

BluMetric Environmental Inc.

Condensed Interim Financial Statements
For the Three Months Ended
December 31, 2019
(unaudited, expressed in Canadian dollars)

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed unaudited interim financial statements of the company have been prepared by, and are the responsibility of, the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

BluMetric Environmental Inc.
Condensed Interim Statements of Financial Position
As at December 31, 2019

(expressed in Canadian dollars)
(unaudited)

	December 31, 2019 \$	September 30, 2019 \$
Current assets		
Cash	-	243,098
Accounts receivable (note 5)	5,406,261	3,839,265
Unbilled revenue	2,230,808	2,666,608
Contract assets	1,157,050	1,383,409
Prepaid expenses	180,550	196,684
	<u>8,974,669</u>	<u>8,329,064</u>
Assets held for sale (note 8)	-	131,510
Non-current assets		
Property, plant and equipment	146,579	190,058
Intangible assets	48,738	50,926
Right of use assets (notes 4, 11)	990,751	-
Goodwill	1,592,095	1,592,095
Deferred income tax assets	1,933,552	2,159,329
	<u>4,711,715</u>	<u>3,992,408</u>
	<u>13,686,384</u>	<u>12,452,982</u>
Current liabilities		
Bank indebtedness (note 6)	995,299	-
Trade and other payables (note 7)	2,323,878	2,995,982
Contract liabilities	176,004	140,383
Demand loan (note 9)	-	901,052
Lease liabilities (notes 4, 11)	417,657	-
Current portion of long-term debt (note 10)	39,190	64,797
	<u>3,952,028</u>	<u>4,102,214</u>
Non-current liabilities		
Long-term debt (note 10)	2,646,515	2,695,167
Lease liabilities (notes 4, 11)	582,932	-
Advances	50,000	50,000
Due to shareholders	16,638	16,638
	<u>3,296,085</u>	<u>2,761,805</u>
	<u>7,248,113</u>	<u>6,864,019</u>
Shareholders' Equity		
Share capital (note 12)	5,526,964	5,526,964
Contributed surplus and other equity (note 12)	692,598	687,737
Retained earnings (accumulated deficit)	218,709	(625,738)
	<u>6,438,271</u>	<u>5,588,963</u>
	<u>13,686,384</u>	<u>12,452,982</u>

Approved by the Board of Directors

“Jane Pagel”
Jane Pagel

Director

“Geoff Simonett”
Geoff Simonett

Director

BluMetric Environmental Inc.

Condensed Interim Statements of Changes in Shareholders' Equity

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)

(unaudited)

	Common shares #	Share capital \$	Contributed surplus and other equity \$	Retained earnings (Deficit) \$	Total \$
Balance – October 1, 2018	28,675,695	5,526,964	644,288	(933,517)	5,237,735
Impact of change in accounting policy (adoption of IFRS 9)	-	-	-	(43,139)	(43,139)
October 1, 2018 – As restated	28,675,695	5,526,964	644,288	(976,656)	5,194,596
Share-based compensation (note 12)	-	-	14,398	-	14,398
Net earnings and comprehensive income for the period	-	-	-	189,332	189,332
Balance – December 31, 2018	28,675,695	5,526,964	658,686	(787,324)	5,398,326
Balance – October 1, 2019	28,675,695	5,526,964	687,737	(625,738)	5,588,963
Share-based compensation (note 12)	-	-	4,861	-	4,861
Net earnings and comprehensive income for the period	-	-	-	844,447	844,447
Balance – December 31, 2019	28,675,695	5,526,964	692,598	218,709	6,438,271

BluMetric Environmental Inc.

Condensed Interim Statements of Net Earnings and Comprehensive Income For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)
(unaudited)

	For the three months ended	
	December 31, 2019 \$	December 31, 2018 \$
Revenue (notes 15, 16)	6,315,574	7,601,208
Cost of sales (note 13)	4,884,406	5,940,134
Gross profit	1,431,168	1,661,074
Operating expenses and other items		
Selling, general and administrative (note 13)	1,154,873	1,258,893
Gain on disposal of assets held for sale (note 8)	(947,914)	-
Total operating expenses	206,959	1,258,893
Operating profit	1,224,209	402,181
Finance costs (note 13)	(153,985)	(135,254)
Earnings before income taxes	1,070,224	266,927
Deferred income tax expense	225,777	77,595
Net earnings and comprehensive income for the period	844,447	189,332
Earnings per share		
Basic	0.03	0.01
Diluted	0.03	0.01
Weighted average number of shares outstanding (note 14)		
Basic	28,675,695	28,675,695
Diluted	28,675,695	28,675,695

BluMetric Environmental Inc.

Condensed Interim Statement of Cash Flows

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)

(unaudited)

	For the three months ended	
	December 31, 2019 \$	December 31, 2018 \$
Cash provided by (used in)		
Operating activities		
Net earnings and comprehensive income for the period	844,447	189,332
Non-cash items		
Deferred income tax expense	225,777	77,595
Credit loss allowance	22,382	(2,216)
Depreciation of property, plant and equipment	9,148	25,513
Amortization of intangible assets	2,188	1,090
Depreciation of right of use assets (note 11)	97,130	-
Gain on disposal of assets held for sale (note 8)	(947,914)	-
Amortization of deferred financing costs	2,789	3,113
Financing fees on debt repayment (note 9)	23,948	
Share-based compensation (note 12)	4,861	14,398
Changes in working capital balances	(1,541,220)	858,593
	<u>(1,256,464)</u>	<u>1,167,418</u>
Investing activities		
Acquisition of property, plant and equipment	(28,000)	(10,857)
Proceeds from disposal of assets held for sale, net of transaction costs (note 8)	1,079,424	-
	<u>1,051,424</u>	<u>(10,857)</u>
Financing activities		
Increase (decrease) in bank indebtedness	995,299	(1,135,707)
Repayment of demand loan (note 9)	(925,000)	(12,500)
Repayment of long-term debt	(13,525)	(6,956)
Principal payments on leases under IFRS 16 (note 11)	(94,832)	-
Principal payments on finance leases (under IAS 17)	-	(1,398)
	<u>(38,058)</u>	<u>(1,156,561)</u>
Change in cash and cash equivalents during the period	<u>(243,098)</u>	<u>-</u>
Cash and cash equivalents – Beginning of period	<u>243,098</u>	<u>-</u>
Cash and cash equivalents – End of period	<u>-</u>	<u>-</u>
Supplementary information		
Interest paid – included in operating activities	130,883	112,706

BluMetric Environmental Inc.

Notes to Condensed Interim Financial Statements

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)
(unaudited)

1 Nature of operations

BluMetric Environmental Inc. (the Company) is an integrated product and service organization providing sustainable solutions to complex environmental issues in Canada and abroad. The Company serves clients in many industrial sectors, and at all levels of government, both domestically and internationally.

The Company focuses on environmental earth sciences and engineering, contaminated site remediation, water resource management, industrial hygiene, occupational health and safety, water and wastewater design-build and pre-engineered solutions.

The head office of the Company is located at 3108 Carp Road, Ottawa, Ontario, Canada KOA 1L0. The Company's common shares are listed on the Toronto Venture Exchange (TSX.V – BLM) in Canada.

2 Basis of presentation

Statement of compliance

These condensed unaudited interim financial statements have been prepared in compliance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). These condensed unaudited interim financial statements do not contain all the information and disclosures required for annual financial statements, and should be read in conjunction with the annual audited financial statements of the Company for the year ended September 30, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of the Company, the accompanying condensed unaudited interim financial statements contain only normal recurring adjustments that are necessary for a fair presentation for its financial position, changes in shareholders' equity, net earnings and comprehensive income, and cash flows for the interim period. The condensed unaudited interim balance sheet at December 31, 2019 was derived from the audited annual financial statements, but does not contain all of the footnote disclosures from the annual financial statements.

Authorization of financial statements

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on March 2, 2020.

Presentation and functional currency

The Company's presentation and functional currency is the Canadian dollar.

Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis.

BluMetric Environmental Inc.

Notes to Condensed Interim Financial Statements

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)
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3 Summary of significant accounting policies

With the exception of the adoption of the new standard set out in Note 4 below, the accounting policies set out in the Company's most recent annual financial statements have been applied consistently to all periods presented in these condensed interim financial statements. As such, these condensed interim financial statements should be read in conjunction with the annual financial statements and related note disclosures for the year ended September 30, 2019.

4 New accounting standards

IFRS 16, Leases

This note explains the impact of the adoption of IFRS 16, Leases (IFRS 16) in the financial statements and discloses the new accounting policies that have been applied from October 1, 2019 below.

a) Initial adoption

As permitted under the transition provisions in IFRS 16, the Company has chosen not to restate comparative information and recognized the cumulative effect upon initial application of the standard in retained earnings as at October 1, 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of October 1, 2019 for each asset class. The lessee's incremental borrowing rate applied to the lease liabilities on October 1, 2019 ranged from 2.99%-5.95%.

For leases previously classified as finance leases under IAS 17, the Company elected to apply the practical expedient whereby the Company is not required to reassess whether a contract is, or contains, a lease at the date of initial application. As such, the Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed. For leases that were previously classified as finance leases under IAS 17, the Company recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

The Company also adopted the recognition exemptions permitted for short-term leases (i.e. less than 12 months) and leases for which the underlying asset has a low value, as well as the following practical expedients permitted on initial adoption under the standard:

- Applying a single discount rate to a portfolio of leases with similar characteristics; and
- Using the Company's previous assessment of impairment under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, for onerous contracts instead of re-assessing the right-of-use asset for impairment on October 1, 2019. There were no onerous lease contracts requiring an adjustment to right-of-use asset at the date of initial application.

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The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at September 30, 2019.

The following table reconciles the impact of IFRS 16 on the previously reported statement of financial position as at September 30, 2019:

	October 1, 2019		
	As reported at September 30 2019	Impacts from adoption of IFRS 16	As adjusted at October 1 2019
	\$	\$	\$
Prepaid expenses	196,684	(17,813)	178,871
Property, plant and equipment	190,058	(62,331)	127,727
Right of use assets (note 11)	-	<u>1,087,881</u>	1,087,881
Total increase in assets		<u>1,007,737</u>	
Trade and other payables	2,995,982	(24,161)	2,971,821
Current lease liabilities (note 11)	-	417,657	417,657
Current portion of long-term debt	64,797	(12,544)	52,253
Long-term debt	2,695,167	(50,979)	2,644,188
Non-current lease liabilities (note 11)	-	<u>677,764</u>	677,764
Total increase in liabilities		<u>1,007,737</u>	

Differences between lease liabilities noted above and the minimum lease payments disclosed in Note 22 of the Company's September 30, 2019, annual financial statements are mainly due to the following:

	October 1, 2019
	\$
Operating lease payments disclosed as at September 30, 2019	1,785,656
Adjustments relating to variable lease payments	(403,026)
Short-term leases exemption	(140,628)
Leases of low-value assets exemption	<u>(123,287)</u>
Undiscounted lease payments	1,118,715
Discount effect at October 1, 2019	(86,816)
Equipment finance leases as at Sept 30, 2019 (note 10)	<u>63,522</u>
Lease liabilities recognized at October 1, 2019	<u>1,095,421</u>
Comprised of:	
Current lease liabilities	417,657
Non-current lease liabilities	<u>677,764</u>
	<u>1,095,421</u>

BluMetric Environmental Inc.

Notes to Condensed Interim Financial Statements

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)
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b) Policy applicable from October 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Lease terms for right-of-use assets vary between two to eight years.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

To determine the incremental borrowing rate, the Company:

- uses recent third-party financing received by the Company as a starting point, where possible, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term and security.

BluMetric Environmental Inc.
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(expressed in Canadian dollars)
(unaudited)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Variable lease payments are not included in the measurement of lease liabilities and are recorded as expense in the statement of earnings in the period in which the condition that triggers those payments occurs.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the relevant index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets (less than \$5,000), such as some IT-equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5 Accounts receivable

	December 31 2019 \$	September 30 2019 \$
Trade receivables	5,657,889	4,048,067
Other receivables	-	31,938
Credit loss allowance	(251,628)	(240,740)
	<u>5,406,261</u>	<u>3,839,265</u>

As at December 31, 2019, there was \$nil (September 30, 2019 – \$25,327) owed from government agencies included in other receivables.

BluMetric Environmental Inc.

Notes to Condensed Interim Financial Statements

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)
(unaudited)

6 Credit facilities

The Company's short-term credit facilities consist of an operating demand loan in the amount of \$2,000,000 and an additional \$500,000 for the issuance of letters of credit. The facility carries a floating interest at prime plus 2.25%, is collateralized by a first ranking general security agreement over all of the Company's present and future assets, is subject to margining based on the amounts of eligible accounts receivable and has no contractual maturity. Each letter of credit must be 100% guaranteed in favour of the bank through a separate program provided by the Export Development Corporation. For the period ended December 31, 2019, the effective interest rate under this facility was 6.2% (2018 – 5.95%).

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

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

7 Trade and other payables

	December 31 2019 \$	September 30 2019 \$
Trade receivables	1,216,143	1,499,351
Other receivables	301,732	617,306
Credit loss allowance	806,003	879,325
	<u>2,323,878</u>	<u>2,995,982</u>

As at December 31, 2019, there was \$171,942 (September 30, 2019 – \$72,619) owed to government agencies included in other accrued liabilities and payables.

8 Assets held for sale

On October 1, 2019, the Company signed an agreement to sell its office building at 3108 Carp Road in Ottawa for gross proceeds of \$1,150,000. The sale includes the land, building, leasehold improvements and paving with a combined carrying amount of \$131,510. The transaction closed on December 19, 2019, resulting in a gain on disposal of \$947,914.

9 Demand loan

	December 31 2019 \$	September 30 2019 \$
Demand loan, issued on March 28, 2018, net of deferred financing costs of \$nil (September 30, 2019 – \$23,948), bearing interest at prime rate (3.95% as at September 30, 2019) plus 2%, secured by land and building with a carrying value of \$nil (September 30, 2019 – \$131,510)	-	901,052

BluMetric Environmental Inc.

Notes to Condensed Interim Financial Statements

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)
(unaudited)

On December 19, 2019, the Company closed the sale of its office building at 3108 Carp Road in Ottawa (note 8). The sale included all assets used as security for the demand loan. The proceeds from the sale were used to extinguish the Company's demand loan. Unamortized deferred financing costs of \$23,948 948 attributed to the demand loan were expensed to the statement of net earnings on the closing date.

10 Long-term debt

	December 31 2019 \$	September 30 2019 \$
Term loan, net of deferred financing costs of \$19,525 (September 30, 2019 – \$22,314), bearing interest at 10%, due in one instalment on September 12, 2021	2,480,475	2,477,686
Restructured trade debt	205,230	218,756
Finance leases (note 4)	-	63,522
	<hr/>	<hr/>
	2,685,705	2,759,964
Less: Current portion	39,190	64,797
	<hr/>	<hr/>
	2,646,515	2,695,167

The Company has certain covenants in respect of financial ratio maintenance in accordance with this term loan, as well as cross-default provisions with the Company's short-term credit facility arrangement. As at December 31, 2019, the Company was in compliance with all its covenants.

11 Right of use assets and lease liabilities

Information about leases for which the Company is a lessee are presented below:

	<u>Right of use assets</u>			
	Offices \$	Vehicles \$	IT equipment \$	Total \$
October 1, 2019 (note 4)	937,290	41,249	109,342	1,087,881
Depreciation	(86,147)	(3,140)	(7,843)	(97,130)
	<hr/>	<hr/>	<hr/>	<hr/>
December 31, 2019	851,143	38,109	101,499	990,751

BluMetric Environmental Inc.

Notes to Condensed Interim Financial Statements

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)
(unaudited)

	Lease Liabilities			
	Offices	Vehicles	IT equipment	Total
	\$	\$	\$	\$
October 1, 2019				
(note 4)	1,309,939	41,249	109,342	1,460,530
Interest expense	-	-	-	(130,763)
Payments	-	-	-	-
December 31, 2019	1,190,159	38,109	101,499	1,329,767
Less: Current portion				565,124
				774,769

At December 31, 2019, lease liabilities were discounted using the Company's incremental borrowing rate and had weighted-average rates ranging from 2.99%-5.95%. Future undiscounted cash outflows for lease liabilities are disclosed in note 4.

The Company leases buildings for its office spaces across Canada. Lease terms range from less than one to eight years. To provide operational flexibility, the Company seeks to include extension or termination options in its leases. At the commencement of a lease, the Company assesses whether it is reasonably certain it will exercise the lease extension option (or not exercise a termination option). The Company reassesses this when a significant event or significant change in circumstances within the Company's control has occurred.

The Company leases vehicle and office equipment with terms of three to five years. These leases do not usually contain extension options, purchase options, or residual value guarantees. The Company also leases IT equipment and other equipment with terms of one to five years. These leases are generally short-term or for low-value assets that the Company has elected not to recognize in right of use assets and lease liabilities. During the period ended December 31, 2019, expenses recorded in the statement of net earnings for short term and low value leases amounted to \$58,144 and \$9,401 respectively.

The Company makes variable payments under office leases that are not included in the measurement of lease liabilities. During the period ended December 31, 2019, the Company expensed \$36,867 in respect of such variable payments.

12 Shareholders' equity

Share capital

Authorized

- Common shares

The Company is authorized to issue an unlimited number of common shares. The holders of the Company's common shares are entitled to dividends as and when declared by the Board of Directors of the Company, to one vote per share at meetings of shareholders of the Company and, on liquidation, to receive such assets of the Company as are distributable to the holders of the common shares.

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- Special shares

The Company is authorized to issue an unlimited number of special shares, issuable in series. No special shares are currently outstanding.

Share-based compensation

The fair value of options vested is recognized as compensation cost.

During the period ended December 31, 2019, the Company recognized \$4,861 (three months ended December 31, 2018 – \$14,398) in share-based compensation expense.

13 Other expense items

	For the three months ended	
	December 31 2019 \$	December 31 2018 \$
Personnel	2,925,163	3,210,781
Materials	2,295,171	3,192,846
Consulting	14,760	71,882
Sub-contractors	23,552	14,430
Depreciation and amortization	108,466	26,603
Other operating expense	672,167	682,485
	<hr/>	<hr/>
	6,039,279	7,199,027
	<hr/>	<hr/>
Reported as		
Cost of sales	4,884,406	5,940,134
Selling, general and administrative	1,154,873	1,258,893
	<hr/>	<hr/>
	6,039,279	7,199,027
	<hr/>	<hr/>
Finance costs		
Restructured debt	4,047	4,311
Term loans and bank loans	123,336	107,519
Interest on lease liabilities	15,067	-
Bank charges	8,450	14,540
Other finance charges	3,085	8,884
	<hr/>	<hr/>
	153,985	135,254
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BluMetric Environmental Inc.

Notes to Condensed Interim Financial Statements

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)
(unaudited)

14 Earnings per share

The following table summarizes the calculation of the weighted average number of basic and diluted common shares:

	December 31 2019 \$	December 31 2018 \$
Issued common shares	28,675,695	28,675,695
Weighted average number of basic common shares	28,675,695	28,675,695
Effect of share options on issuance	-	-
Weighted average number of diluted common shares	28,675,695	28,675,695

Options that were anti-dilutive are not included in the computation of diluted common shares. For the period ended December 31, 2019, 1,030,000 were excluded from the calculation because they were anti-dilutive (December 31, 2018 – 1,642,875).

15 Segmented disclosure

The Company provides comprehensive solution-based products and services in the fields of environmental geosciences and engineering, industrial hygiene, occupational health and safety, water and wastewater treatment and environmental management predominately in Canada.

The Company operates under one operating reportable segment due to the integration between technical disciplines required to serve its clients.

The chief operating decision maker is (collectively) the Chief Executive Officer, the Chief Financial Officer and the Board of Directors. Performance is evaluated by the chief operating decision maker based on gross margin and is measured consistently with gross margin in the financial statements.

Geographical information

The Company operates principally in Canada (country of domicile). Sales reported by client location based on origin of purchase (i.e., country of domicile of contracting party) are as follows:

	For the three months ended	
	December 31 2019 \$	December 31 2018 \$
Canada	6,315,574	7,439,073
Other countries	-	162,135
	6,315,574	7,601,208

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(expressed in Canadian dollars)
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For the three months ended December 31, 2019, approximately 37% (2018 – 51%) was derived from three clients, two of which account for over 10% of total revenue (2018 – no change).

The Company does not currently, or in the ordinary course of business, hold non-current assets outside of its country of domicile (Canada).

16 Revenue

Disaggregation of revenue

Revenue is disaggregated by client sector and contract type, since it best depicts how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenue from contracts with customers is disaggregated as follows:

	December 31, 2019		
	\$		
	Fixed price	Time and materials	Total
	\$	\$	\$
Commercial and industrial	743,993	1,761,176	2,505,169
Government	406,106	779,529	1,185,635
Military	276,409	923,605	1,200,014
Mining	183,299	1,241,457	1,424,756
	<u>1,609,807</u>	<u>4,705,767</u>	<u>6,315,574</u>
	December 31, 2019		
	\$		
	Fixed price	Time and materials	Total
	\$	\$	\$
Commercial and industrial	156,134	2,049,563	2,205,697
Government	263,007	1,451,706	1,714,713
Military	496,121	1,836,739	2,332,860
Mining	351,069	996,869	1,347,938
	<u>1,266,331</u>	<u>6,334,877</u>	<u>7,601,208</u>

Revenue from the vast majority of the Company's contracts is recognized over time because of the continuous transfer of control to the customer.

BluMetric Environmental Inc.

Notes to Condensed Interim Financial Statements

For the three months ended December 31, 2019 and 2018

(expressed in Canadian dollars)
(unaudited)

17 Related party transactions

Compensation of key management personnel

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

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