

BLUMETRIC ENVIRONMENTAL INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE SIX MONTHS ENDED MARCH 31, 2025

(expressed in thousands of Canadian Dollars)

May 28, 2025

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This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric Environmental Inc.'s ("BluMetric" or the "Company") financial condition and results of operations for the quarter ended March 31, 2025. The MD&A should be read in conjunction with the Company's financial statements and related notes for the six months ended March 31, 2025, as well as the MD&A and audited financial statements and notes for the year ended September 30, 2024. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

This discussion and analysis of the financial condition and the results of operations contain forward-looking statements about expected future events and the financial and operating performance of the Company. These statements, which include descriptions of the Company's business strategy, potential variances impacting the Company's internal and external performance drivers, and the Company's ability to meet its ongoing working capital needs through the ensuing 12 months, are included in the "Discussion of Results of Operations for the Six Months Ended March 31, 2025", "Liquidity", and "Business Outlook" sections which follow. These statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. This MD&A also refers to certain non-GAAP measures to assist users in assessing BluMetric's performance. Non-GAAP measures do not have any standard meaning prescribed by International Financial Reporting Standards ("IFRS") and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Financial Terms and Definitions".

A Better Environment for Business

BluMetric provides world class water technologies and environmental consulting delivered by world class people who do meaningful work to preserve our natural and built environments. From its ten offices across Canada and the United States and through a track record that spans over 45 years, the Company provides full-service environmental solutions in the fields of water and wastewater treatment and professional environmental services.

With a focus on the four key markets of Commercial and Industrial, Government, Military and Mining BluMetric's main services and products include:

- WaterTech – treatment of water and wastewater
- Environmental Engineering, Monitoring and Compliance
- Site Assessment and Remediation
- Water Resources and Geomatics
- Industrial Hygiene and Occupational Health and Safety

BluMetric's comprehensive offerings are tailored not only to the specific needs of each market, but also each client. With innovation, agility and client-responsive service as its hallmarks, the Company builds partnerships with its clients by delivering a long-term, holistic approach to managing their complete water, environmental needs, and health and safety responsibilities. It is this combination of a high degree of service coupled with sophisticated water treatment that differentiates BluMetric from competitors.

BluMetric is dedicated to its team of approximately 220 employees and its stakeholders through five core principles:

- Well-being
- Integrity
- Environmental sustainability
- Innovation
- Community

Gemini Acquisition

On September 23, 2024, BluMetric closed the acquisition ("Acquisition") of Gemini Water LLC ("Gemini"). Gemini designs, builds, installs and commissions large scale fixed base desalination and wastewater treatment systems using membrane-based technologies. This Acquisition will expand the Company's WaterTech portfolio of products and establish a footprint in the Southern United States and Caribbean Markets.

Cash consideration of \$4,047 (US\$3,000) and 2,352,500 shares, at a fair value of \$1,256 (US\$1,000), were issued at closing with future consideration earn-outs valued at \$1,424 (US\$1,050) contingent on revenue growth and gross margin targets and up to \$4,069 (US\$3,000) contingent on revenue growth in excess of \$9,495 (US\$7,000) annual revenue per year. The Company has recognized \$3,074 (US\$2,266) payable over three years following the closing based on the achievement of Gemini revenue targets.

Joint Venture

BluMetric is proud to be a trusted provider of services to many of Canada's northern Indigenous communities. The Company entered in a shareholder relationship with BLM-KEL-60 Corp. on September 27, 2022, an unrelated party, for purposes of executing projects in Nunavut supporting federal, territorial, and private clients. The joint venture relationship enables BluMetric to access additional opportunities in Northern Canada.

BLM-KEL-60 Corp. is an Inuit majority owned entity that is incorporated in Nunavut, Canada. The intent of the shareholders of the corporation is to contribute to the personal, economic, social, and cultural wealth of the Kitikmeot region of Nunavut by training, developing, and employing local Inuit candidates to support projects in carrying out its business in environmental consulting services.

BluMetric Environmental Inc. is a registered and beneficial owner of 16.3% of the issued and outstanding shares in the capital of the corporation.

Technology and Innovation

Innovation is driven by client demands as they face more stringent environmental regulations and water scarcity. BluMetric's creative process for addressing problems consists of developing solutions that are both scientifically sound and economically viable.

BluMetric sees increasing demand for safe and environmentally conscious sources of water as population growth coupled with changing weather patterns create unique challenges in the market. The Company continues to explore novel technologies in the production of water and wastewater systems as well as new approaches and methods when delivering professional services. The Company produces both portable Mission Ready Water systems that are agile for rapid or temporary deployment as well as fixed systems producing up to three million gallons per day of potable drinking water. BluMetric is committed to pursuing new opportunities in technology and innovation throughout North America and with other allied nations.

Sales and Marketing

BluMetric's business development efforts are primarily focused on four key markets where the Company has identified the greatest demand for its products and services:

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

BluMetric uses a client-centric approach to business development, which involves an emphasis on understanding each client's individual needs. This approach allows BluMetric to provide a complete and integrated solution.

Satisfied clients provide repeat business as well as incredibly valuable word-of-mouth referrals. BluMetric continues to actively leverage the successes of past projects to expand and diversify client relationships, strategic partnerships, and service offerings.

Board of Directors

The Board currently consists of 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 business development, finance, operations, management, and governance.

Executive Management

The Senior Management team comprises of: Scott MacFabe, Chief Executive Officer; Dan Hilton, Chief Financial Officer; Wayne Ingham, EVP, Strategic Partnership & Indigenous Relations; Andy Benson, EVP, Consulting Services; Lydia Renton, EVP, Health & Safety and Corporate Security Officer; Jodi Johnson, Vice President – Director Operations; Dean Bedford, Managing Director – WaterTech USA (Gemini); Corey Switzer, Director – WaterTech Canada. 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 220 experienced and motivated engineers, hydrogeologists, occupational and industrial hygienists, environmental auditors, environmental scientists, chemists, fabricators, field technicians, project managers, 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 water and wastewater treatment systems. Our technicians are master fabricators, and our professional team includes the right balance of academic discipline and practical engineering excellence.

Staffing levels fluctuate with the hiring of contract staff and students to meet project demands. The Company strives to recruit and retain highly skilled employees who can use their technical expertise to deliver creative solutions to complex environmental issues.

Diversity

BluMetric is committed to the principles of diversity with equal opportunity for advancement and growth. The Company strives to create and support an inclusive work environment that respects and values the contributions of all employees and their individual differences.

Management's Discussion and Analysis
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March 31, 2024

BluMetric's employees come from a wide range of cultural, ethnic, educational, and religious backgrounds. Additionally, women represent approximately half of the workforce across the organization and Board of Directors. BluMetric's goal is to capitalize on the strength derived from diversity while affording its team members the greatest opportunity to excel, grow, and contribute to business and society.

Discussion Results of Operations for the Three and Six Months Ended March 31, 2025

Financial Highlights

(in thousands of Canadian dollars, except per share data)

	Three months ended				Six months ended			
	March 31, 2025	March 31, 2024	Change	Change	March 31, 2025	March 31, 2024	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Revenue	15,926	7,133	8,793	123%	29,893	15,657	14,236	91%
Gross profit	4,307	3,063	1,244	41%	8,918	6,646	2,272	34%
Gross margin %	27%	43%			30%	42%		
Operating expenses	4,297	2,856	1,441	50%	8,131	6,004	2,127	35%
Operating expense, net of amortization	3,805	2,674	1,131	42%	7,197	5,645	1,552	27%
Finance costs	71	46	25	54%	155	103	52	50%
EBITDA ¹	600	446	154	35%	1,910	1,104	806	73%
Earnings before income taxes	(61)	169	(230)	-136%	632	547	85	16%
Income tax (recovery) expense	(1)	52	(53)	-102%	314	189	125	66%
Net earnings	(60)	117	(177)	-151%	318	358	(40)	-11%
Weighted average common shares outstanding								
Basic	36,817,561	29,435,695			35,039,512	29,435,695		
Diluted	41,084,041	29,438,884			39,105,651	29,435,695		
Earnings per share								
Basic	0.00	0.00			0.01	0.01		
Diluted	0.00	0.00			0.01	0.01		
Total assets					36,834	19,709	17,125	87%
Working capital					8,612	11,269	(2,657)	-24%
Non-current liabilities					5,968	2,315	3,653	157%
Shareholders' equity					18,115	12,654	5,461	43%
Net cash ²					2,219	2,364	(145)	-6%

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

Note 2: Net cash is a non-IFRS measure and is calculated as cash less total debt excluding lease liabilities (see 'Financial Terms and Definitions').

- Revenue for the three and six months ended March 31, 2025 was \$15,926 and \$29,893 respectively compared to \$7,133 and \$15,657 for the three and six months ended March 31, 2024 respectively. The increase in revenue is due primarily to additional growth and revenues of WaterTech USA (Gemini), whose demand remains strong for fixed based desalination systems.
- Gross profit for the three and six months ended March 31, 2025 was \$4,307 and \$8,918 respectively while gross margin was 27% and 30% respectively compared to gross profit of \$3,063 and \$6,646 and gross margin of 43% and 42% for the three and six months ended March 31, 2024 respectively. The increase in gross profit is due to the addition and growth of Gemini where the decrease in gross margin is attributable to the change in sales mix where there has been a material increase in the relative sales of WaterTech over Professional Services during the period.
- Operating expenses net of amortization for the three and six months ended March 31, 2025 increased by 42% and 28% respectively from \$2,674 to \$3,805 and \$5,644 to \$7,197 respectively. The increase is due to the operating expenses attributable to Gemini which are proportionately lower than the accretive revenue growth producing economies of scale. This is combined with the increase of non-billable labour in Professional Services due to the timing of contracts and a softening of the market due to macro-economic drivers related to recent changes in government in Canada.
- Finance costs for the three and six months ended March 31, 2025 were \$71 and \$155 respectively compared to \$46 and \$103 for the three and six months ended March 31, 2024 respectively. The increase is mainly due to the interest on the new office leases acquired and the draw on the operating line for the acquisition of Gemini being paid down during the quarter.
- Net earnings (loss) for the three and six months ended March 31, 2025 were (\$61) and \$632 respectively compared to \$169 and \$547 for the three and six months ended March 31, 2024 respectively.

Revenue Breakdown by Market

(in thousands of Canadian dollars)

	Three months ended			
	Mar 31	Mar 31	Change	Change
	2025	2024		
	\$	\$	\$	%
Commercial and Industrial	10,733	2,100	8,633	411%
Government	1,556	2,361	(805)	-34%
Military	2,719	1,767	952	54%
Mining	918	905	13	1%
	<u>15,926</u>	<u>7,133</u>		

Management's Discussion and Analysis
Financial Quarters Ended March 31, 2025 and
March 31, 2024

	Six months ended			
	Mar 31	Mar 31	Change	Change
	2025	2024		
	\$	\$	\$	%
Commercial and Industrial	19,331	4,607	14,724	320%
Government	3,674	4,614	(940)	-20%
Military	4,601	3,938	663	17%
Mining	2,287	2,498	(211)	-8%
	29,893	15,657		

- Revenue from the Commercial and Industrial market increased as a result of the Q4 2024 acquisition and growth of Gemini.
- Revenue from the Government market decreased as a result of the prorogation of the Federal Government and subsequent Federal election.
- Revenue from the Military market increased due to the timing of the maintenance of the ROWPU units for the Canadian Military. Production of the ASWUPS Mission Ready mobile water systems will commence in Q3 2025.
- Revenue from the Mining market decreased slightly due to a general sector slowdown.

Revenue Breakdown by Reportable Segment

(in thousands of Canadian dollars)

	Three months ended Mar 31,			
	2025	2024	Change	Change
	\$	\$	\$	%
Professional Services	4,480	4,700	(220)	-5%
WaterTech	11,446	2,433	9,013	370%
Total Revenue	15,926	7,133	8,793	123%

	Six months ended Mar 31,			
	2025	2024	Change	Change
	\$	\$	\$	%
Professional Services	9,976	10,452	(476)	-5%
WaterTech	19,917	5,205	14,712	283%
Total Revenue	29,893	15,657	14,236	91%

- Revenue from the Professional Services segment decreased due to the timing of project starts and the prorogation of the Federal Government and subsequent Federal election.
- Revenue from the WaterTech segment increased as a result of the acquisition of Gemini offset by a small decrease in the Military market.

EBITDA (see "Financial Terms and Definitions")

(in thousands of Canadian dollars)

	Three months ended		Six months ended	
	March 31,	March 31,	March 31,	March 31,
	2025	2024	2025	2024
	\$	\$	\$	\$
Net income	(60)	117	318	358
Finance costs	71	46	155	103
Other costs (income)	-	(8)	-	(8)
Income tax expense	(1)	52	314	189
Share compensation costs	98	57	189	103
Depreciation and amortization	492	182	934	359
EBITDA	600	446	1,910	1,104

The Company recorded EBITDA of \$600 and \$1,910 for the three and six months ended March 31, 2025 respectively, compared to \$446 and \$1,104 for the three and six months ended March 31, 2024 respectively. The increase in EBITDA is mainly due to the strengthening in the WaterTech segment as a result of accelerated revenue recognition associated with the delivery of hardware on larger Gemini projects with minimal associated increases to operating expenses offset by an increase in overall operating costs.

For more detail, see "Discussion of Results of Operations for the Three Months Ended March 31, 2025 and "Quarterly Results".

Quarterly Results

Quarterly financial information for the eight quarters ended March 31, 2025.

The Company experiences variability in its Professional Services segment operations from quarter to quarter due to the nature of the markets and geographies in which it operates. Typically, in the second quarter, the Company experiences slowdowns related to winter weather conditions and holiday schedules. Activity in the fourth quarter generally increases because of projects in the North that run in the summer season. Additionally, the Company has several discrete contracts that occur throughout the year and can significantly impact the results of any one quarter.

The Company does not experience the same seasonal variability in its WaterTech segment operations from quarter to quarter due to the ability to nature of the projects and the ability of the Company to service the contracts year-round. The Company does experience variability in its WaterTech segment operations based on the timing of commercial demand.

(in thousands of Canadian dollars, except per share data)

	Q2 2025	Q1 2025	Q4 2024	Q3 2024
	March 31, 2025	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024
Revenue				
Professional Services	4,480	5,496	7,686	5,178
WaterTech	11,446	8,471	3,378	2,938
	15,926	13,967	11,064	8,116
Cost of sales	11,619	9,356	7,280	4,565
Gross profit	4,307	4,611	3,784	3,551
Gross margin %	27%	33%	34%	44%
Operating expenses	4,297	3,834	3,671	3,436
Acquisition costs	-	-	271	-
Finance costs	71	84	171	61
Earnings before provision for income tax	(61)	693	(329)	54
Income tax expense (recovery)	(1)	315	(9)	27
Net earnings	(60)	378	(320)	27
Weighted average number of shares outstanding				
Basic	36,817,561	33,023,496	31,794,979	29,435,973
Diluted	41,084,041	37,042,213	33,359,850	32,592,713
Earnings (loss) per share				
Basic	0.00	0.01	(0.01)	0.00
Diluted	0.00	0.01	(0.01)	0.00

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March 31, 2024

(in thousands of Canadian dollars, except per share data)

	Q2 2024	Q1 2024	Q4 2023	Q3 2023
	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023
Revenue				
Professional Services	4,700	5,752	7,096	5,077
WaterTech	2,433	2,772	3,155	1,864
	7,133	8,524	10,251	6,941
Cost of sales	4,070	4,941	6,551	4,483
Gross profit	3,063	3,583	3,700	2,458
Gross margin %	43%	42%	36%	35%
Operating expenses	2,856	3,148	2,759	3,319
Finance costs	46	57	13	14
Other Income	(8)	-	-	-
Earnings before provision for income tax	169	378	928	(875)
Income tax expense (recovery)	52	137	228	(146)
Net earnings	117	241	700	(729)

Weighted average number of shares outstanding

Basic	29,435,695	29,435,695	29,435,695	29,435,695
Diluted	29,438,884	29,435,695	29,443,971	29,442,989

Earnings per share

Basic	0.00	0.01	0.02	(0.02)
Diluted	0.00	0.01	0.02	(0.02)

Below are some key highlights for fluctuations quarter over quarter. For information on the operating results please see the Discussion of Results of Operations in each MD&A for each respective quarter.

Highlights on quarter over quarter variances include:

1. **Q2 2025 vs Q2 2024** – The revenue increase in Q2 2025 compared to Q2 2024 was primarily due to the full consolidation of Gemini revenue in the period offset by a decrease in revenue in the Professional Services segment as a result of the timing of starts due to the prorogation of the Federal Government and subsequent Federal election.
2. **Q1 2025 vs Q1 2024** – The revenue increase in Q1 2025 compared to Q1 2024 was primarily due to the full consolidation of Gemini revenues in the period.
3. **Q4 2024 vs Q4 2023** – Revenue in Q4 2024 increased as a result of the refurbishment of water purification systems for the Canadian Department of National Defence.
4. **Q3 2024 vs. Q3 2023** – Q3 2023 experienced revenue decline due to delayed starts for several projects related to the Company's Northern work. Comparatively, Q3 2024 saw an increase in revenue, due in part to a large military contract to develop a self-contained water purification system.

Summary of Cash Flows

(in thousands of Canadian dollars)

	Six months ended	
	March 31, 2025 \$	March 31, 2024 \$
Cash provided by (used in)		
Operating activities, excluding changes to working capital	1,412	1,042
Changes related to working capital	(1,585)	(396)
Operating activities	(173)	646
Investing activities	(376)	(120)
Financing activities	(881)	(634)
Change in cash and cash equivalents	(1,430)	(108)
Cash and cash equivalents – Beginning of period	3,646	3,040
Increase (decrease) in cash due to changes in foreign exchange rates	47	-
Cash and cash equivalents – End of period	2,263	2,932
Free cash flow ¹	489	543

Note 1: Free cash flow is a non-IFRS measure and is calculated as operating cash flows less net capital expenditures and net payment of lease obligations (see 'Financial Terms and Definitions').

Cash used by operating activities was \$173 during the six months ended March 31, 2025, compared with cash received from operating activities of \$646 during the six months ended March 31, 2024. The increase in EBITDA offset by the increase in working capital account for most of the decrease in cash.

Investing activities used \$376 of cash in the six months ended March 31, 2025, compared to \$120 for the same period in fiscal 2024. The Company is making strategic investments in the development of intellectual property for current and future projects and investments in computer hardware and field equipment to augment operations and offerings.

In the six months ended March 31, 2025, cash used by financing activities was \$881, compared to cash used in financing activities of \$634 in the same period of fiscal 2024. The cash received through the issuance of capital stock was offset by the decrease in bank indebtedness and increase in lease payments throughout the period.

Liquidity

The Company's short-term credit facilities consist of an operating demand loan in the amount of \$4,000 (2024 - \$2,500), which is a shared limit between its overdraft facility and letters of credit. The facility carries a floating interest at prime plus 1.25% (2024 – 1.25%), is collateralized by a first ranking general security agreement over all the Company's present and future assets and has no contractual maturity.

For the period ended March 31, 2025, the effective interest rate under this facility was 6.2% (2024 – 8.03%). As at March 31, 2025, the Company had drawn \$nil on its operating facility and \$nil in letters of credit (March 31, 2024 – \$nil and \$nil, respectively). The Company is not drawn on this facility at the time of issuance.

On April 20, 2021, the Company entered into a letter of agreement with its bank for a new \$2,000 term loan. The new term loan has a closed four-year term and carries an interest rate of 3.28% per annum with monthly blended payments of \$45 commencing May 31, 2021. It matures April 30, 2025, and is carried at amortized cost.

As at March 31, 2025, the Company had approximately \$6,300 in availability between its operating line and cash balances and was not bound by any debt covenants.

Business Outlook

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

BluMetric is focused on making key investments in both its WaterTech and Professional Services segments and in its personnel to support growth and market expansion. The Company is planning to invest in expanded leadership in the Commercial and Industrial market in Toronto and expansion of our fabrication facilities to take advantage of emerging opportunities in Canada, the United States and the Caribbean markets. Furthermore, BluMetric will continue to build its relationships servicing clients in Canada's North, as well as its other government clients. In addition, the Company is considering acquisition opportunities to further accelerate growth.

BluMetric believes that the following factors have and will continue to position BluMetric for growth:

- The Company's diversified service offerings and market sectors;
- A strong sales funnel and contracts in hand;
- Capitalizing on an increased demand for water solutions;
- Realizing the robust interest in our newly developed agile water treatment systems for WaterTech;
- Capitalize on our recently expanded WaterTech fabrication facility in both Canada and the United States with over 35,000 square feet of production space;
- Expanded presence in the Greater Toronto area, with a market focus on the Commercial and Industrial market;
- An investment in key leadership in US markets to expand sales and introduce an O&M recurring revenue model layered on top of existing and new WaterTech solutions;
- Geographic expansion of our WaterTech products deployment;
- Strong balance sheet, as seen from the Company's multi-year reduction in long term debt and improvement in working capital;
- Continued investment in business development;
- Dynamic and strategically diverse members of the Senior Management team; and
- A strong and diverse Board of Directors.

Business Risks

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

- Ability to attract and retain key personnel;
- Macroeconomic risk of recession in key markets or the economy as a whole or other imposed costs and restraints due to current and impending political change in both Canada and the United States which has generated uncertainty and potential input tariffs;
- Reliance on key clients;
- Environmental factors outside of the company's control such as fire and flooding that may impact the ability to realize revenues;
- Liquidity risk with respect to clients, and their ability to pay and pay on time;
- Competition from companies which are better-financed or have disruptive technologies;

- Potential claims and litigations; and
- Cybersecurity threats.

Capital Resources

The Company's future growth strategy contemplates investment in various technologies and processes requiring capital for prototyping purposes. The Company may also consider growth through the strategic acquisition of complimentary businesses. Accordingly, the Company may opportunistically approach capital markets for additional equity funding if conditions are favorable.

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, 2024.

Off-Balance Sheet Arrangements

For contractual commitments not recognized on the Statement of Financial Position, the reader is referred to Note 21 of the Company's audited financial statements for the year ended September 30, 2024.

Transactions with Related Parties

All related-party transactions are conducted under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at the amounts agreed upon by the parties.

Key management personnel of the Company are members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and members of the executive team.

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

(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
	\$	\$	\$	\$
Salaries	608	486	1,061	842
Short-term benefits	52	23	115	46
Share-based compensation	46	33	195	63
	706	542	1,371	951

Proposed Transactions and Subsequent Events

There are no proposed transactions or subsequent events following the quarter ended March 31, 2025.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	37,026,586 common shares
Options:	4,169,096 options
Warrants:	262,500 warrants

Inter-Corporate Relationships

There are no inter-corporate relationships for the year ended March 31, 2025.

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, non-cash share compensation costs 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 gain on disposal of assets held for sale, impairment charges and acquisition costs.

Management believes that Adjusted EBITDA as defined above is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. Adjusted EBITDA is also used by investors and analysts for valuation purposes. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts. The measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Free cash flow: Free cash flow is a non-IFRS measure and is calculated as cash flow from operating activities excluding changes in the working capital balances less net capital expenditures and net payment of lease obligations. The Company uses the measure as part of assessing the availability of discretionary cash as part of its liquidity management. There is no direct comparable measure under IFRS.

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

Net fee revenue: Net fee revenue is a non-IFRS measure and is calculated as revenue less third party subcontractor and material costs. There is no direct comparable measure under IFRS.

Working capital: Working capital is a non-IFRS measure and is calculated by subtracting current liabilities from current assets. There is no directly comparable measure under IFRS.

Management's Responsibility for Financial Reporting

The audited financial statements of BluMetric Environmental Inc. and all the information in this Management Discussion and Analysis have been prepared by management, which is solely responsible for the integrity and fairness of the data presented, including the many amounts, which due to necessity, are based on estimates and judgments. The accounting policies followed in the preparation of these financial statements conform to IFRS Financial Reporting Standards. When alternative accounting methods exist, management has chosen those that it deems most appropriate in the circumstances. Financial information presented throughout this report is consistent with that in the financial statements.

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

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

Additional Information

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