Management Discussion & Analysis

2016 Third Quarter Report
Three and nine months ended June 30, 2016
(expressed in Canadian Dollars)

August 26, 2016

This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric's financial condition and results of operations for the three and nine months ended June 30, 2016. The MD&A should be read in conjunction with the Company's interim consolidated financial statements and related notes for the three and nine months ended June 30, 2016 as well as the MD&A and audited consolidated financial statements and notes for the year ended September 30, 2015. 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 a global network of clients in many industrial sectors, and at all levels of government. The Company and its predecessors have been in business since 1976.

With a staff of approximately 180 professionals, the Company operates from eight offices in Canada (Ottawa – Headquarters, Toronto, Montreal, Kitchener, Gatineau, Kingston, Sudbury, and Yellowknife), and one office in El Salvador.

The various offices have a high degree of autonomy, and each office's respective market focus is slightly different to respond to the industrial sector opportunities specific to its location, such as contaminated site remediation in the North from the Yellowknife office, mining out of Sudbury, or a variety of commercial and industrial sector work from Kitchener.

While the Company's primary focus is the Americas, the Company also has extensive project experience in Africa and the Middle East.

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

The Company's primary focus is to deliver affordable, effective, and sustainable solutions for our clients' most complex air, earth, water, and energy conservation issues.

BluMetric's team of highly experienced scientists, engineers, industrial hygienists, environmental auditors, project managers, financial specialists, and support personnel provide a comprehensive range of environmental services and engineered solutions, from contaminated site remediation, hydrogeology, or geomatics to complete turn-key wastewater treatment systems and products across a diverse range of industrial, municipal, commercial, and defence sectors.

The Company also provides extensive services 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

BluMetric is focused on being a leader in the supply, treatment, and protection of water, energy, and resources. The Company's short-to-medium-term strategy is to build on the profitability demonstrated over the past seven quarters to position the firm for sustainable growth. We will follow disciplined business practices to identify and execute our strategic objectives and operate our business.

Our vision focuses in two areas of opportunity. These are:

1. Resource recovery and operational expense reduction; and
2. The supply of systems and services related to the measurement, reduction and mitigation of climate change and its effects.

These two areas will influence growth and opportunity for our clients and support their objective of lowered operational costs.

Leveraging our extensive and industry-diverse client network, developed over 40 years, we will accelerate growth in the following manner:

1) We will focus on sales and revenue generation through our dedicated sales team, which is supported by an experienced technical staff.
2) We will build our business while maintaining the same level of staff resources, except where required for new and developing opportunities.
3) We will focus on developing our project execution by eliminating duplication and maximizing efficiency.
4) Engineering and the effective design and delivery of our solutions is a mainstay of our business. We have consolidated and added to our engineering team in a manner that optimizes the interaction between this critical function and all other areas of the Company including research and innovation, sales engineering during business development efforts and project execution.
5) We will continue to maintain our dedication to innovation but will do so in a focused way. We will add resources to the commercialization of new products and services.
6) We will enhance our client focus and delivery mechanism.

We will continue to focus on pricing/margin management, SG&A cost control, improved project management, and a focus on high-growth, higher-margin services. These measures returned us to profitability and will be continued.

Management has identified a near-term top-line revenue target 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 systems delivery and engineered solutions part of our business to a base level of $18.0 million, building on a continuously developing project backlog across all sectors, while leveraging the steady but more modest year-over-year growth of the professional services business.

Over the medium term, a balanced annual revenue growth of 10% is being targeted in the professional services side of our business, at current gross margins. Additionally, we have established growth targets for engineered water solutions and products that will deliver revenues equalling those in professional services over the same time period. This work is less predictable and somewhat more erratic between quarters and even years given a much longer project cycle but this irregularity can be accommodated with growth and more opportunities. This business development plan is intended to stabilize our business, mitigate seasonal variability, and allow us to focus on the higher margins from engineered solutions while supporting the stability and consistent growth and opportunity afforded by professional services.

The Company views the establishment and support of a strong representative network across the Americas as fundamental to its ability to broaden its customer base. The Company now has 15 different manufacturers' representatives secured, six on a project basis and an additional nine on contract. They are situated in multiple US States, Canada, and Latin America. The current rep organization will be expanded and serve as a path to market for our new products, as well as products from our technology partners. This network will also continue to expand with a mandate to sell engineered solutions, standard commercial products, and environmental services.

The rep network will position the Company to take advantage of the growing recovery of the United States economy, this country's urgent need to repair or replace aging infrastructure, and the advantage that our currency affords. Also, recently signed trade agreements in South and Central America require countries to participate fully in environmental initiatives often driven by North American project owners and clients. Greater support and emphasis will be given in the fourth quarter of fiscal year 2016 and Q1 in 2017 to the US rep network.

The Company also views strategic alliances with other companies in niche or complementary technologies and sectors as key elements in delivering innovative solutions to customers.

The Company's working capital is expected to support planned business operations through fiscal 2016, based on improved operations and the completion of 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 US dollar compared with the Canadian dollar. All international projects are quoted in US dollars. Other external performance drivers include the interplay between regional and global economic conditions, the degree to which potential clients place emphasis on environmental issues (regulatory or otherwise) in their business practices, and the increasing focus of potential clients to reduce their operational expense (OpEx reduction).

Capability to Deliver Results

Board of Directors

The Board of Directors consists of six members, five of whom are independent. 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 Senior Management team comprises: Roger M. Woeller, CEO; Vivian Karaiskos, Chief Financial Officer; Jim Hotchkies, Senior Vice President, Sales; and Dan Scroggins, Senior Vice President, Research and Innovation.

This team is supported by well-qualified and highly experienced individuals leading business development, sales, engineering, and operations in each of the Company's major service sectors.

Employees

The Company has a team of approximately 180 full-time equivalent staff. Staffing levels fluctuate seasonally with the hiring of temporary staff (primarily students) to meet peak demand periods.

Diversity

The Company is committed to achieving a diversity of knowledge, expertise, and perspectives from its Board, management, and staff. The Company also needs the best minds to achieve its forward-thinking objectives. To achieve this diversity, the Company focuses on recruiting individuals who bring a varied mix of skills and competencies. Appointments are made based on a person's merit.

Results of Operations

Highlights, Third Quarter 2016

	Three Months Ended				Nine Months Ended			
	June 30, 2016	June 30, 2015	Change	Change	June 30, 2016	June 30, 2015	Change	Change
	$	$	$	%	$	$	$	%
Revenue	8,377,957	8,675,022	(297,065)	-3%	24,235,177	24,235,823	(646)	0%
Gross profit	1,870,676	2,011,499	(140,823)	-7%	5,259,697	5,320,170	(60,473)	-1%
Gross margin %	22%	23%			22%	22%		
SG&A expenses	1,269,302	1,510,341	(241,039)	-16%	3,874,082	4,086,019	(211,937)	-5%
EBITDA[1]	698,220	661,479	36,741	6%	1,741,865	1,837,317	(95,452)	5%
Adjusted EBITDA[2]	779,580	628,330	151,250	24%	1,556,883	1,662,287	(105,404)	6%
Net income (loss)	370,675	322,068	48,607	15%	675,139	681,912	(6,773)	1%
Common shares outstanding	27,880,140	25,191,656			27,880,140	25,191,656		
Net income (loss) per share	0.01	0.01			0.02	0.03		
Total assets					13,108,712	11,522,969	1,585,743	14%
Working capital					514,175	(450,660)	964,835	214%
Long term debt					2,079,567	2,760,848	(681,281)	-25%
Shareholders' equity (deficit)					2,087,224	288,699	1,798,525	-623%

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, unrealized gains on investments held for sale and impairment of good will.

Note 3: Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for June 30, 2015.

Revenues in the third quarter were $8.4 million compared with $8.7 million for the quarter ended June 30, 2015, a decrease of $297,000 or 3%. While revenue increased by $1.1 million in fee for service work over Q3 2015, this increase was offset with a decrease of $1.4 million in revenue in the Water Systems group, mainly due to engineered solutions projects. The gross margin period-over-period decreased to 22% from 23% in the quarter ended June 30, 2015.

Sales, General, and Administrative "SG&A" expenses decreased from $1.5 million in Q3 2015 to $1.3 million in Q3 2016, mainly due to decreases in bad debt expense and salary costs, offset by an increase in occupancy costs. During the last 12 months, the Company sold its Kitchener and Sudbury properties and is now paying rent in these areas.

Finance costs of $230,699 were higher than the $160,213 reported for the three months ended June 30, 2015 as a result of additional bank charges, as well as increased interest rates applicable to a number of the Company's debt obligations. Interest costs are expected to continue to be high going forward, as new and augmented financing arrangements are secured.

The net income for the quarter was $370,675 compared with net income of $322,068 for the comparable quarter in the previous year. These similar results are the net impact of a slightly lower gross margin and higher finance costs offset by lower SG&A costs in Q3 2016.

Shareholders' equity was $2,087,224 at June 30, 2016 compared with equity of $288,699 at June 30, 2015. This increase is due primarily to consecutive profitable quarters as well as a debt to equity conversion in September 2015 resulting in a net increase in share capital of $726,629.

The Consolidated Statement of Financial Position as at June 30, 2016 reflects working capital of $514,000. This balance includes the $1.4 million in convertible debentures as a current liability as they are now due and payable. Even with the reclassification of this debt to current liabilities at June 30, 2016, the Company continues to show an improvement in its working capital, which was a deficit of $451,000 at June 30, 2015. This improvement is a result of using the proceeds from the sale of the Sudbury office in Q2 2016 to pay down existing debt as well as continuing favourable operating results.

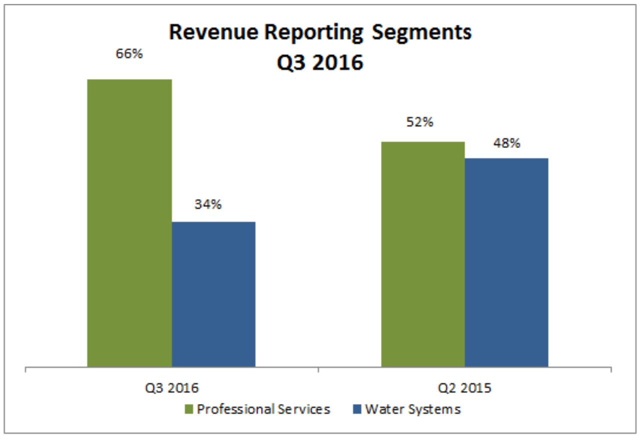
EBITDA and Adjusted EBITDA (see "Financial Terms and Definitions")

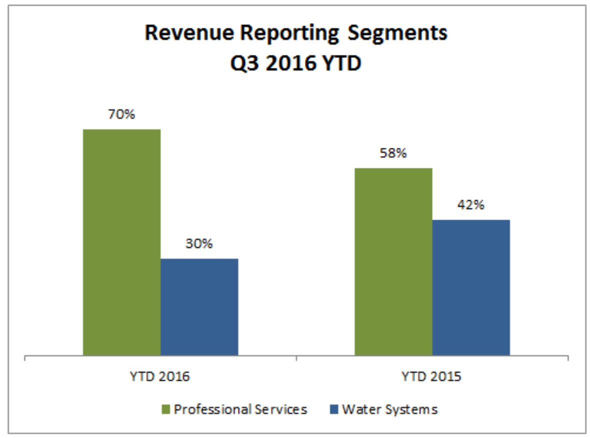
	For the three months ended June 30		**For the nine months ended June 30**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income	**370,675**	322,068	**675,139**	681,912
Depreciation of property, plant and equipment	**34,036**	94,134	**140,443**	343,838
Amortization of intangible assets	**62,810**	85,064	**235,650**	302,502
Finance costs	**230,699**	160,213	**690,633**	509,065
EBITDA	**698,220**	661,479	**1,741,865**	1,837,317
Foreign exchange loss (gain)	**56,192**	(47,791)	**(56,191)**	(60,208)
Share-based compensation	**17,652**	14,642	**47,393**	119,629
Loss (gain) on disposal of property, plant and equipment	**7,516**	-	**(172,876)**	(247,481)
Unrealized loss (gain) on investment held for sale	**-**	-	**(3,308)**	13,030
Adjusted EBITDA	**779,580**	628,330	**1,556,883**	1,662,287

The Company recorded adjusted EBITDA of $0.8 million for the three months ended June 30, 2016, an increase from the adjusted EBITDA recorded for the same period in 2015.

Segmented Information

Revenue





The revenue split between the Professional Services and Water Systems was 66% and 34% respectively for Q3 2016, compared to 52% and 48% for Q3 2015. The reduction in Water Systems is due to a number of near-completed engineered solutions projects that in Q3 2015 were running at full pace. The Company is focused on converting engineered solution projects to sales and expects the allocation of Water Systems to increase accordingly.

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:

	For the three months ended June 30		For the nine months ended June 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Canada	**7,534,459**	7,139,275	**21,850,809**	21,465,710
International	**365,074**	1,257,064	**1,123,181**	2,128,250
United States	**478,424**	278,683	**1,261,187**	641,863
	8,377,957	8,675,022	**24,235,177**	24,235,823

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, a drive toward reduced operational expenditures, and resource/cost recovery. The future success of the Company is dependent upon its ability to identify and address these drivers and to deliver appropriate solutions.

In the upcoming year, the Company will continue to increase investment in emerging products, services, pilot testing, and technology to secure our future and to keep us at the leading edge of our business. Emphasis on identification and development of disruptive technologies will support this strategy. The Company will continue to maintain its investment in traditional product and service lines with modest and focused investment.

The Company considers a disruptive technology to be a significant innovation, discovery, or technology that creates new markets and displaces a previous technology or process. Examples of the Company's early success in adopting these disruptive technologies and services include:

- Investing in the standardization of our membrane bioreactor systems (COBRA™). This work is in conjunction with our Variable Depth Reactor (VDR) for industrial and domestic waste water treatment, and is currently being constructed at a food processing client site in Central America.
- Pilot testing, commencing in Q4 2015 and completing in Q4 2016, for agricultural manure treatment and nutrient recovery in Indiana, USA.
- Optimizing the performance of our recently installed COBRA systems in the food and beverage sector (candy, snack food, wine, and beer production) to determine the upper performance limits of the product.
- Developing next generation membranes in a combined internationally funded grant for the R&D, scheduled to start Q4 2016.
- The successful demonstration of a new Bioreactor (MBR) membrane based on LG products as a replacement for the extensive membrane bioreactor installed base throughout North America, successful testing was completed in Washington State, USA in Q3 2016.
- Commissioning 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 (3000 gallons per day capacity).
- The trademarks for the H4™ and COBRA™ products have been secured for Canada and the US.
- Supporting the two patent applications for the Membrane Ammonia Removal System (MARS) and the Continuous Regeneration, Recycle, and Recovery (CR3).
- Pilot tests for the Membrane Ammonia Removal System (MARS) were completed in Q3 and the patent application has been completed and submitted. The pilot test for the CR3 product was completed in Q3 and the patent application has been revised based on the results of the pilot test. Both the MARS and CR3 products reduce ammonia to

extremely low levels and eliminate the need for some downstream treatment equipment, these products are primarily targeted for the mining sector.
- Continuing the experiments and pilot work on the biological cyanide destruction process, PFOA removal, high efficiency membranes, and the treatment of high strength industrial wastes.
- Engaging in an initiative with a European partner to develop a treatment technology for the drastic reduction of cyanide generated by the mining/refining industry, without the creation of toxic by-products.
- Adapting drone/Unmanned Aerial vehicle (UAV) technology to displace more traditional, expensive, and restricted data collection platforms such as manned helicopters and light fixed-wing aircraft.
- Establishing international strategic alliances that further our development of designs, processes, and products to reduce energy, water, and dimensional (space) footprints and provide for energy/resource recovery.
- Pilot testing an enhanced, primary treatment approach reliant on our membrane technology as a waste water pre-treatment solution for the Food and Beverage industry, at a BluMetric installation in Latin America. This solution removes suspended or particulate BOD (biological oxygen demand) matter prior to secondary treatment for energy cost avoidance and energy recovery.
- Developing our geomatics service area, which has extensively displaced photogrammetry and other more traditional methods of data collection and analysis (we have already improved software and software analytical capability).
- Through a strategic partnership we have added rainfall intensity measurement to our flood prediction and hydrological services, far superior to static rain-gauge approaches.

Where possible, the Company will continue to 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 and to expand our geographical reach.

Cost Reduction and Margin Improvement Strategies

The Company consistently reviews its cost structure to ensure it is optimized while at the same time supporting revenue growth.

Structural and process changes that are expected to drive an increase in margins include continuing to:

- Focus on the process flow from sale to commissioning/project delivery and improving project management processes.
- Realign and streamline Engineering across all aspects of our business in both systems and service delivery, including standardization of products.
- Leverage our information systems to provide timely and robust reporting, including metrics.

Sales and Marketing

The Company has established and will continue to strengthen a dedicated team of sales professionals, of varying backgrounds, qualifications and networks, focused on defined growth targets in vertical market sectors. 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. However, the new sales team has been tasked with achieving our strategic growth targets, both by leveraging these internal resources and relationships and by securing new external business opportunities. The team will focus on several key verticals including:

- Metals and mining;
- Food, beverage, and agriculture
- Municipal, commercial, and land development wastewater treatment, including infrastructure renewal and upgrade;
- Energy (oil & gas, power, energy-from-waste, etc.);
- Government/military;
- Industrial, manufacturing and property sectors.

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

Quarterly Results

Quarterly financial information for the eight quarters ended June 30, 2016
(in 000's, except as otherwise indicated)

	Q3 2016 June 30, 2016	Q2 2016 Mar 31, 2016	Q1 2016 Dec 31, 2015	Q4 2015 Sept 30, 2015
Revenue	8,378	7,920	7,937	9,243
Cost of sales	6,507	6,007	6,461	7,184
Gross profit	1,871	1,913	1,476	2,059
Gross margin %	22%	24%	19%	22%
SG&A expenses	1,269	1,368	1,237	1,662
Finance costs	231	247	213	220
Net income (loss)	371	289	16	334
Weighted average common shares	27,880,140	27,880,140	25,235,850	25,191,656
Income (loss) per share	0.01	0.00	0.01	0.01

	Q3 2015 June 30, 2015	Q2 2015 Mar 31, 2015	Q1 2015 Dec 31, 2014	Q4 2014 Sep 30, 2014
Revenue	8,675	7,781	7,779	6,568
Cost of sales	6,664	6,197	6,055	5,684
Gross profit	2,011	1,584	1,725	884
Gross margin %	23%	20%	22%	13%
SG&A expenses	1,510	1,140	1,435	2,009
Finance costs	160	184	165	156
Net income (loss)	322	246	114	(5,681)
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)

Note: Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for June 30, 2016.

Quarterly Trend Analysis

Historically, the Company's Professional Services business has followed a seasonal cycle which dictated that its second and third quarters, ended March 31 and June 30 respectively, have experienced relatively lower levels of activity than 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 Company's historical experience that staff as a whole can achieve much higher utilization (percentage of time actively engaged in revenue-producing projects) during the summer and fall quarters.

Q3 16 vs Q3 15

In the third quarter of 2016, revenue of $8.4 million was reported compared to $8.7 million in Q3 2015. The decrease quarter over quarter was a decline in revenues from the engineered solutions in the Water Systems group, offset by a significant increase in revenues from the Professional Services group which continue to benefit from a number of large contract wins. Net income in Q3 2016 was $371,000 compared to $322,000. These similar net incomes are a result of a 1% lower gross margin and increased finance costs, offset by lower selling and general admin costs.

Q2 16 vs Q2 15

The second quarter of fiscal year 2016 saw a departure from the Company's typical trend, as outlined above. In particular, the warmer winter, coupled with winter field work in Canada's sub-arctic and some strong continuing contract work on government and mining clients allowed Professional Services to increase their revenue to $5.1 million in Q2 2016 compared to $3.8 million in Q2 2015. This growth was offset by less revenue from engineered solutions contracts in Q2 2016 compared to Q2 2015 in the Water Systems group. Overall, revenue increased in the quarter to $7.9 million compared to $7.8 million in Q2 2015. Net income in Q2 2016 was $289,000 compared to $246,000 in Q2 2015.

Q1 16 vs Q1 15

In the first quarter of 2016, revenue of $7.9 million was reported compared to $7.8 million in Q1 2015. The growth quarter over quarter was primarily in Professional Services, offset by a slight decline in engineered solutions revenue in the Water Systems group. Professional Services continue to benefit from a number of large contract wins, especially in mining and in contracts in the North. Net income in Q1 2016 was $16,000 compared to $114,000. This is in part due to the change in revenue mix between fee-for-services and engineered solutions work.

Q4 15 vs Q4 14

Revenue for the fourth quarter 2015 was $9.2 million, which is a $2.6 million increase over the same period the prior year. The most significant cause of the increase continues to be engineered solutions projects in water systems, accounting for $2.1 million of the total change. An expanded northern program over the summer months contributed to higher revenues in professional services as well. Net income in Q4 2015 was $334,000 compared to a loss of $5.7 million in the prior year. Even when normalizing for the $4.3 million goodwill impairment in Q4 2014, the profitability improvement is sizable.

Liquidity

The Company has certain covenants in accordance with its banking agreement which include maintaining a debt-to-service ratio in excess of 1.2:1 and maintaining, on a quarterly basis, a minimum tangible net worth of $2.0 million. As at June 30, 2016, the Company was in default of the tangible net worth covenant.

The Company has reclassified significant debt of approximately $1.4 million as current since it has become due during the quarter. Even with this reclassification the Company has working capital $514,000 at June 30, 2016 (compared to a working capital deficit of $451,000 at June 30, 2015 where this debt was still classified as long term).

At June 30, 2016 short-term bank credit facilities consisted of an operating line of credit in the amount of $2,000,000 (September 30, 2015 - $2,000,000). Subsequent to the quarter end, the Company's operating line of credit has been reduced to $1,750,000.

At June 30, 2016, the Company had drawn $1,530,000 (September 30, 2015 - $1,470,000) on its operating line of credit, which carries a floating rate of interest of prime plus 3.50%, is payable on demand and is secured by a general security agreement over the Company's assets.

At June 30, 2016, the Company held short term investments in the amount of $501,934 (September 30, 2015 – $409,425). All term deposits have been assigned to the Company's bank.

The Company and its bank lender have been working under the terms of a forbearance agreement signed December 14, 2015. This agreement precludes the lender from taking actions to enforce its rights under the existing debt facility, rights which were triggered by the covenant violation. This agreement expired July 31, 2016.

On May 30, 2016, the Company signed a commitment letter with a new bank, which is subject to customary conditions, including the negotiation of definitive agreements as well as other conditions as set forth in the letter. The Company expects these agreements will be signed and the replacement operating credit facility will be available by approximately mid-September 2016.

On August 24, 2016, the Company signed a letter of offer with another institution for the provision of financing that will be used for growth as well as to repay the existing convertible debentures. The letter of offer is also subject to conditions, including the negotiation of definitive agreements and other conditions as set forth in the letter. The Company expects that these agreements will be signed and the additional financing will be available by approximately mid-September 2016.

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 for Professional Services and in North America and Central America for Water Systems/Engineered Solutions. Typical clients for water and wastewater treatment systems are food processors, un-serviced residential communities, hotels and resorts, and mines in remote locations.

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;
- Expanding our development of US based infrastructure business through our representative network in the US and providing additional support and training to this group to capitalize on the gaining strength of that market;
- Maintaining margins on the supply of professional services while growing revenues on higher-margin engineered solutions business, primarily with the existing staff;
- Supporting and increasing the existing client base;
- Focusing our attention on the Americas;
- Limiting staff growth to business that will yield high growth and high margins;
- Continuing to evolve away from traditional products and technology to emphasize various new products that have smaller environmental footprints and reduced operational expense;
- Identify new products, services and processes that align with our corporate focus on resource recovery and climate change;

- Commercializing the recently pilot-tested farm manure treatment system and the advanced food and beverage treatment system (Enhanced Primary Treatment (early-stage BOD removal) and Membrane Polishing);
- Continuing to develop our own technologies as well as partnering with complementary businesses that have disruptive or compelling technology in strategically important sectors or locations.

BluMetric management believes there is significant untapped strategic potential in having separate, dedicated BluMetric teams for sales, technical/scientific problem solving, and engineering design. Sales has been shown to benefit from company-wide opportunity identification and generation, while client delivery has benefitted from the combined technical and scientific and engineering problem solving expertise across BluMetric.

BluMetric's holistic "Standard of Care" approach affords the Company the opportunity to address a broad spectrum of our client's environmental concerns.

Capital Resources

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; and
- Major swings in currency valuations after setting the price of foreign contracts.

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 the amounts agreed upon by the parties.

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. On September 25, 2015 approximately $332,002 of this debt was converted to shares of the Company as part of a larger debt-to-equity transaction, as below.

On September 25, 2015, the Company concluded a debt conversion whereby $892,025 of certain existing debt was converted into 2,688,484 Common Shares at an agreed conversion price of $0.29 per share. Of this amount, $807,215 was owed to related parties. The share price on September 25, 2015 was $0.28 per share, resulting in a gain on debt conversion of $26,885. These Common Shares were subject to a hold period that ended on January 26, 2016. Share capital increased by $726,629, which is net of share issue costs of $26,146.

Proposed Transactions and Subsequent Events

As at June 30, 2016 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.

Risk Management

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised below. The main types of risk are Credit Risk, Liquidity Risk, and Market Risk.

The Company's management of major risks is reviewed regularly in consultation with the Board of Directors. The current priority is focused on actively securing cash and working capital in the short- to medium-term and renewing longer term financing arrangements (convertible debenture and mortgage).

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

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, notes 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 is planned.

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

Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	27,880,140 common shares
Warrants:	nil
Options:	1,892,959 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 incurred in the delivery of 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.

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, 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.