

BluMetric Environmental Inc.

Condensed Consolidated Interim Financial
Statements

For the Six Months Ended

March 31, 2018

(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 March 31, 2018

(expressed in Canadian dollars)
(unaudited)

	March 31, 2018	September 30, 2017
	\$	\$
Assets		
Current assets		
Cash	27,474	22,117
Accounts receivable (note 4)	5,606,708	4,731,687
Unbilled revenue	1,821,904	3,444,855
Prepaid expenses	646,788	418,892
Property, plant and equipment held for sale	253,081	253,081
Other assets	-	95,000
	<hr/>	<hr/>
	8,355,955	8,965,632
Property, plant and equipment	75,182	66,212
Intangible assets	50,182	105,018
Goodwill	<hr/>	<hr/>
	1,592,095	1,592,095
	<hr/>	<hr/>
	10,073,414	10,728,957
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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 March 31, 2018

(expressed in Canadian dollars)
(unaudited)

	March 31, 2018 \$	September 30, 2017 \$
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	514,170	536,385
Trade and other payables (note 6)	2,762,746	3,616,859
Demand loan (note 7)	974,111	-
Deferred revenue	269,564	274,736
Current portion of long-term debt (note 8)	2,460,950	3,458,629
	<u>6,981,541</u>	<u>7,886,609</u>
Long-term debt (note 8)	268,992	364,699
Advances (note 9)	50,000	60,000
Due to shareholders (note 9)	16,638	55,502
	<u>7,317,171</u>	<u>8,366,810</u>
Shareholders' Equity		
Share capital (note 9)	5,463,083	5,356,053
Contributed surplus and other equity (note 9)	616,480	598,809
Deficit	<u>(3,323,320)</u>	<u>(3,592,715)</u>
	<u>2,756,243</u>	<u>2,362,147</u>
	<u>10,073,414</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 six months ended March 31, 2018 and 2017

(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 9)	511,638	107,030	-	-	107,030
Share-based compensation (note 9)	-	-	17,671	-	17,671
Net earnings and comprehensive income for the period	-	-	-	269,395	269,395
Balance - March 31, 2018	28,391,778	5,463,083	616,480	(3,323,320)	2,756,243
Balance - October 1, 2016	27,880,140	5,356,053	593,119	(3,927,082)	2,022,090
Share-based compensation (note 9)	-	-	4,070	-	4,070
Net earnings and comprehensive income for the period	-	-	-	318,242	318,242
Balance - March 31, 2017	27,880,140	5,356,053	597,189	(3,608,840)	2,344,402

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 six months ended March 31, 2018 and 2017

(expressed in Canadian dollars)
(unaudited)

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue (note 13)	7,707,753	7,218,939	15,267,710	15,507,404
Cost of goods sold (note 10)	6,091,462	5,615,334	11,979,970	12,207,085
Gross profit	1,616,291	1,603,605	3,287,740	3,300,319
Operating expenses				
Selling, general and administrative (note 10)	1,311,381	1,348,775	2,733,708	2,628,856
Earnings before undernoted items	304,910	254,830	554,032	671,463
Finance costs (note 10)	(136,029)	(165,052)	(284,637)	(353,221)
Net earnings and comprehensive income for the period	168,881	89,778	269,395	318,242
Earnings per share				
Basic	0.01	0.00	0.01	0.01
Diluted (note 12)	0.01	0.00	0.01	0.01
Weighted average number of shares outstanding				
Basic	28,391,778	27,880,140	28,327,120	27,880,140
Diluted (note 12)	28,404,505	27,931,569	28,338,204	27,931,569

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 six months ended March 31, 2018 and 2017

(expressed in Canadian dollars)
(unaudited)

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	March 31, 2018 \$	March 31, 2017 \$	March 31, 2018 \$	March 31, 2017 \$
Cash provided by (used in)				
Operating activities				
Net earnings and comprehensive income for the period	168,881	89,778	269,395	318,242
Non-cash items				
Depreciation of property, plant and equipment	7,564	33,957	16,534	67,921
Amortization of intangible assets	12,330	64,307	54,837	128,614
Gain on disposal of property, plant and equipment	-	-	(9,500)	-
Gain on disposal of other assets	(8,786)	-	(8,786)	-
Gain on debt conversion (note 9)	-	-	(10,233)	-
Loss on debt extinguishment	23,056	-	23,056	-
Interest accretion on long-term debt	5,366	5,366	10,731	15,533
Realized gain on investment held for sale	-	-	-	(12,556)
Share-based compensation (note 9)	9,997	(7,866)	17,671	4,070
Changes in working capital items (note 11)	(390,950)	(152,537)	(311,333)	(1,288,877)
	<u>(172,542)</u>	<u>33,005</u>	<u>52,372</u>	<u>(767,053)</u>
Investing activities				
Acquisition of property, plant and equipment	(25,504)	(8,227)	(25,504)	(8,227)
Proceeds on disposal of investment held for sale	-	-	-	18,098
Proceeds on disposal of short-term investments	-	-	-	100,000
Proceeds on disposal of other assets	103,786	-	103,786	-
	<u>78,282</u>	<u>(8,227)</u>	<u>78,282</u>	<u>109,871</u>
Financing activities				
Proceeds from demand loan	974,111	-	974,111	-
Repayment of long-term debt	(1,006,575)	(22,557)	(1,010,987)	(47,404)
Financing fees on debt prepayment	(20,480)	-	(20,480)	-
Repayment of advances	-	(6,469)	-	(8,627)
Repayment of due to shareholders	(4,800)	-	(9,800)	-
Principal payments on finance leases	-	-	-	(562)
Withholding taxes on debt conversion (note 9)	-	-	(30,396)	-
Share issuance costs (note 9)	-	-	(5,530)	-
	<u>(57,744)</u>	<u>(29,026)</u>	<u>(103,082)</u>	<u>(56,593)</u>
Change in cash and cash equivalents during the period	(152,004)	(4,249)	27,572	(713,774)
Bank indebtedness - Beginning of period	(334,692)	(951,827)	(514,268)	(242,302)
Bank indebtedness - End of period	(486,696)	(956,076)	(486,696)	(956,076)
Bank indebtedness is comprised of				
Cash	27,474	-	27,474	-
Bank indebtedness	(514,170)	(956,076)	(514,170)	(956,076)
	<u>(486,696)</u>	<u>(956,076)</u>	<u>(486,696)</u>	<u>(956,076)</u>
Supplementary information				
Interest paid - included in operating activities	120,221	139,798	242,871	249,166

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 six months ended March 31, 2018

(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 one of its covenants related to its demand credit facility as at March 31, 2018, namely its total funded debt to EBITDA ratio. This situation has created a cross-default with the Company's term loan agreement, for which the Company has received a waiver from its term loan lender. Even with this waiver, the Company is required to re-classify the five-year term loan as at March 31, 2018 to current liabilities under IFRS.

Subsequent to March 31, 2018, the Company's short term credit facility agreement was revised by the bank and moving forward, it no longer includes the total funded debt to EBITDA ratio as a covenant. Had this new agreement been in place at March 31, 2018, no breach would have occurred under the demand credit facility and accordingly, there would not have been a cross-default with the term loan.

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 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 six months ended March 31, 2018

(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 May 28th, 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 six months ended March 31, 2018

(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 six months ended March 31, 2018

(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

	March 31, 2018 \$	September 30, 2017 \$
Trade receivables	5,848,148	4,897,316
Other receivables	420	3,248
Allowance for doubtful accounts	(241,860)	(168,877)
	<u>5,606,708</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 March 31, 2018, the Company had drawn \$490,713 on its operating demand loan (September 30, 2017 - \$510,218) and it had drawn \$207,415 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 March 31, 2018, the Company was in default of one of its covenants; namely, the total funded debt to EBITDA ratio. Subsequent to March 31, 2018, the Company's short-term credit facility agreement was revised by the bank and moving forward, it no longer includes the total funded debt to EBITDA ratio as a covenant.

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2018

(expressed in Canadian dollars)
(unaudited)

6 Trade and other payables

	March 31, 2018 \$	September 30, 2017 \$
Trade payables	1,219,288	2,261,893
Salaries and benefits payable	639,384	644,012
Other accrued liabilities and payables	904,074	710,954
	<u>2,762,746</u>	<u>3,616,859</u>

As at March 31, 2018, other accrued liabilities and payables included amounts owing to key management personnel of \$255,683 (September 30, 2017 - \$2,000) and directors of \$nil (September 30, 2017 - \$11,333). The amounts owing to key management personnel as at March 31, 2018 include a severance payment of \$250,000 in respect of wages, vacation, bonus and severance to the Company's previous CEO (see note 14).

As at March 31, 2018, there was \$268,571 (September 30, 2017 - \$292,282) owed to government agencies included in other accrued liabilities and payables.

7 Demand loan

	March 31, 2018 \$	September 30, 2017 \$
Demand loan, issued on March 28, 2018, net of deferred finance costs of \$25,889, bearing interest at prime rate (3.45% as at March 31, 2018) plus 2%, repayable in monthly principal instalments of \$4,167 plus interest, secured by land and building with a carrying value of \$253,081 (September 30, 2017 - \$253,081)	974,111	-

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2018

(expressed in Canadian dollars)
(unaudited)

8 Long-term debt

	March 31, 2018 \$	September 30, 2017 \$
Term loan, net of deferred financing costs of \$39,050 (September 30, 2017 - \$44,629), bearing interest at 10%, due in one instalment on September 12, 2021 (a)	2,460,950	2,455,371
Mortgage, repaid on March 28, 2018, with original due date on July 16, 2018, bearing interest at 7.99%, repayable in monthly principal instalments of \$8,083 plus interest, secured by a collateral mortgage on land and building with a carrying value of \$253,081 (September 30, 2017 - \$253,081)	-	1,003,258
Restructured trade debt (note 9)	268,992	364,699
	<hr/>	<hr/>
	2,729,942	3,823,328
Less: Current portion	2,460,950	3,458,629
	<hr/>	<hr/>
	268,992	364,699

- 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 March 31, 2018, the Company was in compliance with its covenants under the term loan agreement. However, the Company is currently in breach of one covenant 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 long-term debt. The Company has received a waiver, subsequent to March 31, 2018, from its lender of the cross-default provision of the term loan.

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2018

(expressed in Canadian dollars)
(unaudited)

9 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 were subject to a hold period ended 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 interests on restructured trade debt	18,417
Long-term debt - restructured trade debt	95,707
Advances	10,000
Due to shareholders	29,065
	<hr/>
	153,189
	<hr/>

Share options

During the six months ended March 31, 2018, 22,500 (six months ended March 31, 2017 – 178,600) options with a weighted average exercise price of \$0.50 (six months ended March 31, 2017 - \$0.26) were forfeited. There were 520,000 options granted, and none exercised or expired during the six months ended March 31, 2018 (120,000 options were granted, none exercised and 276,000 expired during the six months ended March 31, 2017).

Share-based compensation

The fair value of options vested is recognized as compensation cost. During the six months ended March 31, 2018, the Company recognized \$17,671 (six months ended March 31, 2017 - \$4,070) in share based compensation expense.

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2018

(expressed in Canadian dollars)
(unaudited)

10 Other expense items

	For the three months ended		For the six months ended	
	March 31, 2018 \$	March 31, 2017 \$	March 31, 2018 \$	March 31, 2017 \$
Employee benefit expenses				
Salaries and short-term benefits	3,103,814	3,173,503	6,351,602	6,199,735
Share-based compensation	9,997	(7,866)	17,671	4,070
Pensions - defined contribution plans	87,875	91,131	176,150	179,649
Employee group benefit	187,708	193,991	377,189	369,586
	<u>3,389,394</u>	<u>3,450,759</u>	<u>6,922,612</u>	<u>6,753,040</u>
Finance costs				
Restructured debt	4,507	3,322	9,416	16,633
Term loans, bank loans and line of credit	89,726	95,018	184,154	203,775
Mortgage	25,082	32,763	47,496	65,384
Bank charges	6,533	10,923	20,362	19,076
Other finance charges	10,181	23,026	23,209	48,353
	<u>136,029</u>	<u>165,052</u>	<u>284,637</u>	<u>353,221</u>
Other elements of expenses				
Foreign exchange (gain) loss	(7,982)	15,246	6,172	(18,784)

11 Changes in working capital balances

	For the three months ended		For the six months ended	
	March 31, 2018 \$	March 31, 2017 \$	March 31, 2018 \$	March 31, 2017 \$
Accounts receivable	160,437	(1,365,509)	(875,021)	(2,848,087)
Unbilled revenue	415,115	870,939	1,622,951	1,208,454
Prepaid expenses	(16,087)	(264,264)	(227,896)	36,508
Trade and other payables	(310,936)	7,216	(826,195)	(816,820)
Deferred revenue	(639,479)	599,081	(5,172)	1,131,068
	<u>(390,950)</u>	<u>(152,537)</u>	<u>(311,333)</u>	<u>(1,288,877)</u>

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended March 31, 2018

(expressed in Canadian dollars)
(unaudited)

12 Earnings per share

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Issued common shares	28,391,778	27,880,140	28,391,778	27,880,140
Weighted average number of basic common shares	28,391,778	27,880,140	28,327,120	27,880,140
Effect of share options on issuance	12,727	51,429	11,084	51,429
Weighted average number of diluted common shares	<u>28,404,505</u>	<u>27,931,569</u>	<u>28,338,204</u>	<u>27,931,569</u>

Options that were anti-dilutive are not included in the computation of diluted common shares. For the six months ended March 31, 2018, 1,434,875 options were excluded from the calculation because they were anti-dilutive (six months ended March 31, 2017 - 1,303,625).

13 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.

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2018

(expressed in Canadian dollars)
(unaudited)

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
	\$	\$	\$	\$
Canada	6,416,731	7,203,410	13,720,832	15,369,567
International	735,949	9,590	955,165	120,218
United States	555,073	5,939	591,713	17,619
	<u>7,707,753</u>	<u>7,218,939</u>	<u>15,267,710</u>	<u>15,507,404</u>

For the six months ended March 31, 2018, approximately 15% of total revenue was derived from customer one and 13% from customer two.

For the six months ended March 31, 2017, approximately 24% of total revenue was derived from customer one and 22% 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).

BluMetric Environmental Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended March 31, 2018

(expressed in Canadian dollars)
(unaudited)

14 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 six months ended March 31, 2018, the Company incurred cost of \$38,333 (six months ended March 31, 2017 - \$55,000) related to director fees.

Compensation of key management personnel

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

	For the three months ended		For the six months ended	
	March 31, 2018 \$	March 31, 2017 \$	March 31, 2018 \$	March 31, 2017 \$
Salaries ⁽¹⁾	121,887	163,750	500,445	327,500
Short-term benefits	10,223	32,817	25,314	65,635
Share-based compensation	1,376	(1,084)	2,433	560
	<u>133,486</u>	<u>195,483</u>	<u>528,192</u>	<u>393,695</u>

- (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 March 31, 2018, this amount was included in trade and other payables (see note 6).