

BLUMETRIC ENVIRONMENTAL INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

Financial year ended September 30, 2023

January 25, 2024

This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric Environmental Inc's ("BluMetric" or the "Company") financial condition and results of operations for the year ended September 30, 2023. The MD&A should be read in conjunction with the Company's audited financial statements and related notes for the year ended September 30, 2023, as well as the MD&A and audited financial statements and notes for the year ended September 30, 2022. 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 of Operations for the Financial Year Ended September 30, 2023", "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 refers to certain non-GAAP measures to assist users in assessing BluMetric's performance. Non-GAAP measures do not have any standard meaning prescribed by International Financial Reporting Standards ("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

BluMetric is a Canadian company that provides cost-effective and sustainable solutions to help its clients overcome even the most difficult environmental and business challenges. Through a track record that spans 45 years, the Company has evolved into a full-service integrator of environmental solutions known for innovative work in the fields of water/wastewater treatment and professional environmental services.

With a focus on four key markets —Commercial and Industrial; Government; Military and Mining; — BluMetric's main services and products include:

- Environmental Engineering, Monitoring and Compliance
- Site Assessment and Remediation
- Water Resources and Geomatics
- Cleantech – treatment of water and wastewater
- Industrial hygiene and Occupational Health and Safety

BluMetric's comprehensive, affordable offerings are tailored to the specific needs of not only each industry, but also each client. With innovation, agility and client-responsive service as its hallmarks, the Company builds partnerships with its customers by delivering a long-term, holistic approach to managing their complete environmental needs, and health and safety responsibilities. It is this high degree of service that differentiates BluMetric from competitors.

BluMetric's team of approximately 175 dedicated and passionate employees and its client-centric approach form the underpinning of its success, contributing to the following core elements of its value proposition:

- Solution-oriented consultation, design, products, and construction services
- Turn-key solutions – BluMetric provides a complete end-to-end solution from assessment and evaluation to implementation to ongoing service and management
- World class expertise in the analysis, management, and treatment of water in the environment
- Water treatment solutions that are compact, energy efficient, reliable, and simple to operate

The Company has 10 offices across Ontario, Quebec, Yukon, and Northwest Territories.

Joint Venture

BluMetric is proud to be a trusted provider of services to many of Canada's northern Indigenous communities. The Company entered in a shareholder relationship with BLM-KEL-60 Corp. on September 27, 2022, an unrelated party, for purposes of executing projects in Nunavut supporting federal, territorial, and private clients. The joint venture relationship will enable BluMetric to access additional opportunities in Northern Canada.

BLM-KEL-60 Corp. is an Inuit majority owned entity that is incorporated in Nunavut, Canada. The intent of the shareholders of the corporation is to contribute to the personal, economic, social, and cultural

wealth of the Kitikmeot region of Nunavut by training, developing, and employing local Inuit candidates to support projects in carrying out its business in environmental consulting services.

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 September 30, 2023.

Technology and Innovation

Innovation is driven by client demands as they face more stringent environmental regulations. BluMetric's creative process for addressing problems consists of developing solutions that are both scientifically sound and economically viable.

The Company is expanding its standard products for water and wastewater treatment and is developing a mid-sized Portable Water Treatment System and a Mobile Wastewater Treatment Plant. These resilient water solutions are highly flexible and cost efficient and allow for rapid deployments for temporary needs, such as mineral exploration and humanitarian relief. These designs are based on BluMetric's mobile militarized systems for Mission Ready Water which can provide emergency potable water to almost any community in Canada for 90 days when there is a community facing potable water issues. The wastewater system includes state of the art filtration technology that is more rugged for deployments and has decreased operational and maintenance costs. BluMetric started marketing these units in 2023.

BluMetric is committed to pursuing new opportunities in technology and innovation throughout North America and with other allied nations.

Sales and Marketing

BluMetric's business development efforts are primarily focused on four key markets where the Company has identified the greatest demand for its products and services:

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

BluMetric uses a client-centric approach to business development, which involves an emphasis on understanding each client's environmental issues and then identifying and preventing potential problems. This approach allows BluMetric to provide a complete and integrated solution.

Satisfied clients provide repeat business as well as incredibly valuable word-of-mouth referrals. BluMetric continues to actively leverage the successes of past projects to expand and diversify client relationships, strategic partnerships, and service offerings.

Board of Directors

The Board currently consists of five members, three 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 business development, finance, operations, management, and governance.

Executive Management

The Senior Management team comprises of: Scott MacFabe, Chief Executive Officer; Dan Hilton, Chief Financial Officer; Wayne Ingham, VP, Director-Strategic Business Development; Andy Benson, VP, Director-Operations; Corey Switzer, Director-Cleantech; and Lydia Renton, Director-Corporate Occupational Hygiene and Safety. This team has extensive business and environmental experience and is well supported by highly qualified and experienced managers.

Our People

The BluMetric team consists of approximately 175 experienced and motivated hydrogeologists, engineers, occupational and industrial hygienists, environmental auditors, environmental scientists, chemists, project managers, finance professionals, trades, and support personnel. They are experts in providing a comprehensive range of environmental services and engineered solutions, from contaminated site assessment and remediation to complete turn-key wastewater treatment systems.

Staffing levels fluctuate with the hiring of contract staff and students to meet project demands. The Company strives to recruit and retain highly skilled employees who can use their technical expertise to deliver creative solutions to complex environmental issues.

Diversity

BluMetric is committed to the principles of diversity. The Company strives to create and support an inclusive work environment that respects and values the contributions of all employees and their individual differences.

BluMetric's employees come from a wide range of cultural, ethnic, educational, and religious backgrounds. Additionally, women represent approximately 50% of the workforce from welders and field technicians to the executive team and the Board of Directors. BluMetric's goal is to capitalize on the strength derived from diversity while affording its team members the greatest opportunity to excel, grow, and contribute to business and society.

Selected Financial Information

The following table shows selected financial data for BluMetric for the three most recently completed fiscal years.

For the years ended September 30, 2023 and September 30, 2022

	2023 \$	2022 \$
Total revenue	35,084,439	34,318,173
Gross profit	7,586,580	7,561,505
Gross margin	22%	22%
Operating expenses	6,574,330	5,834,319
Earnings before provision for income tax	943,155	1,628,416
Net earnings	506,720	1,323,050
Weighted average number of shares outstanding - basic	29,435,695	29,365,996
Weighted average number of shares outstanding - diluted	29,443,971	29,413,780
Earnings per share – basic	0.02	0.05
Earnings per share – diluted	0.02	0.04
Total assets	20,051,242	19,669,543
Working capital	11,101,678	10,912,112
Non-current liabilities	1,803,980	1,290,619
Shareholders' equity	12,194,054	11,368,532

Results of Operations for the Three Months Ended September 30, 2023

	September 30, 2023 \$	September 30, 2022 \$	Change \$	Change %
Revenue	10,251,172	9,934,920	316,252	3%
Gross profit	2,680,297	1,756,481	923,816	53%
Gross margin %	26%	18%		
Operating expenses	1,738,837	1,601,508	137,329	9%
Operating profit	941,460	154,976	786,484	507%
EBITDA ¹	1,123,388	288,991	834,397	289%
Earnings before income taxes	928,678	141,522	787,156	556%
Income tax (recovery) expense	228,326	(47,021)	275,347	-586%
Net earnings	700,352	188,543	511,809	271%
Weighted average common shares outstanding - basic	29,435,695	29,365,996		
Earnings (loss) per share – basic	0.02	0.01		
Weighted average common shares outstanding - diluted	29,443,971	29,413,780		
Earnings (loss) per share – diluted	0.02	0.01		

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

Discussion of Results of Operations for the Three Months Ended September 30, 2023

Revenue for the quarter ended September 30, 2023, was \$10.3 million compared to \$9.9 million for the quarter ended September 30, 2022.

Revenue from the Commercial and Government markets remained relatively consistent. Revenue from the Military market decreased due the completion of contracts and longer sales and procurement cycles required for new contracts in this market. The Mining market saw an increase in revenue mainly from a contract for a water treatment system for a mine site, as well as greater customer diversification. The impact of the wildfires in Q3 2023 pushed some deliverables into Q4 2023, adding significantly to the recognition of revenue in that period and strong utilization metrics across our services delivery teams.

Gross profit was \$2.7 million for Q4 2023 compared to \$1.8 million for Q4 2022. Gross margin was 26% compared to 18% in the previous year. The increase in gross profit was attributable to the project mix coupled with the delayed recognition of revenues related to the wildfire activity.

Operating expenses increased slightly to \$1.7 million for the fourth quarter of 2023 compared to \$1.6 million for the same quarter in the previous year.

Results of Operations for the Financial Year Ended September 30, 2023

	September 30, 2023 \$	September 30, 2022 \$	Change \$	Change %
Revenue	35,084,439	34,318,173	766,266	2%
Gross profit	7,586,580	7,561,505	25,075	0.3%
Gross margin %	22%	22%		
Operating expenses	6,574,330	5,834,319	740,011	13%
Operating profit	1,012,250	1,727,186	(714,936)	-41%
EBITDA ¹	1,686,170	2,243,455	(557,285)	-25%
Earnings before income taxes	943,155	1,628,416	(685,261)	-42%
Income tax (recovery) expense	436,435	305,366	131,069	43%
Net earnings	506,720	1,323,050	(816,330)	-62%
Weighted average common shares outstanding - basic	29,435,695	29,365,996		
Earnings (loss) per share – basic	0.02	0.05		
Weighted average common shares outstanding - diluted	29,443,971	29,413,780		
Earnings (loss) per share – diluted	0.02	0.04		
Total assets	20,051,242	19,669,543		
Working capital	11,101,678	10,912,112		
Non-current liabilities	1,803,980	1,290,619		
Shareholders' equity	12,194,054	11,368,532		
Net cash (debt) ²	2,216,605	3,590,013		

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

Note 2: Net cash (debt) is a non-IFRS measure and is calculated as cash less total debt excluding lease liabilities (see 'Financial Terms and Definitions').

Discussion of Results of Operations for the Financial Year Ended September 30, 2023

Revenue for the year ended September 30, 2023, was \$35.1 million compared to \$34.3 million for the year ended September 30, 2022, and is broken down as follows:

	2023	2022	Change	Change
	\$	\$	\$	%
Commercial and Industrial	13,544,746	13,522,701	22,045	0.2%
Government	9,733,070	9,872,569	(139,499)	-1%
Military	5,446,370	6,256,270	(809,900)	-13%
Mining	6,360,253	4,666,633	1,693,620	36%
	35,084,439	34,318,173		

The Commercial and Industrial remained relatively stable, with a small increase of \$22,045 compared to fiscal 2022.

The Government market decreased slightly by \$139,499 year over year. There were several project delays due to the wildfires and natural disasters in the Northern Canadian provinces in Q3 2023 which were pushed into Q4 2023 and Q1 2024.

The Military market decreased \$0.8 million year over year primarily due to the continued reduction in activity under the Company's shipboard reverse osmosis desalination (SROD) contract. The Company is awaiting the announcement of a replacement contract. During fiscal 2023, BluMetric signed a 3-year, \$12.2 million contract with Rheinmetall Canada to develop and deliver small, self-contained water purification systems as part of a contract awarded by the Canadian Armed Forces, with delivery expected throughout fiscal 2025.

The Mining market revenue increased by \$1.7 million compared to the prior year, due to a more diversified customer base, as well as resuming the work for a large contract for a water treatment facility at a mine site. The Company is shifting its focus toward higher value services and improving our new client portfolio, especially in Northern Quebec.

Gross profit remained stable at \$7.6 million for FY 2023 compared to \$7.6 million for FY 2022. Gross margin for both years was 22%.

Operating costs increased by \$740,011 for the year ended September 30, 2023, compared to the prior year. The increase is mainly due to increases in non-cash share compensation costs related to awards granted under the Employee Stock Option Plan, as well as an increase in marketing travel, IT consulting, recruiting and legal contracting costs. The company held a strategic employee conference/summit in April 2023 to plan for future growth as operations return to their normal levels post-pandemic.

Finance costs were \$69,095 compared to \$98,770 in the prior year. This is the result of the Company's continued efforts to pay down debt. Net earnings for FY 2023 were \$506,000 compared to \$1.3 million

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for FY 2022. Net cash (see "Financial Terms and Definitions") as at September 30, 2023 was \$2.2 million, compared to \$3.6 million at September 30, 2022.

EBITDA (see "Financial Terms and Definitions")

	Three months ended		Year ended	
	September 30, 2023 \$	September 30, 2022 \$	September 30, 2023 \$	September 30, 2022 \$
Net income	700,352	188,543	506,720	1,323,050
Finance costs	12,782	13,451	69,095	98,770
Income tax expense (recovery)	228,326	(47,021)	436,435	305,366
Depreciation and amortization	181,928	134,018	673,920	516,269
EBITDA	1,123,388	288,991	1,686,170	2,243,455

For Q4 2023, the Company recorded EBITDA of \$1.1 million, compared with \$288,991 for Q4 2022. The increase in EBITDA is mainly due to increased project revenue and a higher gross margin (gross margin was 26% in Q4 2023, compared to 18% in Q4 2022).

The Company recorded EBITDA of \$1.7 million for the year ended September 30, 2023, compared with \$2.2 million for the year ended September 30, 2022. The decrease in EBITDA is mainly due to increased operating expenses.

For more detail, see "Discussion of Results of Operations for the Financial Year Ended September 30, 2023" and "Quarterly Results".

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Quarterly Results

Quarterly financial information for the eight quarters ended September 30, 2023

(in 000's, except as otherwise indicated)

	Q4 2023 Sept 30, 2023 \$	Q3 2023 June 30, 2023 \$	Q2 2023 Mar 31, 2023 \$	Q1 2023 Dec 31, 2022 \$
Revenue	10,251	6,941	7,414	10,478
Cost of sales	7,571	5,908	5,870	8,149
Gross profit	2,680	1,033	1,544	2,329
Gross margin%	26%	15%	21%	22%
Operating expenses	1,739	1,894	1,388	1,553
Finance costs	13	14	21	21
Income tax expense (recovery)		(146)	55	299
Net earnings		(729)	80	456
Weighted average common shares outstanding				
Basic	29,435,695	29,435,695	29,435,695	29,435,695
Diluted	29,443,971	29,442,989	29,439,435	29,435,695
Earnings (loss) per share				
Basic	0.02	(0.02)	0.00	0.02
Diluted	0.02	(0.02)	0.00	0.02
	Q4 2022 Sept 30, 2022 \$	Q3 2022 June 30, 2022 \$	Q2 2022 Mar 31, 2022 \$	Q1 2022 Dec 31, 2021 \$
Revenue	9,935	8,353	8,214	7,816
Cost of sales	8,178	6,395	6,412	5,771
Gross profit	1,757	1,958	1,802	2,045
Gross margin%	18%	23%	22%	26%
Operating expenses	1,602	1,514	1,454	1,265
Finance costs	13	29	24	33
Earnings before provision for income tax	142	415	324	747
Income tax expense (recovery)	(47)	98	60	195
Net earnings	189	317	264	552
Weighted average common shares outstanding				
Basic	29,365,996	29,406,464	29,395,695	29,064,173
Diluted	29,413,780	29,425,907	29,443,538	29,228,459
Earnings per share				
Basic	0.01	0.01	0.01	0.02
Diluted	0.01	0.01	0.01	0.02

The Company experiences variability in its results of operations from quarter to quarter due to the nature of the markets and geographies in which it operates. Typically, in the second quarter, the Company experiences slowdowns related to winter weather conditions and holiday schedules. Activity in the fourth quarter generally increases because of projects in the North that run in the summer season. Additionally, the Company has several discrete contracts that occur throughout the year and can significantly impact the results of any one quarter.

Below are some key highlights for fluctuations quarter over quarter. For information on the operating results please see the Discussion of Results of Operations in each MD&A for each respective quarter.

Highlights on quarter over quarter variances include:

1. **Q4 2023 vs Q4 2022** – Revenue in Q4 2023 increased as a result of the recommencing of work after project delays in the Northern provinces in Q3 2023.
2. **Q3 2023 vs Q3 2022** – Revenue decline is mainly a result of delayed starts for several projects related to the Company's Northern work. Q3 2023 includes higher operating expenses of approximately \$380,000 because of the Company hosting a conference, focusing on marketing activities to drive sales, and increased share compensation costs.
3. **Q2 2023 vs Q2 2022** – Revenue in Q2 2022 included COVID-19 compliance-related revenue, as well as a large contract in the military market for repair and overhaul. Revenue in Q2 2023 did not include similar projects.
4. **Q1 2023 vs Q1 2022** – Q1 2023 includes a large project with \$1.4 million in revenue and lower than average margin. The Company continues to focus on expanding its mining portfolio and has recognized approximately \$500,000 in Q1 2023 from new customers in this market sector. Operating expenses have increased with increased activity.

Summary of Cash Flows

	September 30, 2023 \$	Year ended September 30, 2022 \$
Cash provided by (used in)		
Operating activities, excluding changes to working capital	1,446,569	2,094,622
Changes related to working capital	(1,909,520)	(897,578)
Operating activities	(462,949)	1,197,044
Investing activities	(336,940)	(83,383)
Financing activities	(1,071,822)	(929,658)
Change in cash	(1,184,711)	184,003
Cash – Beginning of period	4,911,423	4,727,420
Cash – End of period	3,039,712	4,911,423
Free cash flow ^{1, 2}	536,112	1,538,180

Note 1: Free cash flow is a non-IFRS measure and is calculated as operating cash flows less net capital expenditures and net payment of lease obligations (see 'Financial Terms and Definitions').

Note 2: The 2022 number has been restated to reflect calculation methodology adopted in fiscal 2023.

Cash consumed from operating activities was \$462,949 during the year ended September 30, 2023, compared with cash produced from operating activities of \$1.2 million in the same period in 2022. The increase in operating expenses as business activities return to normal levels, the timing of payments of trade accounts payable, and timing of billing based on milestone deliverables account for most of the decrease in cash.

Investing activities consumed \$336,940 of cash in fiscal year 2023, compared to cash consumed by investing activities of \$83,383 in the same period for 2022. In fiscal year 2023, strategic investments in field equipment were made to be used in future water treatment related projects.

In the fiscal year 2023, cash used in financing activities was \$1.1 million compared to \$0.9 million in the same period of 2022.

Free cash flow decreased to \$536,112 in the fiscal year of 2023 from \$1.6 million in the same period of 2022. The decrease is explained by the lease payments of the new office lease agreements signed in the fiscal year 2023, as well as the field equipment investments that will enhance the Company's service offerings.

Liquidity

The Company's short-term credit facilities consist of an operating demand loan in the amount of \$2.5 million, which is a shared limit between its overdraft facility and letters of credit. The facility carries a floating interest at prime plus 1.25% (2022 – 1.25%), is collateralized by a first ranking general security agreement over all the Company's present and future assets and has no contractual maturity.

For the period ended September 30, 2023, the effective interest rate under this facility was 8.45% (2022 – 6.7%). As at September 30, 2023, the Company had drawn \$nil on its operating facility and \$nil in letters of credit (Sep 30, 2022 – \$nil and \$nil respectively). The Company's eligible accounts receivable exceeded the margining threshold, making the \$2.5 million facility fully available to the Company.

On April 20, 2021, the Company entered into a letter of agreement with its bank for a new \$2.0 million term loan. The new 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. It matures April 30, 2025, is carried at amortized cost and is subject to the same covenants as the Company's short term credit facilities.

As at September 30, 2023, the Company had approximately \$5.7 million in availability between its operating line and cash balances and was in compliance with all its covenants.

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The following table outlines the liquidity risk associated with the Company's payment obligations as at September 30, 2023 and September 30, 2022, respectively:

September 30, 2023						2023
	Less than 1 year	1 – 5 years	Thereafter	Total undiscounted cash flow	Effect of interest	Carrying value
	\$	\$	\$	\$	\$	\$
Trade and other payables	4,821,120	-	-	4,821,120	-	4,821,120
Lease liabilities (IFRS 16)	744,248	2,247,019	778,140	3,769,407	1,796,014	1,973,393
Long-term debt	534,174	311,616	-	845,790	22,683	823,107
	<u>6,099,542</u>	<u>2,558,635</u>	<u>778,140</u>	<u>9,436,317</u>	<u>1,818,697</u>	<u>7,617,620</u>

September 30, 2022						2022
	Less than 1 year	1 – 5 years	Thereafter	Total undiscounted cash flow	Effect of interest	Carrying value
	\$	\$	\$	\$	\$	\$
Trade and other payables	5,847,070	58,000	-	5,905,070	-	5,905,070
Lease liabilities (IFRS 16)	400,615	510,834	-	911,449	79,954	831,495
Long-term debt	534,174	845,815	-	1,379,989	58,579	1,321,410
	<u>6,781,859</u>	<u>1,414,649</u>	<u>-</u>	<u>8,196,508</u>	<u>138,533</u>	<u>8,057,975</u>

Business Outlook

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

BluMetric is focused on making key investments in its Cleantech water treatment products and in its personnel to support growth and market expansion. The Company is planning to invest in leadership in the Commercial and Industrial market and staff expansion of our fabrication facility, to take advantage of emerging opportunities. Furthermore, BluMetric will continue to build on a strong 2023 servicing clients in Canada's North, as well as its other government clients. In addition, the Company is considering acquisition opportunities to accelerate growth.

BluMetric believes that the following factors have and will continue to position BluMetric for growth:

- The Company's diversified service offerings and market sectors;
- A strong sales funnel and contracts in hand for 2024 and 2025;
- Realizing the robust interest in our newly developed agile water treatment systems for Cleantech;
- Continue to capitalize on our recently expanded Cleantech fabrication facility;
- Expanded presence in Quebec, with a market focus on Mining;
- Geographic expansion of our Cleantech products;
- Strong balance sheet, as seen from the Company's reduction in long term debt and improvement in working capital; and

An investment in a dedicated business development team.

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:

- Ability to attract and retain key personnel;
- Macroeconomic risk of recession in key markets or the economy as a whole;
- Reliance on key clients;
- Environmental factors outside of the company's control such as fire and flooding that may impact the ability to realize revenues;
- Liquidity risk with respect to clients, and their ability to pay and pay on time;
- Competition from companies which are better-financed or have disruptive technologies;
- Potential claims and litigations; and
- Cybersecurity threats.

Capital Resources

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

Critical Accounting Estimates and Judgements

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 2 of the Company's audited financial statements and related notes for the year ended September 30, 2023.

Off-Balance Sheet Arrangements

Many of the Company's operating leases have fallen under IFRS 16 as implemented on October 1, 2019, and are now capitalized on the Statement of Financial Position. For contractual commitments not recognized on the Statement of Financial Position, the reader is referred to Note 18 of the Company's audited financial statements for the year ended September 30, 2023.

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.

Key management personnel of the Company are members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and members of the executive team.

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

	Three months ended		Year ended	
	September 30, 2023 \$	September 30, 2022 \$	September 30, 2023 \$	September 30, 2022 \$
Salaries	298,325	257,681	1,291,828	1,225,005
Short-term benefits	16,667	27,176	82,970	102,628
Share-based compensation	13,345	22,925	155,352	37,672
	328,337	301,782	1,530,150	1,365,305

Proposed Transactions and Subsequent Events

There are no proposed transactions or subsequent events for year ended September 30, 2023.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	29,435,695 common shares
Options:	2,554,916 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the year ended September 30, 2023.

Financial Terms and Definitions

Definition of Non-GAAP 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-GAAP measures may not be comparable to similar measures presented by other companies. The Company believes that the measures defined here are useful for providing investors with additional information to assist them in understanding components of the financial results.

Adjusted EBITDA: Adjusted EBITDA additionally excludes items that are significant and irregular, such as the gain on disposal of assets held for sale and impairment charges.

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 Adjusted EBITDA is to provide additional useful information to investors and analysts. 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.

EBITDA: EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, and amortization of intangible assets. The Company uses this measure as part of assessing operating performance. There is no direct comparable IFRS measure for EBITDA.

Free cash flow: Free cash flow is a non-IFRS measure and is calculated as cash flow from operating activities excluding changes in the working capital balances less net capital expenditures and net payment of lease obligations. The Company uses the measure as part of assessing the availability of discretionary cash as part of its liquidity management. There is no direct comparable IFRS measure under IFRS.

Net cash (debt): Net cash (debt) is a non-IFRS measure and is calculated as cash less total funded debt excluding lease liabilities. The Company uses this measure as part of assessing liquidity. There is no directly comparable measure under IFRS.

Working capital: Working capital is a non-IFRS measure and is calculated by subtracting current liabilities from current assets. There is no directly comparable measure under IFRS.

Management's Responsibility for Financial Reporting

The audited 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 financial statements conform to IFRS 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 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.