Management Discussion & Analysis

Financial Years Ended September 30, 2016 and September 30, 2015
(expressed in Canadian Dollars)

BluMetric™ Environmental

January 30, 2017

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This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric's financial condition and results of operations for the year ended September 30, 2016. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended September 30, 2016 as well as the MD&A and audited consolidated financial statements and notes for the year ended September 30, 2015. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

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

No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented here.

Business Overview and Strategy

BluMetric Environmental Inc. (www.blumetric.ca) is a Canadian cleantech company providing industry-leading engineering services and proprietary equipment to deliver sustainable solutions to environmental challenges.

Since 1976, BluMetric, and its award winning team of over 170 environmental professionals have provided cost-effective and sustainable programs to overcome our client's environmental and business challenges. We have served clients throughout the world in a wide range of industrial and governmental sectors.

From Yellowknife to San Salvador, BluMetric operates from ten offices in North America. Each autonomous office has specific strengths in a respective technology or market. These strengths allow each office to focus on opportunities specific to local clients, while also augmenting the Company's overall technical expertise.

While BluMetric serves clients mainly in Canada, the United States and Central America, we also have extensive international project experience in Europe, Africa and the Middle East.

Our geographic and market focus distribution provides a degree of risk mitigation, as some sectors and regions are more active than others at any given time.

We are internationally known for cutting-edge work in the fields of water/wastewater treatment and professional environmental services and for dealing with extreme climates, complex treatment issues, and remote and difficult regions.

BluMetric's team consists of highly experienced and motivated scientists, engineers, industrial hygienists, environmental auditors, project managers, financial specialists, and support personnel who are experts in providing a comprehensive range of environmental services and engineered solutions, from contaminated site remediation, hydrogeology, or geomatics to complete turn-key wastewater treatment systems across a diverse range of industrial, municipal, commercial, and defence sectors.

We provide extensive services to the Canadian Military under long-term contracts for the maintenance, repair, refurbishment, and upgrading of water purification units for the Army and shipboard desalination units for the Navy.

We are also well known for our ability to provide high-quality service and solutions in North America's most sensitive and challenging environments from the Panama Canal to the Arctic Circle.

With a depth of expertise that enables us to innovate and customize solutions for specific client needs, BluMetric is very active in all stages of the analysis, planning, economic evaluation, construction, and execution of wastewater projects as well as the provision of specialized hydrology, hydrogeology, occupational health and safety, and other development and compliance services for clients domestically and abroad.

Our head office address is: 3108 Carp Road, Ottawa, Ontario, K0A 1L0.

The Company's strategic objectives are to 1) expand geographically, and 2) increase our product and service portfolio.

1) We believe the greatest potential for geographic growth is in Canada, United States and Central and South America. Our chosen sectors (food, beverage & agriculture, mining, and industrial treatment) are well represented here and are rapidly growing markets. We also excel in the full range of geographies from Arctic to Tropic.

2) We believe that increasing our product and service portfolio through the engineered solutions part of our business is the most expedient path to growth. This work is less predictable given a much longer project cycle, but this irregularity can be accommodated with growth and more opportunities.

Planned growth is essential for the continued development of BluMetric, attracting exceptional staff, and product- and service area development. Our business development plan is intended to stabilize our business, mitigate seasonal variability, and allow us to focus on the higher margins from Engineered Solutions while supporting the stability and consistent growth and opportunity afforded by the Professional Services side of our business.

BluMetric views strategic alliances with other companies in niche or complementary technologies and sectors as key elements in increasing our portfolio and in delivering innovative solutions to customers.

BluMetric's working capital is expected to support planned business operations through fiscal 2017.

Technology and Innovation

The Company's focus on innovation has enabled us to develop industry leading products that are well differentiated in the marketplace. In 2016 we successfully trademarked the H4, COBRA, and MARS trade names. We are in the process of securing trademarks on CR3, BluMod and Activator. The MARS and CR3 patent applications have been submitted and are awaiting approval from the Canadian and US Patent offices.

Ammonia Removal Systems

A key focus for the Company has been ammonia removal systems, a global market worth over $10 billion. Ammonia is a plant nutrient responsible for highly damaging algae blooms in streams, rivers, and lakes throughout the world. These blooms have caused closures of recreational areas, water treatment plants, and fisheries. Consequently, regulatory agencies have implemented strict ammonia discharge limits in wastewater. Ammonia is a by-product of protein degradation in domestic sewage, feedlot run-off, landfill leachate, food processing wastewater, rendering, and chemical manufacturing. Ammonia is also found in mines due to the use of ammonium nitrate as a blasting agent. Both the MARS and CR3 products remove ammonia to levels below current and expected future discharge limits.

- MARS – this membrane-based system reduces ammonia by direct absorption, eliminating the traditional nitrification and de-nitrification process. The design can reduce the capital cost of a traditional activated sludge plant by 40%. On a treatment plant for a city with a 100,000 population, MARS could reduce capital costs by $20 million. MARS operating costs are approximately 50% lower than a standard activated sludge plant of comparable size. MARS can be retro-fitted on existing plants facing lower ammonia limits. The potential savings differentiates BluMetric from competitors. MARS has applications in the food and beverage, commercial, land development, municipal, and landfill leachate markets.
- CR3 – is an ion selective resin exchange ammonia removal system designed for mining. It is attractive to clients because of its effectiveness, while not creating durable toxic by-products. BluMetric recently was awarded a $1 million order in a competitive bidding process. Our technology was selected based on low capital costs and reliability. Like MARS, CR3 gives BluMetric a competitive advantage in the marketplace.

Wastewater Treatment Systems

Another focus in the area of proprietary equipment for BluMetric is in wastewater treatment technology.

- COBRA – is an innovation in wastewater treatment technology that is more cost effective than traditional activated sludge biological systems. It provides clients with higher quality effluent, at a lower life cycle cost and a smaller footprint. In 2016, BluMetric used the lower capital expense and operating expense of the COBRA package to displace two traditional treatment technologies in both the Food and Beverage, and Commercial sectors.

- BluMod – is a standalone, integrated membrane treatment package designed for the commercial and land development markets. It also serves as a bolt-on modification or retro-fit on existing treatment plants to increase the flow and/or enhance the degree of treatment.
- Activator – is an integral part of the patented Variable Depth Reactor (VDR) technology licensed to BluMetric. In dozens of VDR installations, the Activator manages influent flow and load variations, while jump starting the biological treatment process. The Activator provides the client with the option to modify the treatment process years after the installation, in order to better address changing loads or effluent requirements.

Energy Recovery System

BluMetric has also developed a proven technology platform which can significantly reduce the environmental impact of heavy fuel oil waste from marine and industrial applications.

- H4 – is an energy recovery product with applications in the power generation and marine propulsion markets. These units usually have a payback period of less than 18-months and we have recently engaged a sales agent to promote this product in targeted markets.
- EPT – (Enhanced Primary Treatment) is an array of products that reduce the load to the treatment plant by intercepting, removing, and recovering thermal and organic energy from the wastewater. The reduction of the load reduces operating costs, while the recovery of product and energy generates additional revenue.

BluMetric continues to pursue new opportunities by conducting research and pilot work. Currently, we are working with the Canadian Government and a major international chemical company on both the biodegradation and physical removal of cyanide from mining wastewater. BluMetric has developed a method to remove PFOA and PFOS, which are suspected carcinogens, from contaminated groundwater. We are running pilots test on livestock wastes to recover nutrients and usable water. We are also working with a technology partner in the oil and gas sector to recycle contaminated water by removing the dissolved solids and brine.

These initiatives are driven by increased regulations in our targeted industries, as well as the business demands of capital expense and operating expense reduction.

The Company will continue to foster and develop strategic partnerships where these alliances either augment the Company's technologies or expand the Company's geographic reach.

Sales and Marketing

The Company develops business by cultivating strong, long-term relationships with clients in key markets and by leveraging a range of indirect channel-to-market mechanisms, including industry reps, complementary partnerships and licensees. Historically, the Company's business has been developed through existing client relationships, word-of-mouth, and marketplace presence. We continue to foster these relationships and leverage them to introduce cross-selling opportunities and generate new clients in targeted industry sectors.

These include:

- Metals and Mining;
- Agriculture;
- Food and Beverage;
- Industrial, Commercial and Institutional water and wastewater solutions;
- Military water and wastewater solutions;
- Government services.

Our business development activity is supported by sales professionals in the key focus areas identified above, who have had a greater than 50% success rate on submissions. We believe we have developed a competitive advantage by being responsive and innovative with clients, creating respect for our integrity and the solutions we provide.

Board of Directors

The Board of Directors currently consists of seven members, six of whom are independent. The independent directors reflect a wide range of senior experience in public- and private-company management, with expertise in finance, operations, and governance both inside and outside the environmental sector.

Executive Management

The Senior Management team comprises: Roger M. Woeller, Chief Executive Officer; Vivian Karaiskos, Chief Financial Officer; Jim Hotchkies, Senior Vice President, Business Development and Growth; and Dan Scroggins, Senior Vice President, Research and Innovation.

This team is supported by well-qualified and highly experienced individuals leading business development and operations in each of the Company's branch offices and major service sectors.

Our People

The Company has a team of approximately 170 full-time equivalent staff. Staffing levels fluctuate seasonally with the hiring of contract staff and students to meet peak demand periods. The Company strives to recruit and retain highly skilled employees, able to use their technical expertise to deliver creative product solutions to clients. Along with the wide range of skills and abilities of our staff, our strong inter-disciplinary processes and integrated leadership across sectors is a key competitive asset. BluMetric combines small-company flexibility with big-picture knowledge. Our greatest attribute is the quality of our employees and their trusted ability to serve our clients.

Diversity

The Company is committed to achieving a diversity of knowledge, expertise, and perspectives from its Board, management, and staff. The Company also needs the best minds to achieve its forward-thinking objectives. To achieve this diversity, the Company focuses on recruiting individuals who bring a varied mix of skills and competencies. Appointments are based on merit. The Company supports the benefits that diversity brings at the board, management and staff levels and prides itself on representing the communities that it serves. Our senior management, employees and board reflect our commitment to all aspects of diversity.

Selected Financial Information

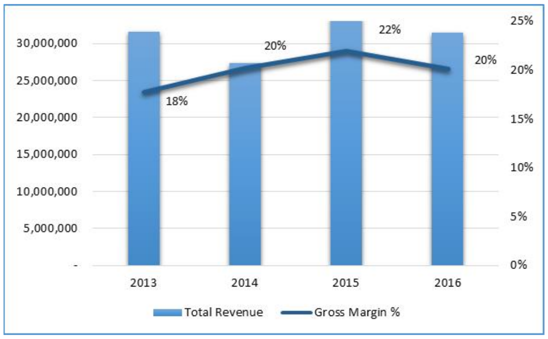
The following table shows selected consolidated financial data for BluMetric for the three most recently completed fiscal periods.

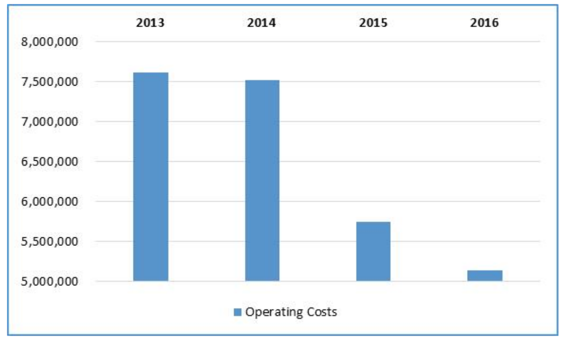
For the twelve months ended September 30, 2016, September 30, 2015 and September 30, 2014

	2016	2015	2014
	$	$	$
Total revenue	31,493,595	33,478,800	27,308,777
Gross margin	6,348,459	7,379,448	4,732,786
Gross margin percentage of total revenue	20%	22%	17%
Total operating expenses	4,927,183	5,604,440	11,062,472
Net income (loss)	588,365	1,015,590	(6,938,737)
Common shares outstanding	27,880,140	27,880,140	25,191,656
Net income per share	0.02	0.04	(0.28)
Total assets	12,887,742	14,742,961	12,816,907
Working capital	3,014,409	(1,799,504)	(2,374,792)
Long term debt	4,488,630	3,765,066	4,711,318
Shareholders' equity (deficit)	2,022,090	1,364,692	(512,842)

RESULTS

Overall Annual Performance





The following are the Company's major achievements during the year:

- **Continued profitability.** The Company has successfully implemented margin improvement and cost reduction programs. We consistently review our cost structure to ensure it is optimized while at the same time supporting revenue growth. We believe we have a solid platform to continue to deliver sustained future growth.

- **Significantly improved financial position.** New financing arrangements concluded in September, 2016, provide the Company with a new banking facility, as well as a secured five year term loan that provides approximately $1 million in funds that will be used to maximize growth, both organically and, where appropriate, through acquisitions. The Company has positive working capital and is in compliance with all financial covenants.

- **Continued innovation.** We have a steady flow of new product and service innovations. Fiscal 2016 saw the introduction of five new products that are currently being commercialized. The first COBRA plant was installed based on capital expense reduction and subsequent to year-end, we secured the first $1,000,000 order for our ammonia removal system. We have expanded and diversified our engineering capabilities during this time period to reflect our client's needs. All of our current research and innovation activities are based on demands from the market, which are driven by regulations and economics.

Results of Operations

	Three Months Ended				Twelve Months Ended			
	Sept 30, 2016 $	Sept 30, 2015 $	Change $	Change %	Sept 30, 2016 $	Sept 30, 2015 $	Change $	Change %
Revenue	7,258,418	9,242,977	(1,984,559)	-21%	31,493,595	33,478,800	(1,985,205)	-6%
Gross profit	1,088,762	2,059,278	(970,516)	-47%	6,348,459	7,379,448	(1,030,989)	-14%
Gross margin %	15%	22%			20%	22%		
Operating expenses	1,053,101	1,518,432	(465,331)	-31%	4,927,183	5,604,440	(677,257)	-12%
EBITDA[1]	134,227	717,001	(582,774)	-81%	1,876,092	2,554,318	(678,226)	-27%
Adjusted EBITDA[2]	187,720	702,098	(514,378)	-73%	1,741,815	2,364,385	(622,570)	-26%
Net income (loss)	(86,774)	333,678	(420,452)	-126%	588,365	1,015,590	(427,225)	-42%
Common shares outstanding	27,880,140	25,191,656			27,880,140	25,191,656		
Net income (loss) per share	(0.00)	0.01			0.02	0.04		
Total assets					12,887,742	14,742,961	(1,855,219)	-13%
Working capital					3,365,875	(1,799,504)	5,165,379	287%
Long term debt					4,488,630	3,765,066	723,564	19%
Shareholders' equity					2,022,090	1,364,692	657,398	48%

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

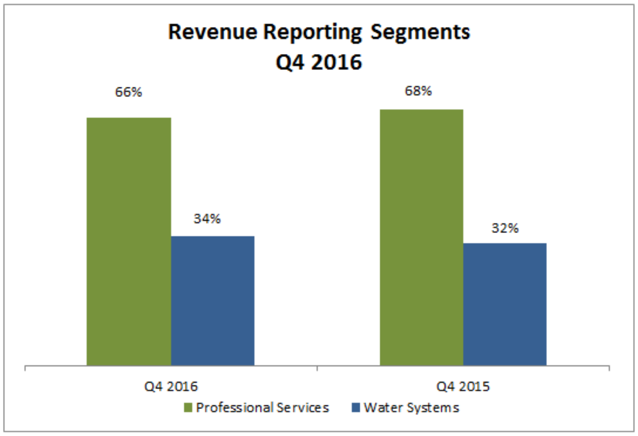
Note 2: Adjusted EBITDA is a non-IFRS measure ("see Financial Terms and Definitions) and is calculated as EBITDA before gain or loss on foreign exchange, stock based compensation, gain or loss on sale of property, plant and equipment, unrealized gains on investments held for sale and impairment of good will.

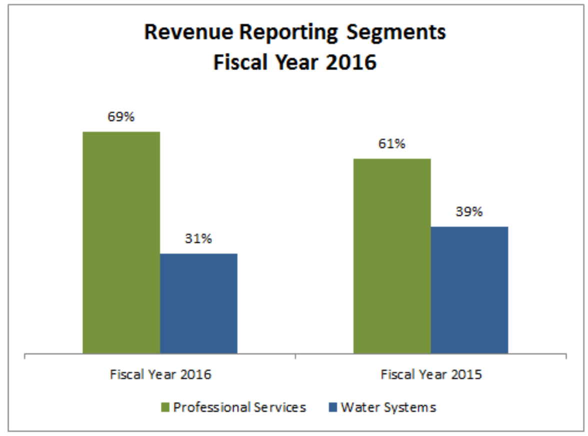
Discussion of Results and Financial Condition for the Financial Year Ended September 30, 2016

This analysis compares the financial year ended September 30, 2016 with the financial year ended September 30, 2015.

Revenue

During the financial year ended September 30, 2016, total revenue was $31.5 million (September 30, 2015 - $33.5 million), a decrease of approximately $2.0 million (6%). The decline was almost entirely due to the decrease in engineered solutions projects in Water Systems. Professional Services posted revenue of approximately $21.7 million and Water Systems $9.8 million.





The revenue split between Professional Services and Water Systems was 66% and 34% respectively for Q4 2016, compared to 68% and 32% for Q4 2015. For the year ended September 30, 2016, the revenue split between Professional Services and Water Systems was 69% and 31% respectively, compared to 61% and 39% for the year ended September 30, 2015. This revenue shift reflected a reduction in engineered solutions contracts. The Company is working toward raising the percentage for Water Systems' revenue over the coming year.

The Company operates in three geographical areas, Canada (country of domicile), the United States, and other international.

Sales reported by client location based on origin of purchase (i.e. domicile of contracting party, not final destination of equipment) are as follows:

	For the three months ended September 30		For the twelve months ended September 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Canada	**6,842,161**	8,015,423	**29,687,495**	29,481,133
International	**262,005**	1,118,858	**1,136,815**	3,247,108
United States	**154,252**	108,696	**669,285**	750,559
	7,258,418	9,242,977	**31,493,595**	33,478,800

Gross margin for the financial year ended September 30, 2016 was $6.3 million, or 20% (September 30, 2015 - $7.4 million or 22%), which represents a small year-over-year decline. The decline in gross margin is attributed to lower revenue from engineered solutions projects.

Operating costs for the year ended September 30, 2016 were $4.9 million, a $700,000 decrease from the year earlier period, reflecting reductions in staff and occupancy costs as well as a partial reversal of an impairment of an equity investment.

Finance costs of $813,068 for the year ended September 30, 2016 were somewhat higher than the $728,590 reported a year earlier. This was due partially to additional monthly bank fees for a greater portion of the year offset by an end to the amortization of certain capitalized finance costs during the year. Interest costs are expected to remain comparable going forward with new banking arrangements providing a mix of charges that will result in similar overall cost.

Net income for the year ended September 30, 2016 was $588,000 compared with net income of $1.0 million in the previous year.

In September 2015, the Company completed the conversion of $892,025 of certain existing debt to common shares of the Company, less withholding taxes of $112,365. This resulted in the issuance of 2,688,484 common shares at a net value of $726,629.

Shareholders' equity increased to $2.0 million at September 30, 2016 from $1.4 million at September 30, 2015. The improvement is a result of the income for the year offset by share based compensation impacting contributed surplus.

The Consolidated Statement of Financial Position as at September 30, 2016 showed working capital of $3.0 million, a significant improvement from a deficit of $1.8 million a year earlier. The year-earlier deficit reflected a current liability classification of the $1.3 million convertible debentures and a $1.0 million mortgage both coming due within 12 months. The convertible debenture has been extinguished and replaced by new long term debt. The mortgage was renegotiated for a term greater than one year, allowing for its return to long-term classification.

The Company's improved position is a result of using the proceeds from the sale of the Sudbury office in Q2 2016 to pay down existing debt, an infusion of growth capital as part of the new refinancing arrangements that occurred on September 12, 2016, as well as continued profitability.

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

	For the three months ended Sept 30		For the twelve months ended Sept 30	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net income	**(86,774)**	333,678	**588,365**	1,015,590
Depreciation of property, plant and equipment	**34,260**	89,726	**174,703**	433,564
Amortization of intangible assets	**64,306**	74,072	**299,956**	376,574
Finance costs	**122,435**	219,525	**813,068**	728,590
EBITDA	**134,227**	717,001	**1,876,092**	2,554,318
Foreign exchange loss (gain)	**31,853**	(38,009)	**(24,338)**	(98,217)
Share-based compensation	**21,640**	15,686	**69,033**	135,315
Gain on disposal of property, plant and equipment	**-**	10,038	**(172,876)**	(237,443)
Unrealized loss (gain) on investment held for sale	**-**	(2,618)	**(6,096)**	10,412
Adjusted EBITDA	**187,720**	702,098	**1,741,815**	2,364,385

The Company recorded adjusted EBITDA of $187,000 and $1.7 million for the three and twelve months ended September 30, 2016, a decrease from the same periods in 2015 due largely to lower net income.

Highlights Fourth Quarter 2016

Revenues in the fourth quarter were $7.3 million compared with $9.2 million for the quarter ended September 30, 2015, a decrease of $1.9 million or 21%. The lower revenue is mainly a result of professional services work traditionally completed in Q4 2016 accelerated into Q3 2016, as well as, engineered solutions projects in the Water Systems group which began during the year ended September 30, 2015 and are now nearing completion in Q4 2016. This reduction in revenues has been partially offset by an increase in revenues from manufacture and assembly projects. The gross margin decreased to 15% from 22%.

Operating expenses fell to $1.1 million in Q4 2016 from $1.5 million a year earlier. The decrease reflects a reduction in overhead salaries, amortization and financing costs. In addition, operating expenses in Q4 2015 includes an impairment of an equity investment of $121,000.

The net loss for the quarter was $86,774 compared with net income of $333,678 for the comparable quarter in the previous year.

Quarterly Results

Quarterly financial information for the eight quarters ended September 30, 2016
(in 000's, except as otherwise indicated)

	Q4 2016 Sept 30, 2016	Q3 2016 June 30, 2016	Q2 2016 Mar 31, 2016	Q1 2016 Dec 31, 2015
Revenue	7,258	8,378	7,920	7,937
Cost of sales	6,170	6,507	6,007	6,461
Gross profit	1,089	1,871	1,913	1,476
Gross margin %	15%	22%	24%	19%
Operating expenses	1,053	1,269	1,368	1,237
Finance costs	122	231	247	213
Net income (loss)	(87)	371	289	16
Weighted average common shares	27,880,140	27,880,140	27,880,140	25,235,850
Income (loss) per share	(0.00)	0.01	0.00	0.01

	Q4 2015 Sept 30, 2015	Q3 2015 June 30, 2015	Q2 2015 Mar 31, 2015	Q1 2015 Dec 31, 2014
Revenue	9,243	8,675	7,781	7,779
Cost of sales	7,184	6,664	6,197	6,055
Gross profit	2,059	2,011	1,584	1,725
Gross margin %	22%	23%	20%	22%
Operating expenses	1,662	1,510	1,140	1,435
Finance costs	220	160	184	165
Net income	334	322	246	114
Weighted average common shares	25,235,850	25,191,656	25,191,656	25,191,656
Income (loss) per share	0.01	0.01	0.00	(0.23)

Quarterly Trend Analysis

Historically, the Company's professional services practice has followed a seasonal pattern with the second and third quarters, ended March 31 and June 30 respectively, experiencing relatively lower levels of activity when compared to the balance of the year. This seasonality is partly weather-related, as it is easier and more productive to conduct outdoor environmental investigations, site remediation, and construction-related projects in Canada during the summer. In addition, the December holiday period can have a significant impact on activity levels possible in that quarter (BluMetric's first quarter) depending on how it falls in the month.

Gross margin is typically lowest in the winter and spring quarters and highest in the summer and fall quarters for the professional services side of the business. This pattern reflects the Company's historical experience that staff can achieve higher utilization (percentage of time actively engaged in revenue-producing projects) during the summer and fall quarters.

Q4 16 vs Q4 15

Fourth quarter 2016 revenue was $7.3 million compared to $9.2 million in Q4 2015. The Company experienced a $1.5 million drop in Professional Services revenue and a $400,000 drop in Water Systems revenue. Within Water Systems the drop was mainly in engineered solutions projects, as a number of assignments have been coming to a close over the year and new contracts had not been finalized, a reflection of the pattern of workflow of the engineered systems projects. There was a partial offset from an increase in manufacturing and assembly projects over the prior year same quarter. Within the Professional Services group, the main cause was the timing of projects, which resulted in a busier Q3 2016. Net loss in Q4 2016 was $87,000 compared to net income of $334,000 in Q4 2015. The drop is largely due to lower revenue and gross margin offset by lower operating costs.

Q3 16 vs Q3 15

Third quarter 2016 revenue was $8.4 million compared to $8.7 million in Q3 2015. The decrease quarter over quarter was caused by a decline in revenues from the engineered solutions in the Water Systems group, offset by a significant revenue increase from the Professional Services group which continued to benefit from a number of large contract wins. Net income in Q3 2016 was $371,000 compared to $322,000. These similar net incomes are a result of a 1% lower gross margin and increased finance costs, offset by lower selling and general administration costs.

Q2 16 vs Q2 15

The second quarter of fiscal 2016 saw a departure from the Company's typical revenue trend, as outlined above. The warmer winter, coupled with winter field work in Canada's sub-arctic and strong continuing contract work for government and mining clients allowed Professional Services to increase revenue to $5.1 million in Q2 2016 from $3.8 million in Q2 2015. This growth was offset by less revenue from engineered solutions contracts in Q2 2016 compared to Q2 2015 in the Water Systems group. Overall, quarterly revenue increased to $7.9 million from $7.8 million in Q2 2015. Net income in Q2 2016 was $289,000 compared to $246,000 in Q2 2015.

Q1 16 vs Q1 15

First quarter 2016 revenue was $7.9 million compared to $7.8 million in Q1 2015. The growth quarter over quarter was primarily in Professional Services, offset by a slight decline in engineered solutions revenue in the Water Systems group. Professional Services continued to benefit from a number of large contract wins, especially in mining and in contracts in the North. Net income in Q1 2016 was $16,000 compared to $114,000. This was due in part to the change in revenue mix between fee-for-services and engineered solutions work.

Liquidity

The Company's short-term credit facilities consist of an operating demand loan of $2,500,000, with a $500,000 sublimit for letters of credit. Each letter of credit is 100% guaranteed through a separate program. This replaces a previous credit facility that consisted of a $2,000,000 operating line of credit.

The operating demand loan is supported through a separate program by way of account performance security guarantees in favour of the bank.

The operating demand loan carries a floating rate of interest of prime plus 2.25% and is secured by a general security agreement over the Company's assets. The previous line of credit carried a floating rate of interest of prime plus 3.50%.

In addition to the operating demand loan, the Company entered into an agreement with another institution on September 12, 2016 for a secured five-year term loan of $2,500,000. This loan bears a 10% interest rate 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% on gross revenue in excess of this amount. Part of this loan was used to repay the Company's 9% Convertible Unsecured Debentures in the amount of $1,430,000.

The Company has certain covenants in accordance with its new credit and loan arrangements on both a quarterly basis as well as rolling quarterly basis. As at September 30, 2016, the Company is in compliance with its covenants.

The Company has generated positive earnings for the two years ended September 30, 2016 and September 30, 2015. The Company anticipates having sufficient funds over the next twelve months to discharge its liabilities, as well as sufficient earnings to meet all debt covenants.

Business Outlook

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

The Company is targeting both organic revenue growth and growth through association and co-venturing with technology suppliers in allied fields and sectors. Our focus will continue to be on improving margins and tightly managing overhead, with careful cost control in existing operations and branch offices. Another key focus will be maintaining margins on the supply of professional services while increasing revenues on the higher-margin engineered solutions business, primarily with existing staff.

The Company views its biggest opportunities in areas where a client's operating expenses can be reduced as a result of proposed solutions, as well as where there are regulatory requirements for improved levels of environmental performance.

Capital Resources

The Company's future growth strategy contemplates investment in various technologies and processes requiring capital for prototyping purposes. Accordingly, the Company may opportunistically approach capital markets for additional equity funding if conditions are favourable.

Business Risks

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

- Macroeconomic risk of recession in key markets or the economy as a whole;
- Failure to retain and develop key personnel;
- Cybersecurity threats;
- Competition from companies which are better-financed or have disruptive technologies; and
- Major swings in currency valuations after setting the price of foreign contracts.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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

On November 15, 2012, the Company reached agreement with a number of creditors with respect to repayment terms for outstanding amounts payable, in the aggregate amount of $958,285. Of this amount, $450,452 was owed to related parties. The agreement requires the Company to repay this amount on a monthly basis, with blended payments of $22,947 principal and interest at 7% per annum such that repayment in full will be effected in four years. A gain on restructuring was recognized in the 13-month period ended September 30, 2013 in the amount of $133,754. Effective March 1, 2013, payments were suspended and the outstanding balances have been postponed in favour of the Company's bank. On September 25, 2015 approximately $332,002 of this debt was converted to shares of the company as part of a larger debt-to-equity transaction, as below.

On September 25, 2015, the Company concluded a debt conversion whereby $892,025 of certain existing debt was converted into 2,688,484 Common Shares at an agreed conversion price of $0.29 per share. Of this amount, $807,215 was owed to related parties. The share price on September 25, 2015 was $0.28 per share, resulting in a gain on debt conversion of $26,885. These Common Shares were subject to a hold period ending January 26, 2016. Share capital increased by $726,629, which is net of share issue costs of $26,146.

Proposed Transactions and Subsequent Events

As at September 30, 2016 there were no significant assets or business acquisitions or dispositions being considered by the Company.

Inter-Corporate Relationships

BluMetric has one wholly owned subsidiary, WESA Tecnologias S.A. de C.V., located in El Salvador.

Financial Instruments

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

Classification	Measurement	Carrying Value Sep 30,2016 $	Fair Value Sep 30,2016 $	Carrying Value Sep 30,2015 $	Fair Value Sep 30,2015 $
Loans and receivables					
Cash	Amortized cost	**314,360**	**314,360**	-	-
Short term investments	Amortized cost	**100,000**	**100,000**	409,425	409,425
Accounts receivable	Amortized cost	**4,547,825**	**4,547,825**	7,226,548	7,226,548
		4,962,185	**4,962,185**	7,635,973	7,635,973
Financial Assets Through Profit and Loss					
Investment held for sale	Fair Value (L1)	-	-	9,372	9,372
		-	-	9,372	9,372
Other Financial Liabilities					
Bank indebtedness	Amortized cost	**556,662**	**556,662**	22,533	22,533
Credit facilities	Amortized cost	-	-	1,470,000	1,470,000
Trade and other payables	Amortized cost	**4,974,764**	**4,974,764**	6,673,163	6,673,163
Advances	Amortized cost	**68,627**	**68,627**	66,582	66,582
Note payable	Amortized cost	-	-	224,320	224,320
Long term debt	Amortized cost	**4,488,630**	**4,488,630**	2,423,073	2,423,073
Convertible debenture	Amortized cost	-	-	1,341,993	1,341,993
Due to shareholders	Amortized cost	**55,502**	**55,502**	55,502	55,502
Contingent consideration	Amortized cost	**156,282**	**156,282**	156,282	156,282
		10,300,467	**10,300,467**	12,433,448	12,433,448

Risk Management

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised below. The main types of risk are Credit Risk, Liquidity Risk and Market Risk.

The Company's risk management is co-ordinated 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 engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

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. The financial instrument that potentially exposes the Company to credit risk is accounts receivable.

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 receivables to mitigate any possible credit losses.

The Company's management considers that all financial assets which are not impaired or past due for each of the September 30, 2016 and September 30, 2015 reporting dates under review are of good credit quality.

Accounts receivable that are past due and present a potential credit risk are as follows:

	2016 **$**	2015 $
Past due 61 to 90 days	**302,156**	568,181
Past due greater than 90 days	**877,070**	1,038,230
Allowance for doubtful accounts	**(115,724)**	(766,801)
	1,063,502	839,610

The continuity of the allowance for doubtful accounts is as follows:

	2016 **$**	2015 $
Opening balance	**766,801**	911,559
Bad debt expense provision	**284,686**	581,930
Recoveries	**(173,873)**	(657,850)
Accounts written off to the allowance	**(761,890)**	(68,838)
Closing balance	**115,724**	766,801

Liquidity Risk

Liquidity risk is the risk that the Company will 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 bank indebtedness. 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 following table outlines the liquidity risk associated with the Company's payment obligations as at September 30, 2016 and September 30, 2015 respectively.

September 30, 2016		Payment Due			
	Total $	In less than 3 months $	4 - 12 Months $	1 - 5 Years $	Over 5 Years $
Trade and other payables	4,974,764	3,860,275	786,335	328,154	-
Advances	68,627		8,627	60,000	
Finance lease obligation	560	560			-
Long-term debt	4,488,630	20,864	125,655	3,979,411	362,700
Due to shareholders	55,502	-	-	55,502	-
Contingent consideration	156,282	-	156,282		-
	9,744,365	3,881,699	1,076,899	4,423,067	362,700

September 30, 2015		Payment Due			
	Total $	In less than 3 months $	4 - 12 Months $	1 - 5 Years $	Over 5 Years $
Credit facilities	1,470,000	1,470,000	-	-	-
Trade and other payables	6,673,163	4,985,701	1,687,462	-	-
Note, advances and loans payable	290,902	-	-	66,582	224,320
Finance lease obligation	4,842	990	3,232	620	-
Long-term debt	2,504,851	325,618	1,533,283	236,450	409,500
Convertible debenture	1,430,000	-	1,430,000	-	-
Due to shareholders	55,502	-	-	55,502	-
Contingent consideration	156,282	-		156,282	-
	12,585,542	6,782,309	4,653,977	515,436	633,820

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 that the fair value or future cash flows of financial instruments will fluctuate because of changes in interest rates. As at September 30, 2016 the Company had $314,360 in cash, $556,662 in bank indebtedness and $596,700 in long term debt which were floating rate obligations. A 1 percentage point increase in interest rates over a year would increase the net loss and reduce equity for the period by approximately $10,000.

Foreign currency risk

Currency risk is the risk that 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 as follows:

	September 30, 2016	**September 30, 2016**	September 30, 2015	September 30, 2015
	CAD	**US**	CAD	US
	$	**$**	$	$
Cash	**516,910**	**394,076**	7,347	5,505
Accounts receivable	**354,308**	**270,114**	2,080,994	1,559,381
Accounts payable	**250,262**	**190,792**	925,823	693,761

The Company incurs expenses and earns revenues in Canadian and U.S. dollars. To date the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure, but it endeavours to create natural hedges where there are opportunities to do so.

A 10% strengthening of the US dollar against the Canadian dollar would have increased the net income and increased equity during the reporting period by approximately $50,000.

Capital Management

The Company's objective is to maintain a capital base sufficient 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, notes and loans payable, and long-term debt. In order to maintain or adjust its capital structure, the Company could issue new shares or obtain new debt. To date, no dividends have been paid to the Company's shareholders and none are planned.

There has been no change to the Company's approach to capital management during the quarter ended September 30, 2016.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares: 27,880,140 common shares

Warrants: nil

Options: 1,818,225 options

Financial Terms and Definitions

Definition of Additional IFRS Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings, and subtotals when such presentation is relevant to an understanding of a company's financial position and performance. Because IFRS requires such additional GAAP measures, the measures are considered additional IFRS measures rather than non-IFRS measures. We believe that the measures defined here are useful for providing investors with additional information to assist them in understanding components of our financial results.

Gross Profit. Gross profit is calculated as gross revenue minus direct expenses and direct payroll costs. Direct expenses are certain costs we incur in the delivery of our services such as subcontractors, equipment, and other expenditures that are recoverable directly from our clients. Direct payroll costs include the cost of salaries and related fringe benefits for employees within the operating groups. We monitor our gross margin percentage levels to ensure that they are within the established acceptable range for the profitability of our operations.

Definition of Non-IFRS Measures

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

EBITDA. EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, and amortization of intangible assets. We use this measure as part of our assessment of our operating performance. There is no direct comparable IFRS measure for EBITDA.

Adjusted EBITDA. Adjusted EBITDA additionally excludes items that are significant and irregular (such as the sale of a building or goodwill impairment), non-cash based (such as share-based compensation), or non-operational in nature (such as foreign exchange gains and losses).

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

Management's Responsibility for Financial Reporting

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

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

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

Additional Information

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