Management Discussion & Analysis

Financial Quarters Ended December 31, 2019 and December 31, 2018

(expressed in Canadian Dollars)

BluMetric™ Environmental

March 2, 2020

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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 December 31, 2019. The MD&A should be read in conjunction with the Company's financial statements and related notes for the three months ended December 31, 2019 as well as the MD&A and audited financial statements and notes for the year ended September 30, 2019. 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 and Financial Condition for the Financial Quarter Ended December 31, 2019", "Liquidity", and "Business Outlook" sections which follow. These statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing BluMetric's performance. Non-GAAP measures do not have any standard meaning prescribed by 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 Environmental Inc. ("BluMetric" or the "Company"), a Canadian company, provides cost-effective and sustainable solutions to help its clients overcome their most difficult water related environmental and business challenges. The Company has evolved into a broad spectrum environmental solutions provider that follows water from its source to its return to the environment. BluMetric's strategy is to deliver a solution that will help its clients successfully manage their water related environmental, health, and safety responsibilities. BluMetric builds partnerships with its customers by providing a long-term holistic approach to water management. This degree of service differentiates BluMetric from competitors that simply provide a one size fits all product or service.

BluMetric focuses its efforts in North America. Operating from nine offices, the Company has served hundreds of clients from the Panama Canal to the Arctic Circle. BluMetric is proud to be a trusted provider of services to many of Canada's northern Indigenous communities; working side by side to make the environment a cleaner and safer place.

The BluMetric team of experts consists of highly experienced and motivated hydrogeologists, engineers, occupational and industrial hygienists, environmental auditors, environmental scientists, chemists, project managers, finance professionals, trades and support personnel.

Technology and Innovation

Innovation is driven by client demands as they face more stringent environmental regulations or the emergence of previously unregulated contaminants. Finding a solution for a specific problem is the creative process that differentiates BluMetric from its competitors. An innovative solution must be scientifically and economically viable. All potential new services, products, or technologies go through a stage gate process to confirm the technology works and the potential market is of sufficient size to provide a return on investment. The reduction or treatment of emerging contaminants, such as Poly Fluorinated Compounds (PFCs) as well as the reduction of total dissolved solids (TDS), especially chloride, continues to be evaluated by the stage gate process.

Ammonia Removal – Ammonia is recognized as a significant nutrient contaminant responsible for the degradation of water quality. Government and public pressure has not abated and will continue to be the motive force behind the implementation of stricter effluent limits for the mining, landfill, and industrial markets. BluMetric's patented ammonia removal process, MARS, has been used in several full scale treatment systems in the mining and landfill sectors and has become an integral part in most of the proposals generated for these markets. This membrane-based process reduces ammonia by isolation and direct adsorption. Environmental compliance, reduced capital costs and reduced operational costs are the main advantages of the MARS process.

Cyanide – In late 2016 mining regulators changed the cyanide limits for the effluent exiting the tailings ponds and mining facilities. In close association with the Company's technology partners the pilot testing program was refined and continues in 2020.

Emerging Contaminants – 1-4 Dioxane, poly fluorinated compounds (PFC), cobalt, selenium, arsenic, and antimony have emerged as contaminants of concern in the mining, landfill, and military markets. BluMetric, in conjunction with its technology partners, has developed processes to accomplish the following:

- Biologically destroy 1-4 Dioxane.
- Physically isolate and remove PFCs from wastewater, leachate, and groundwater.
- Physically and chemically remove emerging problematic metals from mining, leachate, and industrial wastewater.

The destruction of the PFCs removed by the physical steps noted above continues to be a challenge and will represent an area of focus for 2020.

Sales and Marketing

BluMetric's business development is focused on four key markets:

- Mining
- Military
- Commercial and Industrial (site remediation and wastewater)
- Government (with specific expertise in Northern Canada)

BluMetric uses a client-centric approach in 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.

Environmental concerns are evaluated to determine if they are client specific or market driven. This evaluation helps select the appropriate course of action, identifies trends and allows BluMetric to be more pro-active to the future demands of the market.

The Company augmented its bench strength in the mining and commercial and industrial sectors to focus on the delivery of projects and the development of new opportunities.

Satisfied clients provide repeat business as well as incredibly valuable word-of-mouth advertising. 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 of Directors currently consists of six members, four 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 finance, operations, management, and governance.

Executive Management

The Senior Management team comprises: Scott MacFabe, Chief Executive Officer; Vivian Karaiskos, Chief Financial Officer; Tim Beckenham, Senior Director, Operations; and Wayne Ingham, Director, Strategic Business Development.

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 152 hydrogeologists, engineers, environmental scientists, industrial hygienists, project managers, skilled tradespeople, finance professionals 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 seasonally with the hiring of contract staff and students to meet peak demand periods. The Company strives to recruit and retain highly skilled employees who are able to use their technical expertise to deliver creative solutions to complex environmental issues.

Diversity

BluMetric is committed to the principles of diversity. The Company strives to create and support an inclusive work environment that respects and values the contributions of all employees and their individual differences. BluMetric's employees come from a wide range of cultural, ethnic, educational, religious, and political backgrounds. Women represent 48% of the workforce from welders and field service technicians to the senior members of the executive team and Board of Directors. To that end, BluMetric's goal is to capitalize on the strength derived from diversity while affording the team members the greatest opportunity to excel, grow, and contribute to business and society.

IFRS 16 Leases

Effective October 1, 2019, BluMetric adopted IFRS 16 Leases (IFRS 16) using the modified retrospective approach and did not restate comparative information. The new standard replaces IAS 17 Leases, and IFRIC 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4) and requires companies to bring operating leases, formerly treated as off-balance sheet items, onto a company's statement of financial position.

On the statement of financial position, certain current and non-current items were reclassified to conform to the accounting requirements of IFRS 16.

The key impact of implementation on the statement of earnings is that instead of including fixed lease payments in operating expenses, these payments are reflected as depreciation of right-of-use (leased) assets and interest expense using the effective interest method for lease liabilities. This also impacts the Company's EBITDA and Adjusted EBITDA calculation (see "EBITDA and Adjusted EBITDA" section below).

On the statement of cash flows, fixed lease payments are no longer included in operating and investing activities, respectively, and are now recognized in financing activities. This reclassification increases cash flows from operating activities and reduces cash flows from investing and financing activities, resulting in a net zero effect on total cash flows.

Results of Operations

	Three Months Ended			
	December 31, 2019	**December 31, 2018**	**Change**	**Change**
	$	**$**	**$**	**%**
Revenue	6,315,574	7,601,208	(1,285,634)	-17%
Gross profit	1,431,168	1,661,074	(229,906)	-14%
Gross margin %	23%	22%		
Operating expenses	1,154,873	1,258,893	(104,020)	-8%
Gain on disposal of assets held for sale	(947,914)	-	(947,914)	
EBITDA[1]	1,332,675	428,784	903,891	211%
EBITDA [1] - Excluding IFRS 16	*1,237,341*	*428,784*	*808,557*	*189%*
Adjusted EBITDA[2]	384,761	428,784	(44,023)	-10%
Adjusted EBITDA [2] - Excluding IFRS 16	*289,427*	*428,784*	*(139,357)*	*-33%*
Earnings before provision for income tax	1,070,224	266,927	803,297	301%
Income tax expense (recovery)	225,777	77,595	148,182	191%
Net earnings	844,447	189,332	655,115	346%
Weighted average common shares outstanding	28,675,695	28,675,695	-	
Earnings per share- basic and diluted	0.03	0.01	0.02	
Total assets	13,686,384	12,832,791		
Working capital	5,022,641	4,248,620		
Non-current liabilities	3,296,085	2,783,361		
Shareholders' equity	6,438,271	5,398,326		

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 and is calculated as EBITDA before gain or loss on sale of property plant and equipment.

Discussion of Results and Financial Condition for the Financial Quarter Ended December 31, 2019

The Company had a number of highlights for the quarter ended December 31, 2019, including:

- The Greater Toronto Area (GTA) continued to show strength with work focused around site assessment, remediation and risk assessment for brownfield development sites.
- The demand for industrial hygiene and occupational health and safety (IH/OHS) services increased, leading to growth in this team in order to service clients' needs.
- An agreement was developed with a major construction company in the National Capital Region to provide consulting services in support of a large infrastructure build project which is expected to be ongoing for 2 to 3 years.
- The Company continued to diversify its mining client base by providing water treatment to new mining clients in northwestern Ontario.

- A permanent office was opened subsequent to the quarter in Whitehorse, Yukon with the intent of growing a stronger local presence that will facilitate future work in this region.
- The sale of the Company's office building in Ottawa was completed. BluMetric is looking to consolidate its office spaces in the Ottawa region which will bring the Company's significant professional talent together under one roof.

This analysis compares the quarter ended December 31, 2019 with the quarter ended December 31, 2018.

During the quarter ended December 31, 2019, total revenue was $6.3 million, compared to $7.6 million the same quarter the previous year. Approximately $1.0 million of this decrease comes from Military project revenue. In Q1 FY2019, BluMetric was awarded a one-time contract for 90 Day Sustainment Kits for the Reverse Osmosis Water Purification Units (ROWPU) for the Canadian Armed Forces. This project did not repeat in Q1 FY2020. Additionally, there were a greater number of desalination (SROD) units produced and delivered in Q1 FY2019 compared to Q1 FY2020. The remaining decline can be mainly attributed to a decline in projects in the federal and provincial markets of approximately $500,000, as Q1 FY2020 continues to feel the effects of having less government site investigation and remediation projects from the summer months when compared to Q1 FY2019. This decline was slightly offset by a modest increase in the Company's Commercial and Industrial sector of approximately $200,000.

Gross profit and gross margin for the financial quarter ended December 31, 2019 were $1.4 million and 23% respectively (December 31, 2018 - $1.7 million and 22%). The slight increase in gross margin is a result of some higher margin projects being completed in Q1 of FY2020 compared to the same quarter of the previous year.

Operating costs for the quarter ended December 31, 2019 decreased slightly to $1.2 million from $1.3 million for the same period in the prior year. Additionally, the Company recognized a gain on sale of its office building at 3108 Carp Road of $948,000 in Q1 2020, which contributed significantly to the net earnings for this quarter compared to Q1 2019.

Finance costs of $154,000 for the period ended December 31, 2019 were increased from $135,000 reported for the same period a year earlier.

Earnings before the provision for income tax for the quarter ended December 31, 2019 were $1.1 million compared to $267,000 for the quarter ended December 31, 2018. This increase is attributable to the gain on sale of the building, which is one time in nature.

Net earnings for the quarter ended December 31, 2019 were $844,000 compared to $189,000 for the quarter ended December 31, 2018.

Shareholders' equity increased to $6.4 million at December 31, 2019 from $5.4 million at December 31, 2018.

The Statement of Financial Position as at December 31, 2019 showed working capital of $5.0 million, compared to $4.2 million as at December 31, 2018.

As at December 31, 2019, the Company was in compliance with all its covenants.

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

	For three months ended December 31			
	2019	*Impact of IFRS 16*	**2019 Excluding IFRS 16**	2018
	$	*$*	**$**	$
Net income	**844,447**	*8,734*	**853,181**	189,332
Finance costs	**153,985**	*(13,197)*	**140,788**	135,254
Income tax expense	**225,777**	*2,837*	**228,614**	77,595
Depreciation and amortization	**108,466**	*(93,708)*	**14,758**	26,603
EBITDA	**1,332,675**	*(95,334)*	**1,237,341**	428,784
Gain on disposal of property, plant and equipment	**(947,914)**	-	**(947,914)**	-
Adjusted EBITDA	**384,761**	*(95,334)*	**289,427**	428,784

The Company recorded EBITDA of $1.3 million and adjusted EBITDA of $385,000 for the three months ended December 31, 2019.

Excluding the impact of IFRS 16, EBITDA would have been $1.2 million and adjusted EBITDA would have been $289,000 for the three months ended December 31, 2019.

The increase in EBITDA is mainly due to a gain on sale recognized from the sale of the Company's head office building during Q1 FY2020 of $948,000.

The decline in Adjusted EBITDA is mainly due to a decline in revenue and a corresponding decline in gross profit, partially offset by lower operating costs. See "Discussion of Results and Financial Condition for the Quarter Ended December 31, 2019" and "Quarterly Results" for further information on the factors contributing to the variances.

Quarterly Results

Quarterly financial information for the eight quarters ended December 31, 2019
(in 000's, except as otherwise indicated)

	Q1 2020 Dec 31, 2019	Q4 2019 Sep 30, 2019	Q3 2019 Jun 30, 2019	Q2 2019 Mar 31, 2019
Revenue	6,316	6,626	7,035	6,990
Cost of sales	4,884	5,204	5,738	5,508
Gross profit	1,431	1,422	1,297	1,481
Gross margin %	23%	21%	18%	21%
Operating expenses	1,155	1,274	1,170	1,197
Gain on disposal of assets held for sale	(948)	-	-	-
Finance costs	154	110	115	122
Earnings before provision for income tax	1,070	37	12	162
Income tax expense (recovery)	226	(2)	3	50
Net earnings	844	39	10	112
Weighted average common shares- basic	28,675,695	28,675,695	28,675,695	28,675,695
Earnings per share - basic and diluted	0.03	0.00	0.00	0.00

	Q1 2019 Dec 31, 2018	Q4 2018 Sep 30, 2018	Q3 2018 Jun 30, 2018	Q2 2018 Mar 31, 2018
Revenue	7,601	8,563	8,416	7,708
Cost of sales	5,940	6,743	6,763	6,091
Gross profit	1,661	1,820	1,653	1,616
Gross margin %	22%	21%	20%	21%
Operating expenses	1,259	1,477	1,459	1,311
Finance costs	135	134	128	136
Earnings before provision for income tax	267	209	65	169
Income tax expense (recovery)	78	(2,116)	-	-
Net earnings	189	2,325	65	169
Weighted average common shares- basic	28,675,695	28,675,695	28,650,735	28,391,778
Earnings per share - basic and diluted	0.01	0.08	0.00	0.01

Q1 20 vs Q1 19

Revenues, gross profit and gross margin for the first quarter of 2020 were $6.3 million, $1.4 million and 23% respectively compared to $7.6 million, $1.7 million and 22% for the first quarter of 2019. Approximately $1.0 million of this decrease comes from Military project revenue. In Q1 FY2019, BluMetric was awarded a one-time contract for 90 Day Sustainment Kits for the Reverse Osmosis Water Purification Units (ROWPU) for the Canadian Armed Forces. This project did not repeat in Q1 FY2020. Additionally, there were a greater number of desalination (SROD) units produced and delivered in Q1 FY2019 compared to Q1 FY2020. The remaining decline can be mainly attributed to a decline in projects in the federal and provincial markets, as Q1 FY2020 continues to feel the effects of having less government site investigation and remediation projects from the summer months when compared to Q1 FY2019. Despite the decline in revenue, gross margin improved slightly due to the addition of some higher margin projects in Q1 2020.

Operating costs decreased slightly to $1.2 million from $1.3 million in Q1 2019. Additionally, the Company recognized a gain on sale of its office building at 3108 Carp Road of $948,000 in Q1 2020. This gain on sale contributed to the increase in earnings before provision for income tax and net earnings, which were $1.1 million and $844,000 respectively at December 31, 2019, compared to earnings before income tax of $267,000 and net earnings of $189,000 in the same quarter of the previous year.

Q4 19 vs Q4 18

Revenues, gross profit and gross margin in the fourth quarter of 2019 were $6.6 million, $1.4 million and 21% respectively. Total revenue declined by approximately $1.9 million. Federal Government project revenue declined by approximately $650,000. The fourth quarter typically has substantial revenue in this market due to a high level of field investigation activity in Canada's far north. However, the timing of the October federal election resulted in a temporary delay in the commitment of funds to such programs. In addition, Provincial and Territorial project revenue declined by approximately $640,000 for Q4 2019 when compared with Q4 2018. The variance in revenue is attributed to the occurrence in Q4 2018 of several large site investigation and remediation projects related to emergency fuel spills in remote northern locations. Military revenue was lower in Q4 2019 compared to Q4 2018 due to the timing of completing water purification units under the Company's existing contracts. Further, during Q4 2018 notable revenue was recognized for the one-time ROWPU 90 day military sustainment kit project that continued up until Q2 2019. Despite a decline in quarter over quarter revenue, year over year revenue is up by a substantial $2.3M for the military market. These declines were offset by an increase in Commercial sector revenue of approximately $500,000, which is mainly a result of an increase in project activity in Q4 2019 on commercial water treatment projects and site assessment and remediation associated with land development activity both in Ontario and Quebec. Gross margin stayed consistent at 21%. Operating costs decreased favourably to $1.3 million in Q4 2019 from $1.5 million in Q4 2018. Earnings before provision for income tax were $37,000 or $171,000 lower than in the same quarter of last year. Net earnings were $39,000 for the quarter ended September 30, 2019, compared to $2.3 million in the same quarter of 2018. The Company recognized a deferred income tax asset in the fourth quarter of 2018 in the amount of $2.1 million, which significantly increased net earnings for Q4 2018.

Q3 19 vs Q3 18

Revenues, gross profit and gross margin in the third quarter of 2019 were $7.0 million, $1.3 million and 18% respectively. Total revenue declined by approximately $1.4 million primarily due to multiple one-time engineered solutions projects in 2018 that did not reoccur in fiscal year 2019. In addition, there was a decline in revenue from the Government market, particularly on the federal level, as a result of slower than usual spending in anticipation of the election in Q4 2019. Gross margin declined to 18% from 20% for Q3 2018. Operating costs decreased favourably to $1.2 million in Q3 2019 from $1.5 million in Q3 2018. Consistent with Q2 of 2019, this decrease is primarily due to cost savings resulting from the sale of the Company's El Salvador operations and improved credit risk management resulting in lower bad debt expense. Earnings before provision for income tax were $12,000 or $53,000 lower than in the same quarter of last year.

Net earnings were $10,000 for the period ended June 30, 2019, compared to $65,000 in the same quarter of 2018. Overall for Q3 2019, the Company continued to focus on business development efforts.

Q2 19 vs Q2 18

Revenues, gross profit and gross margin in the second quarter of 2019 were $7.0 million, $1.5 million and 21% respectively. Total revenue declined by approximately $700,000, primarily due to one-time projects that did not reoccur in fiscal year 2019. In addition, a number of mining sector projects were delayed in Q2 2019 due to weather and temporary delays on approvals. Gross margin was consistent at 21% for both periods. Operating costs decreased favourably to $1.2 million in Q2 2019 from $1.3 million in Q2 2018, primarily due to cost savings resulting from the sale of the Company's El Salvador operations and improved credit risk management resulting in lower bad debt expense. Despite lower gross profit in the quarter, earnings before provision for income tax were $162,000, which is comparable with the same quarter of last year. Net earnings were $112,000 for the period ended March 31, 2019, compared to $169,000 in the same quarter of 2018.

Summary of Cash Flows

	For three months ended	
	December 31, 2019	December 31, 2018
Cash provided by (used in):	**$**	**$**
Operating activities, before working capital	284,756	308,825
Operating activities, working capital	(1,541,220)	858,593
Operating activities, after working capital	(1,256,464)	1,167,418
Investing activities	1,051,424	(10,857)
Financing activities	(38,058)	(1,156,561)
Decrease in cash and cash equivalents	(243,098)	-
Cash and cash equivalents - beginning of period	243,098	-
Cash and cash equivalents - end of period	-	-

Cash used in operating activities of $1.3 million in the first quarter of 2020 compares with cash produced from operating activities of $1.2 million in the first quarter of 2019. The majority of the $2.5 million decrease resulted from higher investment in working capital, specifically higher accounts receivable and lower accounts payable, partially offset by favourable changes in contract assets and unbilled revenue.

Investing activities provided cash of $1.1 million in Q1 2020, which compared to cash used in investing activities of $11,000 in the first quarter of 2019. The increase is related to the sale of the 3108 Carp Road office building in Q1 2020 which provided net proceeds of $1.1 million.

In Q1 2020, cash used in financing activities was $38,000 compared to cash used by financing activities of $1.2 million in the first quarter of 2019. The higher cash used in Q1 2019 was due largely to the repayment of the Company's credit facility using cash generated from operations.

Liquidity

The Company's short-term credit facilities consist of an operating demand loan in the amount of $2,000,000 and an additional $500,000 for the issuance of letters of credit. The facility carries a floating interest at prime plus 2.25%, is collateralized by a first ranking general security agreement over all of the Company's present and future assets, and is subject to margining based on the amounts of eligible accounts receivable. Each letter of credit must be 100% guaranteed in favour of the bank through a separate program provided by the Export Development Corporation. For the period ended December 31, 2019, the effective interest rate under this facility was 6.2% (December 31, 2018 – 6.2%).

The Company has certain covenants in accordance with its short-term credit facilities. As at December 31, 2019, the Company was in compliance with all its short-term credit facility covenants.

The Company also has a corporate credit card facility in the amount of $165,000.

As at December 31, 2019, the Company had drawn $995,299 on its operating demand loan and $nil in letters of credit (September 30, 2019 – $ 77,055 and $nil respectively).

In addition to the above credit facilities, the Company entered into an agreement with a lending institution on September 12, 2016 for a secured five-year term loan in the amount of $2,500,000. This loan bears interest at a rate of 10% and requires the Company to pay royalty fees on gross revenue beginning February 2018. The royalty rate is tiered and applies at a rate of 0.35% of gross revenue up to $38,000,000, and then decreases to 0.15% of gross revenue in excess of that amount. As at December 31, 2019, $22,105 (FY2018 - $26,604) was accrued in trade and other payables with respect to these royalties.

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 of December 31, 2019, the Company was in compliance with its covenants under the term loan agreement.

Business Outlook

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

In fiscal year 2020, the Company has aligned its sales and marketing team and will focus on obtaining new revenue contracts in key markets, efficiently implementing projects, improving cost control and completing the sale of its non-core assets.

The Company is targeting both organic revenue growth and growth through association with technology suppliers. The Company's focus will continue to be on improving margins on all company projects while reducing overhead costs.

The best opportunities for growth are on projects where the client's operating expenses can be reduced as a result of proposed solutions and where these solutions help clients meet more stringent regulatory requirements.

Capital Resources

The Company's future growth strategy contemplates investment in various technologies and processes requiring capital for prototyping purposes. Accordingly, the Company may opportunistically approach capital markets for additional equity funding if conditions are favourable.

Business Risks

The Company is subject to risks and uncertainties in the normal course of business that could materially affect the financial condition of the Company. These risks and uncertainties include, but may not be limited to, the following:

- Macroeconomic risk of recession in key markets or the economy as a whole;
- Reliance on key clients;
- Failure to retain and develop key personnel;
- Competition from companies which are better-financed or have disruptive technologies;
- Potential claims and litigations;
- Major swings in currency valuations after setting the price of foreign contracts; and
- Cybersecurity threats.

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, 2019.

New Accounting Standards

Note 4 of the Company's condensed interim financial statements and related notes for the three months ended December 30, 2019 discusses IFRS standards and interpretations that are issued and became effective for the Company on October 1, 2019.

Off-Balance Sheet Arrangements

Note 22 of the Company's audited financial statements and related notes for the year ended September 30, 2019 discusses commitments related to equipment leases and leases related to properties occupied by the Company.

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.

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

	For the three months ended	
	December 31 2019 $	**December 31 2018 $**
Salaries	254,974	251,063
Short-term benefits	27,089	20,929
Share-based compensation	4,861	14,398
	286,924	286,390

Proposed Transactions and Subsequent Events

There are no other significant assets or business acquisitions or dispositions being considered by the Company.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	28,675,695 common shares
Options:	1,030,000 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the quarter ended December 31, 2019.

Financial Terms and Definitions

Definition of Non-GAAP Measures

This Management Discussion and Analysis includes reference to and uses terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These non-GAAP measures may not be comparable to similar measures presented by other companies. The Company believes that the measures defined here are useful for providing investors with additional information to assist them in understanding components of the financial results.

EBITDA. EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, and amortization of intangible assets. The Company uses this measure as part of assessing operating performance. There is no direct comparable IFRS measure for EBITDA.

Adjusted EBITDA. Adjusted EBITDA additionally excludes items that are significant and irregular (such as the sale of a building or goodwill impairment).

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 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.

Management's Responsibility for Financial Reporting

The 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 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 financial statements.

BluMetric maintains systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible, principally through its Audit Committee, for ensuring that management fulfills its financial reporting responsibility.

Additional Information

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