

BluMetric Environmental Inc.

Condensed Consolidated Interim Financial
Statements

For the Three Months Ended

December 31, 2017

(unaudited, expressed in Canadian dollars)

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

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

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

BluMetric Environmental Inc.

Condensed Consolidated Interim Statement of Financial Position

As at December 31, 2017

(expressed in Canadian dollars)
(unaudited)

| | December 31 2017 \$ | September 30 2017 \$ |
|---|------------------------------------|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash | 14,079 | 22,117 |
| Accounts receivable (note 4) | 5,767,144 | 4,731,687 |
| Unbilled revenue | 2,237,019 | 3,444,855 |
| Prepaid expenses | 630,701 | 418,892 |
| Property, plant and equipment held for sale | 253,081 | 253,081 |
| Other assets | 95,000 | 95,000 |
| | <hr/> | <hr/> |
| | 8,997,024 | 8,965,632 |
| Property, plant and equipment | 57,242 | 66,212 |
| Intangible assets | 62,511 | 105,018 |
| Goodwill | 1,592,095 | 1,592,095 |
| | <hr/> | <hr/> |
| | 10,708,872 | 10,728,957 |

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

BluMetric Environmental Inc.

Condensed Consolidated Interim Statement of Financial Position ...continued

As at December 31, 2017

(expressed in Canadian dollars)
(unaudited)

| | December 31 2017 \$ | September 30 2017 \$ |
|--|---------------------------|----------------------------|
| Liabilities | | |
| Current liabilities | | |
| Bank indebtedness (note 5) | 348,771 | 536,385 |
| Trade and other payables (note 6) | 3,073,682 | 3,616,859 |
| Deferred revenue | 909,043 | 274,736 |
| Current portion of long-term debt (note 7) | 3,459,582 | 3,458,629 |
| | <u>7,791,078</u> | <u>7,886,609</u> |
| Long-term debt (note 7) | 268,992 | 364,699 |
| Advances (note 8) | 50,000 | 60,000 |
| Due to shareholders (note 8) | 21,437 | 55,502 |
| | <u>8,131,507</u> | <u>8,366,810</u> |
| Shareholders' Equity | | |
| Share capital (note 8) | 5,463,083 | 5,356,053 |
| Contributed surplus and other equity (note 8) | 606,483 | 598,809 |
| Deficit | (3,492,201) | (3,592,715) |
| | <u>2,577,365</u> | <u>2,362,147</u> |
| | <u>10,708,872</u> | <u>10,728,957</u> |

Approved by the Board

"VIJAY JOG" Director _____ "JANE PAGEL" Director
Vijay Jog **Jane Pagel**

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

BluMetric Environmental Inc.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity For the three months ended December 31, 2017 and 2016

(expressed in Canadian dollars)
(unaudited)

| | Common shares # | Share capital \$ | Contributed surplus and other equity \$ | Deficit \$ | Total \$ |
|---|-----------------------|------------------------|--|--------------------|------------------|
| Balance – October 1, 2017 | 27,880,140 | 5,356,053 | 598,809 | (3,592,715) | 2,362,147 |
| Debt conversion (note 8) | 511,638 | 107,030 | - | - | 107,030 |
| Share-based compensation (note 8) | - | - | 7,674 | - | 7,674 |
| Net earnings and comprehensive income for the period | - | - | - | 100,514 | 100,514 |
| Balance – December 31, 2017 | <u>28,391,778</u> | <u>5,463,083</u> | <u>606,483</u> | <u>(3,492,201)</u> | <u>2,577,365</u> |
| | | | | | |
| Balance – October 1, 2016 | 27,880,140 | 5,356,053 | 593,119 | (3,927,082) | 2,022,090 |
| Share-based compensation (note 8) | - | - | 11,936 | - | 11,936 |
| Net earnings and comprehensive income for the period | - | - | - | 228,464 | 228,464 |
| Balance – December 31, 2016 | <u>27,880,140</u> | <u>5,356,053</u> | <u>605,055</u> | <u>(3,698,618)</u> | <u>2,262,490</u> |

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

BluMetric Environmental Inc.

Condensed Consolidated Interim Statement of Net Earnings and Comprehensive Income For the three months ended December 31, 2017 and 2016

(expressed in Canadian dollars)
(unaudited)

| | For the three months ended | |
|---|----------------------------|----------------------------|
| | December 31, 2017 \$ | December 31, 2016 \$ |
| Revenue (note 12) | 7,559,957 | 8,288,465 |
| Cost of goods sold (note 9) | 5,888,508 | 6,591,751 |
| Gross profit | 1,671,449 | 1,696,714 |
| Operating expenses | | |
| Selling, general and administrative (note 9) | 1,422,327 | 1,280,081 |
| Earnings before undernoted items | 249,122 | 416,633 |
| Finance costs (note 9) | (148,608) | (188,169) |
| Net earnings and comprehensive income for the period | 100,514 | 228,464 |
| Earnings per share | | |
| Basic | 0.00 | 0.01 |
| Diluted (note 11) | 0.00 | 0.01 |
| Weighted average number of shares outstanding | | |
| Basic | 28,263,869 | 27,880,140 |
| Diluted (note 11) | 28,280,233 | 27,926,807 |

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

BluMetric Environmental Inc.
Condensed Consolidated Statement of Cash Flows
For the three months ended December 31, 2017 and 2016

(expressed in Canadian dollars)
(unaudited)

| | For the three months ended | |
|--|----------------------------|----------------------------|
| | December 31, 2017 \$ | December 31, 2016 \$ |
| Cash provided by (used in) | | |
| Operating activities | | |
| Net earnings and comprehensive income for the period | 100,514 | 228,464 |
| Non-cash items | | |
| Depreciation of property, plant and equipment | 8,970 | 33,964 |
| Amortization of intangible assets | 42,507 | 64,307 |
| Gain on disposal of property, plant and equipment | (9,500) | - |
| Gain on debt conversion (note 8) | (10,233) | - |
| Interest accretion on long-term debt | 5,365 | 9,989 |
| Realized gain on investment held for sale | - | (12,556) |
| Share-based compensation (note 8) | 7,674 | 11,936 |
| Changes in working capital items (note 10) | 79,617 | (1,136,340) |
| | 224,914 | (800,236) |
| Investing activities | | |
| Proceeds on disposal of short-term investments | - | 100,000 |
| Proceeds on disposal of investment held for sale | - | 18,098 |
| | - | 118,098 |
| Financing activities | | |
| Repayment of advances | - | (2,158) |
| Repayment of long-term debt | (4,412) | (24,667) |
| Principal payments on finance leases | - | (562) |
| Repayment of due to shareholders | (5,000) | - |
| Withholding taxes relating to debt conversion (note 8) | (30,396) | - |
| Share issuance costs (note 8) | (5,530) | - |
| | (45,338) | (27,387) |
| Change in cash and cash equivalents during the period | 179,576 | (709,525) |
| Bank indebtedness - Beginning of period | (514,268) | (242,302) |
| Bank indebtedness - End of period | (334,692) | (951,827) |
| Bank indebtedness is comprised of | | |
| Cash | 14,079 | 111,343 |
| Bank indebtedness | (348,771) | (1,063,170) |
| | (334,692) | (951,827) |
| Supplementary information | | |
| Interest paid - included in operating activities | 122,650 | 140,094 |

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

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended December 31, 2017

(expressed in Canadian dollars)
(unaudited)

1 Nature of operations and going concern

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 clients in many industrial sectors and at all levels of government, both domestically and internationally.

The Company focuses on the following services and solutions: 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 head office of the Company is located at 3108 Carp Road, Ottawa, Ontario, Canada K0A 1L0. The Company's common shares are listed on the Toronto Venture Exchange (TSX.V) in Canada.

Going concern

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to a going concern, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

The Company was not in compliance with two of its covenants related to its demand credit facility as at December 31, 2017, namely its fixed charge coverage ratio as well as its total funded debt to EBITDA ratio. The non-compliance of these two ratios was triggered by the Company's mortgage on its office building at 3108 Carp Road coming due on July 16, 2018 and therefore being classified as a current liability. The Company is arranging alternative financing with respect to this mortgage and expects to have a new agreement in place shortly. The Company also has the building for sale and expects to sell it within the next twelve months, which will reduce its total funded debt by the amount of the mortgage. This situation has created a cross-default with the Company's term loan agreement. Although the Company has received a waiver from its term loan lender with respect to this cross-default, the Company is required to re-classify the five-year term loan as at December 31, 2017 to current liabilities under IFRS.

The Company has been actively addressing its cash flow short-falls through cost control and the sale of non-core assets, as well as the pursuit of new revenue contracts. In addition, the Company entered into new credit and loan arrangements on September 12, 2016, which improved its financial position. The Company anticipates having sufficient funds over the next twelve months to discharge its liabilities, as well as sufficient earnings to meet all debt covenants. Nevertheless, there is no assurance that these ongoing initiatives will continue to be successful.

The Company's ability to continue as a going concern is dependent on its ability to produce sufficient revenues and limit expenses to allow the Company to service its debt and remain in compliance with its debt covenants. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. These condensed consolidated interim financial statements do not reflect adjustments that would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the consolidated balance sheet

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended December 31, 2017

(expressed in Canadian dollars)
(unaudited)

classifications used, if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2 Basis of presentation

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in compliance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). These unaudited condensed consolidated 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 consolidated financial statements of the Company for the year ended September 30, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of the Company, the accompanying unaudited condensed consolidated interim financial statements contain only normal recurring adjustments that are necessary for a fair presentation for its financial position, changes in shareholders' equity, net earnings and comprehensive income, and cash flows for the interim period. The unaudited condensed consolidated interim balance sheet at December 31, 2017 was derived from the audited annual financial statements, but does not contain all of the footnote disclosures from the annual financial statements.

Authorization of consolidated financial statements

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on February 28, 2018.

Presentation and functional currency

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

Basis of measurement

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

Accounting policies

The accounting policies set out in the Company's most recent annual consolidated financial statements have been applied consistently to all periods presented in these condensed consolidated interim financial statements. As such, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements and related note disclosures for the year ended September 30, 2017.

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended December 31, 2017

(expressed in Canadian dollars)
(unaudited)

3 Summary of significant accounting policies

Future applicable accounting standards

- Accounting standards issued but not yet applied

At the date of authorization of these condensed consolidated interim financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective. The Company does not intend to adopt these standards early and is currently evaluating the impact of these new standards on the condensed consolidated interim financial statements.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first reporting period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's condensed consolidated interim financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's condensed consolidated interim financial statements.

- IFRS 9, Financial Instruments (IFRS 9)

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39, Financial Instruments - Recognition and Measurement. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of this new standard on its consolidated financial statements. However, management expects there to be a significant impact on the calculation and potentially the amount of provisions for bad debts using the new expected loss model, while there are no significant impacts expected with respect to hedging and classification of financial instruments.

- IFRS 15, Revenue from Contracts with Customers (IFRS 15)

On May 28, 2014, the IASB published IFRS 15, Revenue from Contracts with Customers (IFRS 15) replacing IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact of this new standard on its consolidated financial statements.

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended December 31, 2017

(expressed in Canadian dollars)
(unaudited)

- IFRS 16, Leases (IFRS 16)

In January 2016, the IASB published IFRS 16, Leases (IFRS 16). The standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

4 Accounts receivable

| | December 31, 2017 \$ | September 30, 2017 \$ |
|---------------------------------|----------------------------|-----------------------------|
| Trade receivables | 5,942,271 | 4,897,316 |
| Other receivables | 4,237 | 3,248 |
| Allowance for doubtful accounts | (179,364) | (168,877) |
| | <u>5,767,144</u> | <u>4,731,687</u> |

All of the Company's trade and other receivables have been reviewed for indications of impairment. An allowance for doubtful accounts has been established for any receivable found to be impaired.

5 Credit facilities

As at December 31, 2017, the Company had drawn \$621,291 on its operating demand loan (September 30, 2017 - \$510,218) and it had drawn \$200,248 in outstanding letters of guarantee (September 30, 2017 - \$199,211). The letters of guarantee expire on July 26, 2018.

The Company has certain covenants in accordance with its short-term credit facilities. As at December 31, 2017, the Company was in default of two of its covenants; the fixed charge coverage ratio and the total funded debt to EBITDA ratio.

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended December 31, 2017

(expressed in Canadian dollars)
(unaudited)

6 Trade and other payables

| | December 31, 2017 | September 30, 2017 |
|--|----------------------|-----------------------|
| | \$ | \$ |
| Trade payables | 1,713,834 | 2,261,893 |
| Salaries and benefits payable | 575,960 | 644,012 |
| Other accrued liabilities and payables | 783,888 | 710,954 |
| | <u>3,073,682</u> | <u>3,616,859</u> |

As at December 31, 2017, other accrued liabilities and payables included amounts owing to key management personnel of \$255,683 (September 30, 2017 - \$2,000) and directors of \$13,500 (September 30, 2017 - \$11,333). The amounts owing to key management personnel as at December 31, 2017 include a severance payment of \$250,000 in respect of wages, vacation, bonus and severance to the Company's previous CEO (see note 13).

As at December 31, 2017, there was \$161,339 (September 30, 2017 - \$292,282) owed to government agencies included in other accrued liabilities and payables.

7 Long-term debt

| | December 31, 2017 | September 30, 2017 |
|---|----------------------|-----------------------|
| | \$ | \$ |
| Term loan, net of deferred financing costs of \$41,840 (September 30, 2017- \$44,629), bearing interest at 10%, due in one instalment on September 12, 2021 (a) | 2,458,160 | 2,455,371 |
| Mortgage, net of deferred finance costs of \$5,152 (September 30, 2017-\$7,729) bearing interest at 7.99%, repayable in monthly principal instalments of \$8,083 plus interest, due July 16, 2018, secured by a collateral mortgage on land and building with a carrying value of \$253,081 (September 30, 2017- \$253,081) | 1,001,422 | 1,003,258 |
| Restructured trade debt (note 8) | <u>268,992</u> | <u>364,699</u> |
| | 3,728,574 | 3,823,328 |
| Less: Current portion | <u>3,459,582</u> | <u>3,458,629</u> |
| | <u>268,992</u> | <u>364,699</u> |

- a) The Company has certain covenants in accordance with this term loan, as well as cross-default provisions with the Company's short-term credit facility arrangement. As at December 31, 2017, the Company was in compliance with its covenants under the term loan agreement. However, the Company is currently in breach of two covenants under its short-term credit facilities (see note 5). As a result of this breach, and the cross-default provisions, the entire amount of the term loan has been included in the current portion of

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended December 31, 2017

(expressed in Canadian dollars)
(unaudited)

long-term debt. The Company has received a waiver, subsequent to December 31, 2017, from its lender of the cross-default provision of the term loan.

8 Shareholders' equity

Debt conversion

On October 23, 2017, the Company concluded a debt conversion whereby \$153,189 of certain existing debt, which included \$30,396 of withholding taxes, was converted into 511,638 common shares at an agreed upon conversion price of \$0.24 per share. The share price on October 23, 2017 was \$0.22 per share, resulting in a gain on debt conversion of \$10,233 (included in selling, general and administrative expenses). These common shares are subject to a hold period ending February 25, 2018. Share capital increased by \$107,030, which is net of share issuance costs of \$5,530.

Reduction of liabilities due to debt conversion included:

| | |
|--|----------------|
| Trade and other payables - accrued interest on restructured trade debt | 18,417 |
| Long-term debt - restructured trade debt | 95,707 |
| Advances | 10,000 |
| Due to shareholders | <u>29,065</u> |
| | <u>153,189</u> |

Share options

During the three months ended December 31, 2017, 6,000 (three months ended December 31, 2016 - 14,800) options with a weighted average exercise price of \$0.50 (three months ended December 31, 2016 - \$0.50) were forfeited. No options were granted, exercised or expired during the three months ended December 31, 2017 (three months ended December 31, 2016 – 275,000 options with a weighted average exercise price of \$0.50 expired).

Share-based compensation

The fair value of options vested is recognized as compensation cost. During the three months ended December 31, 2017, the Company recognized \$7,674 (three months ended December 31, 2016 – \$11,936) in share based compensation expense.

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended December 31, 2017

(expressed in Canadian dollars)
(unaudited)

9 Other expense items

| | For the three months ended | |
|---|----------------------------|----------------------|
| | December 31, 2017 | December 31, 2016 |
| | \$ | \$ |
| Employee benefit expenses | | |
| Salaries and short-term benefits | 3,247,788 | 3,026,232 |
| Share-based compensation | 7,674 | 11,936 |
| Pensions - defined contribution plans | 88,275 | 88,518 |
| Employee group benefit | 189,481 | 175,595 |
| | <hr/> | <hr/> |
| | 3,533,218 | 3,302,281 |
| | <hr/> | <hr/> |
| Finance costs | | |
| Restructured debt | 4,909 | 13,311 |
| Term loans, bank loans and line of credit | 94,428 | 108,758 |
| Mortgage | 22,414 | 32,621 |
| Bank charges | 13,829 | 8,153 |
| Other finance charges | 13,028 | 25,326 |
| | <hr/> | <hr/> |
| | 148,608 | 188,169 |
| | <hr/> | <hr/> |
| Other elements of expenses | | |
| Foreign exchange (gain) loss | 14,154 | (34,030) |
| | <hr/> | <hr/> |

10 Changes in working capital balances

| | For the three months ended | |
|--------------------------|----------------------------|----------------------|
| | December 31, 2017 | December 31, 2016 |
| | \$ | \$ |
| Accounts receivable | (1,035,457) | (1,482,578) |
| Unbilled revenue | 1,207,836 | 337,515 |
| Prepaid expenses | (211,809) | 300,772 |
| Trade and other payables | (515,260) | (824,036) |
| Deferred revenue | 634,307 | 531,987 |
| | <hr/> | <hr/> |
| | 79,617 | (1,136,340) |
| | <hr/> | <hr/> |

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the three months ended December 31, 2017

(expressed in Canadian dollars)
(unaudited)

11 Earnings per share

The following table summarizes the calculation of the weighted average number of basic and diluted common shares:

| | For the three months ended | |
|--|----------------------------|----------------------|
| | December 31, 2017 | December 31, 2016 |
| Issued common shares as at December 31 | 28,391,778 | 27,880,140 |
| Weighted average number of basic common shares | 28,263,869 | 27,880,140 |
| Effect of share options on issuance | 16,364 | 46,667 |
| Weighted average number of diluted common shares | 28,280,233 | 27,926,807 |

Options that were anti-dilutive are not included in the computation of diluted common shares. For the three months ended December 31, 2017, 991,375 options were excluded from the calculation because they were anti-dilutive (three months ended December 31, 2016 - 1,348,425).

12 Segmented disclosure

Revenue

The Company currently operates under one reportable segment.

Geographical segmentation

The Company operates in three principal geographical areas, Canada (country of domicile), the United States and internationally.

Sales reported by client location based on origin of purchase (i.e., country of domicile of contracting party) are as follows:

| | For the three months ended | |
|---------------|----------------------------|----------------------|
| | December 31, 2017 | December 31, 2016 |
| | \$ | \$ |
| Canada | 7,304,101 | 8,166,157 |
| International | 219,216 | 110,628 |
| United States | 36,640 | 11,680 |
| | 7,559,957 | 8,288,465 |

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended December 31, 2017

(expressed in Canadian dollars)
(unaudited)

For the three months ended December 31, 2017, approximately 21% of total revenue was derived from customer one and 16% from customer two.

For the three months ended December 31, 2016, approximately 26% of total revenue was derived from customer one and 21% from customer two.

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

13 Related party transactions

All related party transactions are reflected under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at the amounts agreed on by the parties. During the three months ended December 31, 2017, the Company incurred \$18,333 (three months ended December 31, 2016 - \$27,500) for amounts owed to directors.

Compensation of key management personnel

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

| | For the three months ended | |
|--------------------------|----------------------------|----------------------|
| | December 31, 2017 | December 31, 2016 |
| | \$ | \$ |
| Salaries ⁽¹⁾ | 378,558 | 163,750 |
| Short-term benefits | 15,091 | 32,818 |
| Share-based compensation | 1,057 | 1,644 |
| | <hr/> | <hr/> |
| | 394,706 | 198,212 |

- (1) This includes \$250,000 that is owed pursuant to an employment contract with one of the Company's key management personnel whose term ended on November 30, 2017. As at December 31, 2017, this amount was included in trade and other payables (see note 6).