

The BluBulletin: Corporate Update

Issue 15-01

March 2015

BluMetric and the BluBulletin

This is the first of the quarterly corporate updates that BluMetric intends to provide to interested stakeholders. It is designed to expand on key issues and to communicate some of our most exciting accomplishments in the following areas:

- Project pipeline
- Project progress
- New product & service development
- Industry environment
- Corporate outlook

We will also deal with questions and concerns. Readers are encouraged to forward items for future discussion in the BluBulletin; contact information below.

Recent Events

- BluMetric re-mortgaged 3108 Carp Road for gross proceeds of more than C\$1 million, easing the working capital challenge.
[Read more ...](#)
- BluMetric won a new Canada Public Works Contract for up to C\$3 million. Great work by the Professional Services group.
[Read more ...](#)
- BluMetric's Panama Canal project, worth C\$2.35 million, has been expanded by US\$720K to include oil-water separators.
[Read more ...](#)

- BluMetric has been awarded a C\$1.6 million contract for a prefeasibility hydrogeological study and geotechnical study for Labec Century Iron Ore Inc.'s Joyce Lake and Area site.
[Read more...](#)
- BluMetric won a C\$1.1 million mine wastewater treatment contract.
[Read more...](#)
- BluMetric wrote off significant goodwill in its fourth quarter, for an improved balance sheet.
[Read more...](#)
- BluMetric appointed Ms. Vivian Karaiskos as its new Chief Financial Officer.
[Read more...](#)
- BluMetric's 2015 first quarter posted a profit.
[Read more...](#)

BluMetric's Project Pipeline

Our project pipeline has been a work-in-progress for some time as we build a solid reporting mechanism that works for both Professional Services and Water Systems groups. We are aware of the need to provide colour for all stakeholders, and internally we are using a breakdown of Proven (almost 100% certainty, with all but the signed contract); Probable (80% certainty); and Possible (more than 50% certainty) projects for our sales estimates,

applying a sliding valuation that factors in both project size and likelihood of success.

Building on disclosure currently available in the Company's MD&A, and attempting to give people an idea of the range of expectations for fiscal 2015, management is evolving its guidance mechanisms. Currently, we see the Water Systems group with a C\$10 million backlog at the end of the first quarter of fiscal 2015 that already exceeds fiscal 2013's total sales. The Professional Services group has a core projects backlog of about C\$7 million, which suggests a slight improvement year-over-year for that group.

BluMetric will provide additional information in future BluBulletins and releases, and will continue to provide backlog estimates.

Project Progress

Lufussa Honduras

Heavy fuel oil (HFO), also called bunker oil, is commonly used to power large diesel electric generation stations, cruise and cargo ships, industrial boilers, and blast furnaces. The HFO contains contaminants (water and solids) that need to be removed before it is used. The resulting waste stream is approximately 0.6-to-1 percent of the total volume of fuel treated and often contains 40-to-60 percent HFO by volume along with the waste water and solids.

BluMetric created a proprietary solution for the treatment of the waste stream of a client's diesel-electric generating station in Honduras. Called the HFO-Recovery System (H4), our purpose-built product lets the client economically recover up to 95 percent

of the HFO from the waste stream, reducing the volume and cost of waste that must be disposed of and creating a high-quality fuel product, valued at about the cost of bunker oil, that can then be sold or used. Our H4 plant at Lufussa has been operating for six months, recovering the waste-stream oil to use in industrial boilers – displacing purchased oil. Less waste means lower disposal costs and a better environment. Recovering a saleable product allows our client to turn waste into revenue. The combined effect of cost cutting and revenue generation results in payback in as little as one-to-two years. [See our brochure here.](#)

*Lufussa
Honduras
HFO project*



Century Iron Mines (Schefferville) is an iron exploration and development company with significant properties in the prolific Labrador Trough in Québec, Newfoundland, Labrador, and the James Bay area. The company intends to become a major Canadian iron ore producer.

BluMetric and its subcontractor, LVM, have successfully completed the field work related to a C\$1.6 million contract for a hydrogeological and geotechnical study at

Century's Joyce Lake open-pit Direct Shipping Ore (DSO) Project in Newfoundland and Labrador. This study is a crucial part of the Environmental Impact Statement, a prerequisite for environmental permitting. The study will also include groundwater modelling to evaluate dewatering requirements, and defining the pit slope and bench angles to support the Bankable Feasibility Study.

The Joyce Lake DSO Project is Century's most advanced project. Annual DSO production is targeted at two million tonnes per year.

The Panama Canal Expansion is a major engineering project, creating a new lane of traffic allowing more and larger ships and doubling the capacity of the Panama Canal. BluMetric is providing innovative containerized wastewater treatment plants to treat wastewater generated during construction. These low-maintenance, integrated plants remove solids, organics, nutrients, and microorganisms in a footprint approximately the size of a 20-foot shipping container.

BluMetric is also providing a series of underground oil/water separators to mitigate the impact of an on-site hydrocarbon spill and ensure storm water discharged off-site meets rigorous environmental standards.

The design process for both phases of our project has been completed and fabrication of these units has begun, with installation projected to be completed mid-2015.

New Products and Services

UAVs (Unmanned Aerial Vehicles)

The BluMetric Private Unmanned Air Force has been flying for the last three years. It replaces very expensive and logistically complex manned remote-sensing aircraft with easily carried drone-type units well suited for both urban and remote site use.



Yannick Lanthier and Jean-François Dionne with a BluMetric UAV

BluMetric's special sauce is supplied by our Geomatics group. They marry modern remote- and PLC-controlled aircraft with sophisticated digital GPS sensors, giving three-dimensional location information to a resolution of two-to-three centimetres for high-density data collection and multi-spectral and thermal imagery, all fed through some of the most advanced information management and analysis software available.

Revenue from this high-margin service is showing strong growth.

We see continued rapid expansion in the UAV program, extending beyond our usual industry client base. Recently, for example, we were able to help an Ottawa vineyard understand drainage issues that were affecting vine growth. We have also used UAVs on remote site investigations in the Arctic for solid waste management site assessments, aggregate resource inventories, agricultural assessment, hydrology, and detailed topographic and terrain mapping.

Environmental Information System

BluMetric's flagship monitoring software, the Environmental Information System (EIS), disseminates laboratory results to our clients through a safe and secure web portal. It provides a simple interface for complete laboratory results, filtered and analyzed by our staff prior to reporting. This enables our clients to review field data within a few hours of receiving the laboratory results. Users can retrieve specific pieces of information by project, date, and parameter. The results can then be analyzed across groups of samples or by specific parameters, producing either basic stats or graphics and charts for easier viewing of trends. The information can also be exported for offline analysis and is web-linked to a mapping tool to view in map format.

On request, our team can integrate historical, geospatial, and infrastructural datasets to the system to complement the base map and build breadth of

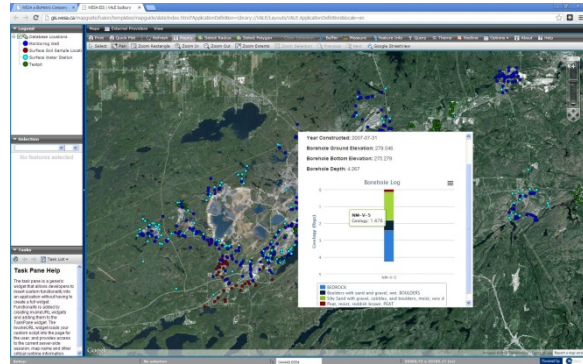
understanding of the project and its wider impact.

You want to try? Here is the link:

<https://eis.wesa.ca>

Username: bludemo

Password: bludemo.2014



Industry Update

After a five-year slow period where annual growth averaged about 0.02 percent, the environmental industry is now seeing increasing activity as the extent of industrial environmental responsibilities becomes clear. Governments as well are beginning to pay increased attention to the need for clean air, soil, and water. We are also hearing from the municipal level, as city infrastructure, particularly in the US, is in serious need of upgrade, repair, and replacement following many years when these types of investments were not a priority.

Of the broad range of industries in which BluMetric works, food and beverage producers and real estate are also enjoying substantial growth at the moment.

Corporate Outlook: FY2015

BluMetric's Strategic Plan – a comprehensive living document outlining our goals and

direction – is management’s map for success. It distills down to a one-year business plan which is then tracked monthly against results.

The plan focuses on four longer-term goals:

1. Increase annual revenues.
2. Build sustainable EBITDA.
3. Increase visibility and market share in the Americas, with a US sales rep network and an expanded presence in the Caribbean and Central and South America.
4. Develop and implement a management succession strategy.

To summarize the past quarters, we have hit our revenue targets, but not the desired bottom line. Below we address the relevant challenges, identifying both key drivers and progress made to date:

- Concentrate on the improvement of Professional Services’ gross margin through investment in current processes, people, and high-growth service areas as well as reducing costs and write-offs.
- Move the Water Systems group to capacity, which would effectively double their revenue stream without significantly increasing overhead.
- Continue to contain costs: we have reduced SG&A in FY2014, as demonstrated in our FY2014 results, and this focus will continue in FY2015.
- Continue to optimize head count: Staffing was reduced from a high of 198 in September 2013 to 160 in September of 2014. We have kept the Professional Services head count relatively constant yet expanded growth areas like hydrology and geomatics; the Water Systems group saw most of the decrease, resulting in labour cost reductions which are currently tracking in excess of \$1 million (as outlined in the FY2014 MD&A) with no loss of service or function.
- Consolidated water engineering services at one location in the Ottawa region: we have increased our interactivity and efficiencies and cut down on overhead, with savings in upkeep of more than \$100,000 per year.
- Focus on the service areas identified for growth: mining, the North, hydrology, geomatics (information management and analysis), and data collection (UAV, bathymetric, treatment process monitoring) while maintaining other profitable service lines.
- Shift heavy manufacturing either offshore or near client sites. The Panama Project is an excellent example of this approach.
- Develop and market existing products: the Combined Membrane Bioreactor (COBRA) in the food and beverage, land development, and municipal retrofit markets, and the H4 product in the thermo-electric power and marine markets.
- Continue to identify and develop or acquire new technologies, products, and new service areas.
- Use the internal Finance group to better manage proposals, projects, and overhead.
- Use new information management tools to improve efficiency, utilization, and margins; reduce overhead; and build stronger interactive teams.

First Quarter 2015

Management is pleased to be able to report that the first quarter of 2015 demonstrated positive changes on many fronts, ([See our press release dated March 2, 2015](#) for more detail.)

Both Professional Services and Water Systems groups achieved strong results. PS posted steady revenues and improved project management practices that positively affected the bottom line, and WS built sales in new and existing product lines while consolidating their operations.

As a result, BluMetric moved into the black with a profitable quarter, and will maintain its focus on higher-margin opportunities, careful cost management, and business growth in geomatics and hydrology for Professional Services, and new product lines and specialized design-build for Water Systems.

Forward-Looking Statements

Some of the statements in this document, including those relating to the Company's strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", are forward-looking statements within the meaning of securities laws. Forward-looking statements include, without limitation, information concerning possible or assumed future results of operations of the Company. These statements are not historical facts but represent only the Company's expectations, estimates, and projections regarding future events. The Company does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

Management Hot-Seat

BluMetric management is committed to regular communication of our vision, our understanding of our industry position, and our progress against goals.

This update is only one of the tools we are using to convey the potential of the company to stakeholders. Management will begin to hold regular sessions in Ottawa and Toronto, and welcomes stakeholders to join us and meet BluMetric's management. Please email IR@blumetric.ca if you are interested. Please email as well with any questions for management – either directly, or via IR@blumetric.ca.

If you have a question or idea for a story or announcement for contribution, please forward it to Robin Sundstrom at IR@blumetric.ca by April 30th for the next issue.