

BLUMETRIC ENVIRONMENTAL INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

Financial year ended September 30, 2024

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

January 28, 2024

This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric Environmental Inc. and its subsidiary's ("BluMetric" or the "Company") financial condition and results of operations for the year ended September 30, 2024. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended September 30, 2024, as well as the MD&A and audited financial statements and notes for the year ended September 30, 2023. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

This discussion and analysis of the financial condition and the results of operations contain forward-looking statements about expected future events and the financial and operating performance of the Company. These consolidated statements, which include descriptions of the Company's business strategy, potential variances impacting the Company's internal and external performance drivers, and the Company's ability to meet its ongoing working capital needs through the ensuing 12 months, are included in the "Discussion of Results of Operations for the Financial Year Ended September 30, 2024", "Liquidity", and "Business Outlook" sections which follow. These statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. This MD&A also refers to certain non-GAAP measures to assist users in assessing BluMetric's performance. Non-GAAP measures do not have any standard meaning prescribed by International Financial Reporting Standards ("IFRS") and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Financial Terms and Definitions".

A Better Environment for Business

BluMetric provides world class environmental consulting and water technologies delivered by world class people who do meaningful work to preserve our natural and build environments. In their ten offices across Canada and the United States and through a track record that spans 45 years, the Company is a full-service integrator of environmental solutions known for innovative work in the fields of water and wastewater treatment and professional environmental services.

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

- Watertech – Desalination and Treatment of Water and Wastewater
- Environmental Engineering, Monitoring and Compliance
- Site Assessment and Remediation
- Water Resources and Geomatics
- Industrial Hygiene and Occupational Health and Safety

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

BluMetric is dedicated to its team of approximately 220 employees, its stakeholders and the environment, guided by five core principles:

- Well-being
- Integrity
- Environmental sustainability
- Innovation
- Community

Gemini Acquisition

On September 23, 2024, BluMetric closed the acquisition ("Acquisition") of Gemini Water LLC ("Gemini"). Gemini designs, builds, installs and commissions large scale desalination and wastewater treatment systems using membrane-based technologies. This Acquisition will expand the Company's Watertech portfolio of products and establish a footprint in the Southern United States and Caribbean Markets.

Cash consideration of \$4,047 (US\$3,000) and 2,352,500 shares, at a fair value of \$1,256 (US\$1,000), 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 based on the achievement of Gemini revenue and gross margin targets.

Joint Venture

BluMetric is proud to be a trusted provider of services to many of Canada's northern Indigenous communities. The Company entered in a shareholder relationship with BLM-KEL-60 Corp. on September 27, 2022, an unrelated party, for purposes of executing projects in Nunavut supporting federal, territorial, and private clients. The joint venture relationship will enable BluMetric to access additional opportunities in Northern Canada.

BLM-KEL-60 Corp. is an Inuit majority owned entity that is incorporated in Nunavut, Canada. The intent of the shareholders of the corporation is to contribute to the personal, economic, social, and cultural wealth of the Kitikmeot region of Nunavut by training, developing, and employing local Inuit candidates to support projects in carrying out its business in environmental consulting services.

BluMetric Environmental Inc. is a registered and beneficial owner of 16.3% of the issued and outstanding shares in the capital of the corporation. To date there has been no material value created in the shares in the capital of this corporation; however, the volume of activity managed through this corporation continues to increase in 2024.

Technology and Innovation

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

BluMetric expects continued demand for safe potable water and environmentally conscious disposal of wastewater. BluMetric builds permanent and temporary solutions through its mobile militarized systems for Mission Ready Water. These smaller systems are agile and deployable for military, mining, and emergency relief.

BluMetric is committed to pursuing new opportunities in technology and innovation throughout North America, the Caribbean and other allied nations.

Sales and Marketing

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

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

BluMetric uses a client-centric approach to business development, which involves an emphasis on understanding each client's individual needs. This approach allows BluMetric to provide a complete and integrated solution.

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

Board of Directors

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

Senior Management

The Senior Management team comprises of: Scott MacFabe, Chief Executive Officer; Dan Hilton, Chief Financial Officer; Wayne Ingham, VP, Director-Strategic Business Development; Andy Benson, VP, Director-Operations; Corey Switzer, Director-Watertech; and Lydia Renton, Director-Corporate Occupational Hygiene and Safety. This team has extensive business and environmental experience and is well supported by highly qualified and experienced managers.

Our People

The BluMetric team consists of approximately 220 experienced and motivated engineers, hydrogeologists, occupational and industrial hygienists, environmental auditors, environmental scientists, chemists, fabricators, field technicians, project managers, finance professionals, and support personnel. They are experts in providing a comprehensive range of environmental services and engineered solutions, from contaminated site assessment and remediation to complete turn-key water and wastewater treatment systems.

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

Diversity

BluMetric is committed to the principles of diversity. The Company strives to create and support an inclusive work environment that respects and values the contributions of all employees and their individual differences.

BluMetric's employees come from a wide range of cultural, ethnic, educational, and religious backgrounds. Additionally, women represent approximately 46% of the workforce across the organization and Board of Directors. BluMetric's goal is to capitalize on the strength derived from diversity while affording its team members the greatest opportunity to excel, grow, and contribute to business and society.

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 Financial Highlights and Quarterly results have been updated to reflect this change for the past eight quarters.

The adjustments in the audited 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.

(in 000's, except as otherwise indicated)

	As previously reported	Adjustments	As restated
	\$	\$	\$
Consolidated Statements of Income			
<u>For the three months ended</u>			
September 30, 2023			
Cost of sales	7,571	(1,020)	6,551
Gross profit	2,680	1,020	3,700
Selling, general and administrative	1,739	1,020	2,759
EBITDA ¹	1,123	-	1,123
<u>For the year ended</u>			
September 30, 2023			
Cost of sales	27,498	(4,721)	22,777
Gross profit	7,587	4,721	12,307
Selling, general and administrative	6,574	4,721	11,295
EBITDA ¹	1,686	-	1,686

Note 1: EBITDA is a non-IFRS measure and is calculated as net income before interest expense, income taxes, depreciation, and amortization (see 'Financial Terms and Definitions').

Selected Financial Information

The following table shows selected financial data for BluMetric for the most recently completed fiscal years.

For the years ended September 30, 2024, and September 30, 2023

(in 000's, except as otherwise indicated)

	2024 \$	2023 \$ (restated – see page 6)
Total revenue	34,838	35,084
Gross profit	13,982	12,307
Gross margin	40%	35%
Operating expenses	13,112	11,295
Acquisition costs	271	-
Earnings before provision for income tax	271	943
Net earnings	64	507
Adjusted EBITDA ¹	1,979	2,005
Weighted average number of shares outstanding - basic	31,794,979	29,435,695
Weighted average number of shares outstanding - diluted	31,816,807	29,443,971
Earnings per share – basic	0.00	0.02
Earnings per share – diluted	0.00	0.02
Total assets	37,995	20,051
Working capital ²	5,462	11,102
Non-current liabilities ³	5,442	1,804
Shareholders' equity	13,725	12,194

Note 1: Adjusted EBITDA is a non-IFRS measure and is calculated as EBITDA before significant and irregular items (see 'Financial Terms and Definitions').

Note 2: The material reduction in working capital is primarily related to the acquisition of Gemini Water LLC with the use of bank indebtedness.

Note 3: The material increase in non-current liabilities can be attributed to the 10-year lease for the Company's Ottawa location coupled with the anticipated contingent consideration payable on the acquisition of Gemini Water LLC.

Results of Operations for the Three Months Ended September 30, 2024

(in 000's, except as otherwise indicated)

	September 30, 2024 \$	September 30, 2023 \$	Change \$	Change %
Revenue	11,064	10,251	813	8%
Gross profit	3,784	3,700	84	2%
Gross margin %	34%	36%		
Operating expenses	3,671	2,759	912	33%
Acquisition costs	271	-	271	100%
Operating profit (loss)	(158)	941	(1,099)	-117%
Adjusted EBITDA ¹	505	1,433	(928)	-65%
Earnings before income taxes	(329)	928	(1,257)	-135%
Income tax (recovery) expense	(9)	228	(227)	-104%
Net earnings	(320)	700	(1,030)	-146%
Weighted average common shares outstanding - basic	31,794,979	29,435,695		
Earnings (loss) per share – basic	(0.01)	0.02		
Weighted average common shares outstanding - diluted	33,359,850	29,443,971		
Earnings (loss) per share – diluted	(0.01)	0.02		

Note 1: Adjusted EBITDA is a non-IFRS measure and is calculated as EBITDA before significant and irregular items (see 'Financial Terms and Definitions').

Discussion of Results of Operations for the Three Months Ended September 30, 2024

Revenue for the quarter ended September 30, 2024, was \$11,064 compared to \$10,251 for the quarter ended September 30, 2023.

Revenue in the Commercial and Industrial market decreased in the current quarter compared to the prior period due to a reduced sales emphasis in this market. The Company is making strategic investments in this market with a focus on growing the Greater Toronto area practice.

Mining markets decreased in the current quarter compared to the prior period due to the completion of larger contracts. The Company is shifting its focus in this market toward higher value services and improving its client portfolio, particularly in Northern Quebec.

Revenue from the Military market increased due to the ongoing refurbishment of water purification systems for the Canadian Department of National Defence, which is expected to continue into fiscal 2025.

Revenue from the Government market has remained relatively consistent.

Gross profit was \$3,784 for Q4 2024 compared to \$3,700 for Q4 2023. Gross margin was 34% compared to 36% in the previous year. The decrease in gross margin is attributable to the sales mix and an increase in reliance on subcontractors that result in a smaller margin.

Operating expenses increased to \$3,671 for the fourth quarter of 2024 compared to \$2,759 for the same quarter in the previous year. This is due to an investment in business development, marketing activities, training, and the increased recognition of credit loss allowances.

Results of Operations for the Financial Year Ended September 30, 2024

(in 000's, except as otherwise indicated)

	September 30, 2024 \$	September 30, 2023 \$	Change \$	Change %
Revenue	34,838	35,084	(246)	-1%
Gross profit	13,982	12,307	1,675	14%
Gross margin %	40%	35%		
Operating expenses	13,112	11,295	1,817	16%
Acquisition costs	271	-	271	100%
Operating profit	599	1,012	(142)	-41%
Adjusted EBITDA ¹	1,979	2,005	(26)	-1%
Earnings before income taxes	271	943	(672)	-71%
Income tax (recovery) expense	207	436	(219)	-50%
Net earnings	64	507	(453)	-89%
Weighted average common shares outstanding - basic	31,794,979	29,435,695		
Earnings (loss) per share – basic	0.00	0.02		
Weighted average common shares outstanding - diluted	31,816,807	29,443,971		
Earnings (loss) per share – diluted	0.00	0.02		
Total assets	37,995	20,051		
Working capital	5,462	11,102		
Non-current liabilities	5,442	1,804		
Shareholders' equity	13,725	12,194		
Net cash (debt) ²	(157)	2,217		

Note 1: Adjusted EBITDA is a non-IFRS measure and is calculated as EBITDA before significant and irregular items (see 'Financial Terms and Definitions').

Note 2: Net cash (debt) is a non-IFRS measure and is calculated as cash less total debt excluding lease liabilities (see 'Financial Terms and Definitions').

Discussion of Results of Operations for the Financial Year Ended September 30, 2024

Revenue for the year ended September 30, 2024, was \$34,838 compared to \$35,084 for the year ended September 30, 2023, and is broken down as follows:
(in 000's, except as otherwise indicated)

	2024	2023	Change	Change
	\$	\$	\$	%
Commercial and Industrial	10,644	13,545	(2,901)	-21%
Government	9,149	9,733	(584)	-6%
Military	9,534	5,446	4,088	75%
Mining	5,511	6,360	(849)	-13%
	<u>34,838</u>	<u>35,084</u>		

The Commercial and Industrial market decreased by \$2,901 year over year. This is due to the completion of a large remediation project in fiscal 2023. The Company is making strategic investments in this market, with a focus in the Greater Toronto area in 2025.

The Government market decreased slightly by \$584 year over year. During the year, the Company changed the way it manages one of its Government clients and is now including this client's revenue in the Military market. This market remains a very stable component of BluMetric's customer base.

The Military market increased \$4,088 year over year primarily due to the increased activity in relation to the refurbishment of water purification systems for the Canadian Department of National Defence, which is expected to continue into fiscal 2025. During fiscal 2023, BluMetric signed a 3-year, \$12,200 contract with Rheinmetall Canada to develop and deliver small, self-contained water purification systems as part of a contract awarded by the Canadian Armed Forces, with delivery expected throughout fiscal 2025. During fiscal 2024, BluMetric completed the development and testing of this system and is preparing to start production in concert with the other parties to this agreement. During the year, the Company changed the way it manages one of its Government market clients and is now including this client's revenue in the Military market.

The Mining market revenue decreased by \$849 year over year. The Company is shifting its focus toward higher value services and improving our new client portfolio, especially in Northern Quebec.

Gross profit increased to \$13,982 for fiscal 2024 compared to \$12,307 for fiscal 2023. Gross margin has increased to 40% from 36%. This is a result of an increase in the net fee revenue as a percentage of overall revenue as well as an increase in billing rates and total billable hours.

Operating expenses increased by \$1,817 for the year ended September 30, 2024, compared to the prior year. The increase is due to the investment in business development and marketing activities, training, a one-time bad debt recovery in 2023 and an increase in amortization due to the start of the 10-year lease on the Ottawa head office location.

Finance costs were \$336 compared to \$69 in the prior year. This increase is mainly due to the implied interest on new office leases entered into during fiscal 2024. Net earnings for fiscal 2024 were \$64 compared to \$507 for fiscal 2023.

Net cash (debt) (see "Financial Terms and Definitions") as at September 30, 2024 was (\$157), compared to \$2,217 at September 30, 2023. The change in net cash is a result of the extension of the line of credit to \$4,000 which was subsequently used for the acquisition of Gemini Water along with the investment in the development of intellectual property and changes in non-cash working capital.

EBIDTA and Adjusted EBITDA (see "Financial Terms and Definitions")

(in 000's, except as otherwise indicated)

	Three months ended		Year ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Net income	(320)	700	64	507
Finance costs	171	13	336	69
Income tax expense (recovery)	(9)	228	207	436
Depreciation and amortization	310	182	857	674
EBITDA	152	1,123	1,464	1,686
Acquisition costs	271	-	271	-
Non-cash share compensation	82	310	244	319
Adjusted EBITDA	505	1,433	1,979	2,005

For Q4 2024, the Company recorded Adjusted EBITDA of \$505, compared with \$1,433 for Q4 2023. The decrease in Adjusted EBITDA is mainly due to increased operating costs and a lower gross margin (gross margin was 34% in Q4 2024, compared to 36% in Q4 2023).

The Company recorded Adjusted EBITDA of \$1,979 for the year ended September 30, 2024, compared with \$2,005 for the year ended September 30, 2023. While gross profit increased this was offset by a comparable investment in business development, compensation costs, training and amortization in fiscal 2024 coupled the non-recurring operating cost of hosting an employee conference in 2023.

For more detail, see "Discussion of Results of Operations for the Financial Year Ended September 30, 2024" and "Quarterly Results".

Management's Discussion and Analysis
Financial Years Ended September 30, 2024 and
September 30, 2023

Quarterly Results

Quarterly financial information for the eight quarters ended September 30, 2024

(in 000's, except as otherwise indicated)

Note: The Cost of sales and Operating expenses figures have been restated (see Restated Information section on page 6).

	Q4 2024 Sep 30, 2024	Q3 2024 June 30, 2024	Q2 2024 Mar 31, 2024	Q1 2024 Dec 31, 2023
	\$	\$	\$	\$
Revenue	11,064	8,116	7,133	8,525
Cost of sales	7,280	4,565	4,070	4,941
Gross profit	3,784	3,551	3,063	3,584
Gross margin %	34%	44%	43%	42%
Operating expenses	3,671	3,436	2,856	3,148
Acquisition costs	271	-	-	-
Finance costs	171	61	46	57
Other income	-	-	(8)	-
Earnings before provision for income tax	(329)	54	169	379
Income tax expense (recovery)	(9)	27	52	137
Net earnings	(320)	27	117	242
Weighted average number of shares outstanding				
Basic	31,794,979	29,435,973	29,435,695	29,435,695
Diluted	33,359,850	32,592,713	29,438,884	29,435,695
Earnings (loss) per share				
Basic	(0.01)	0.00	0.00	0.01
Diluted	(0.01)	0.00	0.00	0.01

	Q4 2023 Sep 30, 2023	Q3 2023 June 30, 2023	Q2 2023 Mar 31, 2023	Q1 2023 Dec 31, 2022
	\$	\$	\$	\$
Revenue	10,251	6,941	7,414	10,478
Cost of sales	6,551	4,483	4,661	7,082
Gross profit	3,700	2,458	2,753	3,396
Gross margin %	36%	35%	37%	32%
Operating expenses	2,759	3,319	2,597	2,620
Finance costs	13	14	21	21
Earnings before provision for income tax	928	(875)	135	755
Income tax expense (recovery)	228	(146)	55	299
Net earnings	700	(729)	80	456
Weighted average number of shares outstanding				
Basic	29,435,695	29,435,695	29,435,695	29,435,695
Diluted	29,443,971	29,442,989	29,439,435	29,435,695
Earnings per share				
Basic	0.02	(0.02)	-	0.02
Diluted	0.02	(0.02)	-	0.02

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

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

Highlights on quarter over quarter variances include:

1. **Q4 2024 vs Q4 2023** – Revenue in Q4 2024 increased as a result of the refurbishment of water purification systems for the Canadian Department of National Defence.
2. **Q3 2024 vs. Q3 2023** – Q3 2023 experienced revenue decline due to delayed starts for several projects related to the Company's Northern work. Comparatively, Q3 2024 saw an increase in revenue, due in part to a large military contract to develop a self-contained water purification system.
3. **Q2 2024 vs. Q2 2023** – The reduction in Q2 2024 Commercial and Industrial revenue is offset by increased Government activity in northern Canada some of which is managed through the joint venture company. Net fee revenues in Q2 2024 increased by \$0.5 million confirming improved billable hours. In Q2 2024 third party subcontractor fees were \$0.9 million lower compared to the same period last year.
4. **Q1 2024 vs Q1 2023** – The revenue decline in Q1 2024 compared to Q1 2023 was mainly due to the completion of a large commercial project with \$1.4 million in revenue that relied heavily on subcontractors and yielding lower than average margins in the period. Lower material usage in the completion of government projects contributed to the gross profit increase in Q1 2024.

Summary of Cash Flows

(in 000's, except as otherwise indicated)

	September 30, 2024 \$	Year ended September 30, 2023 \$
Cash provided by (used in)		
Operating activities, excluding changes to working capital	1,892	1,570
Changes related to working capital	(1,835)	(1,910)
Operating activities	57	(340)
Investing activities	(1,504)	(337)
Financing activities	2,070	(1,194)
Change in cash	623	(1,871)
Increase (decrease) in cash due to change in foreign exchange rates	(17)	-
Cash – Beginning of period	3,040	4,911
Cash – End of period	3,646	3,040
Free cash flow ¹	(524)	537

Note 1: Free cash flow is a non-IFRS measure and is calculated as operating cash flows less net capital expenditures and net payment of lease obligations (see 'Financial Terms and Definitions').

Cash generated from operating activities was \$57 during the year ended September 30, 2024, compared with cash utilized from operating activities of \$340 in the same period in 2023. The increase in gross profit accounts for most of the increase in cash.

Investing activities utilized \$1,504 of cash in fiscal year 2024, compared to cash utilized by investing activities of \$337 in the same period for 2023. In fiscal year 2024, the Company acquired Gemini Water LLC. Additionally, the Company was involved in the development of intellectual property for current and future projects and investments in computer equipment and field equipment were made.

In the fiscal year 2024, cash generated in financing activities was \$2,070 compared to \$1,194 used in the same period of 2023. The increase is due to the bank indebtedness incurred for the acquisition of Gemini Water LLC offset by the increase in principal lease payments.

Free cash flow decreased to (\$524) in the fiscal year of 2024 from \$536 in the same period of 2023. The decrease is due to the cash used in the acquisition of Gemini Water LLC along with the investment in the development of intellectual property and investment in equipment.

Liquidity

The Company's short-term credit facilities consist of an operating demand loan in the amount of \$4,000 (2023 - \$2,500) which is a shared limit between its overdraft facility and letters of credit. The facility carries a floating interest at prime plus 1.25% (2023 – 1.25%), is collateralized by a first ranking general security agreement over all the Company's present and future assets and has no contractual maturity.

For the period ended September 30, 2024, the effective interest rate under this facility was 7.7% (2023 – 8.45%). As at September 30, 2024, the Company had drawn \$3,495 on its operating facility and \$nil in letters of credit (2023 – \$nil and \$nil respectively).

On April 20, 2021, the Company entered into a letter of agreement with its bank for a new \$2,000 term loan. The new 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. It matures April 30, 2025 and is carried at amortized cost.

As at September 30, 2024, the Company had approximately \$4,200 in availability between its operating line and cash balances and was not bound by any debt covenants.

The following table outlines the liquidity risk associated with the Company's payment obligations as at September 30, 2024 and September 30, 2023, respectively:

'(in 000's, except as otherwise indicated)

	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

Business Outlook

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

BluMetric is focused on making key investments in its Watertech products and in its personnel to support growth and market expansion. The Company is planning to invest in expanded leadership in the Commercial and Industrial market in Toronto and expansion of our fabrication facilities to take advantage of emerging opportunities in Canada, the United States and the Caribbean markets. Furthermore,

BluMetric will continue to build its relationships servicing clients in Canada's North, as well as its other government clients. In addition, the Company is considering acquisition opportunities to further accelerate growth.

BluMetric believes that the following factors have and will continue to position BluMetric for growth:

- The Company's diversified service offerings and market sectors;
- A strong sales funnel and contracts in hand for 2024 and 2025;
- Realizing the robust interest in our newly developed agile water treatment systems for Watertech;
- Continue to capitalize on our recently expanded Watertech fabrication facility and expansion of our Florida fabrication facility;
- Expanded presence in the Greater Toronto area, with a market focus on the Commercial and Industrial market;
- An investment in key leadership in US markets to expand sales and introduce an O&M recurring revenue model layered on top of existing and new Watertech solutions;
- Geographic expansion of our Watertech products deployment;
- Strong balance sheet, as seen from the Company's reduction in long term debt and improvement in working capital; and
- An investment in a dedicated business development team.

Business Risks

The Company is subject to risks and uncertainties in the normal course of business that could materially affect the financial condition of the Company. These risks and uncertainties include, but may not be limited to, the following:

- Ability to attract and retain key personnel;
- Macroeconomic risk of recession in key markets or the economy as a whole or other imposed costs and restraints due to current and impending political change in both Canada and the United States;
- Reliance on key clients;
- Environmental factors outside of the company's control such as fire and flooding that may impact the ability to realize revenues;
- Liquidity risk with respect to clients, and their ability to pay and pay on time;
- Competition from companies which are better-financed or have disruptive technologies;
- Potential claims and litigations; and
- Cybersecurity threats.

Capital Resources

The Company's future growth strategy contemplates investment in various technologies and processes requiring capital for prototyping purposes. The Company may also consider growth through the strategic acquisition of complimentary businesses. Accordingly, the Company may opportunistically approach capital markets for additional equity funding if conditions are favorable.

Critical Accounting Estimates and Judgements

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 2 of the Company's audited financial statements and related notes for the year ended September 30, 2024.

Off-Balance Sheet Arrangements

Many of the Company's operating leases have fallen under IFRS 16 as implemented on October 1, 2019, and are now capitalized on the Statement of Financial Position. For contractual commitments not recognized on the Statement of Financial Position, the reader is referred to Note 21 of the Company's audited financial statements for the year ended September 30, 2024.

Transactions with Related Parties

All related-party transactions are conducted under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at the amounts agreed upon by the parties.

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

The remuneration of key management personnel during the period was as follows (in 000's):

	Three months ended		Year ended	
	September 30, 2024 \$	September 30, 2023 \$	September 30, 2024 \$	September 30, 2023 \$
Salaries	384	258	1,716	1,292
Short-term benefits	24	27	93	83
Share-based compensation	42	23	147	155
	<u>450</u>	<u>308</u>	<u>1,956</u>	<u>1,530</u>

Proposed Transactions and 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.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	31,794,979 common shares
Options:	2,335,334 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the year ended September 30, 2024.

Financial Terms and Definitions

Definition of Non-GAAP Measures

This Management Discussion and Analysis includes reference to and uses terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These non-GAAP measures may not be comparable to similar measures presented by other companies. The Company believes that the measures defined here are useful for providing investors with additional information to assist them in understanding components of the financial results.

EBITDA: EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, and amortization of intangible assets. The Company uses this measure as part of assessing operating performance. There is no direct comparable IFRS measure for EBITDA.

Adjusted EBITDA: Adjusted EBITDA additionally excludes items that are significant and irregular, such as the gain on disposal of assets held for sale, impairment charges, non-cash share compensation costs and acquisition costs.

Management believes that Adjusted EBITDA as defined above is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. Adjusted EBITDA is also used by investors and analysts for valuation purposes. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts. The measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Free cash flow: Free cash flow is a non-IFRS measure and is calculated as cash flow from operating activities excluding changes in the working capital balances less net capital expenditures and net payment of lease obligations. The Company uses the measure as part of assessing the availability of discretionary cash as part of its liquidity management. There is no direct comparable IFRS measure under IFRS.

Net cash (debt): Net cash (debt) is a non-IFRS measure and is calculated as cash less total funded debt excluding lease liabilities. The Company uses this measure as part of assessing liquidity. There is no directly comparable measure under IFRS.

Working capital: Working capital is a non-IFRS measure and is calculated by subtracting current liabilities from current assets. There is no directly comparable measure under IFRS.

Management's Responsibility for Financial Reporting

The audited consolidated financial statements of BluMetric Environmental Inc. and all the information in this Management Discussion and Analysis have been prepared by management, which is solely responsible for the integrity and fairness of the data presented, including the many amounts, which due to necessity, are based on estimates and judgments. The accounting policies followed in the preparation of these consolidated financial statements conform to IFRS Financial Reporting Standards. When alternative accounting methods exist, management has chosen those that it deems most appropriate in the circumstances. Financial information presented throughout this report is consistent with that in the consolidated financial statements.

BluMetric maintains systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that transactions are authorized, assets are safeguarded, and proper records are maintained.

The Board of Directors is responsible, principally through its Audit Committee, for ensuring that management fulfills its financial reporting responsibility.

Additional Information

Additional information on the Company can be found at www.blumetric.ca and at www.sedarplus.ca.