

BLUMETRIC ENVIRONMENTAL INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE SIX MONTHS ENDED MARCH 31, 2024

(expressed in Canadian Dollars)

May 30, 2024

May 30th, 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 quarter ended March 31, 2024. The MD&A should be read in conjunction with the Company's financial statements and related notes for the six months ended March 31, 2024, as well as the MD&A and audited financial statements and notes for the year ended September 30, 2023. 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 Six Months Ended March 31, 2024", "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 over 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 200 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, Nova Scotia, 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.

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 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. 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 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 and receives its first commercial contract from multinational defense contractor, Rheinmetall Canada, the same year.

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 200 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 49% 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.

Restated Information

During the preparation of the financial statements for the period ended March 31, 2024, the Company determined that the indirect labour costs that do not contribute to revenue generating projects should be reclassified as overhead expenses under the Sales, general and administrative caption in the Statements of Net Earnings and Comprehensive Income. The Company had previously accounted for the amounts under the Cost of sales caption. The Financial Highlights on page 7 and Quarterly Results on page 10 of the MD&A have been updated to reflect this change for the past eight quarters.

The adjustments in the unaudited interim financial statements for the period ended March 31, 2023, are detailed as follows. There is no effect on basic or diluted net earnings per share.

	As previously reported	Adjustments	As restated
	\$	\$	\$
Statement of Net Earnings and Comprehensive Income			
<u>For the three months ended</u>			
March 31, 2023			
Cost of sales	5,869,515	(1,208,503)	4,661,012
Gross profit	1,544,470	1,208,503	2,752,973
Selling, general and administrative	1,388,497	1,208,503	2,597,000
<u>For the six months ended</u>			
March 31, 2023			
Cost of sales	14,018,532	(2,275,146)	11,743,386
Gross profit	3,873,478	2,275,146	6,148,624
Selling, general and administrative	2,941,399	2,275,146	5,216,545

Discussion on Results of Operations for the Three and Six Months Ended March 31, 2024

Financial Highlights

	Three months ended		Six months ended	
	March 31, 2024 \$	March 31, 2023 \$ (restated – see page 6)	March 31, 2024 \$	March 31, 2023 \$ (restated – see page 6)
Revenue	7,133,223	7,413,985	15,658,013	17,892,010
Gross profit	3,062,843	2,752,973	6,646,833	6,148,624
Gross margin %	43%	37%	42%	34%
Operating expenses	2,856,116	2,597,000	6,004,577	5,216,545
Finance costs	46,389	21,140	103,816	42,599
EBITDA ¹	388,846	317,445	1,002,225	1,237,296
Earnings before provision for income tax	168,641	134,833	546,743	889,480
Income tax expense	52,052	54,908	188,979	353,744
Net earnings	116,589	79,925	357,764	535,736
Weighted average common shares outstanding				
Basic	29,435,695	29,435,695	29,435,695	29,435,695
Diluted	29,438,884	29,439,435	29,435,695	29,435,695
Earnings per share				
Basic	0.00	0.00	0.01	0.02
Diluted	0.00	0.00	0.01	0.02
Total assets			19,708,651	18,715,203
Working capital ²			11,269,357	11,536,688
Non-current liabilities			2,315,277	1,760,057
Shareholders' equity			12,654,132	12,080,040
Net cash (debt) ³			2,363,946	2,354,528

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: Working capital is a non-IFRS measure and is calculated by subtracting current liabilities from current assets (see 'Financial Terms and Definitions').

Note 3: Net cash (debt) is a non-IFRS measure and is calculated as cash less total debt excluding trade payables and lease liabilities (see 'Financial Terms and Definitions').

Revenue Breakdown by Market

	Three months ended		Six months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Commercial and Industrial	2,100,140	2,705,650	4,606,900	7,465,289
Government	2,361,459	1,782,351	4,615,145	4,024,678
Military	1,766,243	1,836,173	3,937,012	3,064,708
Mining	905,381	1,089,811	2,498,956	3,337,335
	<u>7,133,223</u>	<u>7,413,985</u>	<u>15,658,013</u>	<u>17,892,010</u>

Discussion of Results of Operations

- Revenue for the three and six months ended March 31, 2024, was \$7.1 million and \$15.7 million, respectively (\$7.4 million and \$17.9 million for the three and six months ended March 31, 2023, respectively). The decrease in revenues was mainly attributed to third party project work decreasing by \$0.9 million from \$2.6 million in Q2 2023 to \$1.7 million in Q2 2024.
- For the three months ended March 31, 2024, revenue from the Commercial market decreased by approximately \$0.6 million, compared to the prior period. For the six months ended March 31, 2024, revenue decreased by approximately \$2.9 million because of a large remediation project that concluded in fiscal 2023.
- Revenue from the Government market for Q2 2024 increased by \$580,000. For the six months ended March 31, 2024, revenue increased by \$590,000 due to increased project activity in Northern Canada through the joint venture company.
- Revenue from the Military market remained relatively consistent for the three months ended March 31, 2024, compared to the same period in the prior year. For the six months ended, revenue increased by \$0.9 million. The Company has experienced increased activity in relation to the refurbishment of water purification systems for the Canadian Department of National Defence, which is expected to continue into fiscal 2024.
- Revenue from the Mining market decreased both in Q2 2024 and for the six months ended March 31, 2024, compared to the prior period. The Company is shifting its focus toward higher value services and improving its client portfolio, particularly in Northern Quebec.
- Gross profit was \$3.1 million and gross margin was 43% for Q2 2024 compared to \$2.8 million and 37% for Q2 2023. Gross profit was \$6.6 million (gross margin of 42%) for the six months ended March 31, 2024, compared to \$6.2 million (gross margin of 34%) for the six months ended March 31, 2023. The increase in gross margin is mainly attributable to lower subcontractor usage in fiscal 2024 compared to fiscal 2023 in addition to an increase in billing rates.
- Operating costs increased by 10% from \$2.6 million in Q2 2023 to \$2.9 million in Q2 2024. The higher costs are mainly due to increases in compensation costs, travel and marketing expenses, and a large bad debt recovery in fiscal 2023.
- Finance costs were \$46,389 for the quarter ended March 31, 2024, and \$103,816 for the six months ended March 31, 2024, compared to \$21,140 and \$42,599 in the previous year's periods,

respectively. The increase is mainly due to the interest on the new office and equipment leases acquired to date in fiscal 2024.

- Net earnings for Q2 2024 were \$106,589 compared to \$79,925 for Q2 2023. Net earnings for the six months ended March 31, 2024, were \$347,764 compared to \$535,736 in the six months ended March 31, 2023.

EBITDA and Adjusted EBITDA (see “Financial Terms and Definitions”)

	Three months ended		Six months ended	
	March 31, 2024 \$	March 31, 2023 \$	March 31, 2024 \$	March 31, 2023 \$
Net income	116,589	79,925	357,764	535,736
Finance costs	46,389	21,140	103,816	42,599
Other cost (income)	(8,303)	-	(8,303)	-
Income tax expense	52,052	54,908	188,979	353,744
Depreciation and amortization	182,119	161,472	359,969	305,217
EBITDA and Adjusted EBITDA	388,846	317,445	1,002,225	1,237,296

The Company recorded EBITDA and adjusted EBITDA of \$388,846 for the three months ended March 31, 2024, compared to \$317,445 for the three months ended March 31, 2023. For the six months ended March 31, 2024, the Company recorded EBITDA and adjusted EBITDA of \$1.0 million, compared to \$1.2 million for the six months ended March 31, 2023. The decrease in EBITDA for Q2 2024 is mainly due to increased operating expenses, compared to Q2 2023.

For more detail, see “Discussion of Results of Operations”.

Management's Discussion and Analysis
Financial Quarters Ended March 31, 2024 and
March 31, 2023

Quarterly Results

Quarterly financial information for the eight quarters ended March 31, 2024.
(in 000's, except as otherwise indicated)

Note: The Cost of sales and Operating expense figures have been restated (see Restated Information section on page 6).

	Q2 2024 March 31 2024 \$	Q1 2024 Dec 31 2023 \$	Q4 2023 Sep 30 2023 \$	Q3 2023 June 30 2023 \$	Q2 2023 Mar 31 2023 \$	Q1 2023 Dec 31 2022 \$	Q4 2022 Sep 30 2022 \$	Q3 2022 June 30 2022 \$
Revenue	7,133	8,525	10,251	6,941	7,414	10,478	9,935	8,353
Cost of sales	4,070	4,941	6,551	4,483	4,661	7,082	6,873	4,976
Gross profit	3,063	3,584	3,700	2,458	2,753	3,396	3,062	3,377
Gross margin %	43%	42%	36%	35%	37%	32%	31%	40%
Operating expenses	2,856	3,148	2,759	3,319	2,597	2,620	2,907	2,933
Finance costs	46	57	13	14	21	21	13	29
Other income	(8)	-	-	-	-	-	-	-
Earning (loss) before provision for income tax	169	379	928	(875)	135	755	142	415
Income tax expense (recovery)	52	137	228	(146)	55	299	(47)	98
Net earnings (loss)	117	242	700	(729)	80	456	189	317
Weighted average number of shares outstanding								
Basic	29,435,695	29,435,695	29,435,695	29,435,695	29,435,695	29,435,695	29,365,996	29,406,464
Diluted	29,438,884	29,435,695	29,443,971	29,442,989	29,439,435	29,435,695	29,413,780	29,425,907
Earnings (loss) per share								
Basic	0.00	0.01	0.02	(0.02)	0.00	0.02	0.01	0.01
Diluted	0.00	0.01	0.02	(0.02)	0.00	0.02	0.01	0.01

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 fiscal fourth quarter generally increases because of projects in the Northern Canada that run in the summer season. Additionally, the Company has several discrete contracts that occur throughout the year which 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. **Q2 2024 vs. Q2 2023** – The reduction in Q2 2024 Commercial and Industrial revenue is offset by increased Government activity in the northern Canadian provinces through the joint venture company. Net fee revenues in Q2 2024 increased by \$0.5 million confirming improved utilization. In Q2 2024 third party costs reduced by \$0.9 million, compared to the same period last year.
2. **Q1 2024 vs Q1 2023** – The revenue decline in Q1 2024 compared to Q1 2023 was mainly due to the completion of a large commercial project with \$1.4 million in revenue that relied heavily on subcontractors and yielding lower than average margins in the period. Lower material usage in the completion of government projects contributed to the gross profit increase in Q1 2024.
3. **Q4 2023 vs Q4 2022** – Revenue in Q4 2023 increased because of the recommencing of work after project delays in the Northern provinces in Q3 2023.
4. **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.

Summary of Cash Flows

	Six months ended	
	March 31, 2024 \$	March 31, 2023 \$
Cash provided by (used in)		
Operating activities, excluding changes to working capital	1,043,127	1,023,668
Changes related to working capital	(395,709)	(1,950,763)
Operating activities	647,418	(927,095)
Investing activities	(120,188)	-
Financing activities	(635,229)	(555,502)
Change in cash and cash equivalents	(107,999)	(1,482,597)
Cash and cash equivalents – Beginning of period	3,039,712	4,911,423
Cash and cash equivalents – End of period	2,931,713	3,428,826
Free cash flow ¹	543,049	715,278

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 \$647,418 in the six months ended March 31, 2024, compared with cash used from operating activities of \$927,095 in the same period in 2023. Cash flow from working capital increased in fiscal 2024, compared to the same period in 2023, due to increased gross profit.

Investing activities consumed \$120,188 of cash in the six months ended March 31, 2024, compared to no investing activities for the same period in fiscal 2023. The Company is updating its IT infrastructure and making strategic investments in the Cleantech sector in field equipment to be used in future water treatment related projects.

For the six months ended March 31, 2024, cash used in financing activities was \$635,229 compared to cash used by financing activities of \$555,502 in the same period of 2023.

Free cash flow decreased to \$543,049 in the period ended March 31, 2024, from \$715,278 in the same period of 2023. The decrease is explained by the lease payments of the new office lease agreements signed in the current period, as well as the investments in equipment that will enhance the Company's operations and 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% (2023 – 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 March 31, 2024, the effective interest rate under this facility was 8.03% (2023 – 7.53%). As at March 31, 2024, the Company had drawn \$nil on its operating facility and \$nil in letters of credit (March 31, 2023 – \$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 March 31, 2024, the Company had approximately \$5.6 million in availability between its operating line and cash balances and was in compliance with all its covenants.

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. BluMetric will continue to build on a strong 2024 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

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.

Management's Discussion and Analysis
Financial Quarters Ended March 31, 2024 and
March 31, 2023

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

	For the three months ended		For the six months ended	
	March 31, 2024 \$	March 31, 2023 \$	March 31, 2024 \$	March 31, 2023 \$
Salaries	486,136	456,950	842,263	714,631
Short-term benefits	23,051	20,243	45,286	49,635
Share-based compensation	33,065	48,389	59,693	94,622
	542,252	525,582	947,242	858,888

Proposed Transactions and Subsequent Events

There are no proposed transactions or subsequent events for the period ended March 31, 2024.

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:	2,908,584 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the period ended March 31, 2024.

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 measure under IFRS.

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