Management Discussion & Analysis

2015 Second Quarter Report
Three and six month periods ended March 31, 2015 and 2014
(expressed in Canadian Dollars)

May 28, 2015

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This Management Discussion and Analysis “MD&A” explains the material changes in BluMetric’s financial condition and results of operations for the quarter ended March 31, 2015 (“Q2:15”). The MD&A should be read in conjunction with the Company’s condensed consolidated interim financial statements and related notes for the quarter ended March 31, 2015 as well as the MD&A and audited consolidated financial statements and notes for the year ended September 30, 2014. 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 “Selected Financial Information”, “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-IFRS measures to assist users in assessing BluMetric’s performance. Non-IFRS measures do not have any standard meaning prescribed by 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”.

No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented here.

Description of Business

BluMetric Environmental Inc. (www.blumetric.ca), a cleantech company, delivers sustainable solutions to complex environmental issues. The Company serves clients in many industrial sectors, and at all levels of government, in Canada and abroad. The Company and/or its predecessors have been in business since 1976.

The Company's business is executed by a staff of approximately 155. Operations are located in eight offices in Canada (Ottawa – Headquarters, Toronto, Montreal, Kitchener, Gatineau, Kingston, Sudbury, and Yellowknife), and through an office in El Salvador which services projects in the Central American region.

Within the overall organizational envelope, the various offices have a high degree of autonomy, and each office's respective market focus is slightly different in response to the industrial sector opportunities particular to its location. For example, the Yellowknife office is focused on northern contaminated site remediation and mining projects in the north; the Kitchener office services a variety of commercial and industrial sectors such as auto parts manufacturing, land development, and waste management; other regional offices show a similar sensitivity to local needs.

While the Company's current geographical focus is the Americas, historically the Company has also undertaken significant project assignments internationally in the United States, Africa, the Middle East, Central America, and the Caribbean.

The Company's geographic and market focus distribution provides a degree of risk mitigation as a result of this diversification, as some industrial sectors and regions are more active than others at any given time. No one industry sector accounts for more than 25 percent of the Company's revenues.

The head office of BluMetric is at 3108 Carp Road, Ottawa, Ontario, K0A 1L0.

Core Business

Water is the Company's primary focus although business strengths also include other media such as soil and air. BluMetric delivers its product and service offerings through two operating groups, as follows:

The Professional Services group provides environmental earth sciences and engineering solutions, contaminated site remediation, hydrology and hydrogeology, water resource management, occupational health and safety, renewable energy expertise, and services in sub-disciplines such as Geomatics and unmanned aerial vehicle (UAV) data gathering.

This group comprises scientists, engineers, industrial hygienists, environmental auditors, project managers, financial specialists, and support personnel who pride themselves on finding cost-effective, practical, and sustainable solutions to each client's environmental issues.

The Water Systems group designs, manufactures, and implements water and wastewater treatment systems for industrial, commercial, and government clients. Focus is on the selection of the most appropriate technologies and processes for each client's needs. The group provides a single-source solution from process definition through construction, commissioning, and on-going support.

In addition to the above, the Water Systems group provides extensive service to the Canadian Armed Forces under long-term contracts for the maintenance, repair, refurbishment, and upgrading of the Canadian Army's Reverse Osmosis Water Purification Units (ROWPU) and for the Navy's Shipboard Reverse Osmosis Desalination (SROD) systems.

Strategic Update

The Company's short-to-medium-term strategy continues to focus on returning the Company to consistent profitability using a variety of tactical measures (including pricing/margin management, SG&A cost reduction, and project management adjustments) as well as expanding high growth, high margin services. The results to the end of Q2 2015 reflect progress in this regard. (Please see "Results of Operations" below).

Management has targeted a top line revenue objective of $40.0 million as the basis for sustainable growth and continued profitability. The most expedient pathway to this revenue target is to grow the Water Systems group to high-margin revenue of $18.0+ million, building on an existing project backlog in military and new growth in the design-build and aftermarket parts businesses. At the same time, the Professional Services group is expected to continue producing steady revenues and more modest year-over-year growth.

Professional Services will continue to strengthen its existing markets and will focus growth on a select number of key, high margin, high growth service lines. The Water Systems group has focused on the industrial markets catering to food and beverage, mining, and residential development.

The Company views establishing a strong representative network in the United States and in Central and South America as fundamental to its ability to broaden its customer base. To date, the Company has five reps in the United States, two in Central America and two in South America. This rep network will continue to expand with a mandate to sell design-build water and wastewater treatment solutions and products, particularly in the Americas. We anticipate growing the rep network in the continental US by an additional eight reps in the balance of the fiscal year. This network is being positioned to take advantage of the growing recovery of the United States economy, and that country's urgent need to repair or replace aging infrastructure. The rep organization has already spawned activity in the Americas and we anticipate orders within the next six months.

There is a similar need for new solutions in infrastructure in the growing economies of South and Central America. These economies have a growing middle class and have recently signed trade agreements which require them to participate fully in environmental initiatives often driven by North American project owners and clients.

The Company's working capital is expected to support planned business operations through fiscal 2015, provided it is able to complete a number of financing initiatives currently in progress.

Key Performance Drivers

Management believes that the Company's business segments continue to be somewhat insulated from international economic and commodity demand factors, since much of its revenues are in Canadian dollars and derived from the fee-for-service business which does not generally have raw materials cost exposure. As the business grows, especially in the US and Latin America, the Company will gain some positive impact from recent adjustments in exchange rates, assuming continued relative strength in the U.S. dollar compared with the Canadian dollar. All international projects are quoted in U.S. dollars. Other external performance drivers include the interplay between regional and global economic conditions and the degree to which potential clients place emphasis on environmental issues (regulatory or otherwise) in their business practices.

The Company's product and service offerings are diverse, as are the Company's customer segments. This mitigates the potential negative effects of external performance drivers since generally not all customer segments will experience the same adverse business conditions at the same time.

Beyond these external and international factors, some key performance drivers remain:

- the ability of the Company to continue to retain high-quality staff;
- the development and application of new, disruptive technology and services such as UAV services and the application of geomatics (which embrace alternative schemes for information collection analysis and management);
- success of management efforts to further streamline the organization;
- competitive pricing (often a reflection of an innovative approach to the selected solution);
- management's ability and skill in developing the Company's market presence and in delivering client service and design-build projects;
- tight control of project and overhead costs, assisted by information management systems and preferential pricing offered by suppliers and partners;
- adequate and available working capital;
- financial design of projects to reduce working capital demands;
- maintenance of a high level of customer satisfaction; and
- ongoing strong commitment to environmental and social responsibility.

Successful execution with respect to these performance drivers is expected to result in a consistent return to revenue and profit growth.

Capability to Deliver Results

Board of Directors

The Board of Directors consists of five members, four of whom are independent. Mr. Ron Clifton was elected to the Company's Board of Directors by shareholder consent on March 26, 2015. On the same date, Denis Douville retired from his Board position. The independent directors reflect a wide range of senior experience in public- and private-company management, with special expertise in finance, operations, and governance both inside and outside the environmental sector.

Executive Management

The Executive Management team comprises: Roger M. Woeller, CEO; Nell van Walsum, President, Professional Services group; Dan Scroggins, President, Water Systems group; and Vivian Karaiskos, Chief Financial Officer. This team is supported by well-qualified and highly experienced individuals leading business development and operations. BluMetric has strong representation in each of the Company's branch offices and major service sectors.

Employees

The Company has a team of approximately 155 full-time equivalent staff. Staffing levels fluctuate seasonally with the hiring of temporary staff (primarily students) to meet peak demand periods.

Diversity

The Company has a history of commitment to cultural and gender diversity in recognition of the superior results that can be expected to flow from embracing the benefits of the intellectual knowledge, skills and experience that emerge from this diversity. Nell van Walsum, president of the Professional Services group and Vivian Karaiskos, CFO represent two of four members of the Executive Management team. As well, Jane Pagel is a director of the Company and is Chair of the HR Committee.

Results of Operations

Highlights Second Quarter 2015

	Three Months Ended				Six Months Ended			
	Mar 31, 2015 $	Mar 31, 2014 $	Change $	Change %	Mar 31, 2015 $	Mar 31, 2014 $	Change $	Change %
Revenue	7,781,437	6,618,428	1,163,009	18%	15,560,801	14,243,199	1,317,602	9%
Gross profit	1,584,040	943,060	640,980	68%	3,308,671	2,572,596	736,075	29%
Gross margin %	20%	14%			21%	18%		
SG&A expenses	1,140,383	1,790,221	(649,838)	-36%	2,575,678	3,270,812	(695,134)	-21%
EBITDA[1]	644,318	(637,799)	1,282,117	201%	1,175,837	(280,201)	1,456,038	520%
Adjusted EBITDA[2]	476,882	(689,201)	1,166,083	169%	1,032,863	(211,818)	1,244,681	588%
Net income (loss)	246,074	(984,546)	1,230,620	125%	359,844	(966,567)	1,326,411	137%
Common shares outstanding	25,191,656	25,191,656			25,191,656	23,592,713	1,598,943	
Net income (loss) per share	0.01	(0.04)			0.01	(0.04)	0.06	
Total assets					10,989,584	18,038,125	(7,048,541)	-39%
Working capital					(990,087)	(2,168,971)	1,178,884	54%
Long term debt					3,024,431	2,380,443	643,988	27%
Shareholders' equity (deficit)					(48,010)	5,377,671	(5,425,681)	-101%

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

Note 2: Adjusted EBITDA is a non-IFRS measure ("see Financial Terms and Definitions) and is calculated as EBITDA before gain or loss on foreign exchange, stock based compensation, gain or loss on sale of property, plant and equipment and unrealized gains on investments held for sale.

Note 3: Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for March 31, 2015.

Revenues in the second quarter were $7,781,437, compared with $6,618,428 for the quarter ended March 31, 2014, an increase of $1,163,009 or 18%. The higher revenue is mainly a result of ongoing design build projects in the mining and development sectors. The gross margin period-over-period increased 6% from 14% to 20 % in the quarter ended March 31, 2015, reflecting a shift in corporate focus to higher-margin business and improved efficiencies in both groups.

Sales, General and Administrative "SG&A" expenses in Q2 2015 of $1,140,383 were reduced from $1,790,221 incurred during Q2 2014 and reflect continuation of the measures implemented to reduce overhead, including staff reductions in Q2 2014, office consolidations and associated expenses. In addition, the Company sold its Kitchener office and entered into a leaseback arrangement with the new owner, which generated a gain on sale of approximately $247,481.

Finance costs of $184,215 were higher than the $137,376 reported for the three months ended March 31, 2014, reflecting higher credit utilization and increased interest rates applicable to a number of the Company's debt obligations. Interest costs are expected to continue to be high going forward, reflecting adverse changes to some of the Company's banking arrangements.

The net income for the quarter was $246,074 compared with net loss of ($984,546) for the comparable prior quarter.

Shareholders' deficit of $48,010 at March 31, 2015 compared to equity of $5,377,671 as at March 31, 2014 is primarily related to a $4,324,567 non-cash impairment of goodwill recognized at September 30, 2014 and discussed in the MD&A for that period.

The Consolidated Statement of Financial Position as at March 31, 2015 reflects a working capital deficit of approximately $1.0 million which is an improvement from the $2.2 million deficit reported at March 31, 2014. This reduction is due in part to the use of proceeds from the sale and leaseback of the Kitchener office to pay down debt as well as more favourable operating results.

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

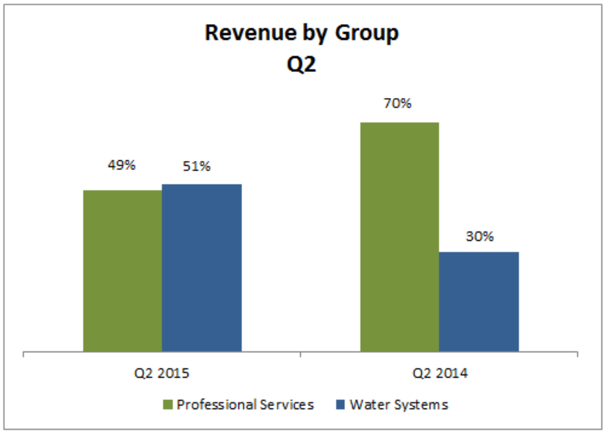
	For the three months ended March 31		For the six months ended March 31	
	2015	2014	**2015**	2014
	$	$	**$**	$
Net income (loss)	**246,074**	(984,546)	**359,844**	(966,567)
Depreciation of property, plant and equipment	**111,915**	85,079	**249,704**	170,744
Amortization of intangible assets	**102,114**	124,292	**217,437**	259,704
Finance costs	**184,215**	137,376	**348,852**	255,918
EBITDA	**644,318**	(637,799)	**1,175,837**	(280,201)
Foreign exchange loss (gain)	**29,848**	(56,437)	**(13,510)**	(61,011)
Share-based compensation	**50,197**	7,010	**104,987**	120,508
Loss (gain) on disposal of property, plant and equipment	**(247,481)**	(1,975)	**(247,481)**	8,886
Unrealized loss (gain) on investment held for sale	**-**	-	**13,030**	-
Adjusted EBITDA	**476,882**	(689,201)	**1,032,863**	(211,818)

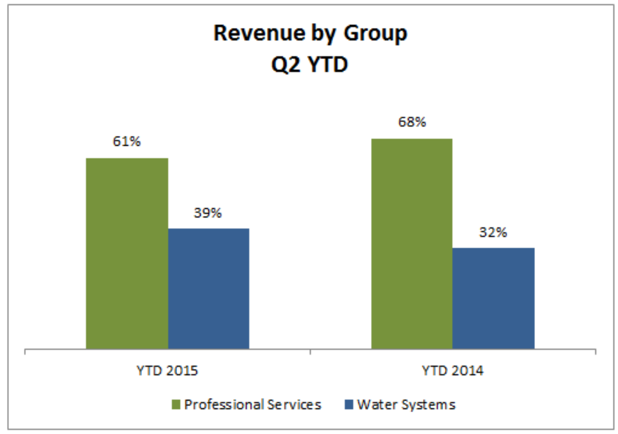
The gain of $247,481 on sale of property, plant and equipment in the three and six months ending March 31, 2015 relates to the sale and lease back of the Kitchener office.

The Company recorded adjusted EBITDA of $477,000 and $1.0 million for the three and six months ended March 31, 2015, a significant improvement from the adjusted EBITDA recorded for the same periods in March 31, 2014.

Segmented Information

Revenue





The revenue split between the Professional Services and Water Systems was 49% and 51% respectively, compared to 70% and 30% for Q2 2014. This revenue shift has helped mitigate the impacts of seasonality in the Professional Services area, which traditionally experiences a much slower second quarter.

Geographical Segmentation

The Company principally operates in three geographical areas, Canada (country of domicile), the United States, and other international, which represent wide distribution.

Sales reported by client location based on origin of purchase (i.e. domicile of contracting party, not final destination of equipment) are as follows:

	March 31				**March 31**			
	2015		2014		**2015**		2014	
	$	**%**	$	%	**$**	**%**	$	%
Canada	**7,252,885**	**93**	5,916,879	**90**	**14,326,435**	**92**	12,609,884	**89**
International	**445,841**	**6**	417,862	**6**	**871,186**	**6**	1,194,335	**8**
United States	**82,711**	**1**	283,687	**4**	**363,180**	**2**	438,980	**3**
	7,781,437	**100**	6,618,428	**100**	**15,560,801**	**100**	14,243,199	**100**

Technology and Innovation

The Company operates in service lines and industry sectors that are continually being influenced by technological advancement and innovation, improvements in best practices, changes in environmental regulatory requirements, and the like. The future success of the Company will be partially dependent upon its ability to continue to expand its knowledge in the fields in which it operates.

The Company will continue to maintain its investment in traditional product and service lines but a modest and focused investment in emerging products, services, and technology will be made to secure our future and to keep us on the cutting edge of our business. Emphasis on identification and development of disruptive technologies will support this strategy. The Company considers a disruptive technology as a significant innovation, discovery or technology that creates new markets and displaces a previous technology or manual process. Examples of the Company's early success in adopting these disruptive technologies and services include:

- Developing our geomatics service area which has extensively displaced photogrammetry and other more traditional methods of data collection and analysis (we have improved software and software analytical capability).
- Through strategic partnership, adding rainfall intensity measurement to our flood prediction and hydrological services, far superior to static rain gauge approaches.
- Adapting drone or UAV technology to displace more traditional, expensive and restricted data collection platforms such as manned helicopters and light fixed wing aircraft.
- Investing in design and testing of our membrane bioreactor systems (COBRA™) in conjunction with our Variable Depth Reactor (VDR) for industrial and domestic waste water treatment, receiving our first order for the food processing industry in Central America.
- Completing the development of the first commercial site for the H4™ (Heavy Fuel Oil Recovery Process) for a thermo-electric generating facility. This facility is currently operating as per design.
- Successfully trademarking H4 and COBRA in Canada and the US.
- Advancing to the next step in the patent application for a process that reduces ammonia to extremely low levels and eliminates the need for some downstream treatment equipment.
- Engaging in an initiative with technology partners to develop treatment technology that biodegrades cyanide to low levels, without creating a toxic by-product.

Where possible, the Company will foster and develop strategic alliances and partnerships with respect to new and emerging technologies in order to provide cost effective and unique solutions to the market.

Cost Reduction and Margin Improvement Strategies

The Company is actively pursuing growth and expects certain costs to increase in advance of revenue growth. That said, the Company continues to review its cost structure with a view to optimizing internal efficiency.

The Professional Services group must continue to perform as it has done historically and in these first two quarters of FY2015 and for the short term focus on continued margin improvement, whereas the Water Systems group has been extensively modified to operate at both higher levels of revenue growth and greater efficiency.

The process undertaken is being accomplished in two phases. First, management identified where immediate cost savings could be achieved and rapidly implemented these measures. The second phase involves introducing longer term structural and process changes (including the implementation of more robust information systems) to drive an increase in margins.

Details are described below by group.

Professional Services Group

- Appointed a Manager of Operations to tighten process and focus on project management, increasing gross margins by the identification of opportunity and efficiency;
- Administrative tasks of senior staff are being reduced by reallocating tasks to office administration staff thereby allowing senior staff to focus on billable work and business development opportunities;
- Centralized support functions for contract administration and human resources will be implemented;
- Project reporting will continue to be improved to ensure timely information for project managers by project and by service area.

Water Systems Group

- Consolidated production and manufacturing under a single Manager of Production at one location resulting in improved utilization of staff and clearer lines of authority;
- Diverted heavy manufacturing off-shore close to client sites where appropriate, while maintaining the high IP functions in Ottawa, including the ability to prototype;
- Reduced occupancy costs, decreasing space for this group from 28,000 to 14,500 square feet;
- Projects are now structured to minimize working capital demands and optimize cash flow and are being quoted at a benchmarked gross margin;

- We will continue to standardize our products which will streamline our engineering process.
- We will continue to focus on the process flow from sale to commissioning and improve project management processes.

Sales and Marketing

The Company Business Development team is focused on growth initiatives. Historically, the Company's business has been developed largely through existing client relationships, word-of-mouth, and marketplace presence. These relationships will continue to be fostered and leveraged to introduce cross-selling opportunities and generate new clients in the Company's existing industry sectors. In addition, the Business Development team will focus on developing strategic alliances and partnerships to further the Company's reach.

Business development investment is expected to be focused in areas of demand including the following:

- Mining;
- Food and beverage;
- Land development and wastewater treatment; and
- Energy (thermo-electric waste treatment and BOD conversion).

The Business Development team is supported by a proposal generation group, which to date has a greater than 50% success rate on submissions to date.

Quarterly Results – $000's (Except Earnings (Loss) per share)

Quarterly financial information for the eight quarters ended March 31, 2015
(in 000's, except as otherwise indicated)

	Q2 2015 Mar 31, 2015	Q1 2015 Dec 31, 2014	Q4 2014 Sep 30, 2014	Q3 2014 June 30, 2014
Revenue	7,781	7,779	6,568	6,498
Cost of sales	6,197	6,055	5,684	5,149
Gross profit	1,584	1,725	884	1,349
Gross margin %	20%	22%	13%	21%
SG&A expenses	1,140	1,435	2,009	1,506
Finance costs	184	165	156	127
Net income (loss)	246	114	(5,681)	(291)
Weighted average common shares	25,191,656	25,191,656	25,191,656	25,191,656
Income (loss) per share	0.01	0.00	(0.23)	(0.01)

	Q2 2014 Mar 31, 2014	Q1 2014 Dec 31, 2013	Q4 2013 Sept 30, 2013[1]	Q3 2013 May 31, 2013
Revenue	6,618	7,625	11,948	7,267
Cost of sales	5,675	5,995	10,045	6,016
Gross profit	943	1,630	1,903	1,251
Gross margin %	14%	21%	16%	17%
SG&A expenses	1,790	1,481	2,946	1,971
Finance costs	137	119	123	52
Net income (loss)	(985)	18	(1,229)	(773)
Weighted average common shares	25,191,656	25,191,656	25,191,656	25,191,656
Income (loss) per share	(0.04)	0.00	(0.05)	(0.03)

(1) 4 month period

Note: Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for March 31, 2015.

Quarterly Trend Analysis

In 2013, the Corporation changed its year end from August 31 to September 30 and consequently the current and comparative quarters are misaligned by one month. As a result, comparisons with prior periods may not provide a meaningful indication of relative performance. In addition, there are differences of a seasonal nature which are more prevalent in the Professional Services group than in the Water Systems group, which further affect comparative analysis.

Historically, the Company's business has followed a seasonal cycle which dictated that its former second and third quarters ended February 28 and May 31 respectively, experienced relatively lower levels of activity when compared to the balance of the year. This seasonal cycle is partly weather-related, as it is easier and more productive to conduct outdoor environmental investigations, site remediation activities, and various construction-related projects in Canada during the summer; additionally, the December holiday downtime period can have a significant impact on the level of activity possible in that quarter each year (BluMetric's first quarter) depending on how it falls in the month.

Gross margin is typically lowest in the winter and spring quarters, and highest in the summer and fall quarters. This pattern reflects the reality that the Company's staff as a whole can achieve much higher utilization (percentage of time actively engaged in revenue-producing projects) during the summer and fall quarters.

Q2 15 vs Q2 14:
Results for Q2 2014 reflect the seasonality impacts as described, where 70% of the revenue earned was attributed to Professional Services. In Q2 2015, these effects were minimized by the significant activity in the Water Systems group, which is somewhat insulated from the impacts of the winter. These higher margin projects contributed to improved gross margins over Q2 2014. SG&A expenses for Q2 2015 reflect a gain on the sale of the Company's Kitchener office building of approximately $247,000. In addition to the positive effect of this gain, SG&A expenses were lower than both Q1 2015 and Q2 2014. Net income improved from $114,000 in Q1 2015 to $246,000 in Q2 2015.

Q1 15 vs Q1 14:
First quarter 2015 results reported revenue of $7.8 million, which was slightly higher than the first quarter of 2014 at $7.6 million. SG&A expenses were slightly lower than for the quarter ended December 31, 2014 at 1,435,000 compared to 1,481,000. Net income improved from 18,000 to 114,000.

Q4 14 vs Q4 13:
Fourth quarter 2014 results posted revenue of $6.6 million, lower than the four-month 2013 quarter. SG&A expenses were lower than for the four months ended September 30, 2013, but higher than reported for the immediately prior quarter, mainly due to an increase in bad debt expense for some receivables, mainly foreign ones deemed uncollectible as well as an increase in office and related expenses.

Q3 14 vs Q3 13:
Third quarter 2014 results reflected a slight decline in revenues, from $7.3 million for the three months ended May 31, 2013 to $6.5 million for the three months ended June 30, 2014. Gross margins were 21% for the quarter ended June 30, 2014, and 17% for the quarter ended May 31, 2013. The improvements followed a shift in management focus to improving margins at the expense of near-term growth objectives. Third quarter SG&A expenses also declined to $1.5 million from $1.8 million in the prior quarter and were lower than for the comparable 2013

quarter. The net loss for the period was $291,000 compared with a net loss of $773,000 for the comparable 2013 period

Liquidity

The Corporation had a working capital deficit of $1.0 million at March 31, 2015, compared to the working capital deficit of $2.4 million at September 30, 2014.

The Company has an operating line of credit facility, provided by a Canadian chartered bank, with a limit of $2.0 million under normal margin and compliance requirements. While the Company is fully compliant with asset coverage requirements, it is not in compliance with bank financial covenants, which has resulted in a cross default of term loans provided by the bank such that approximately $250,000 had to be re-classified as current liabilities. In addition, at March 31, 2015, two letters of guarantee totalling US $306,800 have been carved out of the operating line of credit. These letters expire on December 31, 2015.

The Company is taking several steps to improve its working capital position, including the following:

- Pursuing additional leverage of the Company's other assets; and
- Planning for additional equity or quasi-equity funding.

There can be no assurance that the Company will be successful in any or all of these efforts.

Business Outlook

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

The Company's operating performance is subject to internal factors, which can be controlled, and external factors, which are less controllable, but can in some cases be anticipated and corrective action taken.

External Environment

The Company primarily operates in Canada and in South and Central America, and through Q2 2015 has continued to see signs of a significant increase in activity in the United States for the Water Systems group. Typical clients for wastewater treatment plants are mines in remote locations; food processing and resort complexes in Latin America; and developers and municipalities in the U.S. and Canada.

Internal Environment

Internally, the Company continues to focus on targeting areas of high margin and high growth; generating efficiencies in project execution; establishing clear roles, responsibilities and accountabilities for employees and maintaining effective cost control strategies.

Corporate Focus

In the coming quarters, the Company is targeting organic revenue growth as well as growth through association and co-venturing with technology suppliers in allied fields and sectors. This will involve:

- Continuing to improve margins and tightly manage overhead, with careful cost-structuring in existing operations and branch offices in both groups;
- Maintaining margins in the Professional Services group and growing Water Systems group revenues primarily with the existing technical and sales staff;
- Supporting and increasing the existing client base;
- Focusing our attention on the Americas and the Canadian north;
- Selectively increasing staff complements in existing operations in high-growth and high-margin pursuits to increase revenues and gross margins and build earnings; and
- Partnering with complementary businesses that also have disruptive or compelling technology in strategically important sectors or locations.

The BluMetric Project Pipeline is updated on a bi-monthly schedule and forms the basis of all predicted project-related business. No single forecasting tool can adequately represent what can be expected from this unique and expanding business, but the following is intended to provide a representation of the potential growth that management sees within reach.

The Pipeline as constituted assumes the Company will have generated sufficient working capital to support the underlying activities necessary to achieve the respective targets. The key to BluMetric's progress as a company is a joint effort generated by continued profitable performance by the Professional Services group combined with revenue and margin growth in the Water Systems group, both making maximum use of common existing infrastructure and synergies between them.

In developing the Pipeline, BluMetric management believes there is significant untapped strategic potential in having the two BluMetric groups working in concert for business development, technical/scientific problem solving and engineering design. Business development has been shown to benefit from intergroup opportunity identification and generation, while client delivery has benefitted from the combined technical and scientific and engineering problem solving expertise of both groups. That said, because the fastest growth is originating from the Water Systems group, their Pipeline and Backlog measures are more relevant than Professional Services' to predicting overall corporate growth. Consequently, for the time being these measures relate more to Water Systems than the steady revenue line of Professional Services.

There is additional background input for both backlog and pipeline estimates, as below:

The following comments include forward-looking information and users are cautioned that actual results may vary. Additionally, Backlog and Pipeline are non-IFRS measures and are defined in the "Financial Terms and Definitions" section of this MD&A.

Backlog

The backlog for the Water Systems group going into fiscal year 2015 was approximately $10.0 million broken out as follows: $6.0 million for Military and $4.0 million for design-build, standard products, and after-market support. Substantial progress was made during the first and second quarters of 2015 with respect to launching and delivering design-build contracts.

Pipeline

The total unfactored value of all qualified projects within the Water Systems group pipeline has grown marginally over Q1 2015. It currently exceeds $50.0 million. However, only a portion of these potential projects can be expected to convert to revenue. Management has a system of weighting the probability of jobs which results in a projected potential value in the $15-20 million range which, if converted, may be booked over the next 12 months for delivery beginning mid-fiscal 2016. The pipeline, especially as it relates to international projects, is qualified in terms of numerical value but less predictable in its timing. Given current trends in the economy, as well as the continuing fragility of the recovery in the U.S., there can be no assurance that these opportunities will materialize in value or in timing.

Capital Resources

The Company had a shareholder deficit at the end of Q2 2015, largely as a result of a non cash impairment charge against goodwill of $4.3 million that was taken in Q4 2014, as well as negative earnings prior to fiscal 2015. Management is continuing to explore opportunities to raise additional capital to support corporate growth.

While ongoing fixed asset needs are modest and typically relate to purchase of computer and office equipment for either replacement purposes or to equip new staff, the Company's future growth strategy contemplates investment in various technologies and processes which will require capital for prototyping purposes. Accordingly, the Company may opportunistically approach the capital markets for additional equity funding if conditions are favourable.

Business Risks

The Company is subject to a number of risks and uncertainties in the normal course of business which 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 economy as a whole;

- Loss of key personnel;
- Inability to maintain the working capital line of credit at the current or a higher level;
- Competition from companies which are better-financed or have disruptive technologies;
- Major swings in currency valuations after setting the price of foreign contracts; and
- Inability to execute plans to increase revenues, control costs and manage projects efficiently.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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 fair market value.

On November 15, 2012, the Company reached agreement with a number of creditors with respect to repayment terms for outstanding amounts payable, in the aggregate amount of $958,285. Of this amount, $450,452 is owed to related parties. The agreement requires the Company to repay this amount on a monthly basis, with blended payments of $22,947 principal and interest at 7% per annum such that repayment in full will be effected in four years. A gain on restructuring was recognized in the 13 month period ended September 30, 2013 in the amount of $133,754. Effective March 1, 2013, payments were suspended and the outstanding balances have been postponed in favour of the Company's bank.

Proposed Transactions and Subsequent Events

As at March 31, 2015 there were no significant assets or business acquisitions or dispositions being considered by the Company.

Inter-Corporate Relationships

BluMetric has one wholly owned subsidiary, WESA Tecnologias S.A. de C.V., located in El Salvador

Capital Management

The Company's objective is to maintain a capital base sufficient to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as comprising the Company's total shareholders' equity, credit facilities, note and loans payable, long-term debt and the convertible debenture. In order to maintain or adjust its capital structure, the Company could issue new shares, or obtain new debt. To date, no dividends have been paid to the Company's shareholders and none are planned.

There has been no change to the Company's approach to capital management during the quarter ended March 31, 2015.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	25,191,656 common shares
Warrants:	131,875 broker warrants
Options:	2,026,908 options

Financial Terms and Definitions

Definition of Additional IFRS Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings, and subtotals when such presentation is relevant to an understanding of a company's financial position and performance. Because IFRS requires such additional GAAP measures, the measures are considered additional IFRS measures rather than non-IFRS measures. We believe that the measures defined here are useful for providing investors with additional information to assist them in understanding components of our financial results.

Gross Profit. Gross profit is calculated as gross revenue minus direct expenses and direct payroll costs. Direct expenses are certain costs we incur in the delivery of our services such as subcontractors, equipment and other expenditures that are recoverable directly from our clients. Direct payroll costs include the cost of salaries and related fringe benefits for employees within the operating groups. We monitor our gross margin percentage levels to ensure that they are within the established acceptable range for the profitability of our operations.

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

EBITDA. EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment and amortization of intangible assets. We use this measure as part of our assessment of our 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 sale of a building or goodwill impairment), non-cash based (such as share-based compensation), or non-operational in nature (such as foreign exchange gains and losses).

Management believes that Adjusted EBITDA as defined above is an important indicator of our 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 the Adjusted EBITDA is to provide additional useful information to investors and analysts and 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.

Backlog. Backlog is defined as the total value of work that has been awarded to the Company, as evidenced through a binding arrangement, that has not yet been completed.

Pipeline. Pipeline is defined as the total value of all potential future projects being pursued by the Company that have not yet been secured.

Management's Responsibility for Financial Reporting

The consolidated condensed interim 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 consolidated condensed interim financial statements conform to International 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 consolidated 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 for ensuring that management fulfills its responsibility principally through its Audit Committee.

Additional Information

Additional information on the Company can be found at www.blumetric.ca and at www.sedar.com