

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND NINE MONTHS ENDED
JUNE 30, 2022**



About Us

BluMetric Environmental Inc. is a publicly traded environmental consulting and water cleantech company. We provide complete solutions to challenges such as water purification, protecting environments, and ensuring health and safety for Industrial/Commercial, Mining, Government, and Military clients.

BluMetric has more than 170 employees operating in ten offices and over 40 years of expertise. From remote northern mines to urban workplaces, we deliver with an interdisciplinary team best suited to solving unique challenges.

August 25, 2022

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 nine months ended June 30, 2022. The MD&A should be read in conjunction with the Company's financial statements and related notes for the period ended June 30, 2022 as well as the MD&A and audited financial statements and notes for the year ended September 30, 2021. 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", "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 International Financial Reporting Standards ("IFRS") and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Financial Terms and Definitions".

Business Update

BluMetric continues to monitor regional public health guidelines as the COVID pandemic transitions to an endemic, out of the crisis phase of the pandemic. We are in the process of transitioning back to the offices and will be following a hybrid work model. The ongoing pandemic is not impeding our growth or financial aspirations. We continue to see opportunities emerge within the sectors we serve, as opportunities arise from stimulus programs, general market growth, and growing demands for mobile water cleantech.

Business Overview and Strategy

BluMetric is a Canadian company that provides cost-effective and sustainable solutions to help its clients overcome even the most difficult environmental and business challenges. Through a track record that spans 40 years, the Company has evolved into a full-service integrator of environmental solutions known for innovative work in the fields of water/wastewater treatment and professional environmental services.

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

- Engineering, Rehabilitation and Design
- Wastewater and Water Treatment Solutions
- Hydrogeology and Hydrology
- Environmental Due Diligence Assessments
- Waste Management (Solid, Liquid, Hazardous)
- Industrial Hygiene and Occupational Health and Safety
- Management Systems and Training

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

BluMetric's team of approximately 170 dedicated and passionate employees and its client-centric approach form the underpinning of its success, contributing to the following core elements of its value proposition:

- Solution-oriented consultation, design, products and construction services
- Turn-key solutions – BluMetric provides a complete end-to-end solution from assessment and evaluation to implementation to ongoing service and management
- World class expertise in the analysis, management and treatment of water in the environment
- Water treatment solutions that are compact, energy efficient, reliable and simple to operate

The Company has 10 offices across Ontario, Quebec, Yukon and Northwest Territories. BluMetric is proud to be a trusted provider of services to many of Canada's northern Indigenous communities.

Technology and Innovation

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

The Company has expanded its standard products for water and wastewater treatment, largely in response to the developing needs for emergency water and wastewater systems due to global climate change. Designs have recently been completed and prototyping phases have started for a mid-sized Portable Water Treatment System and a Mobile Wastewater Treatment Plant. These resilient water solutions are highly flexible and cost efficient and allow for rapid deployments for temporary needs, such as mineral exploration and humanitarian relief.

Additionally, the Company still sees demand for solutions that reduce the ammonia concentration in wastewater due to stricter effluent limits for the mining market. BluMetric's ammonia removal process has been used in several full-scale treatment systems for mining customers.

BluMetric is committed to pursuing new opportunities in technology and innovation.

Sales and Marketing

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

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

BluMetric uses a client-centric approach to business development, which involves an emphasis on understanding each client's environmental issues and then identifying and preventing potential problems. This approach allows BluMetric to provide a complete and integrated solution.

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

Board of Directors

The Board currently consists of five members, three of whom are independent. The independent directors reflect a wide range of senior experience in the management of publicly traded and privately held companies. The Board members have expertise in business development, finance, operations, management, and governance.

Executive Management

The Senior Management team comprises: Scott MacFabe, Chief Executive Officer; Vivian Karaiskos, Chief Financial Officer; Wayne Ingham, VP, Director of Strategic Business Development; and Andy Benson, VP, Director of Operations. 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 170 experienced and motivated hydrogeologists, engineers, occupational and industrial hygienists, environmental auditors, environmental scientists, chemists, project managers, finance professionals, trades and support personnel. They are experts in providing a comprehensive range of environmental services and engineered solutions, from contaminated site assessment and remediation to complete turn-key wastewater treatment systems.

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

Diversity, Equity and Inclusion

BluMetric is committed to the principles of diversity, equity and inclusion. The Company is committed to promoting a culture that respects and values the contributions of all employees and their individual differences.

BluMetric's employees come from a wide range of cultural, ethnic, educational and religious backgrounds. Additionally, women represent 50% of the workforce from welders and field technicians to the executive team. 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 of Results of Operations

Financial Highlights

	Three Months Ended		Nine Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Revenue	8,353,226	8,488,308	24,383,252	25,779,224
Gross profit	1,958,341	2,193,016	5,805,023	7,076,107
Gross margin %	23%	26%	24%	27%
Operating expenses	1,513,657	1,147,288	4,232,811	3,497,113
Finance costs	28,764	40,234	85,319	281,295
Earnings before provision for income tax	415,920	1,005,494	1,486,893	3,297,699
Income tax expense	98,058	318,260	352,387	858,800
Net earnings	317,862	687,234	1,134,506	2,438,899
EBITDA ¹	670,710	1,197,800	2,306,850	4,035,868
Weighted average common shares outstanding – basic	29,406,464	28,836,574	29,342,508	28,731,885
Weighted average common shares outstanding – diluted	29,425,907	29,168,721	29,414,674	28,913,980
Earnings per share – basic and diluted	0.01	0.02	0.04	0.08
Total assets			17,720,875	15,892,061
Working capital			10,814,175	6,446,092
Non current liabilities			1,488,106	717,990
Shareholders' equity			11,140,338	7,858,247

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.

Revenue Breakdown by Market

	Three Months Ended		Nine Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Commercial and industrial	3,748,421	3,720,474	9,556,010	9,904,518
Government	2,087,622	1,778,959	6,381,052	5,943,479
Military	1,544,790	2,033,473	5,341,031	5,714,123
Mining	972,393	955,402	3,105,159	4,217,104
	8,353,226	8,488,308	24,383,252	25,779,224

Q3 2022 compared to Q3 2021

- Revenue for the three months ended June 30, 2022 was \$8.4 million compared to \$8.5 million for the three months ended June 30, 2021.
- Revenue from the Commercial and Mining markets for the quarter were relatively consistent with the prior year quarter.
- Revenue from the Government market increased by approximately \$300,000 as a result of the timing of a large project, which was mainly completed in Q3 during FY2022 compared to Q4 in FY 2021.
- Revenue from the Military market decreased during the quarter by approximately \$490,000, mainly due to decreased activity on the Company's Shipboard Reverse Osmosis Desalination (SROD) contract. The Company continues to showcase its presence in the defence space, and in May 2022 was ranked 45 in the Canada's Top 100 Defence Companies power list by CDR. This is an improvement over last year's ranking of 55.
- Gross profit was \$2.0 million and gross margin was 23% for Q3 2022 compared to \$2.2 million and 26% for Q3 2021. The decrease in gross margin is mainly related to project mix in 2022 compared to 2021.
- Operating costs increased slightly compared to the prior period to \$1.5 million from \$1.1 million. The increase is mainly due to increases in IT costs related to licensing requirements and consulting services. In addition, travel, conference costs and marketing costs have increased as these were greatly reduced in Q3 2021 due to the pandemic restrictions.
- Finance costs were \$28,764 for the quarter ended June 30, 2022 compared to \$40,234 reported in Q3 2021. On April 20, 2021, the Company re-financed its \$2.0 million term loan with an interest rate of 3.28% per annum compared to an effective interest rate of 14% on the previous loan. The term loan has a closed four-year term.
- Net earnings for Q3 2022 were \$317,862 compared to \$687,234 for Q3 2021.

Year-to-date Q3 2022 compared to year-to-date Q3 2021

- Revenue for the nine months ended June 30, 2022 was \$24.4 million compared to \$25.8 million for the nine months ended June 30, 2021.
- The year-to-date revenue trend for the Commercial and Industrial, Government and Military markets is consistent with the Q3 trend. A larger portion of Government revenue is coming from Federal departments in the current year compared to year-to-date Q3 2021, which had a larger portion of projects for Provincial governments.
- Revenue from the Mining market has declined by approximately \$1.1 million from the prior year period, as two large multi-year mining projects came to an end in Q2 FY2021. The Company is shifting its focus toward higher value services in Mining and adding to its client portfolio, especially in northern Quebec, and has started work on a new customer in this area.
- Gross profit was \$5.8 million (gross margin of 24%) for the nine months ended Q3 2022 compared to \$7.1 million (gross margin of 27%) for the nine months ended Q3 2021. The decrease in gross margin is mainly related to project mix in 2022 compared to 2021.
- Operating costs increased for the first nine months of 2022 to \$4.2 million compared to \$3.5 million in the prior year. The increase is mainly due to increases in IT costs related to licensing requirements and consulting services. In addition, travel, conference costs and marketing costs have increased as these were greatly reduced in FY 2021 due to the pandemic restrictions.

- Finance costs were \$85,319 for the nine months ended June 30, 2022 compared to \$281,295 reported for the nine months ended Q3 2021. On April 20, 2021, the Company re-financed its \$2.0 million term loan with an interest rate of 3.28% per annum compared to an effective interest rate of 14% on the previous loan. The term loan has a closed four-year term.
- Net earnings for the nine months ended Q3 2022 were \$1.1 million compared to \$2.4 million in the nine months ended Q3 2021.

EBITDA (see "Financial Terms and Definitions")

	Three Months Ended		Nine Months Ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Net income	317,862	687,234	1,134,506	2,438,899
Finance costs	28,764	40,234	85,319	281,295
Income tax expense	98,058	318,260	352,387	858,800
Depreciation and amortization	127,968	152,071	382,251	456,874
EBITDA	572,652	1,197,799	1,954,463	4,035,868

The Company recorded EBITDA of \$572,652 for the three months ended June 30, 2022 compared to \$1.2 million for the three months ended June 30, 2021. For the nine months ended June 30, 2022, the Company recorded EBITDA of \$2.0 million, compared to \$4.0 million for the nine months ended June 30, 2021.

The decrease in EBITDA is mainly due to decreased revenue (\$135,082 decrease in revenue in Q3 2022 compared to Q3 2021 and \$1.4 million decrease in revenue for year-to-date Q3 2022 compared to year-to-date Q3 2021) and lower gross margin (gross margin was 26% in Q3 2021 and 27% year to date Q3 2021 compared to 23% in Q3 2022 and 24% year to date Q3 2022). Additionally, operating expenses increased by \$366,369 quarter over quarter and \$735,698 year-to-date, mainly due to increased spending on travel, conferences, marketing efforts and consulting as the Company resumes its pre-pandemic activities.

For more detail, see "Discussion of Results of Operations" and "Quarterly Results".

Quarterly Results

Quarterly financial information for the eight quarters ended June 30, 2022

(in 000's, except as otherwise indicated)

	Q3 2022 June 30, 2022 \$	Q2 2022 March 31, 2022 \$	Q1 2022 Dec 31, 2021 \$	Q4 2021 Sept 30, 2021 \$
Revenue	8,353	8,214	7,816	9,699
Cost of sales	6,395	6,412	5,771	7,354
Gross profit	1,958	1,802	2,045	2,345
Gross margin%	23%	22%	26%	24%
Operating expenses	1,514	1,454	1,265	1,286
Finance costs	29	24	33	30
Earnings before provision for income tax	415	324	747	1,029
Income tax expense (recovery)	98	60	195	(257)
Net earnings	317	264	552	1,286
Weighted average common shares outstanding - basic	29,406,464	29,395,695	29,064,173	28,773,174
Earnings per share – basic and diluted	0.01	0.01	0.02	0.04
	Q3 2021 June 30, 2021 \$	Q2 2021 Mar 31, 2021 \$	Q1 2021 Dec 31, 2020 \$	Q4 2020 Sept 30, 2020 \$
Revenue	8,488	9,139	8,152	10,420
Cost of sales	6,295	6,475	5,933	7,559
Gross profit	2,193	2,664	2,220	2,861
Gross margin%	26%	29%	27%	27%
Operating expenses	1,147	1,199	1,151	1,350
Other income	-	-	-	(328)
Finance costs	40	122	120	125
Earnings before provision for income tax	1,005	1,343	949	1,714
Income tax expense	318	291	249	491
Net earnings	687	1,052	700	1,222
Weighted average common shares outstanding - basic	28,836,574	28,683,473	28,675,695	28,675,695
Earnings per share – basic and diluted	0.02	0.04	0.02	0.04

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

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

Highlights on quarter over quarter variances include:

1. Q3 2022 vs Q3 2021: Q3 2022 includes higher operating expenses of approximately \$366,000 as a result of the Company resuming selling and marketing activities post pandemic, as well as an increased focus on information technology and process improvements.
2. Q2 2022 vs Q2 2021 – Q2 2021 includes large projects related to COVID-19 for the provision of COVID cleaning supplies for schools in each community throughout Nunavut that did not repeat in Q2 2022. Additionally, Q2 2022 reflects a decrease in revenue from the Mining market as a result of two large projects which were completed by Q4 2021. The Company is focusing on business development opportunities in this market moving forward.
3. Q1 2022 vs Q1 2021 – Q1 2022 reflects a decrease in revenue from the Mining market as a result of two large projects which were completed in Q2 2021. The Company is focusing on business development opportunities in this market moving forward.
4. Q4 2021 vs Q4 2020 – Q4 2020 includes a large project for the provision of COVID cleaning protocol training and supplies for schools in each community throughout Nunavut, as well as two large mining projects which were completed by Q4 2021. Q4 2021 includes a large project related to COVID-19 compliance observation, a number of government contract call ups under existing standing offers, as well as a site remediation project for the development of a brownfield property. The Company also received other income of \$328,000 in the period ended September 30, 2020 as a subsidy for employee wages.

Liquidity

	Nine Months Ended	
	June 30, 2022	June 30, 2021
	\$	\$
Cash provided by (used in)		
Operating activities, excluding changes to working capital	1,782,886	3,526,290
Changes related to working capital	216,984	(1,219,152)
Operating activities	1,999,770	2,307,138
Investing activities	(74,786)	(132,391)
Financing activities	(692,227)	(859,421)
Change in cash and cash equivalents	1,232,757	1,315,326
Cash and cash equivalents – Beginning of period	4,727,420	2,470,002
Cash and cash equivalents – End of period	5,960,177	3,785,328

Summary of Cashflow

Cash produced from operating activities was approximately \$2.0 million in the nine months ended June 30, 2022 compared with cash produced from operating activities of \$2.3 million in the same period in 2021. The decrease was a result of lower revenue and gross profit, as well as an increase of approximately \$1.0 million in working capital.

Investing activities consumed \$74,786 of cash in the first nine months of 2022 compared to cash consumed by investing activities of \$132,391 in the same period for 2021.

For the nine months ended June 30, 2022, cash used in financing activities was \$692,227 compared to cash used by financing activities of \$859,421 in the same period of 2021. In Q3 2021, the Company made principal payments of \$500,000 on its existing term debt before refinancing the remaining \$2.0 million through a new lender on April 20, 2021. In Q1 2022, \$130,000 of debt that had previously been postponed in favour of the bank was released and paid off. In addition, stock option exercises provided cash of \$126,060 during the nine months ended June 30, 2022, compared to \$44,200 for the similar period last year.

Summary of Liquidity

The Company's short-term credit facilities consist of an operating credit line in the amount of \$2.5 million, which is a shared limit between its overdraft facility and letters of credit. The facility carries a floating interest at prime plus 1.25% (2021 - 2.25%), 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

June 30, 2022, the effective interest rate under this facility was 4.95% (2021 – 4.7%). As at June 30, 2022, the Company had drawn \$nil on its operating facility and \$nil in letters of credit.

On April 20, 2021, the Company entered into a letter of agreement with its bank for a new \$2.0 million term loan. The term loan has a closed four-year term and carries an interest rate of 3.28% per annum with monthly blended payments of \$44,517 commencing May 31, 2021. It matures April 30, 2025, will be carried at amortized cost and is subject to the same covenants as the Company's short term credit facilities.

As at June 30, 2022, the Company had approximately \$8.65 million in availability between its operating line and cash balances and was in compliance with all its covenants.

Business Outlook

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

BluMetric is focused on making key investments in personnel to support growth and market expansion. The Company is planning to invest in leadership in the Commercial and Industrial market to take advantage of emerging opportunities. In addition, the Company is considering acquisition opportunities to accelerate growth. BluMetric believes that being diversified in its service offerings and market sectors will continue to position BluMetric for future year growth.

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. The reader is referred to the discussion on Business Risks found in the Company's MD&A for the year ended September 30, 2021.

These risks and uncertainties have not materially changed and are hereby incorporated by reference.

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.

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, 2021.

Contractual Obligations

The nature and extent of the Company's contractual obligations did not change materially from those described in Note 22 of the Company's audited financial statements for the year ended September 30, 2021.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements, other than variable payments related to operating leases with terms of twelve months or less that have, or are likely to have, a current or future material effect on its financial position, financial performance, liquidity, capital expenditures or capital resources. The reader is referred to Note 22 of the Company's audited financial statements for the year ended September 30, 2021.

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, including directors, during the period was as follows:

	Three Months Ended		Nine Months Ended	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 31, 2021 \$
Salaries	258,455	260,981	967,324	718,594
Short-term benefits	26,810	24,445	75,451	75,192
Share-based compensation	8,462	3,543	17,742	17,950
	293,727	288,969	1,060,517	811,736

Proposed Transactions and Subsequent Events

There are no proposed transactions or subsequent events for the quarter ended June 30, 2022.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	29,435,695 common shares
Options:	180,000 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the quarter ended June 30, 2022.

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.

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 annual 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.sedar.com.