

BLUMETRIC ENVIRONMENTAL INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

Financial years ended September 30, 2022 and September 30, 2021
(expressed in Canadian Dollars)

January 26, 2023

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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, 2022. The MD&A should be read in conjunction with the Company's audited financial statements and related notes for the year ended September 30, 2022 as well as the MD&A and audited financial statements and notes for the year ended September 30, 2021. 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, 2022", "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-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 over 40 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. Our business philosophy results in long term client relationships and resilient repeat business.

BluMetric's team of approximately 170 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. BluMetric is proud to be a trusted provider of services to many of Canada's northern Indigenous communities.

Technology and Innovation

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

The Company has expanded its standard products for water and wastewater treatment, largely in response to the developing needs for emergency water and wastewater systems due to global climate change. Designs have recently been completed and prototyping phases have started for a mid-sized emergency potable 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. The prototype designs are based on BluMetric's mobile militarized systems which provides 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 decreased operational and maintenance costs. Both prototypes are expected to be completed in the spring of 2023. In addition, our new agile systems have been drawing international interest as they are well placed to support critical water needs in areas of global conflict.

BluMetric is committed to pursuing new opportunities in technology and innovation.

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: Scott MacFabe, Chief Executive Officer; Vivian Karaikos, Chief Financial Officer; Wayne Ingham, VP, Director of Strategic Business Development; and Andy Benson, VP, Director of Operations. 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 170 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 are able to 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 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, 2022, September 30, 2021 and September 30, 2020

	2022	2021	2020
	\$	\$	\$
Total revenue	34,318,173	35,478,683	28,621,333
Gross profit	7,561,505	9,421,425	6,123,280
Gross margin	22%	27%	21%
Operating expenses	5,834,319	4,782,788	4,930,768
Other operating items	-	-	(517,342)
Earnings before provision for income tax	1,628,416	4,327,050	1,201,978
Net earnings	1,323,050	3,725,644	471,459
Weighted average number of shares outstanding - basic	29,365,996	28,773,174	28,675,695
Weighted average number of shares outstanding - diluted	29,413,780	29,082,550	28,691,956
Earnings per share – basic	0.05	0.13	0.02
Earnings per share – diluted	0.04	0.13	0.02
Total assets	19,669,543	17,420,328	15,516,691
Working capital	10,912,112	9,712,965	4,151,682
Non-current liabilities	1,290,619	1,589,998	964,185
Shareholders' equity	11,368,532	9,862,030	6,075,775

Results of Operations for the Three Months Ended September 30, 2022

	Three months ended		Change \$	Change %
	September 30, 2022 \$	September 30, 2021 \$		
Revenue	9,934,920	9,699,459	235,462	2%
Gross profit	1,756,481	2,345,318	(588,836)	-25%
Gross margin %	18%	24%		
Operating expenses	1,601,508	1,285,675	315,831	25%
Operating profit	154,973	1,059,643	(904,667)	-85%
EBITDA ¹	288,991	1,206,399	(917,405)	-76%
Earnings before income taxes	141,522	1,029,351	(887,826)	-86%
Income tax recovery	(47,021)	(257,394)	210,373	-82%
Net earnings	188,543	1,286,745	1,098,199	-85%
Weighted average common shares outstanding - basic	29,365,996	28,773,174		
Earnings per share – basic	0.01	0.04		

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, 2022

Revenue for the quarter ended September 30, 2022 was \$9.9 million compared to \$9.7 million for the quarter ended September 30, 2021. Revenue from the Commercial market increased mainly as a result of projects related to contaminated site remediation. In addition, revenue from Mining market increased due to a project in northern Quebec focusing on surface water and groundwater characterization for contaminants and water management. These increases were offset by a decrease in the military market as a result of procurement delays, a reduction in activity under the Company's shipboard reverse osmosis desalination (SROD) contract and the Company's Seaspan Shipyard SROD contract being largely concluded in Q2 of fiscal year 2022. Revenue from the Government market remained relatively consistent.

Gross profit was \$1.8 million for Q4 FY 2022 compared to \$2.3 million for Q4 FY 2021. Gross margin was 18% compared to 24%. The decline in margin is due largely to the project mix in Q4 FY 2022 compared to Q4 FY 2021.

Operating expenses increase to \$1.6 million for the fourth quarter of 2022 compared to \$1.3 million for the same quarter in the previous year. This increase is largely related to activities resuming to post-pandemic levels, as well as an increase in salaries expense from increased headcount when compared to the same quarter in the previous year.

Management's Discussion and Analysis
Financial Years Ended September 30, 2022 and
September 30, 2021

Net earnings for the fourth quarter of 2022 were \$188,543 compared to a \$1.3 million for the fourth quarter of 2021. Net earnings for Q4 FY 2022 were impacted by some one-time expenses related to projects and salary costs.

Results of Operations for the Financial Year Ended September 30, 2022

	Year ended		Change \$	Change %
	September 30, 2022 \$	September 30, 2021 \$		
Revenue	34,318,173	35,478,683	(1,160,510)	-3%
Gross profit	7,561,505	9,421,425	(1,859,920)	-20%
Gross margin %	22%	27%		
Operating expenses	5,834,319	4,782,788	1,051,531	22%
Operating profit	1,727,186	4,638,637	(2,911,451)	-63%
EBITDA ¹	2,243,455	5,242,268	(2,998,813)	-57%
Earnings before income taxes	1,628,416	4,327,050	(2,698,634)	-62%
Income tax expense	305,366	601,406	(296,040)	-49%
Net earnings	1,323,050	3,725,644	(2,402,594)	-64%
Weighted average common shares outstanding - basic	29,365,996	28,773,174		
Earnings per share – basic	0.05	0.13		
Weighted average common shares outstanding - diluted	29,413,780	29,082,550		
Earnings per share – diluted	0.04	0.13		
Total assets	19,669,543	17,420,328		
Working capital	10,912,112	9,712,965		
Non-current liabilities	1,290,619	1,589,998		
Shareholders' equity	11,368,532	9,862,030		
Net cash (debt) ²	3,590,013	2,793,351		

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, 2022

Revenue for the year ended September 30, 2022 was \$34.3 million compared to \$35.5 million for the year ended September 30, 2021 and is broken down as follows:

	2022	2021	Change	Change
	\$	\$	\$	%
Commercial and Industrial	13,522,701	13,130,765	391,936	3%
Government	9,872,569	9,603,066	269,503	3%
Military	6,256,270	7,578,892	(1,322,622)	-17%
Mining	4,666,633	5,165,960	(499,327)	-10%
	34,318,173	35,478,683		

The Commercial and Industrial market increased \$391,936 in fiscal year 2022 compared to fiscal year 2021. The increase is a result of increased activity in this market, which slowed down in the initial months of the pandemic. In particular, activity in real estate development has resulted in a project for contaminated site remediation monitoring and confirmation for the redevelopment of a large brownfield site in the greater Toronto area as well as a contaminated site remediation project in Montreal.

The Government market increased \$269,503 year over year, due largely to work performed under a standing offer agreement with PSPC related to contaminated site assessment and remediation at federal sites in the Northern Territories, as well as providing industrial hygiene and occupational health and safety support services in the National Capital Region. Fiscal year 2021 included a one-time project for the provision of COVID cleaning supplies for schools and daycares in communities throughout Nunavut.

The Military market declined year over year as a result of procurement delays, as well as a reduction in activity under the Company's shipboard reverse osmosis desalination (SROD) contract. Fiscal year 2021 also included revenue from the Company's Seaspan Shipyard SROD contract, which was largely completed in Q2 of fiscal year 2022.

Revenue from the Mining market has declined by \$499,327 from the prior year period. This is mainly the result of two large mining projects coming to a completion during FY 2021. Offsetting this decline and in line with the Company's strategy of focusing on higher value services in Mining, the Company won a project in northern Quebec which focuses on surface water and groundwater characterization for contaminants and water management.

Gross profit was \$7.6 million for FY 2022 compared to \$9.4 million for FY 2021. Gross margin was 22% compared to 27%. The decrease in gross margin is mainly related to project mix in 2022 compared to 2021.

Operating costs increased for the year ended September 30, 2022 to \$5.8 million compared to \$4.8 million in the prior year. The increase is primarily due to higher spending in information technology, including increased licensing costs from moving the Company to a monthly software as a service model as well as

increased consulting costs. In addition, travel, conference costs and marketing costs have increased as these were greatly reduced in FY 2021 due to the pandemic restrictions. Overall, there has been a general increase in expenses as a result of increased activities and the current inflationary environment.

Finance costs were \$98,770 compared to \$311,587 in the prior year. On April 20, 2021, the Company re-financed its \$2.0 million term loan with an interest rate of 3.28% per annum compared to an effective interest rate of 14% on the previous loan.

Net earnings for FY 2022 were \$1.3 million compared to a \$3.7 million for FY 2021.

Net cash (see "Financial Terms and Definitions") as at September 30, 2022 was \$3.6 million, compared to \$2.8 million at September 30, 2021.

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

	Three months ended		Year ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Net income	188,543	1,286,745	1,323,050	3,725,644
Finance costs	13,451	30,292	98,770	311,587
Income tax expense (recovery)	(47,021)	(257,394)	305,366	601,406
Depreciation and amortization	134,018	146,756	516,269	603,631
EBITDA	288,991	1,206,399	2,243,455	5,242,268
Impairment of computer hardware	-	91,145	-	91,145
Adjusted EBITDA	288,991	1,297,544	2,243,455	5,333,413

The Company recorded EBITDA of \$2.2 million for the year ended September 30, 2022, compared with \$5.2 million for the year ended September 30, 2021. The decrease in EBITDA is mainly due to a decline in revenue and margins (gross margin was 22% in FY 2022 compared to 27% in FY 2021). Additionally, operating expenses increased by \$1.1 million year over year, mainly due to increased spending on information technology as well as an increase in travel, conferences and marketing efforts as the Company resumes its pre-pandemic activities.

For Q4 2022, the Company recorded EBITDA of \$288,991, compared with \$1.2 million for Q4 2021.

Quarterly Results

Quarterly financial information for the eight quarters ended September 30, 2022

(in 000's, except as otherwise indicated)

	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
Earnings per share – basic and diluted	0.01	0.01	0.01	0.02
	Q4 2021 Sept 30, 2021 \$	Q3 2021 June 30, 2021 \$	Q2 2021 Mar 31, 2021 \$	Q1 2021 Dec 31, 2020 \$
Revenue	9,699	8,488	9,139	8,152
Cost of sales	7,354	6,295	6,475	5,933
Gross profit	2,345	2,193	2,664	2,220
Gross margin%	24%	26%	29%	27%
Operating expenses	1,286	1,147	1,199	1,151
Finance costs	30	40	122	120
Earnings before provision for income tax	1,029	1,005	1,343	949
Income tax expense (recovery)	(257)	318	291	249
Net earnings	1,286	687	1,052	700
Weighted average common shares outstanding - basic	28,773,174	28,836,574	28,683,473	28,675,695
Earnings per share – basic and diluted	0.04	0.02	0.04	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 as a result of projects in the North that run in the summer season. Additionally,

the Company has a number of 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 2022 vs Q4 2021 – Margins in Q4 2022 were lower than margins in Q4 2021 as a result of project mix. Operating expenses have increased with increased activity.
2. Q3 2022 vs Q3 2021: Q3 2022 includes higher operating expenses of approximately \$366,000 as a result of the Company resuming selling and marketing activities post pandemic, as well as an increased focus on information technology and process improvements.
3. Q2 2022 vs Q2 2021 – Q2 2021 includes large projects related to COVID-19 for the provision of COVID cleaning supplies for schools in each community throughout Nunavut that did not repeat in Q2 2022. Additionally, Q2 2022 reflects a decrease in revenue from the Mining market as a result of two large projects which were completed by Q4 2021. The Company is focusing on business development opportunities in this market moving forward.
4. Q1 2022 vs Q1 2021 – Q1 2022 reflects a decrease in revenue from the Mining market as a result of two large projects which were completed in Q2 2021. The Company is focusing on business development opportunities in this market moving forward.

Summary of Cash Flows

	September 30, 2022 \$	Year ended September 30, 2021 \$
Cash provided by (used in)		
Operating activities, excluding changes to working capital	2,094,622	4,929,481
Changes related to working capital	(897,578)	(1,275,348)
Operating activities	1,197,044	3,654,133
Investing activities	(83,383)	(191,516)
Financing activities	(929,658)	(1,205,199)
Change in cash and cash equivalents	184,003	2,257,418
Cash and cash equivalents – Beginning of period	4,727,420	2,470,002
Cash and cash equivalents – End of period	4,911,423	4,727,420
Free cash flow ¹	671,531	2,975,444

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').

Cash produced from operating activities was \$1.2 million during the year ended September 30, 2022, compared with cash produced from operating activities of \$3.7 million in the same period in 2021. Lower revenue and gross margin accounted for the majority of the decrease from operating activities, as well as an increase in operating expenses as a result of business activities returning to pre-pandemic levels.

Investing activities consumed \$83,383 of cash in fiscal year 2022 compared to cash consumed by investing activities of \$191,516 in the same period for 2021.

In the fiscal year 2022, cash used in financing activities was \$929,658 compared to cash used in financing activities of \$1.2 million in the same period of 2021. In fiscal year 2021, the Company made principal payments of \$500,000 on its existing term debt before refinancing the remaining \$2.0 million through a new lender on April 20, 2021.

Free cash flow decreased to \$671,531 in fiscal year 2022 from \$3.0 million in the same period of 2021. Lower free cash flow in fiscal year 2022 was mainly attributable to the decrease in cash flows from operating activities.

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% (2021 - 2.25%), is collateralized by a first ranking general security agreement over all of the Company's present and future assets and has no contractual maturity.

For the period ended September 30, 2022, the effective interest rate under this facility was 6.7% (2021 – 3.7%). As at September 30, 2022, the Company had drawn \$nil on its operating facility and \$nil in letters of credit (Sep 30, 2021 – \$nil and \$nil respectively).

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, 2022, the Company had approximately \$7.6 million in availability between its operating line and cash balances and was in compliance with all its covenants.

The following table outlines the liquidity risk associated with the Company's payment obligations as at September 30, 2022 and September 30, 2021, respectively:

September 30, 2022					
	Less than 1 year	1 – 5 years	Total undiscounted cash flow	Effect of interest	2022 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>8,196,508</u>	<u>138,533</u>	<u>8,057,975</u>

September 30, 2021

	Less than 1 year	1 – 5 years	Total undiscounted cash flow	Effect of interest	2021 Carrying value
	\$	\$	\$	\$	\$
Trade and other payables	3,877,520	57,625	3,935,145	-	3,935,145
Lease liabilities (IFRS 16)	427,609	278,074	705,683	37,208	668,475
Long-term debt	534,199	1,379,893	1,914,092	110,412	1,803,680
Due to shareholders	130,389	-	130,389	-	130,389
	4,969,717	1,715,592	6,685,309	147,620	6,537,689

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 2022 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;
- Realizing the robust interest in our newly developed agile water treatment systems for Cleantech.
- Capitalize on our newly 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 increasing net cash position;
- Business processes implemented since the beginning of the pandemic which allow the Company to agilely manage its discretionary and non-discretionary costs in response to changing conditions; and
- Increased liquidity, if needed, from a higher borrowing limit on its operating credit line as a result of renegotiating its credit facility agreement and moving from a limit of \$2.0 million for overdraft and \$500,000 for letters of credit to a \$2.5 million shared limit between overdraft and letters of credit.

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;
- Ability to attract and retain key personnel;
- 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. 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, 2022.

Off-Balance Sheet Arrangements

For contractual commitments not recognized on the Statement of Financial Position, the reader is referred to Note 17 of the Company's audited financial statements for the year ended September 30, 2022.

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, 2022 \$	September 30, 2021 \$	September 30, 2022 \$	September 30, 2021 \$
Salaries	257,681	226,000	1,225,005	944,594
Short-term benefits	27,176	23,110	102,628	98,302
Share-based compensation	22,925	3,690	37,672	16,411
	301,782	252,800	1,365,305	1,059,307

Proposed Transactions and Subsequent Events

There are no proposed transactions or subsequent events for year ended September 30, 2022.

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: 2,839,000 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the year ended September 30, 2022.

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.

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.

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.

Free cash flow: Free cash flow is a non-IFRS measure and is calculated as operating cash flows less capital expenditures and net payment of lease obligations. The Company uses this measure as part of assessing the availability of discretionary cash as part of its liquidity management. There is no directly comparable IFRS measure under IFRS.

Net cash (debt): Net cash (debt) is a non-IFRS measure and is calculated as cash less total debt excluding lease liabilities. The Company uses this measure as part of assessing liquidity. 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.