BLUMETRIC ENVIRONMENTAL INC.

Consolidated Financial Statements
For the years ended September 30, 2024 and 2023
(expressed in thousands of Canadian dollars)

About Us

BluMetric Environmental Inc. is a publicly traded environmental consulting and watertech 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 220 employees operating in ten offices across Canada and the United States and over 45 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 consolidated financial statements of BluMetric Environmental Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2024 and September 30, 2023, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2024 and September 30, 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS® Accounting 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 Consolidated 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated 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 judgment and audit effort was required.

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Audit Response

We responded to this matter by performing audit procedures over the estimate of total expected hours and non-labour costs for each contract tested. 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, on a sample basis, to actual costs incurred in order to assess management's ability to forecast estimated costs 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 projects were also validated to ensure the estimate is appropriate and any other factors impacting the amount of time and costs 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 consolidated financial statements disclosures.

Business acquisition

Key Audit Matter Description

As described in Note 4 to the consolidated financial statements, on September 23, 2024, the Company acquired all of the shares of Gemini Water LLC for cash consideration of $4,047,000 and 2,352,500 shares, at a fair value of $1,256,000 and contingent consideration of $3,074,000. The identifiable assets acquired and the liabilities assumed were measured at fair value as of the acquisition date. Where the net of the fair value of the assets acquired and liabilities assumed is less than the fair value of consideration transferred, the difference is accounted for as goodwill which amounts to $5,251,000. The assets acquired includes intangible asset of $ 3,120,000. In assessing the fair value of the contingent consideration and acquired assets, management used various valuation techniques involving significant judgement and subjectivity.

We considered this to be a key audit matter due to the complexity of the transaction, which included valuation of the contingent consideration, acquired intangible assets and goodwill. This resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the audit evidence related to management's estimates.

Audit Response

We responded to this matter by performing audit procedures over management's valuation techniques in determining the fair value of the contingent consideration, acquired assets and in determining goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- Analysed the signed purchase agreement to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations;
- Tested the mathematical accuracy of management's valuation models and supporting calculations;
- Evaluated the fair value of the consideration transferred including the fair value of the common shares and the contingent consideration;

- Evaluated the reasonableness of key assumptions in management's models, including testing of historical transactions which were used as a basis for future projections;
- Assessed the appropriateness of the disclosures relating to the assumptions used in the acquisition in the notes to the consolidated financial statements;
- With the assistance of our internal valuation specialists, evaluated the reasonableness of management's model, through assessing the appropriateness of valuation models used and testing the significant assumptions and inputs by:
  - comparing to externally available industry and economic trends;
  - evaluating budgets and forecasts for future operations; and
  - comparing against companies within the same industry.

Other Information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
January 28, 2025

BluMetric Environmental Inc.
Consolidated Statements of Financial Position
As at September 30, 2024 and 2023

(in thousands of Canadian dollars)

	2024 $	2023 $
Current assets		
Cash and cash equivalents	3,646	3,040
Trade and other receivables (notes 5, 23)	10,216	5,968
Unbilled revenue (note 23)	3,343	3,901
Contract assets (note 23)	5,617	3,950
Inventory (note 6)	101	-
Prepaid expenses	1,367	296
	24,290	17,155
Non-current assets		
Property and equipment (note 7)	657	446
Intangible assets (note 4, 8)	3,570	52
Goodwill (notes 4, 15)	5,229	-
Right-of-use assets (note 9)	3,873	1,896
Deferred income tax assets (note 17)	376	502
	13,705	2,896
	37,995	20,051
Current liabilities		
Bank indebtedness (note 10)	3,495	-
Trade and other payables (note 11)	7,674	4,821
Contract liabilities (note 23)	5,617	240
Current portion of lease liabilities (note 9)	617	477
Current portion of long-term debt (note 12)	308	515
Current portion of contingent consideration (notes 4, 14)	1,117	-
	18,828	6,053
Non-current liabilities		
Lease liabilities (note 9)	3,485	1,496
Long-term debt (note 12)	-	308
Contingent consideration (note 4, 14)	1,957	-
	5,442	1,804
	24,270	7,857
Shareholders’ Equity		
Share capital (note 16)	7,057	5,797
Contributed surplus and other equity (note 16)	1,238	996
Retained earnings	5,465	5,401
Other comprehensive income (loss)	(35)	-
	13,725	12,194
	37,995	20,051

Approved by the Board of Directors

“Ian Mor Macdonald” Director
Ian Mor Macdonald

“Scott MacFabe” Director
Scott MacFabe

The accompanying notes are an integral part of these consolidated financial statements.

BluMetric Environmental Inc.
Consolidated Statements of Changes in Shareholders’ Equity
For the years ended September 30, 2024 and 2023

(in thousand of Canadian dollars, except share data)

	Common shares #	Share capital $	Contributed surplus and other equity $	Retained earnings $	Accumulated other comprehensive income (loss) $	Total $
Balance – October 1, 2022	29,435,695	5,797	677	4,894	-	11,368
Share-based compensation (note 16)	-	-	319	-	-	319
Net earnings and comprehensive income for the year	-	-	-	507	-	507
Balance – September 30, 2023	29,435,695	5,797	996	5,401	-	12,194
Balance – October 1, 2023	29,435,695	5,797	996	5,401	-	12,194
Share-based compensation (note 16)	-	-	244	-	-	244
Exercise of stock options (note 16)	6,784	4	(2)	-	-	2
Share capital issued on the acquisition of Gemini Water LLC (note 4)	2,352,500	1,256	-	-	-	1,256
Net earnings and comprehensive income for the year	-	-	-	64	(35)	29
Balance – September 30, 2024	**31,794,979**	**7,057**	**1,238**	**5,465**	**(35)**	**13,725**

The accompanying notes are an integral part of these consolidated financial statements.

BluMetric Environmental Inc.
Consolidated Statements of Income
For the years ended September 30, 2024 and 2023

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

	2024 $	2023 $ Restated (note 28)
Revenue (notes 22, 23)	34,838	35,084
Cost of sales (notes 6, 18)	20,856	22,777
Gross profit	13,982	12,307
Operating expenses and other items		
Selling, general and administrative (note 18)	13,112	11,295
Acquisition costs (notes 4, 18)	271	-
Operating profit	599	1,012
Finance costs (note 18)	336	69
Other income (note 13)	(8)	-
Earnings before income taxes	271	943
Income tax expense (note 17)	207	436
Net income for the year	64	507
Earnings per share		
Basic	0.00	0.02
Diluted	0.00	0.02
Weighted average number of shares outstanding (note 19)		
Basic	31,794,979	29,435,695
Diluted	31,816,807	29,443,971

The accompanying notes are an integral part of these consolidated financial statements.

BluMetric Environmental Inc.
Consolidated Statements of Comprehensive Income
For the years ended September 30, 2024 and 2023

(in thousands of Canadian dollars)

	2024 $	2023 $
Net income for the year	64	507
Other comprehensive (loss)		
Items that may be reclassified to net income in subsequent periods:		
Exchange differences on translation of foreign operations	(35)	-
Other comprehensive (loss) for the year, net of tax	(35)	-
Total comprehensive income for the year	29	507

The accompanying notes are an integral part of these consolidated financial statements.

BluMetric Environmental Inc.

Consolidated Statements of Cash Flows
For the years ended September 30, 2024 and 2023

(in thousands of Canadian dollars)

	2024 $	2023 $
Cash provided by (used in)		
Operating activities		
Net income for the year	64	507
Non-cash items		
Deferred income tax expense (note 17)	126	229
Credit loss allowance (note 26)	297	(282)
Depreciation of property and equipment (note 7)	79	59
Amortization of intangible assets (note 8)	24	21
Amortization of right-of-use assets (note 9)	754	594
Accretion of lease liabilities (note 9)	310	123
(Gain) loss on unrealized foreign exchange	(6)	-
Share-based compensation (note 16)	244	319
Change in non-cash working capital balances (note 20)	(1,835)	(1,910)
	57	(340)
Investing activities		
Acquisition of property and equipment (note 7)	(201)	(337)
Acquisition of intangible asset (note 8)	(435)	-
Business acquisition, net of cash acquired (note 4)	(868)	-
	(1,504)	(337)
Financing activities		
Increase in bank indebtedness	3,495	-
Repayment of long-term debt (note 12)	(515)	(498)
Repayment of lease liabilities (note 9)	(912)	(696)
Exercise of stock options (note 16)	2	-
	2,070	(1,194)
Change in cash during the year	623	(1,871)
Decrease in cash due to changes in foreign exchange rates	(17)	-
Cash and cash equivalents – Beginning of year	3,040	4,911
Cash and cash equivalents – End of year	3,646	3,040
Supplementary information		
Interest paid	329	158
Income taxes paid	138	341

The accompanying notes are an integral part of these consolidated financial statements.

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

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, the United States 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 under the symbol BLM and on the OTCQX Markets Group under the symbol BLMWF.

2 Summary of material accounting policies

Statement of compliance

These consolidated 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 consolidated financial statements were approved and authorized for issue by the Board of Directors on January 28, 2025.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified at fair value through profit and loss, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of Consolidation

The consolidated financial statements include the accounts of the BluMetric Environmental Inc. and its wholly owned US domiciled subsidiary Gemini Water LLC.

The subsidiary is fully consolidated from the date of acquisition, which is the date the Company obtains control, and will continue to be consolidated until the date that this control ceases. All intercompany balances and transactions are eliminated in consolidation.

Functional currency and foreign currency translation

The Company’s consolidated financial statements are presented in Canadian dollars. Balances included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

The functional currency of BluMetric Environmental inc. is the Canadian dollar, and where the functional currency of Gemini Water LLC is the American dollar.

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

The financial statements of operations that have a functional currency different than the presentation currency of the Company are translated using the rate in effect at the consolidated statement of financial position date for assets and liabilities and the average daily exchange rates during the period for revenues and expenses. Exchange differences arising, if any, are recognized in other comprehensive income (loss) and accumulated in equity under the heading of exchange differences on translation of foreign operations.

Business Combinations

In a business combination, the Company obtains control of one of more businesses. The Company uses the acquisition method to account for business combinations when the acquired activities and assets meet the definition of a business and control is transferred to the Company. In the determination of whether a particular set of activities and assets are a business, the Company assess whether the acquired activities and assets include, at a minimum, an input and substantive process and whether the activities and assets have the ability to produce outputs.

The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Company, which includes the fair value of any asset of liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity in a business combination over the fair value of the identifiable net assets acquired.

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 the consolidated 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.

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 consolidated 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.

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

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 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.

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

Right-of-use assets and lease liabilities

To determine the value of the initial recognition 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. These items could potentially result in changes to amounts reported in the consolidated statements of income and statements of financial position in a given period.

Business combinations

Management uses various valuation techniques including estimated cash flows and related discount rates when determining the fair value of certain assets and liabilities acquired in a business combination.

Contingent consideration

The Company measures the contingent consideration in a business combination at the estimated fair market value at each reporting date. The fair value is determined based on the range of possible outcomes and the Company’s assessment of the likelihood of each outcome.

Cash and cash equivalents

Cash and cash equivalents 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.

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

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	4 years
Field equipment	5 years
Office furniture and equipment	5 years
Leasehold improvements	lesser of useful life and lease term
Vehicles	4 years

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are measured at fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried 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
Intellectual Property	5 years
Customer relationships	5 years
Contract backlog	5 years

Amortization is included in selling, general and administrative expenses in the consolidated statements of income.

Impairment testing of goodwill and other intangible assets

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). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill is allocated to those cash generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Company at which management monitors goodwill.

Cash generating units to which goodwill and intangible assets that have an indefinite useful life or is not yet available for use has been allocated are tested for impairment at least annually. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value in use. To determine the value in use, management estimates expected future cash flows from each cash generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Company’s latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash generating unit and reflect current market assessments of the time value of money and asset specific risk factors.

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

Impairment losses for cash generating units reduce first the carrying amount of any goodwill allocated to the cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indication an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the assets or cash generating units recoverable amount exceeds its carrying amount.

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 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.

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. 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

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

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 consolidated statements of 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 consolidated statements of 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.

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 consolidated statements of 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. 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 consolidated statements of 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 the US, 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.

Equity

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

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

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

Other comprehensive income represents items that are not included in net earnings and are instead recorded directly into shareholders’ equity and includes gains and losses from foreign currency translation of the assets and liabilities of foreign subsidiaries.

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 consolidated statements of 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 consolidated statements of 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.

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.

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.

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

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.

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.

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.

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

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 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. 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.

Presentation of contract balances

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.

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

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.

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 instruments 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 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 use an ECL model. 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.

Under the ECL model, any trade receivable, unbilled revenue, and contract assets where the borrower has filed for bankruptcy will automatically be considered impaired. Additionally, trade receivable, 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.

The Company derecognizes financial assets solely when the contractual rights to the cash flows from these assets expire, or when it transfers the financial assets along with substantially all associated risks and rewards of ownership to another entity. Gains and losses from derecognition are recorded in the consolidated statements of income.

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

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statements of income.

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).

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.

3 Recent Accounting Pronouncements and Future Changes in Accounting Policies

At the date of authorization of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

Recent Accounting Standard Changes

The following accounting pronouncements which have become effective and have therefore been adopted do not have a significant impact on the Company's consolidated financial statements.

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 were effective for

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

annual reporting periods beginning on or after January 1, 2023, with comparative figures not restated.

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 were effective for annual reporting periods beginning on or after January 1, 2023, with comparative figures not restated.

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 were effective for annual periods beginning on or after January 1, 2023, with comparative figures not restated.

Future Accounting Standard Changes

The following new and amended standards are not expected to have a significant impact on the Company's consolidated financial statements.

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 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 consolidated financial statements.

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

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

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 consolidated financial statements as a result of adopting this amendment.

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 consolidated financial statements.

4 Acquisition of Gemini Water LLC

On September 23, 2024, the Company acquired all of the shares of Gemini Water LLC ("Gemini"), who was at arm's length to the Company.

Cash consideration of $4,047 (US$3,000) and 2,352,500 shares, at a fair value of $1,256 (US$1,000), subject to a 4-month plus 1-day holding period, were issued at closing with future consideration earn-outs valued at $1,424 (US$1,050) contingent on revenue growth and gross margin targets and up to $4,069 (US$3,000) contingent on revenue growth in excess of $9,495 (US$7,000) annual revenue per year. The Company has recognized $3,074 (US$2,266) payable over three years following the closing (note 14), based on the achievement of Gemini revenue and gross margin targets. An additional $364 (US$269) was calculated as a working capital and tax adjustment of which $303 (US$223) is owing at September 30, 2024.

The acquisition is in line with the Company's overall growth strategy which includes a focus on growing its watertech water treatment business.

The purchase consideration comprised the following:

	$
Cash (including working capital and tax adjustment)	4,434
Share capital issued	1,256
Contingent consideration	3,074
Total purchase consideration	8,764

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

The net cash outflow of the acquisition was as follows:

	$
Consideration paid in cash	4,108
Cash balance acquired	(3,240)
Total cash outflow on acquisition	868

The Company allocated the purchase consideration as follows:

	$
Net assets acquired	3,513
Goodwill	5,251
Total purchase consideration	8,764

The fair value of acquired intangible assets includes the fair value of trademarks, customer relationships and contract backlog.

The fair value of the identifiable net assets acquired included the following:

	$
Current Assets	
Cash and cash equivalents	3,240
Trade and other receivables	980
Prepaid expenses	841
Inventory	172
Contract assets	910
	6,143
Non-Current Assets	
Property and equipment	89
Customer relationships	1,356
Trademarks	543
Backlog	1,221
	3,209
Total assets acquired	9,352
Current Liabilities	
Trade and other liabilities	493
Contract liabilities	5,346
Total liabilities assumed	5,839
Net assets acquired	3,513

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

The fair value of acquired trade receivables was $980. The gross contractual amount for trade receivables due was $1,176 with an allowance for ECLs of $196 recognized on acquisition.

Goodwill includes the assembled workforce, as well as expected synergies between the businesses.

The contingent consideration represents the discounted value of the liability.

Transaction costs of $271 were expensed and are included in the acquisition costs in the consolidated financial statements in the consolidated statements of income.

For the post-acquisition period in 2024, Gemini contributed revenue of $195 and $43 in net income to the Company's consolidated results. Had the acquisition occurred on October 1, 2024, management estimates that the Company's proforma consolidated revenue would have increased by $10,571 and the net income would have increased by $2,560 for the year ended September 30, 2024.

5 Trade and other receivables

	2024 $	2023 $
Trade and other receivables	10,752	6,120
Credit loss allowance – accounts receivable (note 26)	(536)	(152)
	10,216	5,968

6 Inventory

Inventory consists of the following:

	2024 $	2023 $
Raw materials	101	-
	101	-

The Company's inventory is valued at the lower of cost and net realizable value. There were no write downs recognized in 2024. In 2024, a total of $nil (2023 - $nil) was included as an expense as part of cost of sales.

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

7 Property and equipment

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.

						2024
	Computer hardware $	**Field equipment $**	**Office furniture and equipment $**	**Leasehold improvements $**	**Vehicles $**	**Total $**
Cost						
Balance – October 1, 2023	28	995	778	79	-	1,880
Additions	130	67	4	-	-	201
Additions arising on acquisition	24	49	16	-	-	89
Balance – September 30, 2024	182	1,111	798	79	-	2,170
Accumulated depreciation						
Balance – October 1, 2023	28	570	762	74	-	1,434
Depreciation	17	49	10	3	-	79
Balance – September 30, 2024	45	619	772	77	-	1,513
Net book value – Balance – September 30, 2024	137	492	26	2	-	657

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

						2023
	Computer hardware $	**Field equipment $**	**Office furniture and equipment $**	**Leasehold improvements $**	**Vehicles $**	**Total $**
Cost Balance – October 1, 2022	28	658	778	79	26	1,569
Additions	-	337	-	-	-	337
Disposals	-	-	-	-	(26)	(26)
Balance – September 30, 2023	28	995	778	79	-	1,880
Accumulated depreciation Balance – October 1, 2022	26	531	747	71	26	1,401
Depreciation	2	39	15	3	-	59
Disposals	-	-	-	-	(26)	(26)
Balance – September 30, 2023	28	570	762	74	-	1,434
Net book value – Balance – September 30, 2023	-	425	16	5	-	446

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

8 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.

						2024
	Computer software $	**Trademarks $**	**Intellectual Property $**	**Customer relationships $**	**Contract backlog $**	**Total $**
Cost						
Balance – October 1, 2023	95	51	-	-	-	146
Additions	51	6	378	-	-	435
Additions arising on acquisition	-	543	-	1,356	1,221	3,120
Impact of foreign exchange	-	(2)	-	(6)	(5)	(13)
Balance – September 30, 2024	146	598	378	1,350	1,216	3, 688
Accumulated amortization						
Balance – October 1, 2023	47	47	-	-	-	94
Amortization	21	3	-	-	-	24
Balance – September 30, 2024	68	50	-	-	-	118
Net book value – September 30, 2024	78	412	378	1,216	1,350	3,570

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

	2023					
	Computer software $	**Trademarks $**	**Intellectual Property $**	**Customer relationships $**	**Contract backlog $**	**Total $**
Cost						
Balance – October 1, 2022	95	51	-	-	-	146
Additions	-	-	-	-	-	-
Balance – September 30, 2023	95	51	-	-	-	146
Accumulated amortization						
Balance – October 1, 2022	28	45	-	-	-	73
Amortization	19	2	-	-	-	21
Balance – September 30, 2023	47	47	-	-	-	94
Net book value – September 30, 2023	48	4	-	-	-	52

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

9 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, 2024				For the year ended September 30, 2023			
	Office	**Vehicles**	**Equipment**	**Total**	**Office**	**Vehicles**	**Equipment**	**Total**
					$	**$**	**$**	**$**
Balance – Beginning of year	1,852	17	27	1,896	700	26	49	775
Additions	2,364	49	69	2,482	1,715	-	-	1,715
Lease renewals, reassessments and modifications	249	-	-	249	-	-	-	-
Amortization	(704)	(17)	(33)	(754)	(563)	(9)	(22)	(594)
Balance – End of year	3,761	49	63	3,873	1,852	17	27	1,896

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

Lease liabilities

	For the year ended September 30, 2024				For the year ended September 30, 2023			
	Office	**Vehicles**	**Equipment**	**Total**	**Office**	**Vehicles**	**Equipment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance – Beginning of year	1,928	17	28	1,973	756	26	49	831
Additions	2,364	49	69	2,482	1,715	-	-	1,715
Lease renewals, reassessments and modifications	249	-	-	249	-	-	-	-
Interest expense on lease liabilities	302	2	6	310	120	1	2	123
Payments	(858)	(19)	(35)	(912)	(663)	(10)	(23)	(696)
Balance – End of year	3,985	49	68	4,102	1,928	17	28	1,973
Current portion of lease liabilities				617				477
Non-current portion of lease liabilities				3,485				1,496

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

As at September 30, 2024, 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% (2023: 2.99% to 8.45%).

Future undiscounted cash outflows for lease liabilities in effect as of September 30, 2024 and September 30, 2023 are disclosed in note 24.

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

The Company leases vehicle and office equipment with terms of three to five years. These leases do not usually contain extension options, purchase options, or residual value guarantees. The Company also leases IT equipment and other equipment with terms of one to five years. These leases are generally short-term or for low-value assets that the Company has elected not to recognize in right-of-use assets and lease liabilities.

Amounts recognized in selling, general and administrative	**2024** **$**	**2023** **$**
Rent expense – variable lease payments	75	207
Expense related to short-term leases	30	92
Expense related to low-value assets	97	79
Income from subleases	(6)	(10)
	196	368

10 Credit facilities

The Company has a $4,000 (2023 - $2,500) 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 for the issuance of letters of credit.

As at September 30, 2024, the Company had drawn $3,495 on its operating demand loan and $nil in letters of credit (2023 – $nil and $nil, respectively). The Company has $505 in credit available under this facility.

The Company had certain covenants in accordance with its credit facilities. These covenants were removed during the fiscal year. For the year ended September 30, 2023, the Company was in compliance with the covenants in accordance with its credit facilities.

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

11 Trade and other payables

	2024 $	2023 $
Trade payables	5,487	3,274
Salaries and benefits payable	747	592
Other accrued liabilities and payables	1,440	955
	7,674	4,821

12 Long-term debt

	2024 $	2023 $
Term loan, bearing interest at 3.28%	308	823
Less: Current portion	308	515
	-	308

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 $45 commencing May 31, 2021. This term loan matures April 30, 2025 and is carried at amortized cost.

The movements in net debt for the year ended September 30, 2024 are presented below:

	Cash $	Long-term debt $	Total $
Balance as at October 1, 2023	3,040	(823)	2,217
Net cash flows	606	515	1,121
Balance as at September 30, 2024	3,646	(308)	3,338

13 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.

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

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, 2024 (2023 - $nil).

14 Contingent consideration

When determining the amount of this future consideration, the Company employs a discounted cash flow model. The duration of the cash flow projections is based on estimates of the revenues to be earned over the three years following the acquisition. The probabilities for the estimates range from 80% to 100% for each 12-month period and the discount rate is 11% based on cost of capital and revenue volatility.

As at September 30, 2024, the fair value of the contingent consideration was $3,074.

15 Goodwill

The change in carrying value is as follows:

	$
Balance as at September 30, 2023	-
Business combination (note 4)	5,251
Impact of foreign exchange	(22)
Balance as at September 30, 2024	5,229

The Company carries out its impairment testing annually or more frequently if there is an indication of impairment. The Company has aggregated its cash-generating units into service lines for the purpose of goodwill impairment testing. Based on the time elapsed between acquisition date at year end, the Company concluded that the recoverable amount of each CGU is equal to its carrying amount.

16 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.

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

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 (2023 – nil).

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. Option grants vest in two or 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:

	2024		2023	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Outstanding – Beginning of year	2,554,916	0.36	2,839,000	0.36
Granted	2,009,156	0.43	287,250	0.41
Expired/Cancelled/Forfeited	(393,276)	0.37	(571,334)	0.37
Exercised	(7,666)	0.36	-	-
Outstanding – End of year	4,163,130	0.40	2,554,916	0.36
Exercisable – End of year	1,408,090	0.36	876,988	0.36

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

Information about share options outstanding as at September 30, 2024 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 $**
0.30 – 0.40	3,120,130	5.03	0.35	1,318,090	4.63	0.35
0.41 – 0.50	803,000	6.47	0.43	30,000	3.80	0.43
0.51 – 0.60	240,000	5.29	0.60	60,000	2.48	0.60
	4,163,130	5.32	0.40	1,408,090	4.52	0.36

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

Share-based compensation

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

During the year ended September 30, 2024, the Company issued 2,009,156 (2023 – 287,250) options to purchase common shares, of which 1,271,858 were issued to directors and officers (2023 – 151,250). The weighted average exercise price of the options is $0.43 (2023 – $0.36). The options granted vest over a period of either two years or three years and have a term of five or seven years. The fair value of options granted during the year was $441,008 (2023 – $71,041) resulting in a weighted average grant date fair value of $0.22 per option (2023 – $0.25).

During the year ended September 30, 2024, the Company recognized $244 (2023 – $319) as contributed surplus and share-based compensation expense and 7,666 options were exercised (2023 – nil) with a weighted average exercise price of $0.36 and a weighted average market price of $0.57 for total proceeds of $2,217 (2023 – nil).

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

The weighted average 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, 2024 and 2023, the following weighted average assumptions were used:

	2024 **$**	**2023** **$**
Exercise price	0.43	0.36
Price of underlying share	0.43	0.40
Expected volatility	69%	87%
Expected option life (years)	3.51	3.51
Expected dividends	-	-
Risk-free interest rate	3.74%	4.0%
Forfeiture rate estimate	15.4%	13.1%

17 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:

	2024 **$**	**2023** **$**
Earnings before income taxes	271	943
Statutory tax rate	26.50%	26.50%
Expected income tax expense	72	250
Permanent differences	77	99
Prior period adjustments	2	88
Research and development and other tax credits	57	5
Other	(1)	(6)
Income tax expense	207	436

The following shows the components of income tax expense:

	2024 **$**	**2023** **$**
Current tax expense	81	207
Deferred tax expense	126	229
Income tax expense	207	436

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

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

				2024
	Balance – Beginning of year $	**Recognized in earnings $**	**Equity component $**	**Balance – End of year $**
Property and equipment	182	(56)	-	126
Federal ITC's	155	(105)	-	50
Reserves	144	(5)	-	139
Financing cost	1	-	-	1
Other	20	40	-	60
	502	(126)	-	376

				2023
	Balance – Beginning of year $	**Recognized in earnings $**	**Equity component $**	**Balance – End of year $**
Property and equipment	206	(24)	-	182
Federal ITC's	368	(213)	-	155
Reserves	141	3	-	144
Financing cost	1	-	-	1
Other	15	5	-	20
	731	(229)	-	502

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.

The Company has non-capital losses in the amount of $nil (2023 - $nil) for which it has recognized a deferred tax asset in the statements of financial position.

As at September 30, 2024, the Company has unused investment tax credits of $107 (2023 – $211), to offset against future federal income taxes payable. The credits begin to expire in 2026. During the year ended September 30, 2024, the benefit of the unused investment tax credits was recorded as a deferred income tax asset in the statements of financial position.

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

18 Other expense items by nature

	2024 $	2023 $
Personnel	17,711	16,084
Direct project expenses	11,566	14,023
Depreciation and amortization (notes 6, 7, 8)	858	674
Acquisition costs	271	-
Other operating expense	3,833	3,291
	34,239	34,072
Reported as:		
Cost of sales	20,856	22,777
Selling, general and administrative	13,112	11,295
Acquisition costs	271	-
	34,239	34,072
Finance costs		
Interest on leases (IFRS 16) (note 8)	310	123
Interest on term loan and bank loans	19	36
Bank charges	32	19
Other finance charges (income)	(25)	(109)
	336	69

19 Weighted average shares outstanding

	2024	2023
Issued common shares	31,794,979	29,435,695
Weighted average number of basic common shares	29,481,473	29,435,695
Effect of share options on issuance	2,335,334	8,276
Weighted average number of diluted common shares	31,816,807	29,443,971

Options that were anti-dilutive are not included in the computation of diluted common shares. For the year ended September 30, 2024, 1,827,796 were excluded from the calculation because they were anti-dilutive (2023 – 2,494,916).

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

20 Changes in working capital balances

	2024 $	2023 $
Accounts receivable	(3,565)	1,879
Unbilled revenue	558	(1,524)
Contract assets	(757)	(1,173)
Inventory	71	-
Prepaid expenses	(230)	(4)
Trade and other payables	2,057	(1,084)
Contract liabilities	31	(4)
	(1,835)	(1,910)

21 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, 2024 are as follows:

	Premises $	Equipment $	Total $
Within one year	18	47	65
Between two and five years	-	23	23
	18	70	88

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.

22 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 and the US.

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 consolidated financial statements.

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

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:

	2024 $	2023 $
Canada	34,552	35,035
Other countries	276	49
	34,828	35,084

For the year ended September 30, 2024, approximately 18% of revenue (2023 – 9%) was derived from one customer. The customer referenced below is not necessarily the same customer in both years.

	2024	2023
Customer 1	18%	9%

The Company holds non-current assets in Canada and the United States. Non-current assets held by geographic areas are as follows:

	2024 $	2023 $
Canada	4,903	2,394
United States	8,426	-
	13,329	2,394

Non-current assets consist of property and equipment, lease assets, goodwill and intangible assets. Geographic information is attributed to countries based on the location of the assets.

23 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.

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

Revenue from contracts with customers is disaggregated as follows:

	2024		
	Fixed price $	**Time and materials $**	**Total $**
Commercial and industrial	3,245	7,399	10,644
Government	3,909	5,240	9,149
Military	2,412	7,122	9,534
Mining	731	4,780	5,511
	10,297	24,541	34,838

	2023		
	Fixed price $	**Time and materials $**	**Total $**
Commercial and industrial	3,469	10,076	13,545
Government	3,589	6,144	9,733
Military	3,244	2,202	5,446
Mining	1,452	4,908	6,360
	11,754	23,330	35,084

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, 2024, $1,253 or 4% (2023 – $912 or 3%) was recognized at a point in time, which primarily related to military sector customers.

Contract balance

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

	2024 $	**2023 $**
Trade receivables	10,216	5,968
Unbilled revenue	3,343	3,901
Contract assets	5,617	3,950
Contract liabilities	(5,617)	(240)
	13,559	13,579

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

Revenue recognized in the year ended September 30, 2024, and included in contract liabilities as at September 30, 2023 was $240, and $5,617 was added to contract liabilities during the year ended September 30, 2024 (2023 - $243 and $240).

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, 2024, was approximately $38.8 million (2023 – $18.8 million). The Company expects to recognize approximately 74% (2023 – 33%) of this revenue as contracts are completed over the next 12 months, with the remainder thereafter.

	2024 **$**	**2023** **$**
Next 12 months	28,597	6,123
Next 13 – 24 months	7,555	12,512
Beyond	2,688	191
	38,840	18,826

24 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:

	2024 **$**	**2023** **$**
Salaries	1,716	1,292
Short-term benefits	93	83
Share-based compensation (note 13)	147	155
	1,956	1,530

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

25 Financial instruments

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

			2024		2023
Instrument	**Measurement**	**Carrying value $**	**Fair value $**	**Carrying value $**	**Fair value $**
Assets					
Cash	amortized cost	3,646	3,646	3,040	3,040
Trade receivable	amortized cost	10,216	10,216	5,968	5,968
		13,862	13,862	9,008	9,008
Liabilities					
Trade and other payables	amortized cost	7,675	7,675	4,821	4,821
Bank indebtedness	amortized cost	3,495	3,495	-	-
Long-term debt	amortized cost	308	304	823	792
Contingent consideration	FVTPL	3,074	3,074	-	-
		14,552	14,548	5,644	5,613

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

The Company's contingent consideration is measured at fair value based on unobservable inputs and is considered a level 3 measurement. The fair value was primarily driven by the expectations of the acquiree's achievement of milestones.

26 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.

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

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, 2024, and September 30, 2023 reporting dates to be of good credit quality.

At the end of the year, five customers (2023 – five customers) accounted for 42% (2023 – 24%) 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 five 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.

The loss allowance for trade receivables, unbilled revenue and contract assets (excluding government customers) as at September 30, 2024 and September 30, 2023 is determined as follows:

								2024
	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	2.75%	3.93%	2.94%	3.9%	25.6%	61.7%	80.57%	
Gross carrying amount	3,711	1,332	962	305	502	326	58	7,196
Loss allowance	102	52	28	12	129	201	47	571

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

								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	1,503	174	381	129	482	87	4,776
Loss allowance	8	21	-	4	12	25	82	152

The closing loss allowance for trade receivables, contracts assets, and unbilled revenue as at September 30, 2024 and September 30, 2023 reconcile to the opening loss allowance as follows:

			2024
	Trade receivables $	**Contract assets $**	**Unbilled revenue $**
Opening balance – calculated under IFRS 9	152	-	-
Increase in loss allowance	457	22	13
Accounts written off as uncollectible	(73)	-	-
Balance – End of year	536	22	13

			2023
	Trade receivables $	**Contract assets $**	**Unbilled revenue $**
Opening balance – calculated under IFRS 9	276	17	14
Decrease in loss allowance	(123)	(17)	(14)
Accounts written off as uncollectible	(1)	-	-
Balance – End of year	152	-	-

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.

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

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 $5,537 (2023 - $11,102).

As at September 30, 2024, the Company had the following $505 available on its operating demand loan.

As at September 30, 2024, the Company had approximately $4,200 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, 2024 and September 30, 2023, respectively.

						2024
	Less than 1 year $	**1 – 5 years $**	**Thereafter $**	**Total undiscounted cash flows $**	**Effect of interest $**	**Carrying value $**
Trade and other payables	7,674	-	-	7,674	-	7,674
Bank indebtedness	3,495	-	-	3,495	-	3,495
Lease liabilities (IFRS 16)	898	2,757	1,455	5,110	1,008	4,102
Long-term debt	311	-	-	311	3	308
Contingent consideration	1,211	2,257	-	3,468	394	3,074
	13,589	5,014	1,455	20,058	1,405	18,653

						2023
	Less than 1 year $	**1 – 5 years $**	**Thereafter $**	**Total undiscounted cash flows $**	**Effect of interest $**	**Carrying value $**
Trade and other payables	4,821	-	-	4,821	-	4,821
Lease liabilities (IFRS 16)	744	2,247	778	3,769	1,796	1,973
Long-term debt	534	312	-	846	23	823
	6,099	2,559	778	9,436	1,819	7,617

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

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, 2024, 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.

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.

	2024		2023	
	CAD $	USD $	CAD $	USD $
Accounts receivable	1,097	813	204	151
Cash	3,291	2,438	229	170
Trade and other payables	(568)	(421)	(54)	(40)

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, 2024, net earnings and equity would increase or decrease by $382 respectively (2023 - $38).

27 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.

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

28 Restated Information

During the preparation of the consolidated financial statements for the year ended September 30, 2024, the Company determined, as a change in accounting policy, that the indirect labour costs that do not contribute to revenue generating projects should be reclassified as overhead expenses under the selling, general and administrative caption in the consolidated statements of income. The Company had previously accounted for the amounts under the cost of sales caption.

The adjustments in these consolidated financial statements for the year ended September 30, 2023 are detailed as follows. There is no effect on basic or diluted earnings per share.

	As previously reported	Adjustments	As restated
	$	$	$
Consolidated Statement of Income			
Cost of sales	27,498	(4,721)	22,777
Gross profit	7,587	4,721	12,308
Selling, general and administrative	6,574	4,721	11,295

29 Subsequent events

On December 13, 2024, the Company closed an oversubscribed brokered private placement and a concurrent non-brokered private placement. Through the brokered private placement, the Company issued 4,375,000 common shares at a price of $0.80 per share for gross proceeds of $3,500. Through the non-brokered private placement, the Company issued 625,000 common shares at a price of $0.80 per share for gross proceeds of $500. Cash commission in the amount of $210 and 262,500 broker warrants were issued to the Agent who brokered the private placement. Each broker warrant entitles the holder to acquire one common share of the Company at a price of $0.80 for 18 months following the closing. Finder’s fees in the amount of $20 were paid on the non-brokered private placement. Net proceeds of $3,597 were received by the Company.