BLUMETRIC ENVIRONMENTAL INC.

Financial Statements
For the years ended September 30, 2023 and 2022
(expressed in Canadian dollars)

NOTICE TO READER
BluMetric Environmental Inc. is hereby refiling these Audited Financial Statements for the year ended September 30, 2023. The Independent Auditor's Report includes the Other Information section previously inadvertently omitted.

In connection with the refiling of these Audited Financial Statements for the year ended September 30, 2023, the Company is also refiling (i) Management Discussion and Analysis dated January 26, 2024 in compliance with the requirements of National Instrument 51-102 Continuous Disclosure Obligations, and (ii) CEO and CFO certifications dated February 2, 2024 in compliance with National Instrument 52-109 Certification of Disclosure in issuers' Annual and Interim Filings.

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.

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

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To the Shareholders of BluMetric Environmental Inc.:

Opinion

We have audited the financial statements of BluMetric Environmental Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2023 and September 30, 2022, and the statements of net earnings and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023 and September 30, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fixed Fee Ongoing Contracts - Percent of Completion

Key Audit Matter Description

As described in Note 2 to the financial statements, the Company accounts for its revenue for fixed-price contracts using the percentage of completion method, which requires estimates to be made for expected contract costs and revenues.

We considered this to be a key audit matter due to the significant estimates made by management in determining the costs to complete which drives the timing of revenue. Changes to costs to complete estimates can have a material impact on the amount of revenue recognized. These estimates are subjective and complex due to the unique nature of many of the projects and are dependent on the status of each individual project at year end. As a result, significant auditor judgement and audit effort was required.

Audit Response

We responded to this matter by performing audit procedures over the estimate of total expected hours and non-labour costs for each project contract. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding and evaluated the design and implementation of essential controls related to the Company's process for estimating and updating hours or non-labour costs required to complete projects;
- Inspected a sample of contracts, and when applicable, change orders, to understand the contract scope and key terms in order to validate that revenue has been recognized in accordance with IFRS 15;
- Performed retrospective review of the budgeted costs of completed contracts to actual costs incurred in order to assess management's ability to forecast estimated cost to complete;
- Interviewed, on a sample basis, operational personnel of the Company to evaluate reasonability of progress to date, including actual labour hours and non-labour costs incurred. The estimate of labour hours and non-labour costs to be incurred to complete the project were also validated to ensure the estimate is appropriate and any other factors impacting the amount of time and cost to complete the project;
- Obtained management's calculations, on a sample basis, of revenue recognized and tested the mathematical accuracy by performing our own independent calculation of the expected revenue to be recorded based on understanding obtained from operational personnel, reviewing contracts and supporting evidence;
- Tested, on a sample basis, the labour hours and non-labour costs incurred to supporting evidence; and
- Assessed the adequacy and appropriateness of the related financial statement disclosures.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shawn Mincoff.

MNP LLP

Ottawa, Ontario | Chartered Professional Accountants

January 26, 2024 | Licensed Public Accountants

BluMetric Environmental Inc.
Statements of Financial Position
For the years ended September 30, 2023 and 2022

(expressed in Canadian dollars)

	2023 $	2022 $
Current assets		
Cash	3,039,712	4,911,423
Accounts receivable (notes 5, 20)	5,968,324	7,565,177
Unbilled revenue (note 20)	3,900,498	2,376,215
Contract assets (note 20)	3,950,376	2,777,768
Prepaid expenses	295,976	291,921
	17,154,886	17,922,504
Non-current assets		
Property and equipment (note 6)	446,421	168,710
Intangible assets (note 7)	51,465	72,644
Right-of-use assets (note 8)	1,896,435	774,532
Deferred income tax assets (note 14)	502,035	731,153
	2,896,356	1,747,039
	20,051,242	19,669,543
Current liabilities		
Trade and other payables (note 10)	4,821,120	5,905,070
Contract liabilities (note 20)	239,568	243,035
Current portion of lease liabilities (note 8)	477,625	363,984
Current portion of long-term debt (note 11)	514,895	498,303
	6,053,208	7,010,392
Non-current liabilities		
Lease liabilities (note 8)	1,495,768	467,512
Long-term debt (note 11)	308,212	823,107
	1,803,980	1,290,619
	7,857,188	8,301,011
Shareholders' Equity		
Share capital (note 13)	5,796,819	5,796,819
Contributed surplus and other equity (note 13)	996,100	677,298
Retained earnings	5,401,135	4,894,415
	12,194,054	11,368,532
	20,051,242	19,669,543

Approved by the Board of Directors

"Ian Mor Macdonald" Director — Ian Mor Macdonald

"David Rudolph" Director — David Rudolph

BluMetric Environmental Inc.

Statements of Changes in Shareholders' Equity
For the years ended September 30, 2023 and 2022

(expressed in Canadian dollars)

	Common shares #	Share capital $	Contributed surplus and other equity $	Retained earnings $	Total $
Balance – October 1, 2021	28,895,695	5,600,081	690,584	3,571,365	9,862,030
Share-based compensation (note 13)	-	-	57,392	-	57,392
Exercise of stock options (note 13)	540,000	196,738	(70,678)	-	126,060
Net earnings and comprehensive income for the year	-	-	-	1,323,050	1,323,050
Balance – September 30, 2022	29,435,695	5,796,819	677,298	4,894,415	11,368,532
Balance – October 1, 2022	29,435,695	5,796,819	677,298	4,894,415	11,368,532
Share-based compensation (note 13)	-	-	318,802	-	318,802
Net earnings and comprehensive income for the year	-	-	-	506,720	506,720
Balance – September 30, 2023	29,435,695	5,796,819	996,100	5,401,135	12,194,054

BluMetric Environmental Inc.

Statements of Net Earnings and Comprehensive Income
For the years ended September 30, 2023 and 2022

(expressed in Canadian dollars)

	2023 $	2022 $
Revenue (notes 19, 20)	35,084,439	34,318,173
Cost of sales (note 15)	27,497,859	26,756,668
Gross profit	7,586,580	7,561,505
Operating expenses and other items		
Selling, general and administrative (note 15)	6,574,330	5,834,319
Operating profit	1,012,250	1,727,186
Finance costs (note 15)	69,095	98,770
Earnings before income taxes	943,155	1,628,416
Income tax expense (note 14)	436,435	305,366
Net earnings and comprehensive income for the year	506,720	1,323,050
Earnings per share		
Basic	0.02	0.05
Diluted	0.02	0.04
Weighted average number of shares outstanding (note 16)		
Basic	29,435,695	29,365,996
Diluted	29,443,971	29,413,780

BluMetric Environmental Inc.
Statements of Cash Flows
For the years ended September 30, 2023 and 2022

(expressed in Canadian dollars)	2023 $	2022 $
Cash provided by (used in)		
Operating activities		
Net earnings and comprehensive income for the year	506,720	1,323,050
Non-cash items		
Deferred income tax expense (note 14)	229,118	165,218
Credit loss allowance (note 23)	(281,989)	32,693
Depreciation of property and equipment (note 6)	59,229	60,200
Amortization of intangible assets (note 7)	21,179	15,717
Amortization of right-of-use assets (note 8)	593,512	440,352
Share-based compensation (note 13)	318,802	57,392
Change in working capital balances (note 17)	(1,909,520)	(897,578)
	(462,949)	1,197,044
Investing activities		
Acquisition of property and equipment (note 6)	(336,940)	(45,611)
Acquisition of intangible asset (note 7)	-	(37,772)
	(336,940)	(83,383)
Financing activities		
Repayment of long-term debt (note 11)	(498,303)	(612,659)
Principal payments on leases under IFRS 16 (note 8)	(573,519)	(443,059)
Exercise of stock options (note 13)	-	126,060
	(1,071,822)	(929,658)
Change in cash during the year	(1,871,711)	184,003
Cash – Beginning of year	4,911,423	4,727,420
Cash – End of year	3,039,712	4,911,423
Supplementary information		
Interest paid	158,479	89,020
Income taxes paid	341,406	45,000

(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 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 financial statements 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 financial statements were approved and authorized for issue by the Board of Directors on January 25, 2024.

Presentation and functional currency

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

Basis of measurement

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

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, revenue, and expenses is provided below. Actual results may be substantially different.

Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS 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. Uncertainty inherent in these assumptions and estimates could result in a material adjustment to the carrying value of the asset or liability affected.

(expressed in Canadian dollars)

Estimates and underlying assumptions are reviewed on an ongoing basis and updated based on experience and new information. The following are the significant judgments and key assumptions concerning major sources of estimation uncertainty that are more likely to result in a material adjustment to the carrying amount of assets and liabilities in the financial statements:

Significant management judgments

- Recognition of contract revenue over time or at a point in time

  For some of the Company's contracts with customers significant judgment is required to assess whether control of the related performance obligation(s) transfers to the customer over time or at a point in time in accordance with IFRS 15. Specifically, for contracts that involve developing a customer-specific asset with no alternative use to the Company, judgment is needed to determine whether the Company is entitled to payment for its performance throughout the contract period if the customer sought to cancel the contract.

- Recognition of deferred income tax assets

  Management continually evaluates the likelihood that its deferred tax assets will be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses and investment tax credits within the carry-forward period. By its nature, this assessment requires judgment with respect to the assumptions used to estimate future taxable income.

- Impairment assessments

  Long-lived non-financial assets, such as right-of-use assets, property and equipment, intangible assets, and investments in joint ventures, subject to depreciation and amortization, are tested for recoverability when there is an indication that their carrying value may not be recoverable. In many cases, determining if there are any facts and circumstances indicating an impairment loss, or the reversal of an impairment loss other than for goodwill, is a subjective process involving judgment surrounding a number of assumptions. The carrying value of a long-lived asset is not recoverable when it exceeds the recoverable amount, which is the higher of an asset's fair value less costs of disposal and its value in use. Fair value estimates are impacted by changes in market conditions that could materially impact the determination of fair value and, therefore, could reduce or eliminate the excess of fair value over the carrying value of a reporting unit entirely and could potentially result in an impairment charge in the future.

Estimation uncertainty

- Percentage of completion of contracts with fixed prices

  The Company accounts for its revenue from fixed-price contracts using the percentage of completion method, which requires estimates to be made for expected contract costs and revenues.

  Contract costs include direct labour, direct materials and direct costs for subcontractors, and other expenditures that are recoverable directly from customers. Progress on jobs is regularly reviewed by management and estimated costs to complete are revised based on the information available at the end of each reporting period. Contract cost estimates are based on various assumptions that can

(expressed in Canadian dollars)

result in a change to contract profitability from one financial reporting period to another, including labour productivity and availability, the complexity of the work to be performed, the cost and availability of materials, the performance of material suppliers to deliver on time, the performance of subcontractors, differing site conditions, unusual weather conditions and the accuracy of original bid estimates.

- Contracts with multiple performance obligations

  Estimates may be required to determine the relative fair value of each performance obligation of a contract. Consideration in contracts with multiple performance obligations is allocated to the separate performance obligations based on estimates of stand-alone selling prices.

- Expected credit losses

  Impairment of financial assets, unbilled revenue and contract assets use an expected credit loss (ECL) model to estimate credit losses over the lifetime of an asset using historical payment experience, the age of related outstanding assets and forward-looking information where applicable. The Company applies this model to its accounts receivable, unbilled revenue and contract assets. The ECL allowance estimates the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

- Right-of-use assets and Lease liabilities

  To determine the value of the initial recognition and subsequent re-measurement of right-of-use assets and lease obligations, management is required to exercise judgment in several areas, such as determining the appropriate discount rate, whether it is reasonably certain that an extension or termination option will be exercised, whether variable payments are in substance fixed, and whether a right-of-use asset is impaired.

  The Company enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Company uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

  Changes in these estimates and assumptions could affect the identification and determination of the value of lease liabilities and right-of-use assets at initial recognition, as well as the subsequent measurement of lease liabilities and right-of-use assets. These items could potentially result in changes to amounts reported in the statements of net earnings and comprehensive income and statements of financial position in a given period.

(expressed in Canadian dollars)

3 Summary of significant accounting policies

Cash

Cash includes cash on hand, deposits held at call with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and bank overdrafts. Overdraft balances are netted from the cash balance where the Company has a legal right of offset. Where such legal right of offset does not exist, bank overdrafts are presented as bank indebtedness within current liabilities.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, where applicable, borrowing costs and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Company reviews residual values and updates the remaining useful lives as required at least annually.

Depreciation is calculated on a straight-line basis to depreciate the cost less estimated residual value over the anticipated useful lives of the assets as follows:

Computer hardware	5 years
Field equipment	5 years
Office furniture and equipment	5 years
Leasehold improvements	lesser of useful life and lease term
Vehicles	3 years

Depreciation is included in selling, general and administrative expenses in the statements of net earnings and comprehensive income.

Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Government grants are recognized as follows:

Grants relating to property and equipment are included in non-current assets. The grant is deducted in calculating the carrying amount of the asset and is recognized in profit or loss over the life of the depreciable asset as a reduced depreciation expense.

Grants relating to income are presented as part of profit or loss and are deducted in reporting the related expense.

(expressed in Canadian dollars)

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment. They are amortized on a straight-line basis over their remaining estimated useful lives as these assets are considered finite.

The following useful lives are applied:

Trademarks	5 years
Computer software	5 years

Amortization is included in selling, general and administrative expenses in the statements of net earnings and comprehensive income.

Impairment of tangible and intangible assets with finite useful lives

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication those assets have suffered impairment. Indicators of impairment include observable indications of decline in market value and internal sources of information, such as physical damage or obsolescence. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or CGUs).

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statements of net earnings and comprehensive income. Impairment losses for CGU are charged pro rata to the assets in the CGU.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (CGU) in prior years. A reversal of an impairment loss is recognized immediately in the statements of net earnings and comprehensive income.

Provisions and contingent liabilities

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the present value of the expenditure required to settle the present obligation using a pre-tax rate at the end of the reporting period.

The Company provides warranties on goods delivered to customers. These provisions are established based on management's best estimates as to the amounts that could be disbursed to remedy a potential defect with the equipment and are typically a percentage of the sales or contract price. Relevant disbursements made by

(expressed in Canadian dollars)

the Company are accounted for by reducing the associated provision when the claim from the customer is deemed relevant, in accordance with the contract terms and conditions.

Contingent liabilities represent a possible obligation to the Company arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the Company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statements of net earnings and comprehensive income over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of net earnings and comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Leases

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.

(expressed in Canadian dollars)

However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 amortized 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 based on the lease period. 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 one to five 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.

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 that are not included in the measurement of lease liabilities and are recorded as expense in the statements of net earnings and comprehensive income 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 statements of net earnings and comprehensive income 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. Subsequently, the Company measures the lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

(expressed in Canadian dollars)

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 the statement of net earnings and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

A lease modification is accounted for as a separate lease from the original lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets; and the consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. If the lease modification merely extends the Company’s right to use an existing leased asset to which it already has access, the modification is not accounted for as a separate lease. Instead, the Company recalculates the existing lease obligations on the effective date of the lease modification to include the lease payments until the end of the extended period and a corresponding adjustment is also made to the right-of-use asset. The additional right-of-use asset and lease obligations relating to the extended period are therefore recognized on the date of modification.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of property 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.

Income taxes

Income tax expense comprises both current and deferred tax, which is recognized in the statements of net earnings and comprehensive income, except to the extent it relates to items recognized directly in the statements of shareholders’ equity. When it relates to the latter, the income tax is recognized directly in the statements of shareholders’ equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or deductible and is based on tax rates and laws that have been enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Current income tax liabilities are established where appropriate on the basis of amounts expected to be paid to the taxing authorities.

Deferred tax is recognized for temporary differences arising between the tax basis of assets and liabilities and their carrying amounts. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax is calculated, without discounting, using tax rates and laws enacted or substantively enacted at the reporting date in Canada, and which are expected to apply when the related deferred income tax asset is realized, or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. Deferred tax liabilities are always provided for in full.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off the recognized amounts and the deferred taxes relate to the same taxable entity and the same taxation authority.

(expressed in Canadian dollars)

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year, which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Equity

- Share capital

  Share capital represents the amount received for shares issued. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from share capital, net of any tax effects.

  If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus.

- Contributed surplus and other equity

  Contributed surplus includes charges related to share options and warrants. When share options are exercised, the related compensation cost is transferred to share capital.

- Retained earnings

  Retained earnings includes all current and prior period retained profits and losses.

Share-based payments

The Company offers a share option plan to directors, executive officers, key employees, and consultants who provide services to the Company.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of goods and services received, it measures their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services received by reference to the fair value of the equity instruments granted.

The fair value at the grant date of share options is determined using the Black-Scholes option pricing model and is recognized in the statements of net earnings and comprehensive income as a compensation expense using a graded vesting schedule over the vesting period, based on the Company’s estimate of the number of shares that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest based on actual forfeitures. Any impact arising from revision of the original estimates is recognized in the statements of net earnings and comprehensive income such that the cumulative compensation expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. No adjustment is made to any expense recognized in prior periods if the share options ultimately exercised are different from those estimated on vesting.

(expressed in Canadian dollars)

Any consideration received by the Company on the exercise of share options is credited to share capital and the related amount previously recognized in contributed surplus is transferred to share capital on the issuance of shares.

Employee benefit plans

The Company maintains a defined contribution pension plan for employees in which the Company matches on a dollar-for-dollar basis contributions (up to a maximum of 2% to 5% of salary, as determined by a formula reflecting an individual's length of tenure and age) made by employees into a registered plan managed by a third-party fund manager.

Revenue recognition

The Company provides consulting services and water treatment systems in the fields of environmental geosciences and engineering, industrial hygiene, occupational health and safety, water and wastewater treatment and environmental management.

- *Types of contracts*

  The Company's contracts are a mix between cost-reimbursable contracts that fall under the categories of time and materials ("T&M") contracts and fixed-price contracts:

  - Cost-reimbursable contracts

    T&M contracts are common for smaller scale professional and technical consulting and certification services projects. Under these types of contracts, there is no predetermined fee. Instead, the Company negotiates hourly billing rates and charges the customers based on actual hours expended on a project. In addition, any direct project expenditures are passed through to the customer and are typically reimbursed.

    T&M contracts with an initial ceiling or not-to-exceed price provision are structured the same as T&M, however they typically include an initial price cap that cannot be exceeded. In most cases, the Company can bill additional fees if the project scope is modified, or the schedule lengthened.

  - Fixed-price contracts

    Fixed-price contracts typically require the performance of one or more agreed upon obligations at a contractually agreed upon price.

    Fixed-unit price contracts typically require the performance of an estimated number of units of work at an agreed price per unit, with the total payment under the contract determined by the actual number of units performed.

(expressed in Canadian dollars)

- *Identification of a contract with a customer*

  When determining the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation.

  The Company accounts for a contract when it has commercial substance, the parties have approved the contract in accordance with customary business practices and are committed to their obligations, the rights of the parties and payment terms are identified, and collectability of consideration is probable.

- *Identifying performance obligations in a contract and allocating revenue*

  For most of the Company's contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project. Consequently, the entire contract is accounted for as one performance obligation. Less frequently, however, the Company may provide several distinct goods or services as part of a contract, in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The expected cost plus a margin approach is typically used to estimate the standalone selling price of each performance obligation. To determine the appropriate margin, management considers margins for comparable services under similar contracts in similar markets.

- *Determining the transaction price*

  Variable consideration for fixed-price contracts or T&M contracts with a ceiling, related to change orders approved as to scope but unapproved as to price, is included in estimated revenue to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company estimates variable consideration at the most likely amount it expects to be entitled to receive. Estimates of variable consideration are based on historical experience, anticipated performance and management's best judgment based on the information available at the time.

  Contracts are often modified to account for changes in contract specifications and requirements. Contract modifications exist when the change either creates new, or changes existing, enforceable rights and obligations. Most of the Company's contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of these contract modifications on the transaction price and the measure of progress for the performance obligation to which it relates is recognized as a cumulative adjustment to revenue as either an increase or decrease in revenue. However, if a contract modification is for distinct goods and services from the existing contract and the pricing of the contract modification reflects the standalone selling price of the additional goods or services, then the contract modification is treated as a separate contract.

  Due to the nature of many of the Company's performance obligations, the estimation of total revenue and costs at completion is complex, subject to many variables and requires significant estimates. These areas of measurement uncertainty are discussed further in the critical accounting judgments, estimates and assumptions section. Any changes to the estimates of forecasted revenue and total costs are recognized on a cumulative basis, which recognizes in the current period the cumulative effect of the changes based

(expressed in Canadian dollars)

on a performance obligation's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of the Company's performance obligations.

When estimates of total costs to be incurred on a performance obligation exceed the total estimated revenue to be earned, a provision for the entire loss on the performance obligation is recognized in the period the loss is determined.

- *Performance obligations satisfied over time*

The Company transfers control of goods or services, and satisfies performance obligations, over time. Therefore, the Company recognizes revenue over time as these performance obligations are satisfied. This continuous transfer of control to the customer is often supported by the customer's physical possession or legal title to the work-in-process, as well as contractual clauses that provide the Company with a present right to payment for work performed to date plus a reasonable profit in the event a customer unilaterally terminates the contract for convenience. As a result of control transferring over time, revenue, for fixed-price contracts and T&M contracts with a ceiling, is recognized based on the extent of progress towards completion of the performance obligation. The Company generally uses the cost-to-cost measure of progress for its contracts because it best reflects the transfer of an asset to the customer that occurs as costs are incurred on the contract. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue, including estimated fees or profits, is recorded proportionally as costs are incurred. Costs to fulfill contracts may include labour, materials, subcontractor and other direct costs, as well as an allocation of indirect costs. The sale of parts directly to customers is the only type of sale where performance obligations are satisfied at a point in time. For these sales, the Company recognizes revenue when control of the goods is transferred to the customer, typically at delivery.

For the Company's T&M contracts without a ceiling, the Company applies the as-invoiced practical expedient, which permits the Company to recognize revenue in the amount to which the Company has the right to invoice for services performed.

- *Contract costs*

Costs to pursue a contract that would have been incurred regardless of whether the contract was awarded are recognized as an expense when incurred. The Company does not typically incur material contract acquisition costs requiring capitalization.

Certain fulfillment and mobilization costs are deferred when they relate directly to the contract or an anticipated contract and when they generate or enhance Company resources that will be used to satisfy performance obligations in the future. Deferred contract costs are typically amortized over the period of expected benefit using the percentage of completion applied to estimated revenue. The Company does not typically incur upfront fulfillment and mobilization costs.

(expressed in Canadian dollars)

- *Presentation of contract balances*

  Accounts receivables are amounts billed and currently due from customers. The amounts due are stated at their net estimated realizable value. The Company maintains a credit loss allowance to provide for the estimated amount of receivables that will not be collected in accordance with IFRS 9.

  Unbilled revenue represents revenue earned from performance in excess of amounts billed on uncompleted contracts where the right to payment is unconditional. Unbilled revenue typically results from timing differences between satisfaction of a performance obligation where the right to payment is unconditional and invoicing from T&M contracts.

  Contract assets arise when the Company satisfies performance obligations but its unconditional right to payment is determined by different contract milestones. Contract assets typically result from sales under fixed-price contracts when the cost-to-cost method of revenue recognition is utilized, and revenue recognized exceeds invoicing.

  Unbilled revenue and contract assets may not exceed their net realizable value and are classified as current assets. The Company maintains a credit loss allowance for doubtful accounts to provide for the estimated amount of unbilled revenue and contract assets that will not be collected in accordance with IFRS 9.

  Contract liabilities represent the excess of amounts billed to customers over revenue earned on uncompleted contracts for which consideration has been received. Contract liabilities are recognized as revenue when (or as) the Company performs under the contract.

  Unbilled revenue, contract assets and contracts liabilities are reported on a contract-by-contract basis at the end of each reporting period.

  The operating cycle, or duration, for the majority of the Company's contracts is under one year. However, some of the Company's contracts may exceed one year. All contract-related assets and liabilities are classified as current as they are expected to be realized or satisfied within one year from the reporting date.

  The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Therefore, the Company does not adjust any of the transaction prices for the time value of money.

Financial instruments

Financial instruments are initially measured at fair value. Subsequent to initial recognition, all financial assets, including hybrid contracts, are measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost. Financial assets are reclassified between measurement categories only when the business model for managing them changes. All reclassifications are applied prospectively from the reclassification date.

The classification and measurement model requires that all debt instrument financial assets that do not meet a solely payment of principal and interest (SPPI) test to be classified at initial recognition as FVTPL. The SPPI test is conducted to identify whether the contractual cash flows of a financial instrument are solely payments of principal and interest. For debt instrument financial assets that meet the SPPI test, classification at initial

(expressed in Canadian dollars)

recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a held for trading or fair value basis are classified as FVTPL. Debt instruments that are managed on a hold to collect and for sale basis are classified as FVOCI. Debt instruments that are managed on a hold to collect basis are classified as amortized cost.

Impairment of financial assets, unbilled revenue and contract assets use an ECL model. The Company applies this model to its accounts receivable, unbilled revenue and contract assets. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions.

Under the ECL model, any financial assets, unbilled revenue, and contract assets where the borrower has filed for bankruptcy will automatically be considered impaired. Additionally, financial assets, unbilled revenue and contract assets are written off, either partially or in full, against the related allowance for credit losses when there is no realistic prospect of future recovery.

For trade and other receivables, unbilled revenue and contract assets, the Company applies the simplified approach, which requires lifetime ECLs to be recognized from initial recognition. The Company establishes a provision matrix that is based on historical credit losses adjusted for forward-looking factors.

Fair value hierarchy

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7, Financial Instruments – Disclosures. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- level 1 – unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- level 2 – quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

- level 3 – prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rate prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at year-end using the closing year-end rate.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statements of net earnings and comprehensive income.

(expressed in Canadian dollars)

Basic and diluted earnings per share

The basic earnings per share is calculated on the basis of net earnings attributable to the shareholders of the Company divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method, giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted into common shares.

4 Recent Accounting Pronouncements and Future Changes in Accounting Policies

At the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Company. The Company does not intend to early adopt these standards and is currently evaluating the impact of these new standards on the financial statements.

Management anticipates that all the relevant pronouncements will be adopted in the Company's accounting policies for the first reporting period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

Recent Accounting Standard Changes

- IAS 37, Provisions, Contingent Liabilities and Contingent Assets (IAS 37)

  The amendments to IAS 37 provide guidance regarding the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022, with comparative figures not restated.

Future Accounting Standard Changes

- IAS 1, Presentation of Financial Statements (IAS 1)

  The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability.

  In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments provide guidance to help entities disclose their material (previously "significant") accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

  In October 2022, the IASB issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook – Accounting in December 2022. The amendments require an entity to disclose, in

(expressed in Canadian dollars)

specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. As part of the amendments, a provision was added to clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Covenants which an entity must comply with after the reporting date would not affect classification of a liability as current or non-current at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company has not yet determined the impact the amendments will have on its financial statements.

- IFRS 7 Financial Instruments: Disclosures and IAS 7 Statement of Cash Flows (Amendments)

  In May 2023, the International Accounting Standards Board (IASB) issued disclosure-only amendments to IFRS 7 Financial Instruments: Disclosures and IAS 7 Statement of Cash Flows. The amendments require entities to disclose sufficient information necessary for users of financial statements to understand the effects of supplier finance arrangements on an entity's liabilities and cash flows, as well as on its liquidity risk and risk management. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier adoption permitted. The Company has determined that there will be no material effect on the Company's financial statements as a result of adopting this amendment.

- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendment) (IAS 8)

  The amendments to IAS 8 define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company has determined that there will be no material effect on the Company's financial statements as a result of adopting this amendment.

- IAS 12, Income Taxes (IAS 12)

  The amendments to IAS 12 narrow the scope of the recognition exemption so that companies would be required to recognize deferred tax for transactions that give rise to equal amounts of taxable and deductible temporary differences, such as leases. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, applied retrospectively. The Company has determined that there will be no material effect on the Company's financial statements as a result of adopting this amendment.

- IAS 16, Property, Plant and Equipment – Proceeds before intended use (IAS 16)

  In May 2020, the IASB issued amendments that prohibit the deduction, from the cost of an item of property, plant or equipment, of any proceeds received from selling items produced while bringing the asset to the location and condition necessary for it to operate. Instead, such proceeds, and the costs associated with producing the items, will be recognized in the consolidated statements of comprehensive profit and loss. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The Company determined that there will be no material effect on the Company's consolidated financial statements as a result of adopting this amendment.

(expressed in Canadian dollars)

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (New) and IFRS S2 Climate-related Disclosures (New)

  In June 2023, the ISSB issued a new IFRS Sustainability Disclosure Standard setting out the general requirements for an entity to disclose material information about significant sustainability-related risks and opportunities to which it is exposed. The ISSB also issued a new IFRS Sustainability Disclosure Standard that sets out requirements for identifying, measuring, and disclosing climate-related risks and opportunities as part of an entity's general purpose financial reporting. For Canadian entities, there is currently no mandatory requirement to comply with the ISSB Standards. Canadian authorities including the CSSB and the Canadian Securities Administrators ("CSA") will decide on application in Canada. The Company has not yet determined the impact of the amendments on its financial statements.

5 Accounts receivable

	2023 $	2022 $
Trade and other receivables	6,119,949	7,841,420
Credit loss allowance – accounts receivable (note 23)	(151,625)	(276,243)
	5,968,324	7,565,177

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(expressed in Canadian dollars)

6 Property and equipment

All of the Company's property and equipment are pledged as security for the bank loans and facilities (notes 9 and 11). Accordingly, there are restrictions on the title of such assets.

						2023
	Computer hardware $	**Field equipment $**	**Office furniture and equipment $**	**Leasehold improvements $**	**Vehicles $**	**Total $**
Cost Balance – October 1, 2022	28,233	658,456	777,973	78,683	25,783	1,569,128
Additions	-	336,940	-	-	-	336,940
Disposals	-	-	-	-	(25,783)	(25,783)
Balance – September 30, 2023	28,233	995,396	777,973	78,683	-	1,880,285
Accumulated depreciation Balance – October 1, 2022	25,665	531,245	746,642	71,083	25,783	1,400,418
Depreciation	2,055	39,167	14,967	3,040	-	59,229
Disposals	-	-	-	-	(25,783)	(25,783)
Balance – September 30, 2023	27,720	570,412	761,609	74,123	-	1,433,864
Net book value – Balance – September 30, 2023	513	424,984	16,364	4,560	-	446,421

(expressed in Canadian dollars)

						2022
	Computer hardware $	**Field equipment $**	**Office furniture and equipment $**	**Leasehold improvements $**	**Vehicles $**	**Total $**
Cost						
Balance – October 1, 2021	28,233	612,845	777,973	78,683	25,783	1,523,517
Additions	-	45,611	-	-	-	45,611
Balance – September 30, 2022	28,233	658,456	777,973	78,683	25,783	1,569,128
Accumulated depreciation						
Balance – October 1, 2021	23,608	494,331	731,675	68,043	22,561	1,340,218
Depreciation	2,057	36,914	14,967	3,040	3,222	60,200
Balance – September 30, 2022	25,665	531,245	746,642	71,083	25,783	1,400,418
Net book value – Balance – September 30, 2022	2,568	127,211	31,331	7,600	-	168,710

(expressed in Canadian dollars)

7 Intangible assets

All of the Company's intangible assets are pledged as security for the bank loans (notes 9 and 11). Accordingly, there are restrictions on the title of such assets.

			2023
	Computer software $	**Trademarks $**	**Total $**
Cost			
Balance – October 1, 2022	95,077	50,855	145,932
Additions	-	-	-
Balance – September 30, 2023	95,077	50,855	145,932
Accumulated amortization			
Balance – October 1, 2022	28,164	45,124	73,288
Amortization	19,016	2,163	21,179
Balance – September 30, 2023	47,180	47,287	94,467
Net book value – September 30, 2023	47,897	3,568	51,465

			2022
	Computer software $	**Trademarks $**	**Total $**
Cost			
Balance – October 1, 2021	57,305	50,855	108,160
Additions	37,772	-	37,772
Balance – September 30, 2022	95,077	50,855	145,932
Accumulated amortization			
Balance – October 1, 2021	14,610	42,961	57,571
Amortization	13,554	2,163	15,717
Balance – September 30, 2022	28,164	45,124	73,288
Net book value – September 30, 2022	66,913	5,731	72,644

(expressed in Canadian dollars)

8 Right-of-use assets and lease liabilities

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

Right-of-use assets

	For the year ended September 30, 2023				For the year ended September 30, 2022			
	Office	**Vehicles**	**Equipment**	**Total**	**Office**	**Vehicles**	**Equipment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance – Beginning of year	700,220	25,889	48,423	774,532	580,882	4,495	23,427	608,804
Additions	1,715,415	-	-	1,715,415	530,911	28,167	64,573	623,651
Lease renewals, reassessments and modifications	-	-	-	-	-	-	(17,571)	(17,571)
Amortization	(562,853)	(9,135)	(21,524)	(593,512)	(411,573)	(6,773)	(22,006)	(440,352)
Balance – End of year	1,852,782	16,754	26,899	1,896,435	700,220	25,889	48,423	774,532

(expressed in Canadian dollars)

Lease liabilities

	For the year ended September 30, 2023				For the year ended September 30, 2022			
	Office	**Vehicles**	**Equipment**	**Total**	**Office**	**Vehicles**	**Equipment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance – Beginning of year	755,699	26,380	49,416	831,495	639,251	4,762	24,462	668,475
Additions	1,715,415	-	-	1,715,415	530,911	28,167	64,573	623,651
Lease renewals, reassessments and modifications	-	-	-	-	-	-	(17,572)	(17,572)
Interest expense on lease liabilities	119,737	641	2,205	122,583	34,345	255	2,492	37,092
Payments	(662,990)	(9,698)	(23,412)	(696,100)	(448,808)	(6,804)	(24,539)	(480,151)
Balance – End of year	1,927,861	17,323	28,209	1,973,393	755,699	26,380	49,416	831,495
Current portion of lease liabilities				477,625				363,984
Non-current portion of lease liabilities				1,495,768				467,511

(expressed in Canadian dollars)

As at September 30, 2023, lease liabilities were discounted using the Company's incremental borrowing rate at the lease commencement date and had weighted-average rates ranging from 2.99% to 8.45% (2022: 2.99% to 5.95%).

Future undiscounted cash outflows for lease liabilities in effect as of September 30, 2023 and September 30, 2022 are disclosed in note 23.

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

Amounts recognized in selling, general and administrative	**2023** **$**	**2022** **$**
Rent expense – variable lease payments	207,486	245,439
Expense related to short-term leases	92,266	225,009
Expense related to low-value assets	78,667	64,431
Income from subleases	(9,500)	(11,659)
	368,919	523,220

Amounts recognized in the statements of cash flow	**2023** **$**	**2022** **$**
Cash payments for the interest portion of lease liabilities	121,556	37,092
Cash payments for leases not included in the measurement of lease liabilities	368,919	523,219
Cash outflow in operating activities	490,475	560,311
Cash payments for the principal portion of lease liabilities	573,519	443,059
Total cash flow for leases	1,063,994	1,003,370

(expressed in Canadian dollars)

9 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 September 30, 2023, the Company had drawn $nil on its operating demand loan and $nil in letters of credit (2022 – $nil and $nil, respectively). The Company has $2,500,000 in credit available under this facility.

The Company has certain covenants in accordance with its credit facilities. As at September 30, 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 September 30, 2023, the Company had utilized $65,841 (2022 – $92,837) against this facility, which is recorded under trade and other payables in the statements of financial position.

10 Trade and other payables

	2023 **$**	**2022** **$**
Trade payables	3,273,602	3,336,901
Salaries and benefits payable	592,115	833,805
Other accrued liabilities and payables	955,403	1,734,364
	4,821,120	5,905,070

11 Long-term debt

	2023 **$**	**2022** **$**
Term loan, bearing interest at 3.28%	823,107	1,321,410
Less: Current portion	514,895	498,303
	308,212	823,107

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 September 30, 2023, the Company was in compliance with all its covenants.

(expressed in Canadian dollars)

Long-term debt balances as at September 30, 2023 are due as follows:

	$
2024	514,895
2025	308,212
	823,107

The movements in net debt for the year ended September 30, 2023 are presented below:

	Cash $	Long-term debt $	Total $
Balance as at October 1, 2022	4,911,423	(1,321,410)	3,590,013
Net cash flows	(1,871,711)	498,303	(1,373,408)
Balance as at September 30, 2023	3,039,712	(823,107)	2,216,605

12 Investment in joint venture

The Company 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. JV-60 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. The investment in BLM-KEL-60 Corp. is accounted for using the equity method in accordance with IAS 28. No material transactions have taken place during the period ended September 30, 2023 (2022 - $nil).

(expressed in Canadian dollars)

13 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.

- Special shares

  The Company is authorized to issue an unlimited number of special shares, issuable in series. The Board of Directors of the Company may fix, before issue, the number of special shares in each series, the designation, rights, privileges, restrictions, and conditions attached to that specific series, as well as any right to receive dividends, any terms or conditions of redemption or purchase, and any conversion rights. The special shares do not have any voting rights. On liquidation the special shares rank on par with any other special shares issued and rank in priority over the common shares. No special shares are currently outstanding. No special shares are currently outstanding.

(expressed in Canadian dollars)

Share options

The Company has a Share Option Plan (the "Plan") which it uses to provide an incentive to directors, officers, employees and consultants of the Company. The Plan was amended on March 23, 2022. There are 4,500,000 common shares reserved for issuance under the Plan. The exercise price of the options is set using the volume weighted average trading price (the "VWAP") of the common shares on the TSX Venture Exchange, calculated by dividing the total value of the common shares by the total volume of the common shares traded for the five trading days immediately preceding the grant of the option. The Board of Directors will determine the vesting period of the options at the time of the grant. Most option grants vest in three equal tranches one year apart, with the first vesting date starting no later than one year after the date of grant and expire no later than ten years from the date of grant. Options terminate one year after the death of a participant and 60 days after a participant ceases to be a director, officer, employee or consultant of the Corporation. No individual may hold options to purchase common shares exceeding 5% of the then outstanding common shares.

Activity in the share option plan is summarized as follows:

	2023		2022	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Outstanding – Beginning of year	2,839,000	0.36	620,000	0.25
Granted	287,250	0.41	2,789,000	0.36
Expired/Cancelled/Forfeited	(571,334)	0.37	(30,000)	0.43
Exercised	-	-	(540,000)	0.23
Outstanding – End of year	2,554,916	0.36	2,839,000	0.36
Exercisable – End of year	876,988	0.36	20,000	0.34

Information about share options outstanding as at September 30, 2023 is as follows:

	Awards outstanding			Awards exercisable		
Grant price range	Quantity	Weighted average remaining contractual life	Weighted average exercise price $	Quantity	Weighted average remaining contractual life	Weighted average exercise price $
0.34 – 0.40	2,374,916	3.92	0.35	846,988	3.83	0.35
0.41 – 0.60	180,000	4.14	0.52	30,000	3.48	0.60
	2,554,916	3.93	0.36	876,988	3.82	0.36

(expressed in Canadian dollars)

Share-based compensation

The fair value of options vested is recognized as compensation cost is recorded in selling, general and administrative expenses.

During the year ended September 30, 2023, the Company issued 287,250 (2022 – 2,789,000) options to purchase common shares, of which 151,250 were issued to directors and officers (2022 – 1,010,000). The weighted average exercise price of the options is $0.36 (2022 – $0.36). The options granted vest over a period of either 1 year or three years and have a term of five years. The fair value of options granted during the year was $71,041 (2022 – $697,336) resulting in a weighted average grant date fair value of $0.25 per option (2022 – $0.25).

During the year ended September 30, 2023, the Company recognized $318,802 (2022 – $57,392) as contributed surplus and share-based compensation expense and no options were exercised (2022 - 540,000 options exercised with a weighted average exercise price of $0.23 and a weighted average market price of $0.70. The shares were exercised for total proceeds of $126,060.)

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model. The historical share price of the Company's common shares is used to estimate expected volatility, and government bond rates are used to estimate the risk-free interest rate.

For options granted during the years ended September 30, 2023 and 2022, the following assumptions were used:

	2023 **$**	**2022** **$**
Exercise price	0.36	0.36
Price of underlying share	0.40	0.37
Expected volatility	87%	101%
Expected option life (years)	3.51	3.57
Expected dividends	-	-
Risk-free interest rate	4.0%	3.3%
Forfeiture rate estimate	13.1%	13.1%

(expressed in Canadian dollars)

14 Income tax

The provision for income taxes differs from the result that would be obtained by applying the combined Canadian federal and provincial statutory income tax rates to earnings before income taxes. The reconciliation between the statutory income tax rate and the Company's effective rate of income tax is as follows:

	2023 **$**	**2022** **$**
Earnings before income taxes	943,665	1,628,416
Statutory tax rate	26.50%	26.50%
Expected income tax expense	250,108	431,530
Permanent differences	99,262	20,423
Prior period adjustments	88,136	(85,073)
Research and development and other tax credits	4,548	(61,514)
Other	(5,619)	-
Income tax expense	436,435	305,366

The following shows the components of income tax expense:

	2023 **$**	**2022** **$**
Current tax expense	207,317	140,148
Deferred tax expense	229,118	165,218
Income tax expense	436,435	305,366

(expressed in Canadian dollars)

The following is a reconciliation of the deferred income tax assets and (liabilities) recognized by the Company:

				2023
	Balance – Beginning of year $	**Recognized in earnings $**	**Equity component $**	**Balance – End of year $**
Property and equipment	205,872	(24,267)	-	181,605
Non-capital losses	-	-	-	-
Federal ITC's	368,077	(212,801)	-	155,276
Reserves	140,833	3,076	-	143,909
Financing cost	1,272	(424)	-	848
Other	15,099	5,298	-	20,397
	731,153	(229,118)	-	502,035

				2022
	Balance – Beginning of year $	**Recognized in earnings $**	**Equity component $**	**Balance – End of year $**
Property and equipment	249,441	(43,569)	-	205,872
Non-capital losses	107,308	(107,308)	-	-
Federal ITC's	486,595	(118,518)	-	368,077
Reserves	28,407	112,426	-	140,833
Financing cost	1,975	(703)	-	1,272
Other	22,645	(7,546)	-	15,099
	896,371	(165,218)	-	731,153

The amount and timing of reversals of temporary differences will be dependent on, among other things, the Company's future operating results, and acquisitions and dispositions of assets and liabilities. Legislative changes in tax rates could materially affect the Company's estimate of deferred income taxes.

(expressed in Canadian dollars)

The Company has non-capital losses in the amount of $nil (2022 - $nil) for which it has recognized a deferred tax asset in the statements of financial position.

As at September 30, 2023, the Company has unused investment tax credits of $211,271 (2022 – $500,824), to offset against future federal income taxes payable. The credits begin to expire in 2026. During the year ended September 30, 2023, the benefit of the unused investment tax credits was recorded as a deferred income tax asset in the statements of financial position.

15 Other expense items by nature

	2023 **$**	**2022** **$**
Personnel	16,084,295	15,651,779
Direct project expenses	14,023,185	13,310,510
Depreciation and amortization (notes 6, 7, 8)	673,920	516,269
Other operating expense	3,290,789	3,112,429
	34,072,189	32,590,987
Reported as:		
Cost of sales	27,497,859	26,756,668
Selling, general and administrative	6,574,330	5,834,319
	34,072,189	32,590,987
Finance costs		
Interest on leases (IFRS 16) (note 8)	122,583	39,064
Interest on term loan and bank loans	35,896	51,929
Bank charges	19,816	20,405
Other finance charges (income)	(109,200)	(12,628)
	69,095	98,770

(expressed in Canadian dollars)

16 Weighted average shares outstanding

	2023	2022
Issued common shares	29,435,695	29,435,695
Weighted average number of basic common shares	29,435,695	29,365,996
Effect of share options on issuance	8,276	47,784
Weighted average number of diluted common shares	29,443,971	29,413,780

Options that were anti-dilutive are not included in the computation of diluted common shares. For the year ended September 30, 2023, 2,494,916 were excluded from the calculation because they were anti-dilutive (2022 – 2,779,000).

17 Changes in working capital balances

	2023 $	2022 $
Accounts receivable	1,878,843	(2,880,713)
Unbilled revenue	(1,524,283)	779,785
Contract assets	(1,172,608)	124,876
Prepaid expenses	(4,055)	(113,877)
Trade and other payables	(1,083,950)	1,969,925
Contract liabilities	(3,467)	(777,574)
	(1,909,520)	(897,578)

18 Commitments and contingencies

Future payments required under operating leases that have initial or remaining lease terms in excess of one year as at September 30, 2023 are as follows:

	Premises $	Equipment $	Total $
Within one year	13,328	84,407	97,735
Between two and five years	1,800	73,033	74,833
	15,128	157,440	172,568

(expressed in Canadian dollars)

In the normal course of business, the Company is party to a number of ongoing legal claims. The success of these claims is assessed as not likely or remote. The Company believes its existing insurance coverage is sufficient to mitigate its exposure. However, the extent of coverage cannot be predicted with certainty. The Company's status in all claims is monitored closely by management and changes in that status, if any, are recorded in the period when the change triggering the recognition of a liability is known.

19 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:

	2023 $	2022 $
Canada	35,035,609	34,240,687
Other countries	48,830	77,486
	35,084,439	34,318,173

For the year ended September 30, 2023, approximately 9% of revenue (2022 – 16%) was derived from one customer. The customer referenced below is not necessarily the same customer in both years.

	2023	2022
Customer 1	9%	16%

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

(expressed in Canadian dollars)

20 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:

			2023 $
	Fixed price $	**Time and materials** $	**Total** $
Commercial and industrial	3,468,988	10,075,758	13,544,746
Government	3,589,032	6,144,038	9,733,070
Military	3,244,555	2,201,815	5,446,370
Mining	1,451,690	4,908,563	6,360,253
	11,754,265	23,330,174	35,084,439

			2022 $
	Fixed price $	**Time and materials** $	**Total** $
Commercial and industrial	3,138,468	10,384,233	13,522,701
Government	4,260,857	5,611,712	9,872,569
Military	1,908,965	4,347,305	6,256,270
Mining	660,018	4,006,615	4,666,633
	9,968,308	24,349,865	34,318,173

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 year ended September 30, 2023, $911,711 or 3% (2022 – $887,876 or 3%) was recognized at a point in time, which primarily related to military sector customers.

(expressed in Canadian dollars)

Contract balance

The following table provides information about trade receivables, unbilled revenue, contract assets and contract liabilities related to contracts with customers:

	2023 **$**	**2022** **$**
Trade receivables	5,968,324	7,565,177
Unbilled revenue	3,900,498	2,376,215
Contract assets	3,950,376	2,777,768
Contract liabilities	(239,568)	(243,035)
	13,579,630	12,476,125

Revenue recognized in the year ended September 30, 2023, and included in contract liabilities as at September 30, 2022 was $243,035, and $239,568 was added to contract liabilities during the year ended September 30, 2023.

Remaining performance obligations

Backlog (i.e., remaining performance obligations) means the total value of work that has not yet been completed that has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing.

The Company does not report as backlog the significant number of contracts and arrangements in hand where the exact amount of work to be performed cannot be reliably quantified or where a minimum number of units at the contract specified price per unit is not guaranteed. As such, the Company's anticipated future work to be performed at any given time is greater than what is reported as backlog.

The aggregate amount of estimated revenue related to performance obligations that are unsatisfied (or partially unsatisfied) as at September 30, 2023, was approximately $18.8 million (2022 – $8.2 million). The Company expects to recognize approximately 33% (2022 – 95%) of this revenue as contracts are completed over the next 12 months, with the remainder thereafter.

	2023 **$**	**2022** **$**
Next 12 months	6,122,779	7,787,342
Next 13 – 24 months	12,511,857	384,551
Beyond	190,914	59,970
	18,825,550	8,231,863

(expressed in Canadian dollars)

21 Related party transactions

Compensation of key management personnel

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

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

	2023 $	2022 $
Salaries	1,291,828	1,225,005
Short-term benefits	82,970	102,628
Share-based compensation (note 13)	155,352	37,672
	1,530,150	1,365,305

22 Financial instruments

The following table summarizes information regarding the carrying values of the Company's financial instruments:

			2023		2022
Instrument	**Measurement**	**Carrying value $**	**Fair value $**	**Carrying value $**	**Fair value $**
Assets					
Cash	amortized cost	3,039,712	3,039,712	4,911,423	4,911,423
Accounts receivable	amortized cost	5,968,324	5,968,324	7,565,177	7,565,177
		9,008,036	9,008,036	12,476,600	12,476,600
Liabilities					
Trade and other payables	amortized cost	4,821,120	4,821,120	5,905,070	5,905,070
Lease liabilities	amortized cost	1,973,393	3,475,709	831,496	854,217
Long-term debt	amortized cost	823,107	791,773	1,321,410	1,270,828
		7,617,620	9,088,602	8,057,976	8,030,115

The fair value of current financial instruments approximates their carrying values due to their short-term nature, except for lease liabilities and long-term debt. The fair value of the long-term debt and lease liabilities are based upon discounted future cash flows using discount rates, adjusted for the Company's own credit risk,

(expressed in Canadian dollars)

that reflect current market conditions. Such fair value estimates are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions.

23 Risk management

The Company is exposed to various risks in relation to its financial instruments. The Company's financial assets and liabilities by category are summarized below. The main types of risk are credit risk, market risk and liquidity risk.

The Company's risk management is coordinated in close cooperation with the Board of Directors and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial instruments for speculative purposes.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. Credit risk associated with the Company's cash is assessed with reference to external credit ratings, which, in all cases, are above investment grade. The primary financial assets that potentially expose the Company to credit risk are accounts receivable, unbilled revenue and contract assets.

The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its receivables in order to mitigate any possible credit losses.

The Company's management considers all financial assets that are not impaired or past due for each of the September 30, 2023, and September 30, 2022 reporting dates to be of good credit quality.

At the end of the year, five customers (2022 – five customers) accounted for 24% (2022 – 39%) of accounts receivable.

The Company applies the simplified approach to customer contract related receivables and recognizes a loss allowance based on lifetime ECL. Trade receivables, unbilled revenues and contract assets have been grouped based on shared credit risk characteristics and the days past due. Therefore, expected loss rates for trade receivables are a reasonable approximation of the loss rates for unbilled revenue and contract assets. The loss allowance is based on the Company's historical collection and loss experience over the past four years and incorporates forward-looking factors, where appropriate. Management has determined that the probability of default on government customers, based on the history of default, is minimal and therefore did not result in the recognition of an ECL on such balances.

(expressed in Canadian dollars)

The loss allowance for trade receivables, unbilled revenue and contract assets (excluding government customers) as at September 30, 2023 and September 30, 2022 is determined as follows:

September 30, 2023

	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	121 to 180 days past due	More than 180 days past due	Total $
Expected loss rate	0.39%	1.39%	0.00%	0.91%	9.25%	5.24%	94.53%	-
Gross carrying amount	2,020,179	1,503,514	174,422	380,633	128,708	481,874	87,047	4,776,377
Loss allowance	7,881	20,826	-	3,458	11,910	25,264	82,286	151,625

September 30, 2022

	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	121 to 180 days past due	More than 180 days past due	Total $
Expected loss rate	0.84%	0.00%	0.00%	1.85%	16.87%	42.34%	54.20%	-
Gross carrying amount	7,289,336	931,232	980,958	415,060	234,189	161,293	239,975	10,252,043
Loss allowance	61,509	-	-	7,695	39,515	68,292	130,062	307,073

(expressed in Canadian dollars)

The closing loss allowance for trade receivables, contracts assets, and unbilled revenue as at September 30, 2023 reconcile to the opening loss allowance as follows:

	2023		
	Trade receivables $	**Contract assets $**	**Unbilled revenue $**
Opening balance – calculated under IFRS 9	276,243	17,204	13,626
Decrease in loss allowance	(123,228)	(17,204)	(13,626)
Accounts written off as uncollectible	(1,390)	-	-
Balance – End of year	151,625	-	-

	2022		
	Trade receivables $	**Contract assets $**	**Unbilled revenue $**
Opening balance – calculated under IFRS 9	296,549	12,526	13,620
Increase in loss allowance	28,009	4,678	6
Accounts written off as uncollectible	(48,315)	-	-
Balance – End of year	276,243	17,204	13,626

Trade receivables, unbilled revenue and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Company or to make contractual payments for a period of greater than 365 days past the due date.

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 $11,101,678 (2022 - $19,912,112).

As at September 30, 2023, the Company had the following balances available on its credit facilities: operating demand loan – $2,500,000; and credit card facility – $184,159.

(expressed in Canadian dollars)

As at September 30, 2023, the Company had approximately $5.7 million in availability between its operating line and its cash balances.

The following table outlines the liquidity risk associated with the Company's undiscounted payment obligations as at September 30, 2023 and September 30, 2022, respectively.

						2023
	Less than 1 year $	**1 – 5 years** $	**Thereafter** $	**Total undiscounted cash flows** $	**Effect of interest** $	**Carrying value** $
Trade and other payables	4,821,120	-	-	4,821,120	-	4,821,120
Lease liabilities (IFRS 16)	744,248	2,247,019	778,140	3,769,407	1,796,014	1,973,393
Long-term debt	534,174	311,616	-	845,790	22,683	823,107
	6,099,542	2,558,635	778,140	9,436,317	1,818,697	7,617,620

						2022
	Less than 1 year $	**1 – 5 years** $	**Thereafter** $	**Total undiscounted cash flows** $	**Effect of interest** $	**Carrying value** $
Trade and other payables	5,847,070	58,000	-	5,905,070	-	5,905,070
Lease liabilities (IFRS 16)	400,615	510,834	-	911,449	79,954	831,495
Long-term debt	534,174	845,815	-	1,379,989	58,579	1,321,410
	6,781,859	1,414,649	-	8,196,508	138,533	8,057,975

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

- Interest rate risk

  Interest rate risk is the risk the fair value or future cash flows of financial instruments will fluctuate because of changes in interest rates. As at September 30, 2023, the Company did not have any floating rate obligations.

- Foreign currency risk

  Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in currency exchange rates.

(expressed in Canadian dollars)

The Company operates internationally and is therefore subject to foreign currency risk. The table below shows the Company's cash and financial instruments held in US dollars and their Canadian dollar equivalents.

	2023		2022	
	CAD $	**USD $**	**CAD $**	**USD $**
Accounts receivable	203,518	150,531	189,325	138,123
Cash	229,468	169,725	119,249	86,998
Trade and other payables	(53,564)	(39,618)	(215,496)	(157,216)

The Company incurs expenses and earns revenue in Canadian and US dollars. To date the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure.

If the US dollar was 10% higher or 10% lower on September 30, 2023, net earnings and equity would increase or decrease by $37,942, respectively (2022 - $9,308).

24 Capital Management

The Company's objective is to maintain a capital base to maintain investor, creditor, and market confidence and to sustain future development of the business. Management defines capital as comprising the Company's total shareholders' equity, credit facilities and long-term debt. To maintain or adjust its capital structure, the Company may issue or repurchase share capital, or obtain or reduce long-term debt. To date, no dividends have been paid to the Company's shareholders. There have been no changes to the Company's approach to management of its capital for the current year compared to the prior year.