BluMetric Environmental Inc.

Financial Statements
September 30, 2019 and 2018
(expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of BluMetric Environmental Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BluMetric Environmental Inc. and its subsidiary (together, the Company) as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the statements of financial position as at September 30, 2019 and 2018;
- the statements of changes in shareholders' equity for the years then ended;
- the statements of net earnings and comprehensive income for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
January 23, 2020

BluMetric Environmental Inc.

Statements of Financial Position

As at September 30, 2019 and 2018

(expressed in Canadian dollars)

	2019 $	2018 $
Current assets		
Cash (note 10)	243,098	-
Accounts receivable (note 6)	3,839,265	5,307,302
Unbilled revenue (note 24)	2,666,608	4,659,396
Contract assets (note 24)	1,383,409	-
Prepaid expenses	196,684	386,876
Investment tax credits	-	172,000
	8,329,064	10,525,574
Property, plant and equipment held for sale (note 7)	131,510	-
Non-current assets		
Property, plant and equipment (note 7)	190,058	263,666
Intangible assets (note 8)	50,926	25,940
Goodwill (note 9)	1,592,095	1,592,095
Deferred income tax assets (note 18)	2,159,329	2,115,618
	3,992,408	3,997,319
	12,452,982	14,522,893
Current liabilities		
Bank indebtedness (note 10)	-	1,596,475
Trade and other payables (note 11)	2,995,982	3,622,792
Contract liabilities (note 24)	140,383	-
Deferred revenue	-	323,249
Demand loan (note 12)	901,052	949,758
Current portion of long-term debt (note 14)	64,797	27,823
	4,102,214	6,520,097
Non-current liabilities		
Long-term debt (note 14)	2,695,167	2,698,423
Advances (note 13)	50,000	50,000
Due to shareholders (note 16)	16,638	16,638
	2,761,805	2,765,061
	6,864,019	9,285,158
Shareholders' Equity		
Share capital (note 17)	5,526,964	5,526,964
Contributed surplus and other equity (note 17)	687,737	644,288
Accumulated deficit	(625,738)	(933,517)
	5,588,963	5,237,735
	12,452,982	14,522,893

Commitments and contingencies (note 22)

Approved by the Board of Directors

"Jane Pagel" Director — Jane Pagel

"Geoff Simonett" Director — Geoff Simonett

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

BluMetric Environmental Inc.

Statements of Changes in Shareholders' Equity

For the years ended September 30, 2019 and 2018

(expressed in Canadian dollars)

	Common shares #	Share capital $	Contributed surplus and other equity $	Retained earnings (Deficit) $	Total $
Balance – October 1, 2017	27,880,140	5,356,053	598,809	(3,592,715)	2,362,147
Debt conversion (note 17)	511,638	107,030	-	-	107,030
Shares issued (note 17)	283,917	63,881	-	-	63,881
Share-based compensation (note 17)	-	-	45,479	-	45,479
Net earnings and comprehensive income for the year	-	-	-	2,659,198	2,659,198
Balance – September 30, 2018	28,675,695	5,526,964	644,288	(933,517)	5,237,735
Balance – October 1, 2018	28,675,695	5,526,964	644,288	(933,517)	5,237,735
Impact of change in accounting policy (notes 4b and 27)	-	-	-	(43,139)	(43,139)
October 1, 2018 – As restated	28,675,695	5,526,964	644,288	(976,656)	5,194,596
Share-based compensation (note 17)	-	-	43,449	-	43,449
Net earnings and comprehensive income for the year	-	-	-	350,918	350,918
Balance – September 30, 2019	28,675,695	5,526,964	687,737	(625,738)	5,588,963

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

BluMetric Environmental Inc.

Statements of Net Earnings and Comprehensive Income

For the years ended September 30, 2019 and 2018

(expressed in Canadian dollars)

	2019 $	2018 $
Revenue (note 24)	28,252,230	32,246,586
Cost of sales (note 19)	22,390,468	25,485,657
Gross profit	5,861,762	6,760,929
Operating expenses		
Selling, general and administrative (note 19)	4,899,743	5,670,222
Operating profit	962,019	1,090,707
Finance costs (note 19)	(482,812)	(547,127)
Earnings before income taxes	479,207	543,580
Income tax expense (recovery) (note 18)	128,289	(2,115,618)
Net earnings and comprehensive income for the year	350,918	2,659,198
Earnings per share		
Basic	0.01	0.09
Diluted	0.01	0.09
Weighted average number of shares outstanding (note 21)		
Basic	28,675,695	28,494,885
Diluted	28,675,695	28,505,435

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

BluMetric Environmental Inc.

Statements of Cash Flows

For the years ended September 30, 2019 and 2018

(expressed in Canadian dollars)

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Net earnings and comprehensive income for the year	350,918	2,659,198
Non-cash items		
Income tax expense (recovery) (note 18)	128,289	(2,115,618)
Credit loss allowance	89,053	269,203
Depreciation of property, plant and equipment (note 7)	102,056	99,280
Amortization of intangible assets (note 8)	3,814	79,078
Gain on disposal of property, plant and equipment (note 8)	-	(6,430)
Gain on disposal of other assets (note 8)	-	(10,000)
Gain on debt conversion (note 17)	-	(8,813)
Loss on debt extinguishment	-	23,056
Amortization of deferred financing costs	12,451	11,804
Share-based compensation (note 17)	43,449	45,479
Financing fees on debt prepayment	-	(20,480)
Withholding taxes on debt conversion (note 17)	-	(30,396)
Changes in working capital balances (note 20)	1,325,740	(2,064,019)
	2,055,770	(1,068,658)
Investing activities		
Acquisition of property, plant and equipment (note 7)	(91,147)	(46,723)
Acquisition of intangible asset (note 8)	(28,800)	-
Proceeds from sale of property, plant and equipment	-	9,500
Proceeds from sale of other assets, net of transaction costs	-	105,000
	(119,947)	67,777
Financing activities		
Increase (decrease) in bank indebtedness	(1,596,475)	1,060,090
Proceeds from demand loan, net of deferred financing costs	-	974,111
Repayment of demand loan	(50,000)	(25,000)
Repayment of long-term debt	(40,961)	(1,015,108)
Repayment of due to shareholders	-	(9,799)
Principal payments on finance leases	(5,289)	-
Share issuance costs (note 17)	-	(5,530)
	(1,692,725)	978,764
Change in cash and cash equivalents during the year	243,098	(22,117)
Cash and cash equivalents – Beginning of year	-	22,117
Cash and cash equivalents – End of year	243,098	-
Supplementary information		
Interest paid – included in operating activities	440,166	473,408

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

(expressed in Canadian dollars)

1 Nature of operations

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

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

The head office of the Company is located at 3108 Carp Road, Ottawa, Ontario, Canada K0A 1L0 (see note 29). The Company's common shares are listed on the Toronto Venture Exchange (TSX.V – BLM) in Canada.

2 Basis of presentation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee.

Authorization of financial statements

The financial statements were approved and authorized for issue by the Board of Directors on January 23, 2020.

Presentation and functional currency

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

Basis of measurement

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

Estimation uncertainty

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

(expressed in Canadian dollars)

Critical accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the Company's assets, liabilities, revenues and expenses during the reporting period presented.

- Judgments

  The following are the significant management judgments made in applying the accounting policies of the Company that have the most significant affect on the financial statements:

  - Impairment assessments

    Long-lived assets, such as property, plant and equipment and intangible assets, subject to depreciation and amortization, are tested for recoverability when there is an indication that their carrying value may not be recoverable. Goodwill is tested at least annually. In many cases, determining if there are any facts and circumstances indicating an impairment loss or the reversal of an impairment loss is a subjective process involving judgment and a number of estimates and 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 financial market conditions which 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.

  - Share-based compensation

    The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares and the expected life of share options granted. The model used by the Company is the Black-Scholes option pricing model.

  - Recognition of deferred income tax assets and measurement of income tax expense

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

(expressed in Canadian dollars)

The following judgments were applicable before October 1, 2018 and were superseded on adoption of IFRS 15, Revenue from Contracts with Customers (IFRS 15) and Financial Instruments (IFRS 9) by new polices (note 4):

- Percentage of completion of fixed price contracts

  The gross amount due from customers for contract work is presented within unbilled revenues for all contracts-in-progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings.

  For contracts accounted for using the percentage of completion method, the stage of completion is assessed by management taking into consideration all information available at the reporting date. In this process, management exercises significant judgment about actual costs incurred and the estimated costs to complete the related contract.

- Consulting contracts

  Determining if the Company is acting as a principal or an agent in the context of the particulars of the underlying contracts requires management judgment. If it is determined that an agent relationship exists, the revenue recorded would be net of direct costs.

- Loss allowance

  At each reporting date, the Company makes an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer creditworthiness, current economic trends and past experience. If future collections and trends differ from estimates, future earnings will be affected.

3 Summary of significant accounting policies

Principles of consolidation

The financial statements include the accounts of BluMetric Environmental Inc. and its wholly owned subsidiary, BluMetric S.A. de C.V., El Salvador, up until June 30, 2018, when this subsidiary was sold. All intercompany transactions and balances between these companies have been eliminated on consolidation, including unrealized gains or losses.

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).

(expressed in Canadian dollars)

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

- level 1 – unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- level 2 – quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- level 3 – prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currencies at the exchange rates prevailing at the year-end date are recognized in profit or loss.

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.

Cash

Cash includes 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 which 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, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant 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.

(expressed in Canadian dollars)

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:

Buildings	20 years
Computer hardware	5 years
Field equipment	5 years
Office furniture and equipment	5 years
Leasehold improvements	over term of lease
Paving	15 years
Vehicles	3 years

In the case of assets under finance leases, expected useful lives are determined by reference to comparable owned assets or over the lease term, if shorter.

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

Intangible assets

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

The following useful lives are applied:

Trademarks	25 years
Computer software	5 years
Patents	17 years
Technology	3 years
Customer lists	5 years

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

Impairment testing of tangible and intangible assets with finite useful lives

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication those assets have suffered impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or CGU).

(expressed in Canadian dollars)

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

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

Assets held for sale

Non-current assets classified as held for sale are presented separately and are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. While classified as held for sale, no depreciation is taken.

Goodwill

Goodwill is tested for impairment annually, or more frequently when there is an indication the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU on a pro rata basis of the carrying amount of each asset. For purposes of goodwill impairment testing, the Company has one CGU, which is the Company as a whole.

An impairment loss recognized for goodwill is not reversed in a subsequent period, even if future events suggest the value of goodwill has been recovered.

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 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. No warranty provisions have been recognized in the current year.

(expressed in Canadian dollars)

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

Borrowings

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

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

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the statement of net earnings, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

Borrowings consist of the demand loan, advances, due to shareholders and long term debt not related to finance leases.

Royalties embedded within long term debt are accounted for as executory liabilities under IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as they do not meet the criteria of recognition of financial liabilities under IFRS 9.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease.

(expressed in Canadian dollars)

An operating lease is a lease in which a significant portion of the risks and rewards of ownership are retained by the lessor. Payments under an operating lease are recognized as an expense on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

Leases in which substantially all the risks and rewards of ownership are transferred to the Company are classified as finance leases. Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments plus incidental payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance cost and the liability. The finance charge is recognized in the statements of net earnings and comprehensive income within finance costs and is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Income taxes

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

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

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

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

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

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

(expressed in Canadian dollars)

Trade and other payables

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

Equity

- Share capital

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

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

- Contributed surplus and other equity

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

- Retained earnings (deficit)

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

Share-based payments

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

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

(expressed in Canadian dollars)

The fair value at the grant date of share options is determined using the Black-Scholes option pricing model and is recognized in the statements of net earnings and comprehensive income as a compensation expense using a graded vesting schedule over the vesting period, based on the Company's estimate of the number of shares which 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 comprehensive income such that the cumulative compensation expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. No adjustment is made to any expense recognized in prior periods if the share options ultimately exercised are different from those estimated on vesting.

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

Employee benefit plans

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as (collectively) the Chief Executive Officer, the Chief Financial Officer and the Board of Directors.

The Company has determined that it has one operating reportable segment, being the Company taken as a whole.

Revenue recognition (applicable until October 1, 2018)

This policy was applicable until September 30, 2018 and was superseded on adoption of IFRS 15 by the new policies stated in note 4.

Revenue comprises revenue from the rendering of services and the sale of goods. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, sales taxes, returns and rebates.

Unbilled revenue represents work-in-progress that has been recognized as revenue but not yet invoiced to clients.

(expressed in Canadian dollars)

Amounts billed in advance of performance for which consideration has been received are recorded as contract liabilities. Contract liabilities are classified as non-current if it relates to performance obligations that are expected to be fulfilled after 12 months from the end of the reporting period.

Revenue from fixed-price contracts is recognized using the percentage of completion method of accounting. The Company generally uses the cost approach to measure the progress to completion for these contracts. Under this method, the stage of completion is measured by reference to actual costs incurred to date as a percentage of total estimated costs to complete the contract, which are reviewed and updated routinely for contracts-in-progress. The cumulative effect of any change in estimate is recorded in the period when the change in estimate is determined. Losses on contracts, if any, are recognized in full in the period when such losses become probable.

Revenue from time-and-materials contracts is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed and material costs incurred.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period in which the losses are determined probable.

Contract revenues and costs are adjusted to reflect change orders that have been approved as to both price and scope.

For change orders that have not been approved as to price, contract revenues are recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Profit on unpriced change orders is not recognized until pricing has been approved. If there are disputes or claims regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, the Company's accounting policy is to record all costs for these change orders but not to record any revenues anticipated from these disputes until resolution is probable

In the course of providing its services, the Company incurs certain direct costs such as travel and living expenses for its staff, and other expenditures such as sub-consultants and third party product or service providers, that are recoverable directly from clients. These direct costs are included in the Company's gross revenue, as management has determined it is acting as the principal in these projects. Since such direct costs can vary significantly from contract to contract, changes in revenue may not be indicative of the Company's revenue trends.

Financial instruments (applicable until September 30, 2018)

This policy was applicable until October 1, 2018 and was superseded on adoption of IFRS 9 by the new policies stated in note 4.

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss (FVTPL), which are measured initially at fair value.

(expressed in Canadian dollars)

Subsequent measurement of financial assets and financial liabilities is described below.

- Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest recognized on an effective yield basis. Cash and accounts receivable are classified as loans and receivables.

- Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's financial liabilities include bank indebtedness, trade and other payables, advances, demand loan, long-term debt and due to shareholders.

- Financial liabilities at FVTPL are subsequently measured at fair value and changes therein are recognized in the statements of net earnings and comprehensive income.

- Investments in securities are usually classified as available for sale. They are accounted for at fair value if reliably measurable, with unrealized gains and losses included in other comprehensive income, except for foreign exchange gains and losses on monetary investments, which are recognized in earnings. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost. Impairment charges are recognized in profit or loss. The Company doesn't currently have any financial instruments in this category.

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset measured at amortized cost is impaired and changes therein are recognized in the statements of net earnings and comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

All income and expenses relating to financial assets are recognized in profit or loss and are presented within finance costs or finance income, except for impairment of accounts receivable, which is presented within selling, general and administrative expenses.

4 New accounting standards

a) IFRS 15, Revenue from Contracts with Customers

Effective October 1, 2018, the Company has adopted IFRS 15 using the modified retrospective approach. As a result, the after-tax cumulative effect of initially applying IFRS 15 is recognized as an adjustment to opening retained earnings as at October 1, 2018. Comparative information has not been restated and continues to be reported under IAS 18, Revenue and IAS 11, Construction Contracts. The Company used the practical expedient to apply IFRS 15 only to contracts not completed as at October 1, 2018. In addition, the Company used the practical expedient to reflect the aggregate effect of all contract modifications that occurred before October 1, 2018, for the purposes of identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations.

(expressed in Canadian dollars)

The following table summarizes the impacts of adopting IFRS 15 in the Company's financial statements as of October 1, 2018. Amounts are presented on a gross basis, before the credit loss allowance required on adoption of IFRS 9. See the table in note 4b for the combined impact of adopting IFRS 15 and IFRS 9.

	October 1, 2018		
	As previously reported	As restated $	Increase/ (decrease) $
Current assets			
Unbilled revenue	4,659,396	2,871,918	(1,787,478)
Contract assets	-	1,787,478	1,787,478
	4,659,396	4,659,396	-

Adoption of IFRS 15 did not have an impact on the Company's statements of net income and comprehensive income and cash flows however it has resulted in expanded disclosures. Revenue from the vast majority of the Company's contracts will continue to be recognized over time because of the continuous transfer of control to the customer. The impact to revenues from adopting IFRS 15 on transition as of October 1, 2018 and for the years ended September 30, 2019 was immaterial.

The details of the Company's significant accounting policies, significant accounting judgments, estimates and assumptions applicable as of October 1, 2018 are disclosed below.

Revenue recognition

The Company provides professional services in the fields of environmental geosciences and engineering, industrial hygiene, occupational health and safety, water and wastewater treatment and environmental management. The Company's contracts are a mix between cost-reimbursable contracts that fall under the category of time and materials contracts with the remainder being fixed-price contracts.

Cost-reimbursable contracts

- Time and materials (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 clients based upon actual hours expended on a project. In addition, any direct project expenditures are passed through to the client 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 can't be exceeded. In most cases, the Company can bill additional fees if the project scope is modified or the schedule lengthened.

(expressed in Canadian dollars)

Fixed-price contracts

- Fixed-price contracts typically require the performance of one or more agreed upon obligations at a firm 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. This evaluation requires significant judgment and the decision to combine a group of contracts or to separate a single contract into multiple performance obligations could affect the amount of revenue and profit recorded in a given period.

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

Identifying performance obligations in a contract and allocating revenue

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

Determining the transaction price

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

(expressed in Canadian dollars)

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 pricing 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 judgment. 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 which 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. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Costs to fulfill contracts may include labour, materials, subcontractor and other direct costs, as well as an allocation of indirect costs. The sale of parts directly to customers is the only type of sale where performance obligations are satisfied at a point-in-time. For these sales, the Company recognizes revenue when control of the goods is transferred to the customer, typically at delivery.

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

(expressed in Canadian dollars)

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

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

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

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

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

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

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

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

(expressed in Canadian dollars)

Critical accounting judgments, estimates and assumptions

The Company accounts for its revenue from fixed-price and variable-price-with-ceiling contracts (i.e. T&M contracts with a cap) using the percentage of completion method, which requires estimates to be made for contract costs and revenues.

Contract costs include direct labor, direct materials and direct costs for subcontractors, and other expenditures that are recoverable directly from clients. 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 which can result in a change to contract profitability from one financial reporting period to another, including labor 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. Estimating total costs is subjective and requires management's best judgments based on the information available at that time.

On an ongoing basis, estimated revenue is updated to reflect the amount of consideration the Company expects to be entitled to in exchange for providing goods and services. Revenue estimates are affected by various uncertainties that depend on the outcome of future events, including change orders.

Change orders are included in estimated revenue when management believes the Company has an enforceable right to the change order, the amount can be estimated reliably and realization is highly probable. To evaluate these criteria, management considers the contractual or legal basis for the change order, the cause of any additional costs incurred and the history of favorable negotiations for similar amounts. As change orders are not recognized until highly probable, it is possible for the Company to have substantial contract costs recognized in one accounting period with associated revenue or reductions in cost recognized in a later period.

For certain consulting contracts, the Company exercises judgment when determining if the Company is acting as a principal or an agent in the context of the particulars of the underlying contracts. Specifically, in the new standard, the Company must first identify the specific good or service to be provided and whether it controls the specified good or service before reviewing the standard's principal indicators. If it is determined the Company is acting in the capacity of an agent, the revenue recorded would be net of direct costs.

b) IFRS 9, Financial Instruments

On October 1, 2018, the Company adopted IFRS 9 in place of IAS 39, Financial Instruments: Recognition and Measurements (IAS 39). In accordance with the transitional provision, the Company applied IFRS 9 using the modified retrospective approach and elected not to restate the prior year comparative financial statements which are reported under IAS 39 and therefore not comparable to the current year's financial statements.

The adoption of IFRS 9 has resulted in the following changes in accounting policy applicable after October 1, 2018

(expressed in Canadian dollars)

Recognition and classification

IFRS 9 introduces a principles-based approach to the recognition and classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. Under IFRS 9 all financial instruments are initially measured at fair value which is consistent with IAS 39. Subsequent to initial recognition, all financial assets, including hybrid contracts, are measured at (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost. For financial liabilities, IFRS 9 is substantially the same as was previously included in IAS 39. 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 IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a solely payment of principal and interest (SPPI) test to be classified at initial recognition as FVTPL. The SPPI test is conducted to identify whether the contractual cash flows of a financial instrument are solely payments of principal and interest. For debt instrument financial assets that meet the SPPI test, classification at initial 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.

(expressed in Canadian dollars)

As a result of the adoption of IFRS 9 on October 1, 2018, the financial instruments with reclassifications were as follows:

	New classification under IFRS 9	Original classification under previous GAAP	Original carrying value under previous standards	Reclassification due to adoption of IFRS 15	Adjustment on adoption of IFRS 9	New carrying value under IFRS 9 and IFRS 15
	October 1, 2018	September 30, 2018	September 30, 2018			October 1, 2018
Financial assets						
Accounts receivable	Amortized cost	Loans and receivables	5,307,302	-	9,784	5,317,086
Unbilled revenue	Amortized cost	Loans and receivables	4,659,396	(1,787,478)	(34,813)	2,837,105
Contract assets	Amortized cost	Not presented	-	1,787,478	(18,110)	1,769,368
Total			9,966,698		(43,139)	9,923,559
Financial liabilities						
Bank indebtedness	Amortized cost	Amortized cost	1,596,475	-	-	1,596,475
Trade and other payables	Amortized cost	Amortized cost	3,622,792		-	3,622,792
Demand-loan	Amortized cost	Amortized cost	949,758	-	-	949,758
Deferred revenue	Not presented	Amortized cost	323,249	-	-	-
Contract liabilities	Amortized cost	Not presented	-	(323,249)	-	323,249
Long-term debt	Amortized cost	Amortized cost	2,726,246	323,249	-	2,726,246
Advances	Amortized cost	Amortized cost	50,000	-	-	50,000
Due to shareholders	Amortized cost	Amortized cost	16,638	-	-	16,638
Total			9,285,158			9,285,158

Impairment of financial assets

Impairment of financial assets under IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets, lease receivables, debt investments measured at FVOCI, loan commitments that are not designated as FVTPL and financial guarantee contracts not designated as FVTPL. The Company applies this model to its accounts receivable, unbilled revenue and contract assets. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Forward-looking information (FLI) is incorporated into the estimation of ECL allowances, which involves significant judgment. The calculation of ECL allowances is based on the expected value of the probability-weighted scenarios to measure expected cash shortfalls, discounted at the effective interest rate.

(expressed in Canadian dollars)

Under IFRS 9, all financial instruments on which repayment of principal or payment of interest is contractually 90 days in arrears or greater is automatically considered impaired. Any financial instruments where the borrower has filed for bankruptcy will also be considered to be impaired.

Financial instruments are written off, either partially or in full, against the related allowance for credit losses when there is evidence that there is no realistic prospect of future recovery.

For trade and other receivables, unbilled revenue and contract assets the Company applies the simplified approach permitted by IFRS 9, which requires lifetime ECLs to be recognized from initial recognition. The Company established a provision matrix that is based on its historical credit loss experience adjusted for forward-looking factors. The adoption of IFRS 9 has resulted in a $43,139 increase in the Company's credit loss allowance, against customer related balances (see note 27), which has been charged as an increase against opening deficit, net of tax, as at October 1, 2018, as shown in the table below. As permitted under the modified retrospective approach, no adjustment to the comparative year has been made.

	October 1, 2018 $
Opening deficit – IAS 39[(1)]	(933,517)
Increase in credit loss allowance	(43,139)
Opening deficit – IFRS 9	(976,656)

[(1)]Opening deficit before adoption of IFRS 9

5 Future accounting changes

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

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

- IFRS 16, Leases (IFRS 16)

  IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 will supersede the current lease recognition guidance including IAS 17, Leases and the related interpretations when it becomes effective.

(expressed in Canadian dollars)

Under IFRS 16, the lessee recognises a right-of-use asset and a lease liability upon lease commencement for leases with a lease term of greater than one year. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Subsequent measurement is determined based on the nature of the underlying asset.

The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the implied lease rate. If the implied lease rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Subsequent re-measurement is allowed under specific circumstances. The standard is effective for accounting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its financial statements.

6 Accounts receivable

	2019 $	2018 $
Trade receivables	4,048,067	5,733,568
Other receivables	31,938	2,789
Credit loss allowance (note 27)	(240,740)	(429,055)
	3,839,265	5,307,302

As at September 30, 2019, there was $25,327 (2018 – $nil) owed from government agencies included in other receivables.

Information about the Company's exposure to credit risks and impairment losses for trade and other receivables is included in note 27, along with changes due to the implementation of IFRS 9.

(expressed in Canadian dollars)

7 Property, plant and equipment

All of the Company's property, plant and equipment are pledged as security for the bank loans and facilities (notes 10, 12 and 14). Accordingly, there are restrictions on the title of such assets.

									2019
	Land $	Buildings $	Computer hardware $	Field equipment $	Office furniture and equipment $	Leasehold improve-ments $	Paving $	Vehicles $	Total $
Cost									
Balance – October 1, 2018	65,873	1,167,089	2,010,207	480,386	741,299	627,401	26,606	120,908	5,239,769
Additions	-	-	120,012	-	10,857	-	-	29,089	159,958
Disposals	-	-	(1,867,208)	-	-	-	-	(95,125)	(1,962,333)
Reclassified to assets held for sale	(65,873)	(1,167,089)	-	-	-	(534,642)	(26,606)	-	(1,794,210)
Balance – September 30, 2019	-	-	263,011	480,386	752,156	92,759	-	54,872	1,643,184
Accumulated depreciation									
Balance – October 1, 2018	-	1,043,098	1,991,029	457,481	732,140	627,401	26,606	98,348	4,976,103
Depreciation	-	58,354	11,773	12,675	6,990	-	-	12,264	102,056
Disposals	-	-	(1,867,208)	-	-	-	-	(95,125)	(1,962,333)
Reclassified to assets held for sale	-	(1,101,452)	-	-	-	(534,642)	(26,606)	-	(1,662,700)
Balance – September 30, 2019	-	-	135,594	470,156	739,130	92,759	-	15,487	1,453,126
Net book value – Balance – September 30, 2019	-	-	127,417	10,230	13,026	-	-	39,385	190,058

(expressed in Canadian dollars)

									2018
	Land $	**Buildings** $	**Computer hardware** $	**Field equipment** $	**Office furniture and equipment** $	**Leasehold improve-ments** $	**Paving** $	**Vehicles** $	**Total** $
Cost									
Balance – October 1, 2017	-	-	1,997,220	473,886	746,664	126,948	-	171,495	3,516,213
Additions	-	-	14,440	6,500	-	-	-	25,783	46,723
Disposals	-	-	(1,453)	-	(5,365)	(34,189)	-	(76,370)	(117,377)
Reclassified from assets held for sale	65,873	1,167,089	-	-	-	534,642	26,606	-	1,794,210
Balance – September 30, 2018	65,873	1,167,089	2,010,207	480,386	741,299	627,401	26,606	120,908	5,239,769
Accumulated depreciation									
Balance – October 1, 2017	-	-	1,978,320	446,106	727,132	126,948	-	171,495	3,450,001
Depreciation	-	63,217	13,508	11,375	7,957	-	-	3,223	99,280
Disposals	-	-	(799)	-	(2,949)	(34,189)	-	(76,370)	(114,307)
Reclassified from assets held for sale	-	979,881	-	-	-	534,642	26,606	-	1,541,129
Balance – September 30, 2018	-	1,043,098	1,991,029	457,481	732,140	627,401	26,606	98,348	4,976,103
Net book value – Balance – September 30, 2018	65,873	123,991	19,178	22,905	9,159	-	-	22,560	263,666

(expressed in Canadian dollars)

On September 28, 2017, the Company decided to place its office building at 3108 Carp Road in Ottawa for sale and classified the assets as held for sale. After one year on the market, during the year ended September 30, 2018, the assets were reclassified to property plant and equipment since they no longer met the requirements as held for sale. As at September 30, 2019, the Company was highly certain that the office building would be sold and the assets have been presented as held for sale on the statements of financial position. Subsequent to year-end, a purchase and sale agreement was signed and the sale transaction closed on December 19, 2019. The sale includes the land, building, leasehold improvements and paving with a combined carrying amount of $131,510. Proceeds from the sale of $1.15 million were used to extinguish the Company's demand loan (see note 12).

Property, plant and equipment includes vehicles and computer hardware at carrying value of $23,271 (2018: nil) and $39,060 (2018: nil) respectively acquired under finance lease.

(expressed in Canadian dollars)

8 Intangible assets

All of the Company's intangible assets are pledged as security for the bank loans (notes 10 and 14). Accordingly, there are restrictions on the title of such assets.

						2019
	Trademarks $	Computer software $	Patents $	Technology $	Customer lists $	Total $
Cost						
Balance – October 1, 2018	222,981	900,942	50,855	258,416	771,150	2,204,344
Additions	-	28,800	-	-	-	28,800
Disposals	(222,981)	(863,612)	-	(258,416)	(771,150)	(2,116,159)
Balance – September 30, 2019	-	66,130	50,855	-	-	116,985
Accumulated amortization						
Balance – October 1, 2018	222,981	900,604	25,253	258,416	771,150	2,178,404
Amortization	-	823	2,991	-	-	3,814
Disposals	(222,981)	(863,612)	-	(258,416)	(771,150)	(2,116,159)
Balance – September 30, 2019	-	37,815	28,244	-	-	66,059
Net book value – September 30, 2019	-	28,315	22,611	-	-	50,926

						2018
	Trademarks $	Computer software $	Patents $	Technology $	Customer lists $	Total $
Cost						
Balance – October 1, 2017	222,981	900,942	50,855	258,416	771,150	2,204,344
Additions	-	-	-	-	-	-
Balance – September 30, 2018	222,981	900,942	50,855	258,416	771,150	2,204,344
Accumulated amortization						
Balance – October 1, 2017	185,766	887,437	22,262	258,416	745,445	2,099,326
Amortization	37,215	13,167	2,991	-	25,705	79,078
Balance – September 30, 2018	222,981	900,604	25,253	258,416	771,150	2,178,404
Net book value – September 30, 2018	-	338	25,602	-	-	25,940

9 Goodwill

Consistent with 2018, goodwill is allocated to the Company as a whole since this is the level at which goodwill is now monitored due to strategic integration of the Company's divisions.

(expressed in Canadian dollars)

Goodwill was tested at the company level, as that is the level at which it is monitored. The recoverable amount has been determined based on fair value less cost of disposal, using an enterprise valuation technique.

Enterprise value was determined by multiplying the share price by the number of shares outstanding, plus net debt and a control premium less estimated cost of disposal. The valuation technique uses level 1 inputs for share price data and level 3 inputs for net debt in accordance with the fair value hierarchy described in note 3.

The calculation of fair value less costs of disposal is most sensitive to changes in share price and control premium.

The share price used was $0.175 per share as traded on the TSX-V as at September 30, 2019.

If the share price used in the fair value less costs of disposal model was 10% lower, and all other assumptions held constant, the group would have recognised an impairment loss of $37,516 against goodwill.

If the control premium used in the fair value less cost of disposal calculation was 10% less, and all other assumptions held constant, then the amount of headroom available before requiring an impairment loss against goodwill would be reduced to $95,267.

Based on the analysis performed, the fair value of the CGU for the Company is higher than its carrying amount as at September 30, 2019 (2018 – higher) and as such, no impairment loss has been recorded (2018 – $nil).

10 Credit facilities

The Company's short-term credit facilities consist of an operating demand loan in the amount of $2,000,000 with a $500,000 sublimit for letters of credit. The facility carries a floating interest at prime plus 2.25%, is collateralized by a first ranking general security agreement over all of the Company's present and future assets, is subject to margining based on the amounts of eligible accounts receivable and has no contractual maturity. Each letter of credit must be 100% guaranteed in favour of the bank through a separate program provided by the Export Development Corporation. For the year ended September 30, 2019, the effective interest rate under this facility was 6.2% (2018 – 5.95%).

As at September 30, 2019, the Company had drawn $77,055 on its operating demand loan and $nil in letters of credit (2018 – $1,596,475 and $206,605, respectively). The letters of credit expired on July 26, 2019.

The Company has certain covenants in accordance with its short-term credit facilities. As at September 30, 2019, the Company was in compliance with all its covenants.

The Company also has a corporate credit card facility in the amount of $165,000. As at September 30, 2019, the Company had utilised $92,786 (2018 – $91,864) against such facility which is recorded under trade and other payable in the statements of financial position.

(expressed in Canadian dollars)

11 Trade and other payables

	2019 $	2018 $
Trade payables	1,499,351	2,345,899
Salaries and benefits payable	617,306	614,374
Other accrued liabilities and payables	879,325	662,519
	2,995,982	3,622,792

As at September 30, 2019, other accrued liabilities and payables include amounts owing to key management personnel and directors of $nil (2018 – $7,000 owing to directors).

As at September 30, 2019, there was $9,286 (2018 – $72,619) owed to government agencies included in other accrued liabilities and payables.

12 Demand loan

	2019 $	2018 $
Demand loan, issued on March 28, 2018, net of deferred financing costs of $23,948, bearing interest at prime rate (3.95% as at September 30, 2019) plus 2%, repayable in monthly principal instalments of $4,167 plus interest, secured by land and building with a carrying value of $131,510 (2018 – $189,864)	901,052	949,758

On October 1, 2019, the Company signed an agreement to sell its office building at 3108 Carp Road in Ottawa. The sale included all assets used as security for the demand loan. The transaction closed on December 19, 2019, and proceeds from the sale were used to extinguish the Company's demand loan.

13 Advances

Advances are owed to shareholders and bear interest at a rate of 7% with no fixed terms of repayment. These amounts are postponed in favour of the Company's lender. Interest on advances outstanding has not been postponed.

During the year ended September 30, 2018, $10,000 of advances were converted to equity (see note 17).

(expressed in Canadian dollars)

14 Long-term debt

	2019 $	2018 $
Term loan, net of deferred financing costs of $22,314 (2018 – $33,472), bearing interest at 10%, due in one instalment on September 12, 2021[(a)]	2,477,686	2,466,528
Restructured trade debt[(b)]	218,756	259,718
Finance lease (note 15)	63,522	-
	2,759,964	2,726,246
Less: Current portion	64,797	27,823
	2,695,167	2,698,423

a) The Company entered into an agreement with a lending institution on September 12, 2016, for a secured five-year term loan in the amount of $2,500,000. This loan bears interest at a rate of 10% and requires the Company to pay royalty fees on gross revenue beginning February 2018. The royalty rate is tiered and applies at a rate of 0.35% of gross revenue up to $38,000,000, and then decreases to 0.15% of gross revenue in excess of that amount. As at September 30, 2019, $98,883 (2018 – $112,954) was accrued in trade and other payables with respect to these royalties.

The Company has certain covenants in respect of financial ratio maintenance in accordance with this term loan, as well as cross-default provisions with the Company's short-term credit facility arrangement. As at September 30, 2019 and September 30, 2018, the Company was in compliance with all its covenants.

b) On November 15, 2012, the Company reached an agreement with a number of creditors with respect to repayment terms for outstanding amounts payable. The agreement required the Company to repay this amount on a monthly basis, with blended payments of principal and interest. As at September 30, 2019, $164,656 is postponed in favour of the Company's current lender (2018 – $164,656).

Long-term debt balances as at September 30, 2019 are due as follows:

	$
2020	64,797
2021	2,492,798
2022	14,029
2023	14,837
2024 and thereafter	173,503
	2,759,964

(expressed in Canadian dollars)

The movements in net debt for the year ended September 30, 2019 are presented below:

	Cash $	Bank indebtedness $	Long-term debt $	Demand loan $	Total $
Balance as at October 1, 2018	-	(1,596,475)	(2,726,246)	(949,758)	(5,272,479)
Cash flows	243,098	1,596,475	46,250	50,000	1,935,823
Acquisitions – finance leases	-	-	(68,811)	-	(68,811)
Amortization of deferred finance costs	-	-	(11,157)	(1,294)	(12,451)
Balance as at September 30, 2019	243,098	-	(2,759,964)	(901,052)	(3,417,918)

15 Lease obligations

The Company has finance leases for computer equipment and vehicles. As at September 30, 2019, these finance lease obligations bear interest at rates ranging from 5.5% to 5.7% (2018 – nil) and expire at various dates before October 2024.

Future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

	2019 $	2018 $
Within one year	15,782	-
After one year but not more than five years	56,460	-
Total minimum lease payments	72,242	-
Less amounts representing finance charges	8,720	-
Present value of minimum lease payments	63,522	-

16 Due to shareholders

Amounts due to shareholders are non-interest bearing with no fixed terms of repayment. These amounts are postponed in favour of the Company’s bank.

During the year ended September 30, 2018, $29,065 owed to shareholders was converted to equity (see note 17).

(expressed in Canadian dollars)

17 Shareholders' equity

Share capital

Authorized

- Common shares

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

- Special shares

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

Debt conversion

On October 23, 2017, the Company concluded a debt conversion whereby $153,189 of certain existing debt, which included $30,396 of withholding taxes, was converted into 511,638 common shares at an agreed upon conversion price of $0.24 per share. The share price on October 23, 2017 was $0.22 per share, resulting in a gain on debt conversion of $10,233 (included in selling, general and administrative expenses). These common shares were subject to a hold period, which ended on February 25, 2018. Share capital increased by $107,030, which is net of share issuance costs of $5,530.

Reduction of liabilities due to debt conversion included:

	$
Trade and other payables – accrued interest on restructured trade debt	18,417
Long-term debt – restructured trade debt	95,707
Advances	10,000
Due to shareholders	29,065
	153,189

(expressed in Canadian dollars)

Share options

Activity in the share option plan is summarized as follows:

	2019		2018	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Outstanding – Beginning of year	1,642,875	0.35	1,177,375	0.41
Granted	80,000	0.22	520,000	0.24
Expired	(672,875)	0.50	-	-
Forfeited	-	-	(54,500)	0.50
Outstanding – End of year	1,050,000	0.25	1,642,875	0.35
Exercisable – End of year	576,667	0.22	912,875	0.44

Information about share options outstanding as at September 30, 2019 is as follows:

	Awards outstanding			Awards exercisable		
Grant price range	Quantity	Remaining contractual life	Exercise price $	Quantity	Remaining contractual life	Exercise price $
0.10 - 0.20	70,000	1.51	0.20	70,000	1.51	0.20
0.21 - 0.25	660,000	3.50	0.23	226,667	3.34	0.23
0.26 - 0.32	320,000	1.62	0.30	280,000	1.49	0.29
	1,050,000	2.80	0.25	576,667	2.22	0.26

Share-based compensation

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

During the year ended September 30, 2019, the Company issued 80,000 (2018 – 520,000) options to directors to purchase common shares. The exercise price of the options is $0.22 (2018 – $0.24). Of the options granted, 40,000 vest over one year, 20,000 vest over two years and 20,000 vest over three years. All have a term of five years. The fair value of options granted during the year was $11,356 (2018 – $69,830) resulting in a weighted average grant date fair value of $0.14 per option (2018 – $0.13).

(expressed in Canadian dollars)

The fair value of options granted was estimated on the date of grant using the following assumptions:

	2019 $	2018 $
Exercise price	0.22	0.24
Expected volatility	97%	107%
Expected option life (years)	3.54	3.44
Expected dividends	-	-
Risk-free interest rate	1.44%	1.89%

During the year ended September 30, 2019, the Company recognized $43,449 (2018 – $45,479) in share-based compensation expense.

18 Income taxes

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:

	2019 $	2018 $
Earnings before income taxes	479,207	543,580
Statutory tax rate	26.51%	26.53%
Expected income tax expense	127,038	144,212
Rate differences		
Recognition of previously unrecognized deferred tax assets	-	(2,308,356)
Changes in temporary differences	(4,527)	-
Permanent differences	21,826	35,073
Prior period adjustments	(16,048)	13,453
Income tax expense (recovery)	128,289	(2,115,618)
Effective income tax rate	26.77%	(398.2%)

The following shows the components of income tax expense:

	2019 $	2018 $
Current tax expense	172,000	-
Deferred tax recovery	(43,711)	(2,115,618)
Income tax expense (recovery)	128,289	(2,115,618)

(expressed in Canadian dollars)

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

				2019
	Balance – Beginning of year $	**Recognized in earnings $**	**Equity component $**	**Balance – End of year $**
Property, plant and equipment	296,136	38,932	-	335,068
Operating losses	1,150,324	(1,804)	-	1,148,520
Capital losses	18,662	(15,882)	-	2,780
Research and development expenses	660,993	(568)	-	660,425
Federal ITCs	(22,812)	(7,711)	-	(30,523)
Reserves	6,631	27,656	-	34,287
Financing cost	5,684	3,088	-	8,772
Other	-	(2,924)	2,924	-
	2,115,618	40,787	2,924	2,159,329

				2018
	Balance – Beginning of year $	**Recognized in earnings $**	**Equity component $**	**Balance – End of year $**
Property, plant and equipment	1,740	294,396	-	296,136
Operating losses	-	1,150,324	-	1,150,324
Capital losses	-	18,662	-	18,662
Research and development expenses	-	660,993	-	660,993
Federal ITCs	-	(22,812)	-	(22,812)
Investments	(2,457)	2,457	-	-
Reserves	-	6,631	-	6,631
Financing cost	717	4,967	-	5,684
Other	-	(3,997)	3,997	-
	-	2,111,621	3,997	2,115,618

(expressed in Canadian dollars)

The amount and timing of reversals of temporary differences will be dependent upon, 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.

	2019 $	2018 $
Deferred income tax assets		
Deferred tax assets to be recovered within 12 months	310,011	84,213
Deferred tax assets to be recovered after more than 12 months	1,849,318	2,054,217
	2,159,329	2,138,430
Deferred income tax liabilities		
Deferred tax liabilities to be recovered within 12 months	-	(22,812)
Deferred tax liabilities to be recovered after more than 12 months	-	-
Net deferred income tax assets (liabilities)	2,159,329	2,115,618

The Company has the following non-capital losses, which are available to reduce income taxes in future periods, for which the Company has recognized a deferred tax asset in the statements of financial position that can be carried to the following years:

	$
2034	991,459
2033	1,754,112
2032	78,399
2031	576,315
2030	779,798
2029	181,079
	4,361,162

As at September 30, 2019, the Company had an investment tax credit in the amount of $677,468 (2018 – $789,181), of which nil (2018 – $86,000) was recorded as an income tax receivable in the statements of financial position. This credit can be used against any federal income tax payable and expires in the years 2026 to 2032.

As at September 30, 2019, the Company had an Ontario investment tax credit of $7,436 (2018 – $86,000), of which nil (2018 – $86,000) was recorded as an income tax receivable in the statements of financial position. This credit can be used against any provincial income tax payable and expires in the year 2032.

(expressed in Canadian dollars)

19 Other expense items

	2019 $	2018 $
Personnel	13,317,938	13,565,512
Materials	10,895,730	13,507,420
Consulting	111,080	226,350
Sub-contractors	70,766	121,179
Depreciation and amortization	105,870	179,039
Other operating expense	2,788,827	3,556,379
	27,290,211	31,155,879
Reported as		
Cost of sales	22,390,468	25,485,657
Selling, general and administrative	4,899,743	5,670,222
	27,290,211	31,155,879
Finance costs		
Restructured debt	17,751	18,352
Term loans and bank loans	418,915	404,035
Mortgage	-	47,496
Bank charges	31,704	31,815
Other finance charges	14,442	45,429
	482,812	547,127

20 Changes in working capital balances

	2019 $	2018 $
Accounts receivable	1,378,984	(844,818)
Unbilled revenue	1,949,649	(1,214,541)
Contract assets	(1,383,409)	-
Prepaid expenses	190,192	32,016
Investment tax credits	-	(172,000)
Trade and other payables	(626,810)	86,811
Deferred revenue	-	48,513
Contract liabilities	(182,866)	-
	1,325,740	(2,064,019)

(expressed in Canadian dollars)

21 Earnings per share

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

	2019 $	2018 $
Issued common shares	28,675,695	27,880,140
Weighted average number of basic common shares	28,675,695	28,494,885
Effect of share options on issuance	-	10,550
Weighted average number of diluted common shares	28,675,695	28,505,435

Options that were anti-dilutive are not included in the computation of diluted common shares. For the year ended September 30, 2019, 1,050,000 were excluded from the calculation because they were anti-dilutive (2018 – 1,402,875).

22 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, 2019 are as follows:

	Premises $	Equipment $	Total $
Within one year	661,059	73,644	734,703
Between two and five years	912,203	138,750	1,050,953
After five years	-	-	-
	1,573,262	212,394	1,785,656

The operating leases relate to leases to premises occupied by the Company and equipment leases. There are no options to purchase at the expiry of the lease period.

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.

(expressed in Canadian dollars)

23 Segmented disclosure

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

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

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

Geographical information

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

	2019 $	2018 $
Canada	27,889,511	29,813,120
Other countries	362,719	2,433,466
	28,252,230	32,246,586

For the year ended September 30, 2019, approximately 47% (2018 – 33%) was derived from three clients, two of which account for over 10% of total revenue (2018 – no change).

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

24 Revenue

Disaggregation of revenue

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

(expressed in Canadian dollars)

Gross revenue from contracts with customers disaggregated by market sector is as follows:

	2019 $			2018 $
	Fixed price $	Time and materials $	Total $	Total $
Commercial and industrial	2,008,716	6,935,486	8,944,202	9,618,293
Government	2,517,539	3,063,228	5,580,767	8,859,134
Military	1,692,870	6,367,922	8,060,792	5,719,602
Mining	1,150,274	4,516,195	5,666,469	8,049,557
	7,369,399	20,882,831	28,252,230	32,246,586

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, 2019, $379,163 or 1% was recognized at a point in time, which primarily related to mining sector clients.

Contract balances

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

	September 30, 2019 $	October 1, 2018 $
Trade receivables	3,839,265	5,317,086
Unbilled revenue	2,666,608	2,837,105
Contract assets	1,383,409	1,769,368
Contract liabilities	(140,383)	(323,249)
	7,748,899	9,600,310

Revenue recognized in the year ended September 30, 2019 and included in contract liabilities as at October 1, 2018 was $323,249.

(expressed in Canadian dollars)

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 (note 4) related to performance obligations that are unsatisfied (or partially unsatisfied) as at September 30, 2019, was $7,261,996. The Company expects to recognize approximately 25% of this revenue as contracts are completed over the next 12 months, with the remainder thereafter.

	$
Next 12 months	1,826,100
Next 13-24 months	2,532,642
Beyond	2,903,253
	7,261,995

25 Related party transactions

Compensation of key management personnel

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

	2019 $	2018 $
Salaries[1]	1,040,033	1,196,429
Short-term benefits	104,563	78,248
Share-based compensation	43,449	45,479
	1,188,045	1,320,156

[1] For the year ended September 30, 2018, salaries includes $250,000 pursuant to an employment contract with one of the Company's key management personnel whose term ended on November 30, 2017 (2019 – $nil).

(expressed in Canadian dollars)

26 Financial instruments

The following table summarizes information regarding the carrying values of the Company's financial instruments (see note 4b for impact of IFRS 9 adoption):

		2019		2018	
Instrument	**Measurement**	**Carrying value $**	**Fair value $**	**Carrying value $**	**Fair value $**
Assets					
Cash	amortized cost	243,098	243,098	-	-
Accounts receivable	amortized cost	3,839,265	3,839,265	5,307,302	5,307,302
Unbilled revenue	amortized cost	2,666,608	2,666,608	4,659,396	4,659,396
		6,748,971	6,748,971	9,966,698	9,966,698
Liabilities					
Bank indebtedness	amortized cost	-	-	1,596,475	1,596,475
Trade and other payables	amortized cost	2,995,982	2,995,982	3,622,792	3,622,792
Demand loan	amortized cost	901,052	901,052	949,758	949,758
Long-term debt	amortized cost	2,759,964	2,690,591	2,726,246	2,656,667
Advances	amortized cost	50,000	47,521	50,000	48,004
Due to shareholders	amortized cost	16,638	16,638	16,638	16,638
		6,723,636	6,651,784	8,961,909	8,890,334

The fair value measurements for all the financial instruments of the Company have been categorised as Level 3. No transfers were noted between the fair value hierarchy of the financial instruments during the current year and prior year.

27 Risk management

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

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

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

Credit risk

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

(expressed in Canadian dollars)

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, which are not impaired or past due for each of the September 30, 2019 and September 30, 2018 reporting dates, to be of good credit quality.

At the end of the year, five customers (2018 – five customers) accounted for 39% (2018 – 52%) of accounts receivable.

The Company applies the simplified approach to trade and other receivables and unbilled revenue, and recognizes a loss allowance based on lifetime ECL. The loss allowance is based on the Company's historical collection and loss experience 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, 2019 and October 1, 2018 is determined as follows:

								September 30, 2019
	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	2.18%	1.77%	4.70%	2.27%	10.97%	33.48%	73.23%	-
Gross carrying amount	3,452,930	776,422	205,581	77,603	296,802	105,937	168,521	5,083,796
Loss allowance	75,274	13,743	9,662	1,762	32,559	35,468	123,408	291,876

								October 1, 2018
	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	2.76%	2.66%	6.90%	5.65%	11.80%	19.50%	72.38%	-
Gross carrying amount	3,662,147	997,366	441,145	372,193	133,855	124,473	349,618	6,080,797
Loss allowance	101,075	26,530	30,439	21,029	15,795	24,272	253,054	472,194

(expressed in Canadian dollars)

The closing loss allowance for trade receivables, unbilled revenue and contracts assets as at September 30, 2019 reconcile to the opening loss allowance as follows:

	2019		
	Trade receivables $	Contract assets $	Unbilled revenue $
Opening balance – calculated under IAS 39	429,055	-	-
Amounts restated through opening retained earnings	(9,784)	18,110	34,813
Opening balance – calculated under IFRS 9	419,271	18,110	34,813
Bad debt expense provision	90,841	3,484	(5,272)
Recoveries	(84,373)	-	-
Accounts written off	(184,998)	-	-
Balance – End of year	240,741	21,594	29,541

	2018		
	Trade receivables $	Contract assets $	Unbilled revenue $
Opening balance – calculated under IAS 39	168,877	-	-
Bad debt expense provision	340,218	-	-
Recoveries	(42,979)	-	-
Accounts written off	(37,061)	-	-
Balance – End of year	429,055	-	-

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. For the year ended September 30, 2019, the Company had the following balances available on its credit facilities: operating demand loan – $2,000,000; and credit card facility – $72,214. With respect to margining for the operating demand loan, the Company's eligible accounts receivable exceeded the margining threshold and therefore the facility was fully available to the Company.

(expressed in Canadian dollars)

The following table outlines the liquidity risk associated with the Company's payment obligations as at September 30, 2019 and September 30, 2018, respectively.

					2019
	Total $	Less than 3 months $	4 – 12 months $	1 – 5 years $	Over 5 years $
Trade and other payables	2,995,981	2,046,199	909,410	40,372	-
Finance leases	72,243	3,946	11,837	56,460	-
Demand loan	925,000	925,000	-	-	-
Long-term debt	3,284,921	80,072	238,846	2,966,003	-
Advances	67,500	875	2,625	64,000	-
Due to shareholders	16,638	-	-	16,638	-
	7,362,283	3,056,092	1,162,717	3,143,473	-

					2018
	Total $	Less than 3 months $	4 – 12 months $	1 – 5 years $	Over 5 years $
Bank indebtedness	1,596,475	1,596,475	-	-	-
Trade and other payables	3,622,792	2,713,261	909,531	-	-
Demand loan	975,000	975,000	-	-	-
Long-term debt	3,582,279	74,001	222,002	3,286,276	-
Advances	67,500	875	2,625	64,000	-
Due to shareholders	16,638	-	-	16,638	-
	9,860,684	5,359,612	1,134,158	3,366,914	-

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, 2019, the Company had its demand loan which is a floating rate obligation. A 1% increase in interest rates during the reporting period would decrease net earnings and equity for the period by approximately $13,000 (2018 – $16,000).

(expressed in Canadian dollars)

- 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 USD and their Canadian dollar equivalent.

	2019		2018	
	CA $	US $	CA $	US $
Accounts receivable	112,231	84,747	122,284	94,464
Bank indebtedness	(77,055)	(58,186)	(52,338)	(40,431)
Trade and other payables	(19,292)	(14,568)	(183,802)	(142,010)

The Company incurs expenses and earns revenues 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.

A 10% strengthening of the US dollar against the Canadian dollar would have increased the net earnings and increased equity during the reporting period by approximately $2,000 (2018 – $11,000).

28 Capital management

The Company's objective is to maintain a capital base so as 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, advances and long-term debt. In order 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.

29 Subsequent events

Subsequent to year-end, a purchase and sale agreement was signed and closed to sell the Company's office building and land at 3108 Carp Road in Ottawa (note 7). On December 19, 2019, proceeds from the sale were used to extinguish the Company's demand loan (note 12).