

# BLUMETRIC ENVIRONMENTAL INC.

CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED  
DECEMBER 31, 2023**



## *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 175 employees operating in ten offices and over 40 years of expertise.

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 Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

HEAD OFFICE  
BluMetric Environmental Inc.  
1682 Woodward Dr,  
Ottawa, ON K2C 3R8  
Canada

**BluMetric Environmental Inc.**  
**Condensed Unaudited Interim Statements of Financial Position**  
**As at December 31, 2023 and September 30, 2023**

(expressed in Canadian dollars)

	<b>December 31, 2023</b>	<b>September 30, 2023</b>
	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash and cash equivalents (note 4)	1,452,573	3,039,712
Accounts receivable (note 5)	8,853,221	5,968,324
Unbilled revenue	2,066,927	3,900,498
Contract assets	4,719,222	3,950,376
Prepaid expenses	301,223	295,976
	<u>17,393,166</u>	<u>17,154,886</u>
<b>Non-current assets</b>		
Property and equipment	492,342	446,421
Intangible assets	46,170	51,465
Right-of-use assets (note 6)	2,817,852	1,896,435
Deferred income tax assets	471,757	502,035
	<u>3,828,121</u>	<u>2,896,356</u>
	<u>21,221,287</u>	<u>20,051,242</u>
<b>Current liabilities</b>		
Trade and other payables (note 8)	4,765,100	4,821,120
Contract liabilities	361,295	239,568
Current portion of lease liabilities (note 6)	553,583	477,625
Current portion of long-term debt (note 9)	519,129	514,895
	<u>6,199,107</u>	<u>6,053,208</u>
<b>Non-current liabilities</b>		
Lease liabilities (note 6)	2,364,619	1,495,768
Long-term debt (note 9)	176,831	308,212
	<u>2,541,450</u>	<u>1,803,980</u>
	<u>8,740,557</u>	<u>7,857,188</u>
<b>Shareholders' Equity</b>		
Share capital	5,796,819	5,796,819
Contributed surplus and other equity	1,041,601	996,100
Retained earnings	5,642,310	5,401,135
	<u>12,480,730</u>	<u>12,194,054</u>
	<u>21,221,287</u>	<u>20,051,242</u>

The accompanying notes are an integral part of these Condensed Unaudited Interim Financial Statements.

**Approved by the Board of Directors**

\_\_\_\_\_  
 "Ian Mor Macdonald"  
 Ian Mor Macdonald

Director

\_\_\_\_\_  
 "David Rudolph"  
 David Rudolph

Director

## BluMetric Environmental Inc.

### Condensed Unaudited Interim Statements of Changes in Shareholders' Equity For the three months ended December 31, 2023 and 2022

(expressed in Canadian dollars)

	Common shares #	Share capital \$	Contributed surplus and other equity \$	Retained earnings (deficit) \$	Total \$
<b>Balance – October 1, 2022</b>	29,435,695	5,796,819	677,298	4,894,415	11,368,532
Share-based compensation (note 10)	-	-	87,224	-	87,224
Net earnings and comprehensive income for the period	-	-	-	455,811	455,811
<b>Balance – December 31, 2021</b>	<u>29,435,695</u>	<u>5,796,819</u>	<u>764,522</u>	<u>5,350,226</u>	<u>11,911,567</u>
<b>Balance – October 1, 2023</b>	29,435,695	5,796,819	996,100	5,401,135	12,194,054
Share-based compensation (note 10)	-	-	45,501	-	45,501
Net earnings and comprehensive income for the period	-	-	-	241,175	241,175
<b>Balance – December 31, 2023</b>	<u>29,435,695</u>	<u>5,796,819</u>	<u>1,041,601</u>	<u>5,642,310</u>	<u>12,480,730</u>

The accompanying notes are an integral part of these Condensed Unaudited Interim Financial Statements.

# BluMetric Environmental Inc.

## Condensed Unaudited Interim Statements of Net Earnings and Comprehensive Income For the three months ended December 31, 2023 and 2022

(expressed in Canadian dollars)

	For the three months ended	
	December 31, 2023	December 31, 2022 Restated (note 18)
	\$	\$
<b>Revenue</b> (notes 14, 15)	8,524,790	10,478,025
<b>Cost of sales</b> (note 12)	4,940,800	7,082,374
<b>Gross profit</b>	3,583,990	3,395,651
<b>Operating expenses and other items</b> Selling, general and administrative (note 12)	3,148,461	2,619,545
<b>Operating profit</b>	435,529	776,106
<b>Finance costs</b> (note 12)	57,427	21,459
<b>Earnings before income taxes</b>	378,102	754,647
Income tax expense (note 11)	136,927	298,836
<b>Net earnings and comprehensive income for the period</b>	241,175	455,811
<b>Earnings per share</b>		
Basic	0.01	0.02
Diluted	0.01	0.02
<b>Weighted average number of shares outstanding</b> (note 13)		
Basic	29,435,695	29,435,695
Diluted	29,435,695	29,435,695

The accompanying notes are an integral part of these Condensed Unaudited Interim Financial Statements.

**BluMetric Environmental Inc.**  
**Condensed Unaudited Interim Statements of Cash Flows**  
**For the three months ended December 31, 2023 and 2022**

(expressed in Canadian dollars)

	<b>For the three months ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings and comprehensive income for the period	241,175	455,811
Non-cash items		
Deferred income tax expense (note 11)	30,278	169,821
Increase (decrease) in credit loss allowance (note 5)	85,991	30,668
Depreciation of property and equipment	16,225	14,243
Amortization of intangible assets	5,295	5,295
Amortization of right-of-use assets (note 6)	156,330	124,207
Share-based compensation (note 10)	45,501	87,224
Change in working capital balances	(1,845,703)	(1,484,420)
	<u>(1,264,908)</u>	<u>(597,151)</u>
<b>Investing activities</b>		
Acquisition of property and equipment	(62,146)	-
	<u>(62,146)</u>	<u>-</u>
<b>Financing activities</b>		
Repayment of long-term debt	(127,147)	(123,050)
Principal payments on leases (note 6)	(132,938)	(120,551)
	<u>(260,085)</u>	<u>(243,601)</u>
<b>Change in cash and cash equivalents during the period</b>	(1,587,139)	(840,752)
<b>Cash and cash equivalents – Beginning of period</b>	3,039,712	4,911,423
<b>Cash and cash equivalents – End of period</b>	<u>1,452,573</u>	<u>4,070,671</u>
<b>Supplementary information</b>		
Interest paid	6,403	10,500
Income taxes paid	-	127,395

The accompanying notes are an integral part of these Condensed Unaudited Interim Financial Statements.

# **BluMetric Environmental Inc.**

## **Notes to Condensed Unaudited Interim Financial Statements**

### **For the three months ended December 31, 2023 and 2022**

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(expressed in Canadian dollars)

#### **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 customers 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 Company has entered in a shareholder relationship with BLM-KEL-60 Corp. (JV-60) on September 27, 2022, an unrelated party, for purposes of executing projects in Nunavut supporting federal, territorial, and private clients. BluMetric Environmental Inc. is a registered and beneficial owner of 16.3% of the issued and outstanding shares in the capital of the corporation. The investment in JV-60 is accounted for using the equity method in accordance with IAS 28. No material transactions have taken place during the period ended December 31, 2023 (2022 - \$nil).

The head office of the Company is located at 1682 Woodward Drive Ottawa, Ontario, Canada K2C 3R8. 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, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee.

##### **Authorization of financial statements**

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on February 28, 2024.

##### **Presentation and functional currency**

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

##### **Basis of measurement**

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

**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

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(expressed in Canadian dollars)

**Critical accounting judgments and estimates**

The preparation of these condensed unaudited interim financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of the Company's assets, liabilities, revenue, and expenses during the reporting period presented. The significant judgments made by management when applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's September 30, 2023 annual financial statements.

**Standards, amendments and interpretations adopted in the current year**

At the date of authorization of these unaudited condensed interim financial statements, the following new standards, amendments, and interpretations to existing standards were required to be and have been adopted by the Company. There was no material impact from adoption of these standards, amendments, and interpretations on these unaudited condensed interim financial statements.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract. Such costs include both the incremental costs of the contract and an allocation of other direct costs incurred on activities required to fulfill the contract. The adoption of this standard had no material impact on the Company.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The adoption of this standard had no material impact on the Company.

**3. Summary of significant accounting policies**

With the exception of adapting an accounting policy note for cash and cash equivalents (see 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 unaudited interim financial statements. As such, these condensed unaudited interim financial statements should be read in conjunction with the annual financial statements and related note disclosures for the year ended September 30, 2023, except for cash and cash equivalents.

**Cash and cash equivalents**

The Company considers all short-term, highly liquid investments that are readily convertible to a known amount of cash, with original maturities at their acquisition date of three months or less, to be cash equivalents.



**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

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(expressed in Canadian dollars)

**4. Cash and cash equivalents**

	<b>December 31, 2023</b>	<b>September 30, 2023</b>
	\$	\$
Cash	452,573	3,039,712
Short-term investments (interest rate at 4.95%)	1,000,000	-
	<u>1,452,573</u>	<u>3,039,712</u>

**5. Accounts receivable**

	<b>December 31, 2023</b>	<b>September 30, 2023</b>
	\$	\$
Trade and other receivables	9,055,795	6,119,949
Credit loss allowance – accounts receivable	<u>(202,574)</u>	<u>(151,625)</u>
	<u>8,853,221</u>	<u>5,968,324</u>

**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

(expressed in Canadian dollars)

**6. Right-of-use assets and lease liabilities**

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

Right-of-use assets

	<u>For the three months ended December 31, 2023</u>				<u>For the three months ended December 31, 2022</u>			
	<u>Office</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>	<u>Office</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance – Beginning of period	1,852,782	16,754	26,899	1,896,435	700,220	25,889	48,423	774,532
Additions	1,008,440	-	63,307	1,077,747	1,063,517	-	-	1,063,517
Amortization	(147,547)	(2,284)	(6,499)	(156,330)	(116,542)	(2,284)	(5,381)	(124,207)
Balance – End of period	<u>2,713,675</u>	<u>14,470</u>	<u>89,707</u>	<u>2,817,852</u>	<u>1,647,195</u>	<u>23,605</u>	<u>43,042</u>	<u>1,713,842</u>

**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

(expressed in Canadian dollars)

Lease Liabilities

	For the three months ended December 31, 2023				For the three months ended December 31, 2022			
	Office	Vehicles	Equipment	Total	Office	Vehicles	Equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance – Beginning of period	1,927,861	17,323	28,209	1,973,393	755,699	26,380	49,416	831,495
Additions	1,008,440	-	69,307	1,077,747	1,063,517	-	-	1,063,517
Interest expense on lease liabilities	54,146	118	854	55,118	22,783	186	661	23,630
Payments	(179,779)	(2,424)	(5,853)	(188,056)	(135,903)	(2,424)	(5,853)	(144,180)
Balance – End of period	<u>2,810,668</u>	<u>15,017</u>	<u>92,517</u>	<u>2,918,202</u>	<u>1,706,096</u>	<u>24,142</u>	<u>44,224</u>	<u>1,774,462</u>
Current portion of lease liabilities				<u>553,583</u>				<u>490,833</u>
Non-current portion of lease liabilities				<u>2,364,619</u>				<u>1,283,629</u>

**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

(expressed in Canadian dollars)

As at December 31, 2023, lease liabilities are discounted using the Company's incremental borrowing rate at the lease commencement date for each lease and had rates ranging from 2.99% to 8.45% (2022: 2.99% to 7.2%).

The Company leases buildings for its office spaces across Canada. Lease terms range from one to ten 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 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.

	<b>For the three months ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Amounts recognized in selling, general and administrative</b>		
Rent expense – variable lease payments	57,329	57,314
Expense related to short-term leases	5,712	47,033
Expense related to low-value assets	24,846	17,059
Income from subleases	(1,000)	(2,500)
	<u>86,887</u>	<u>118,906</u>

	<b>For the three months ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Amounts recognized in the statements of cash flow</b>		
Cash payments for the interest portion of lease liabilities	55,118	23,630
Cash payments for leases not included in the measurement of lease liabilities	<u>86,887</u>	<u>118,906</u>
Cash outflow in operating activities	142,005	142,536
Cash payments for the principal portion of lease liabilities included in financing activities	<u>132,938</u>	<u>120,551</u>
Total cash flow for leases	<u>274,943</u>	<u>263,087</u>

**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

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(expressed in Canadian dollars)

**7. Credit facilities**

The Company has a \$2,500,000 operating demand loan available to it as a shared limit between its overdraft facility and letters of credit. The Company has a maximum limit of \$500,000 for the issuance of letters of credit.

As at December 31, 2023, the Company had drawn \$nil on its operating demand loan and \$nil in letters of credit (September 30, 2023 – \$nil and \$nil, respectively).

The Company has certain covenants in accordance with its credit facilities. As at December 31, 2023, the Company was in compliance with all its covenants.

The Company also has a corporate credit card facility in the amount of \$250,000. As at December 31, 2023, the Company had utilized \$83,864 (September 30, 2023 – \$65,841) against this facility, which is recorded under trade and other payables in the statements of financial position.

**8. Trade and other payables**

	<b>December 31, 2023</b>	<b>September 30, 2023</b>
	\$	\$
Trade payables	2,717,093	3,273,602
Salaries and benefits payable	563,407	592,115
Other accrued liabilities and payables	1,484,600	955,403
	<u>4,765,100</u>	<u>4,821,120</u>

**9. Long-term debt**

	<b>December 31, 2023</b>	<b>September 30, 2023</b>
	\$	\$
Term loan, bearing interest at 3.28%	695,960	823,107
Less: Current portion	519,129	514,895
	<u>176,831</u>	<u>308,212</u>

**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

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(expressed in Canadian dollars)

On April 20, 2021, the Company entered into a letter of agreement with its bank for a \$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. This term loan matures April 30, 2025, is carried at amortized cost and is subject to the same covenants as the Company's credit facilities. As at December 31, 2023, the Company was in compliance with all its covenants.

Long-term debt balances as at December 31, 2023 are due as follows:

	\$
2024	387,748
2025	308,212
	<hr/>
	695,960
	<hr/>

**10. Shareholders' equity**

**Share-based compensation**

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

During the three months ended December 31, 2023, the Company recognized \$45,501 (2022 – \$87,224) in share-based compensation expense and no stock options were exercised (2022 - \$nil).

**11. Income tax**

The following shows the components of income tax expense:

	<b>For the three months ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	\$	\$
Current tax expense	106,649	129,015
Deferred tax expense	30,278	169,821
	<hr/>	<hr/>
	136,927	298,836
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**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

(expressed in Canadian dollars)

**12. Other expense items by nature**

	<b>For the three months ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b> Restated (note 18)
	<b>\$</b>	<b>\$</b>
Personnel	4,035,145	3,760,918
Direct project expenses	2,807,698	4,952,320
Depreciation and amortization	177,850	143,745
Other operating expense	1,068,568	844,936
	<b>8,089,261</b>	<b>9,701,919</b>
<b>Reported as:</b>		
Cost of sales	4,940,800	7,082,374
Selling, general and administrative	3,148,461	2,619,545
	<b>8,089,261</b>	<b>9,701,919</b>
Finance costs		
Interest on leases	55,117	23,629
Interest on term loan and bank loans	6,403	10,500
Bank charges	3,644	3,942
Other finance charges	(7,737)	(16,612)
	<b>57,427</b>	<b>21,459</b>

**13. Weighted average shares outstanding**

	<b>For the three months ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Issued common shares	29,435,695	29,435,695
Weighted average number of basic common shares	29,435,695	29,435,695
Effect of share options on issuance	-	-
Weighted average number of diluted common shares	<b>29,435,695</b>	<b>29,435,695</b>

**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

(expressed in Canadian dollars)

Options that were anti-dilutive are not included in the computation of diluted common shares. For the three months ended December 31, 2023, 2,743,582 options were excluded from the calculation because they were anti-dilutive (2022 – 2,757,000 options were excluded).

**14. 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 and reportable segment due to the integration between technical disciplines required to serve its customers.

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 customer location based on origin of purchase (i.e., country of domicile of contracting party) are as follows:

	<u>For the three months ended</u>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	\$	\$
Canada	8,506,664	10,430,926
Other countries	18,126	47,099
	<u>8,524,790</u>	<u>10,478,025</u>

For the three months ended December 31, 2023, approximately 18% of revenue (2022 – 14%) was derived from one customer. The customers referenced below are not necessarily the same customers in both periods.

	<u>For the three months ended</u>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Customer 1	18%	14%
Customer 2	-	11%



**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

(expressed in Canadian dollars)

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

**15. Revenue**

**Disaggregation of revenue**

Revenue is disaggregated by customer 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:

	<b>For the three months ended</b>		
	<b>December 31, 2023</b>		
	<b>\$</b>		
	<b>Fixed price</b>	<b>Time and</b>	<b>Total</b>
	<b>\$</b>	<b>materials</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
Commercial and industrial	701,080	1,805,680	2,506,760
Government	706,333	1,547,353	2,253,686
Military	609,301	1,561,468	2,170,769
Mining	321,455	1,272,120	1,593,575
	<b>2,338,169</b>	<b>6,186,621</b>	<b>8,524,790</b>
	<b>December 31, 2022</b>		
	<b>\$</b>		
	<b>Fixed price</b>	<b>Time and</b>	<b>Total</b>
	<b>\$</b>	<b>materials</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
Commercial and industrial	838,583	3,921,056	4,759,639
Government	636,647	1,605,681	2,242,328
Military	799,692	428,842	1,228,534
Mining	670,045	1,577,479	2,247,524
	<b>2,944,967</b>	<b>7,533,058</b>	<b>10,478,025</b>

Revenue from the vast majority of the Company's contracts is recognized over time because of the continuous transfer of control to the customer. For the three months ended December 31, 2023, \$863,624 or 10% (2022 – \$113,405 or 1%) was recognized at a point in time, which primarily related to military sector customers.

**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

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(expressed in Canadian dollars)

**16. Related party transactions**

**Compensation of key management personnel**

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

	<b>For the three months ended</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Salaries	280,744	257,681
Short-term benefits	16,122	29,392
Share-based compensation	26,628	46,233
	<b>323,494</b>	<b>333,306</b>

**17. Liquidity risk**

Liquidity risk is the risk the Company may not be able to meet its financial obligations as they come due. The Company currently settles all of its financial obligations out of cash and its operating demand loan facility. The ability to do so relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The company has a working capital of \$11,194,059 (2023 - \$11,101,678).

As at December 31, 2023, the Company had the following balances available on its credit facilities: operating demand loan – \$2,500,000; and credit card facility – \$166,136.

As at December 31, 2023, the Company had approximately \$4.1 million in availability between its operating line and cash balances.

**BluMetric Environmental Inc.**  
**Notes to Condensed Unaudited Interim Financial Statements**  
**For the three months ended December 31, 2023 and 2022**

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(expressed in Canadian dollars)

**18. Restated information**

During the preparation of the financial statements for the period ended December 31, 2023, the Company determined that the indirect labour costs that do not contribute to revenue generating projects should be reclassified as overhead expenses under the Sales, general and administrative caption. The Company had previously accounted for the amounts under the Cost of sales caption.

The adjustments in these unaudited interim financial statements for the period ended December 31, 2022 are detailed as follows. There is no effect on basic or diluted net earnings per share.

	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated</b>
	\$	\$	\$
<b>Statement of Net Earnings and Comprehensive Income</b>			
Cost of sales	8,149,017	(1,066,643)	7,082,374
Gross profit	2,329,008	1,066,643	3,395,651
Selling, general and administrative	1,552,902	1,066,643	2,619,545