<u>(797,463)</u>	<u>(692,227)</u>
Change in cash and cash equivalents during the period	(42,405)	1,232,757
Cash and cash equivalents – Beginning of period	<u>4,911,423</u>	<u>4,727,420</u>
Cash and cash equivalents – End of period	<u>4,869,018</u>	<u>5,960,177</u>
Supplementary Information		
Interest paid	28,457	40,450
Income taxes paid	297,180	-

The accompanying notes are an integral part of these Condensed Unaudited Interim Financial Statements.

BluMetric Environmental Inc.

Notes to Condensed Unaudited Interim Financial Statements

For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

1 Nature of operations

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

The Company focuses on environmental earth sciences and engineering, contaminated site remediation, water resource management, industrial hygiene, occupational health and safety, water and wastewater design-build and pre-engineered solutions.

The Company has entered in a shareholder relationship with BLM-KEL-60 Corp., an unrelated party, for purposes of executing projects in Nunavut supporting federal, territorial, and private clients. BluMetric Environmental Inc. is a registered and beneficial owner of 16.3% of the issued and outstanding shares in the capital of the corporation. No material transactions have taken place during the period ended June 30, 2023.

The head office of the Company is located at 1682 Woodward Drive Ottawa, Ontario, Canada K2C 3R8. The Company's common shares are listed on the Toronto Venture Exchange (TSXV – BLM) in Canada.

2 Basis of presentation

Statement of compliance

These condensed unaudited interim financial statements have been prepared in compliance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). These condensed unaudited interim financial statements do not contain all the information and disclosures required for annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended September 30, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee.

Authorization of financial statements

The condensed unaudited interim financial statements were approved and authorized for issue by the Board of Directors on August 24, 2023.

Presentation and functional currency

The Company's presentation and functional currency is the Canadian dollar.

Basis of measurement

The condensed unaudited interim financial statements have been prepared on the historical cost basis.

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

Critical accounting judgments and estimates

The preparation of these condensed unaudited interim financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of the Company's assets, liabilities, revenue, and expenses during the reporting period presented. The significant judgments made by management when applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's September 30, 2022 annual financial statements.

Standards, amendments and interpretations adopted in the current year

At the date of authorization of these condensed unaudited interim financial statements, the following new standards, amendments and interpretations to existing standards were required to be and have been adopted by the Company. There was no material impact from adoption of these standards, amendments and interpretations on these condensed unaudited interim financial statements.

IFRS 16 – 'rent concessions amendment' ("IFRS16") originally issued May 2020 was extended by one year. This amendment provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract. Such costs include both the incremental costs of the contract and an allocation of other direct costs incurred on activities required to fulfill the contract. The adoption of this standard had no material impact on the Company.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The adoption of this standard had no material impact on the Company.

3 Summary of significant accounting policies

With the exception of adapting an accounting policy note for cash and cash equivalents (see below), 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 unaudited interim financial statements. As such, these condensed unaudited interim financial statements should be read in conjunction with the annual financial statements and related note disclosures for the year ended September 30, 2022.

Cash and cash equivalents

The Company considers all short-term, highly liquid investments that are readily convertible to a known amount of cash, with original maturities at their acquisition date of three months or less, to be cash equivalents.

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

4 Cash and cash equivalents

	June 30, 2023 \$	September 30, 2022 \$
Cash	1,869,018	4,911,423
Short-term investments	3,000,000	-
	<hr/> 4,869,018	<hr/> 4,911,423

Interest rates on short-term investments range from 4.55% to 5.0%.

5 Accounts receivable

	June 30, 2023 \$	September 30, 2022 \$
Trade and other receivables	4,854,655	7,841,420
Credit loss allowance – accounts receivables	(186,425)	(276,243)
	<hr/> 4,668,230	<hr/> 7,565,177

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

6 Right-of-use assets and lease liabilities

Information about leases for which the Company is a lessee are presented below:

Right-of-use assets

	For the nine months ended June 30, 2023				For the nine months ended June 30, 2022			
	Office	Vehicles	IT equipment	Total	Office	Vehicles	IT equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance – Beginning of period	700,220	25,889	48,423	774,532	580,882	4,495	23,427	608,804
Additions	1,569,620	-	-	1,569,620	512,177	-	65,000	577,177
Impairment	-	-	-	-	-	-	(17,570)	(17,570)
Amortization	(410,382)	(6,851)	(16,143)	(433,376)	(304,133)	(4,495)	(16,690)	(325,318)
Balance - End of period	1,859,458	19,038	32,280	1,910,776	788,926	-	54,167	843,093

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

Lease liabilities

	<u>For the nine months ended June 30, 2023</u>				<u>For the nine months ended June 30, 2022</u>			
	<u>Office</u>	<u>Vehicles</u>	<u>IT equipment</u>	<u>Total</u>	<u>Office</u>	<u>Vehicles</u>	<u>IT equipment</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance – Beginning of period	755,699	26,380	49,416	831,495	639,251	4,762	24,462	668,475
Additions	1,569,620	-	-	1,569,620	512,177	-	65,000	577,177
Lease renewals, reassessments and modifications	-	-	-	-	-	-	(18,500)	(18,500)
Interest expense on lease liabilities	84,461	506	1,764	86,731	27,166	52	1,430	28,648
Payments	(487,170)	(7,273)	(17,559)	(512,002)	(333,526)	(4,814)	(18,007)	(356,347)
Balance at end of Period	<u>1,922,610</u>	<u>19,613</u>	<u>33,621</u>	<u>1,975,844</u>	<u>845,068</u>	<u>-</u>	<u>54,385</u>	<u>899,453</u>
Current portion of lease liabilities				<u>485,050</u>				<u>360,588</u>
Non-current portion of lease liabilities				<u>1,490,794</u>				<u>538,865</u>

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

Lease liabilities are discounted using the Company's incremental borrowing rate at the lease commencement date for each lease. As at June 30, 2023 the rates range from 2.99% to 7.95% (2022: 2.99% to 5.95%).

The Company leases buildings for its office spaces across Canada. Lease terms range from one to five years. To provide operational flexibility, the Company seeks to include extension or termination options in its leases. At the commencement of a lease, the Company assesses whether it is reasonably certain it will exercise the lease extension option (or not exercise a termination option). The Company reassesses this when a significant event or significant change in circumstances within the Company's control has occurred.

The Company leases vehicle and office equipment with terms of three to five years. These leases do not usually contain extension options, purchase options, or residual value guarantees. The Company also leases IT equipment and other equipment with terms of one to five years. These leases are generally short-term or for low-value assets that the Company has elected not to recognize in right-of-use assets and lease liabilities.

	For the three months ended		For the nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Amounts recognized in selling, general and administrative	\$	\$	\$	\$
Rent expense – variable lease payments	36,243	59,758	153,441	183,410
Expense related to short-term leases	5,666	65,106	86,554	177,638
Expense related to low-value assets	21,563	16,168	56,184	47,921
Income from subleases	(1,500)	(3,237)	(7,500)	(8,659)
	61,972	137,795	288,679	400,310

	For the nine months ended	
	June 30, 2023	June 30, 2022
Amounts recognized in the statements of cash flow	\$	\$
Cash payments for the interest portion of lease liabilities	86,731	28,648
Cash payments for leases not included in the measurement of lease liabilities	288,679	400,310
Cash outflow in operating activities	375,410	428,958
Cash payments for the principal portion of lease liabilities included in financing activities	425,271	327,699
Total cash outflow for leases	800,681	756,657

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

7 Credit facilities

The Company has a \$2,500,000 operating demand loan available to it as a shared limit between its overdraft facility and letters of credit. The Company has a maximum limit of \$500,000 for the issuance of letters of credit.

As at June 30, 2023, the Company had drawn \$nil on its operating demand loan and \$nil in letters of credit (September 30, 2022 – \$nil and \$nil, respectively).

The Company has certain covenants in accordance with its credit facilities. As at June 30, 2023, the Company was in compliance with all its covenants.

The Company also has a corporate credit card facility in the amount of \$250,000. As at June 30, 2023, the Company had utilized \$61,376 (September 30, 2022 – \$92,837) against this facility, which is recorded under trade and other payables in the statements of financial position.

8 Trade and other payables

	June 30, 2023	September 30, 2022
	\$	\$
Trade payables	1,974,059	3,336,901
Salaries and benefits payable	773,208	833,805
Other accrued liabilities and payables	593,053	1,734,364
	<u>3,340,320</u>	<u>5,905,070</u>

9 Long-term debt

	June 30, 2023	September 30, 2022
	\$	\$
Term loan, bearing interest at 3.28%	949,217	1,321,410
Less: Current portion	<u>510,696</u>	<u>498,303</u>
	<u>438,521</u>	<u>823,107</u>

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

On April 20, 2021, the Company entered into a letter of agreement with its bank for a \$2.0 million term loan. The term loan has a closed four-year term and carries an interest rate of 3.28% per annum with monthly blended payments of \$44,517 commencing May 31, 2021. This term loan matures April 30, 2025, is carried at amortized cost and is subject to the same covenants as the Company's credit facilities. As at June 30, 2023, the Company was in compliance with all its covenants.

Long-term debt balances as at June 30, 2023 are due as follows:

	\$
2023	126,110
2024	514,895
2025	308,212
	<hr/>
	949,217
	<hr/>

10 Shareholders' equity

Share options

Activity in the share option plan is summarized as follows:

	2023		2022	
	For the nine		For the nine	
	months ended		months ended	
	Number of	Weighted	Number of	Weighted
	options	average	options	average
	#	exercise	#	exercise
		price		price
		\$		\$
Outstanding – Beginning of year	2,839,000	0.36	620,000	0.25
Granted	98,000	0.41	120,000	0.60
Expired/Cancelled/Forfeited	(236,000)	0.35	(20,000)	0.47
Exercised	-	-	(540,000)	0.23
	<hr/>		<hr/>	
Outstanding – End of period	2,701,000	0.36	180,000	0.51
	<hr/>		<hr/>	
Exercisable – End of period	100,000	0.50	20,000	0.34
	<hr/>		<hr/>	

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

Share-based compensation

The fair value of options vested is recognized as compensation cost.

For the three and nine months ended June 30, 2023, the Company recognized \$87,755 and \$263,528, respectively (2022 – \$8,462 and \$17,742 respectively) in share-based compensation expense and no stock options were exercised (2022 - 500,000 options were exercised with an exercise price of \$0.24, a market price of \$0.72, and total proceeds of \$120,000).

During the nine months ended June 30, 2023, the Company granted options for 98,000 (2022 – 120,000) common shares of which 30,000 were to a Board member in connection with the Company's Board compensation policy. Of the options granted, 30,000 vest over one year and 68,000 vest over three years. All have a term of five years. The weighted average exercise price of the options is \$0.41 (2022 - \$0.60).

11 Other expense items by nature

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
	\$	\$	\$	\$
Personnel	4,058,575	4,002,051	11,760,701	11,312,368
Direct project expenses	2,429,767	2,900,385	9,939,764	8,723,087
Depreciation and amortization	186,777	127,968	491,992	382,251
Other operating expense	1,127,424	878,138	2,570,017	2,393,334
	<u>7,802,543</u>	<u>7,908,542</u>	<u>24,762,474</u>	<u>22,811,040</u>
Reported as:				
Cost of sales	5,908,452	6,394,885	19,926,984	18,578,229
Selling, general and administrative	1,894,091	1,513,657	4,835,490	4,232,811
	<u>7,802,543</u>	<u>7,908,542</u>	<u>24,762,474</u>	<u>22,811,040</u>

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Finance costs				
Interest on term and bank loans	8,468	12,499	28,457	40,450
Interest on leases	35,246	11,088	86,731	28,657
Bank charges	8,521	8,538	16,121	15,716
Other finance charges (income)	(38,521)	(3,361)	(74,996)	496
	<u>13,714</u>	<u>28,764</u>	<u>56,313</u>	<u>85,319</u>

12 Income tax

The following shows the components of income tax expense:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Current tax expense (recovery)	(28,558)	45,827	123,254	175,451
Deferred tax expense (recovery)	(117,077)	52,231	84,855	176,936
	<u>(145,635)</u>	<u>98,058</u>	<u>208,109</u>	<u>352,387</u>

13 Weighted average shares outstanding

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Issued common shares	29,435,695	29,435,695	29,435,695	29,435,695
Weighted average number of basic common shares	29,435,695	29,406,464	29,435,695	29,342,508
Effect of share options on issuance	7,294	19,443	1,010	72,166
Weighted average number of diluted common shares	<u>29,442,989</u>	<u>29,425,907</u>	<u>29,436,705</u>	<u>29,414,674</u>

Options that were anti-dilutive are not included in the computation of diluted common shares. For the three and nine months ended June 30, 2023, 438,928 and 810,747 options were excluded from the calculation because they were anti-dilutive (2022 – 687 and nil options respectively).

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

14 Segmented disclosure

The Company provides comprehensive solution-based products and services in the fields of environmental geosciences and engineering, industrial hygiene, occupational health and safety, water and wastewater treatment and environmental management predominately in Canada.

The Company operates under one operating and reportable segment due to the integration between technical disciplines required to serve its customers.

The chief operating decision maker is (collectively) the Chief Executive Officer, the Chief Financial Officer and the Board of Directors. Performance is evaluated by the chief operating decision maker based on gross margin and is measured consistently with gross margin in the financial statements.

Geographical information

The Company operates principally in Canada (country of domicile). Sales reported by customer location based on origin of purchase (i.e., country of domicile of contracting party) are as follows:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Canada	6,941,257	8,353,226	24,786,168	24,359,537
Other countries	-	-	47,099	23,715
	<u>6,941,257</u>	<u>8,353,226</u>	<u>24,833,267</u>	<u>24,383,252</u>

For the nine months ended June 30, 2023, approximately 12% of revenue was derived from one customer (2022 – 34% derived from three customers).

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

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

15 Revenue

Disaggregation of revenue

Revenue is disaggregated by customer sector and contract type, since it best depicts how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenue from contracts with customers is disaggregated as follows:

	For the three months ended June 30, 2023		
	Fixed price	Time and	Total
	\$	materials	\$
		\$	\$
Commercial and industrial	861,880	2,192,379	3,054,259
Government	912,737	780,303	1,693,040
Military	641,462	510,367	1,151,829
Mining	204,153	837,976	1,042,129
	2,620,232	4,321,025	6,941,257
	For the three months ended June 30, 2022		
	Fixed price	Time and	Total
	\$	materials	\$
		\$	\$
Commercial and industrial	746,984	3,001,437	3,748,421
Government	1,233,360	854,262	2,087,622
Military	390,450	1,154,340	1,544,790
Mining	215,005	757,388	972,393
	2,585,799	5,767,427	8,353,226

BluMetric Environmental Inc.
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(expressed in Canadian dollars)

	For the nine months ended June 30, 2023		
	Fixed price	Time and materials	Total
	\$	\$	\$
Commercial and industrial	2,560,778	7,958,770	10,519,548
Government	2,060,994	3,656,724	5,717,718
Military	2,619,609	1,596,928	4,216,537
Mining	1,137,537	3,241,927	4,379,464
	8,378,918	16,454,349	24,833,267

	For the nine months ended June 30, 2022		
	Fixed price	Time and materials	Total
	\$	\$	\$
Commercial and industrial	2,363,949	7,192,061	9,556,010
Government	2,976,833	3,404,219	6,381,052
Military	1,612,523	3,728,508	5,341,031
Mining	317,305	2,787,854	3,105,159
	7,270,610	17,112,642	24,383,252

Revenue from substantially all the Company's contracts is recognized over time because of the continuous transfer of control to the customer. For the nine months ended June 30, 2023, \$670,891 or 3% (2022 – \$483,617 or 2%) was recognized at a point in time, which primarily related to military sector customers.

16 Related party transactions

Compensation of key management personnel

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

	For the three months ended		For the nine months ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries	278,872	258,455	993,504	967,324
Short-term benefits	16,667	26,810	66,303	75,451
Share-based compensation	47,385	8,462	142,007	17,742
	342,924	293,727	1,201,814	1,060,517

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and nine months ended June 30, 2023 and 2022

(expressed in Canadian dollars)

17 Risk management

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. Credit risk associated with the Company's cash is assessed with reference to external credit ratings, which, in all cases, are above investment grade. The primary financial instruments that potentially expose the Company to credit risk are accounts receivable, unbilled revenue and contract assets.

As at June 30, 2023, five customers (2022 – five customers) accounted for 32% (2022 – 42%) of accounts receivable.

Liquidity risk

Liquidity risk is the risk the Company may 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 its operating demand loan facility. 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.

As at June 30, 2023, the Company had the following balances available on its credit facilities: operating demand loan – \$2,500,000; and credit card facility – \$188,624.

As at June 30, 2023, the Company had approximately \$7.6 million in availability between its operating line and cash balances.