

BLUMETRIC ENVIRONMENTAL INC.

CONDENSED UNAUDITED INTERIM FINANCIAL STATEMENTS

**FOR SECOND QUARTER AND SIX – MONTH PERIOD ENDED
MARCH 31, 2024**



About Us

BluMetric Environmental Inc. is a publicly traded environmental consulting and water cleantech company. We provide complete solutions to challenges such as water purification, protecting environments, and ensuring health and safety for Industrial/Commercial, Mining, Government, and Military clients.

BluMetric has more than 175 employees operating in nine offices and over 45 years of expertise.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed unaudited interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

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

BluMetric Environmental Inc.
Condensed Unaudited Interim Statements of Financial Position
As at March 31, 2024 and September 30, 2023

(expressed in Canadian dollars)

	March 31, 2024	September 30, 2023
	\$	\$
Current assets		
Cash and cash equivalents (note 4)	2,931,713	3,039,712
Accounts receivable (note 5)	7,288,464	5,968,324
Unbilled revenue	2,148,743	3,900,498
Contract assets	3,080,214	3,950,376
Inventory (note 6)	377,736	-
Prepaid expenses	181,729	295,976
	<u>16,008,599</u>	<u>17,154,886</u>
Non-current assets		
Property and equipment	514,704	446,421
Intangible assets	58,376	51,465
Right-of-use assets (note 7)	2,707,940	1,896,435
Deferred income tax assets	419,032	502,035
	<u>3,700,052</u>	<u>2,896,356</u>
	<u>19,708,651</u>	<u>20,051,242</u>
Current liabilities		
Trade and other payables (note 9)	3,377,822	4,821,120
Contract liabilities	279,579	239,568
Current portion of lease liabilities (note 7)	558,444	477,625
Current portion of long-term debt (note 10)	523,397	514,895
	<u>4,739,242</u>	<u>6,053,208</u>
Non-current liabilities		
Lease liabilities (note 7)	2,270,907	1,495,768
Long-term debt (note 10)	44,370	308,212
	<u>2,315,277</u>	<u>1,803,980</u>
	<u>7,054,519</u>	<u>7,857,188</u>
Shareholders' Equity		
Share capital	5,796,819	5,796,819
Contributed surplus and other equity	1,098,414	996,100
Retained earnings	5,758,899	5,401,135
	<u>12,654,132</u>	<u>12,194,054</u>
	<u>19,708,651</u>	<u>20,051,242</u>

Approved by the Board of Directors

 "Ian Mor Macdonald"
 Ian Mor Macdonald

Director

 "David Rudolph"
 David Rudolph

Director

BluMetric Environmental Inc.
Condensed Unaudited Interim Statements of Changes in Shareholders' Equity
For the six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

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

	Common shares #	Share capital \$	Contributed surplus and other equity \$	Retained earnings \$	Total \$
Balance – October 1, 2022	29,435,695	5,796,819	677,298	4,894,415	11,368,532
Share-based compensation (note 11)	-	-	175,772	-	175,772
Net earnings and comprehensive income for the period	-	-	-	535,736	535,736
Balance – March 31, 2023	29,435,695	5,796,819	853,070	5,430,151	12,080,040
Balance – October 1, 2023	29,435,695	5,796,819	996,100	5,401,135	12,194,054
Share-based compensation (note 11)	-	-	102,314	-	102,314
Net earnings and comprehensive income for the period	-	-	-	357,764	357,764
Balance – March 31, 2024	29,435,695	5,796,819	1,098,414	5,758,899	12,654,132

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

BluMetric Environmental Inc.
Condensed Unaudited Interim Statements of Net Earnings and Comprehensive Income
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

	For the three months ended		For the six months ended	
	March 31, 2024 \$	March 31, 2023 \$	March 31, 2024 \$	March 31, 2023 \$
		Restated (note 20)		Restated (note 20)
Revenue (note 15, 16)	7,133,223	7,413,985	15,658,013	17,892,010
Cost of sales (note 13)	4,070,380	4,661,012	9,011,180	11,743,386
Gross profit	3,062,843	2,752,973	6,646,833	6,148,624
Operating expenses and other items				
Selling, general and administrative (note 13)	2,856,116	2,597,000	6,004,577	5,216,545
Operating profit	206,727	155,973	642,256	932,079
Finance costs (note 13)	46,389	21,140	103,816	42,599
Other income (note 18)	(8,303)	-	(8,303)	-
Earnings before income taxes	168,641	134,833	546,743	889,480
Income tax expense (note 12)	52,052	54,908	188,979	353,744
Net earnings and comprehensive income for the period	116,589	79,925	357,764	535,736
Earnings per share				
Basic	0.00	0.00	0.01	0.02
Diluted	0.00	0.00	0.01	0.02
Weighted average number of shares outstanding (note 14)				
Basic	29,435,695	29,435,695	29,435,695	29,435,695
Diluted	29,438,884	29,439,435	29,435,695	29,435,695

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

BluMetric Environmental Inc.
Condensed Unaudited Interim Statements of Cash Flows
For the six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

	For the six months ended	
	March 31, 2024	March 31, 2023
	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings and comprehensive income for the period	357,764	535,736
Non-cash items		
Deferred income tax expense (note 12)	83,003	201,932
Increase (decrease) in credit loss allowance	30,710	(246,472)
Depreciation of property and equipment	34,197	28,487
Amortization of intangible assets	10,796	10,589
Amortization of right-of-use assets (note 7)	314,976	266,139
Accretion of lease liabilities (note 7)	109,367	51,485
Share-based compensation (note 11)	102,314	175,772
Change in working capital balances	(395,709)	(1,950,763)
	<u>647,418</u>	<u>(927,095)</u>
Investing activities		
Acquisition of property and equipment	(102,480)	-
Acquisition of intangible assets	(17,708)	-
	<u>(120,188)</u>	<u>-</u>
Financing activities		
Repayment of long-term debt	(255,339)	(247,113)
Gross lease payments under IFRS 16 (note 7)	(379,890)	(308,389)
	<u>(635,229)</u>	<u>(555,502)</u>
Change in cash and cash equivalents during the period	(107,999)	(1,482,597)
Cash and cash equivalents – Beginning of period	<u>3,039,712</u>	<u>4,911,423</u>
Cash and cash equivalents – End of period	<u>2,931,713</u>	<u>3,428,826</u>
Supplementary information		
Interest paid	11,760	19,988

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

BluMetric Environmental Inc.

Notes to Condensed Unaudited Interim Financial Statements

For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

1. Nature of operations

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

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

The head office of the Company is located at 1682 Woodward Drive Ottawa, Ontario, Canada K2C 3R8. The Company's common shares are listed on the Toronto Venture Exchange (TSX-V – BLM) in Canada.

2. Basis of presentation

Statement of compliance

These condensed unaudited interim financial statements have been prepared in compliance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). These condensed unaudited interim financial statements do not contain all the information and disclosures required for annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended September 30, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee.

Authorization of financial statements

The condensed unaudited interim financial statements were approved and authorized for issue by the Board of Directors on May 30, 2024.

Presentation and functional currency

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

Basis of measurement

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

BluMetric Environmental Inc.

Notes to Condensed Unaudited Interim Financial Statements

For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

Critical accounting judgments and estimates

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

Standards, amendments and interpretations adopted in the current year

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

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract. Such costs include both the incremental costs of the contract and an allocation of other direct costs incurred on activities required to fulfill the contract. The adoption of this standard on October 1, 2023, had no material impact on the Company.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The adoption of this standard on October 1, 2023, had no material impact on the Company.

3. Summary of significant accounting policies

With the exception of adapting an accounting policy note for cash and cash equivalents (see below), the accounting policies set out in the Company's most recent annual financial statements have been applied consistently to all periods presented in these condensed unaudited interim financial statements. As such, these condensed unaudited interim financial statements should be read in conjunction with the annual financial statements and related note disclosures for the year ended September 30, 2023, except for cash and cash equivalents.

Cash and cash equivalents

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

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

4. Cash and cash equivalents

	March 31, 2024	September 30, 2023
	\$	\$
Cash	1,931,713	3,039,712
Short-term investments (interest rate at 4.95%)	1,000,000	-
	<u>2,931,713</u>	<u>3,039,712</u>

5. Accounts receivable

	March 31, 2024	September 30, 2023
	\$	\$
Trade and other receivables	7,363,110	6,119,949
Credit loss allowance – accounts receivable	(74,646)	(151,625)
	<u>7,288,464</u>	<u>5,968,324</u>

6. Inventory

The Company's inventory is valued at the lower of cost and net realizable value. Inventory at the Company consists of direct costs attributable to the development of support materials in relation to a sales contract to be delivered in 2025.

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

7. Right-of-use assets and lease liabilities

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

Right-of-use assets

	For the six months ended March 31, 2024				For the six months ended March 31, 2023			
	Office	Vehicles	IT equipment	Total	Office	Vehicles	IT equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance – Beginning of period	1,852,782	16,754	26,899	1,896,435	700,220	25,889	48,423	774,532
Additions	1,008,440	48,734	69,307	1,126,481	1,063,517	-	-	1,063,517
Amortization	(293,185)	(6,557)	(15,234)	(314,976)	(250,809)	(4,568)	(10,762)	(266,139)
Balance – End of period	<u>2,568,037</u>	<u>58,931</u>	<u>80,972</u>	<u>2,707,940</u>	<u>1,512,928</u>	<u>21,321</u>	<u>37,661</u>	<u>1,571,910</u>

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

Lease Liabilities

	<u>For the six months ended March 31, 2024</u>				<u>For the six months ended March 31, 2023</u>			
	<u>Office</u>	<u>Vehicles</u>	<u>IT equipment</u>	<u>Total</u>	<u>Office</u>	<u>Vehicles</u>	<u>IT equipment</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance – Beginning of period	1,927,861	17,323	28,209	1,973,393	755,699	26,380	49,416	831,495
Additions	1,008,440	48,734	69,307	1,126,481	1,063,517	-	-	1,063,517
Interest expense on lease liabilities	106,036	734	2,597	109,367	49,882	354	1,249	51,485
Payments	(358,076)	(7,247)	(14,567)	(379,890)	(291,834)	(4,849)	(11,706)	(308,389)
Balance at end of Period	<u>2,684,261</u>	<u>59,544</u>	<u>85,546</u>	<u>2,829,351</u>	<u>1,577,264</u>	<u>21,885</u>	<u>38,959</u>	<u>1,638,108</u>
Current portion of lease liabilities				<u>(558,444)</u>				<u>445,818</u>
Non-current portion of lease liabilities				<u>2,270,907</u>				<u>1,192,290</u>

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

For leases entered during the period ending March 31, 2024, lease liabilities are discounted using the Company's incremental borrowing rate at the lease commencement date for each lease and had rates ranging from 2.99% to 8.45% (2023: 2.99% to 7.2%).

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

	For the three months ended		For the six months ended	
	March 31, 2024 \$	March 31, 2023 \$	March 31, 2024 \$	March 31, 2023 \$
Amounts recognized in selling, general and administrative				
Rent expense – variable lease payments	55,003	59,885	112,332	117,198
Expense related to short-term leases	7,012	33,855	12,724	80,888
Expense related to low-value assets	24,461	17,240	49,306	34,299
Income from subleases	(4,750)	(3,500)	(5,750)	(6,000)
	<u>81,726</u>	<u>107,480</u>	<u>168,612</u>	<u>226,385</u>

	For the six months ended	
	March 31, 2024 \$	March 31, 2023 \$
Amounts recognized in the statements of cash flow		
Cash payments for the interest portion of lease liabilities	108,124	51,485
Cash payments for leases not included in the measurement of lease liabilities	<u>168,612</u>	<u>226,385</u>
Cash outflow in operating activities	276,736	277,870
Cash payments for the principal portion of lease liabilities included in financing activities	<u>270,523</u>	<u>256,903</u>
Total cash outflow for leases	<u>547,259</u>	<u>534,773</u>

8. Credit facilities

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

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

As at March 31, 2024, the Company had drawn \$nil on its operating demand loan and \$nil in letters of credit (September 30, 2023 – \$nil and \$nil, respectively).

The Company has certain covenants in accordance with its credit facilities. As at March 31, 2024, the Company was in compliance with all its covenants.

The Company also has a corporate credit card facility in the amount of \$250,000. As at March 31, 2024, the Company had utilized \$83,767 (September 30, 2023 – \$65,841) against this facility, which is recorded under trade and other payables in the condensed unaudited interim statements of financial position.

9. Trade and other payables

	March 31, 2024	September 30, 2023
	\$	\$
Trade payables	1,738,846	3,273,602
Salaries and benefits payable	681,898	592,115
Other accrued liabilities and payables	957,078	955,403
	<u>3,377,822</u>	<u>4,821,120</u>

10. Long-term debt

	March 31, 2024	September 30, 2023
	\$	\$
Term loan, bearing interest at 3.28%	567,767	823,107
Less: Current portion	<u>523,397</u>	<u>514,895</u>
	<u>44,370</u>	<u>308,212</u>

On April 20, 2021, the Company entered into a letter of agreement with its bank for a \$2.0 million term loan. The term loan has a closed four-year term and carries an interest rate of 3.28% per annum with monthly blended payments of \$44,517 commencing May 31, 2021. This term loan matures April 30, 2025, is carried at amortized cost and is subject to the same covenants as the Company's credit facilities. As at March 31, 2024, the Company was in compliance with all its covenants.

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

Long-term debt balances as at March 31, 2024 are due as follows:

	\$
2024	259,556
2025	308,211
	<hr/>
	567,767
	<hr/>

11. Shareholders' equity

Share-based compensation

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

During the six months ended March 31, 2024, the Company recognized \$102,314 (2023 – \$175,772) in share-based compensation expense and no stock options were exercised (2023 - \$nil).

During the six months ended March 31, 2024, the Company granted 599,000 (2023 – 98,000) options to purchase common shares, of which 30,000 were to a Board member in connection with the Company's Board compensation policy. The options granted vest over a period of either 2 or 3 years (2023 – 1 or 3 years) and have a term of 5 or 7 years (2023 – 5 years).

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model. The historical share price of the Company's common shares is used to estimate expected volatility, and government bond rates are used to estimate the risk-free interest rate. The fair value of the options granted during the six months ended March 31, 2024 were \$0.30 and \$0.48.

The weighted average exercise price of the options is \$0.36 (2023 - \$0.41).

12. Income tax

The following shows the components of income tax expense:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Current tax expense (recovery)	(673)	22,798	105,976	151,812
Deferred tax expense	52,725	32,110	83,003	201,932
	<hr/>	<hr/>	<hr/>	<hr/>
	52,052	54,908	188,979	353,744
	<hr/>	<hr/>	<hr/>	<hr/>

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

13. Other expense items by nature

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	March 31, 2024 \$	March 31, 2023 \$ Restated (note 20)	March 31, 2024 \$	March 31, 2023 \$ Restated (note 20)
Personnel	4,238,362	3,941,208	8,273,509	7,702,124
Direct project expenses	1,716,473	2,557,677	4,524,170	7,509,997
Depreciation and amortization	182,119	161,472	359,969	305,217
Other operating expense	789,542	597,655	1,858,109	1,442,593
	6,926,496	7,258,012	15,015,757	16,959,931
Reported as:				
Cost of sales	4,070,380	4,661,012	9,011,180	11,743,386
Selling, general and administrative	2,856,116	2,597,000	6,004,577	5,216,545
	6,926,496	7,258,012	15,015,757	16,959,931
Finance costs				
Interest on leases	54,250	27,857	109,367	51,485
Interest on term and bank loans	5,356	9,488	11,760	19,988
Bank charges	3,694	3,658	7,337	7,601
Other finance income	(16,911)	(19,863)	(24,648)	(36,475)
	46,389	21,140	103,816	42,599

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

14. Weighted average shares outstanding

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	March 31, 2024 \$	March 31, 2023 \$	March 31, 2024 \$	March 31, 2023 \$
Issued common shares	29,435,695	29,435,695	29,435,695	29,435,695
Weighted average number of basic common shares	29,435,695	29,435,695	29,435,695	29,435,695
Effect of share options on issuance	3,189	3,740	-	-
Weighted average number of diluted common shares	29,438,884	29,439,435	29,435,695	29,435,695

Options that were anti-dilutive are not included in the computation of diluted common shares. For the three and six months ended March 31, 2024, 2,848,584 and 2,908,584 options were excluded from the calculation because they were anti-dilutive (2023 – 2,721,000 and 2,781,000 respectively).

15. Segmented disclosure

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

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

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

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

Geographical information

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Canada	7,119,859	7,413,985	15,644,649	17,844,911
Other countries	13,364	-	13,364	47,099
	<u>7,133,223</u>	<u>7,413,985</u>	<u>15,658,013</u>	<u>17,892,010</u>

For the six months ended March 31, 2024, approximately 22% of revenue was derived from one customer (2023 – 13% derived from one customer).

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

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

16. Revenue

Disaggregation of revenue

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

Revenue from contracts with customers is disaggregated as follows:

	For the three months ended		
	March 31, 2024		
	\$		
	Fixed price	Time and	Total
	\$	materials	\$
	\$	\$	\$
Commercial and industrial	433,288	1,666,852	2,100,140
Government	664,307	1,697,152	2,361,459
Military	772,035	994,208	1,766,243
Mining	111,256	794,125	905,381
	1,980,886	5,152,337	7,133,223
			March 31, 2023
			\$
	Fixed price	Time and	Total
	\$	materials	\$
	\$	\$	\$
Commercial and industrial	860,315	1,845,335	2,705,650
Government	511,610	1,270,741	1,782,351
Military	1,178,454	657,719	1,836,173
Mining	263,340	826,471	1,089,811
	2,813,719	4,600,266	7,413,985

BluMetric Environmental Inc.
Notes to Condensed Unaudited Interim Financial Statements
For the three and six months ended March 31, 2024 and 2023

(expressed in Canadian dollars)

	For the six months ended		
	March 31, 2024		
	\$		
	Fixed price	Time and materials	Total
	\$	\$	\$
Commercial and industrial	1,134,368	3,472,532	4,606,900
Government	1,370,640	3,244,505	4,615,145
Military	1,381,336	2,555,676	3,937,012
Mining	432,711	2,066,245	2,498,956
	4,319,055	11,338,958	15,658,013
	March 31, 2023		
	\$		
	Fixed price	Time and materials	Total
	\$	\$	\$
Commercial and industrial	1,698,898	5,766,391	7,465,289
Government	1,148,257	2,876,421	4,024,678
Military	1,978,147	1,086,561	3,064,708
Mining	933,384	2,403,951	3,337,335
	5,758,686	12,133,324	17,892,010

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 six months ended March 31, 2024, \$964,836 or 6% (2023 – \$286,777 or 2%) was recognized at a point in time, which primarily related to military sector customers.

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(expressed in Canadian dollars)

17. Related party transactions

Compensation of key management personnel

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Salaries	486,136	456,950	842,263	714,631
Short-term benefits	23,051	20,243	45,286	49,635
Share-based compensation	33,065	48,389	59,693	94,622
	<u>542,252</u>	<u>525,582</u>	<u>947,242</u>	<u>858,888</u>

18. Other income

The Company entered in a shareholder relationship with BLM-KEL-60 Corp. (JV-60) on September 27, 2022, an unrelated party, for purposes of executing projects in Nunavut supporting federal, territorial, and private clients. BluMetric Environmental Inc is a registered and beneficial owner of 16.3% of the issued and outstanding shares in the capital of the corporation. The investment in JV-60 is accounted for using the equity method in accordance with IAS 28. The transactions that have taken place during the period ended March 31, 2024, are not material (2023 - \$nil).

19. Liquidity risk

Liquidity risk is the risk the Company may not be able to meet its financial obligations as they come due. The Company currently settles all of its financial obligations out of cash and its operating demand loan facility. The ability to do so relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company has a working capital of \$10,881,621 (2023 - \$11,101,678).

As at March 31, 2024, the Company had the following balances available on its credit facilities: operating demand loan – \$2,500,000; and credit card facility – \$208,517.

As at March 31, 2024, the Company had approximately \$5.6 million in availability between its operating line and cash balances.

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(expressed in Canadian dollars)

20. Restated information

During the preparation of the condensed unaudited interim financial statements for the period ended March 31, 2024, the Company determined that the indirect labour costs that do not contribute to revenue generating projects should be reclassified as overhead expenses under the Sales, general and administrative caption in the condensed unaudited interim Statements of Net Earnings and Comprehensive Income. The Company had previously accounted for the amounts under the Cost of sales caption.

The adjustments in these condensed unaudited interim financial statements for the period ended March 31, 2023, are detailed as follows. There is no effect on basic or diluted net earnings per share.

	As previously reported	Adjustments	As restated
	\$	\$	\$
Statement of Net Earnings and Comprehensive Income			
<u>For the three months ended</u>			
March 31, 2023			
Cost of sales	5,869,515	(1,208,503)	4,661,012
Gross profit	1,544,470	1,208,503	2,752,973
Selling, general and administrative	1,388,497	1,208,503	2,597,000
<u>For the six months ended</u>			
March 31, 2023			
Cost of sales	14,018,532	(2,275,146)	11,743,386
Gross profit	3,873,478	2,275,146	6,148,624
Selling, general and administrative	2,941,399	2,275,146	5,216,545