Consolidated Financial Statements

Twelve month period ended September 30, 2014 and the thirteen month period ended September 30, 2013

(expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of BluMetric Environmental Inc.:

We have audited the accompanying consolidated financial statements of BluMetric Environmental Inc., which comprise the consolidated statement of financial position as at September 30, 2014, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

1155, BOUL. RENÉ-LÉVESQUE O., 19E ÉTAGE, MONTRÉAL, QC H3B 2J8
1.888.861.9724 TÉL: 514.861.9724 TÉLÉC: 514.861.9446 mnp.ca

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BluMetric Environmental Inc. as at September 30, 2014 and its financial performance and cash flows for the year ended September 30, 2014 in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements as at September 30, 2013 and for the period from September 1, 2012 to September 30, 2013 were audited by Raymond Chabot Grant Thornton LLP of Ottawa, Canada. Raymond Chabot Grant Thornton LLP expressed an unmodified opinion on those statements on February 7, 2014.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates that the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Ottawa, Ontario

February 2, 2015

BLUMETRIC ENVIRONMENTAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

	Notes	September 30 2014 $	September 30 2013 $
ASSETS			
Current assets			
Accounts receivable	5	5,038,457	7,204,156
Unbilled revenue		2,292,502	2,552,870
Inventory		1,549	13,900
Prepaid expenses		102,106	179,758
Investment held for sale		33,626	-
Investment tax credits recoverable		-	128,763
		7,468,240	**10,079,447**
Non-current assets			
Property, plant and equipment	6	2,355,939	2,327,966
Intangible assets	7	1,011,444	1,497,740
Investment accounted for using the equity method	8	378,104	411,478
Long term investment	9	11,085	11,085
Goodwill	10	1,592,095	5,916,662
Total assets		**12,816,907**	**20,244,378**
LIABILITIES			
Current liabilities			
Bank indebtedness		180,626	1,258,471
Credit facilities	11	780,000	1,520,000
Trade and other payables	12	5,358,891	6,230,676
Deferred revenue		1,346,836	576,714
Note, advances and loans payable	13	517,737	337,971
Obligations under finance leases	14	3,698	14,256
Current portion of long-term debt	15	1,655,244	1,928,828
		9,843,032	**11,866,916**
Non-current liabilities			
Obligations under finance leases	14	4,830	8,460
Long-term debt	15	1,824,125	588,775
Convertible debenture	16	1,231,949	1,130,684
Due to shareholders	17	269,531	269,531
Contingent consideration	18	156,282	156,282
Total liabilities		**13,329,749**	**14,020,648**
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	19	4,629,424	4,629,424
Contributed surplus and other equity	19	388,771	186,606
Retained earnings (deficit)		(5,531,037)	1,407,700
Total equity (deficit)		**(512,842)**	**6,223,730**
Total liabilities and shareholders' equity (deficit)		**12,816,907**	**20,244,378**

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

APPROVED BY THE BOARD

"ROGER WOELLER" — Roger Woeller, Director

"JORDAN GRANT" — Jordan B. Grant, Director

BLUMETRIC ENVIRONMENTAL INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the twelve months ended September 30, 2014 and the thirteen months ended September 30, 2013
(in Canadian dollars)

	Notes	Special shares #	Common shares #	Share capital $	Contributed surplus and other equity $	Retained earnings (deficit) $	Total attributable to owner of parent $	Non controlling interest $	Total equity (deficit) $
Balance at August 31, 2012		**-**	**634,468**	**1,393,096**	**-**	**3,660,781**	**5,053,877**	**255,948**	**5,309,825**
Shares exchanged on reverse takeover		-	(634,468)	-	-	-	-	-	-
Shares issued to shareholders of WESA on reverse takeover	4	2,831,325	14,157,433	2,325,642	-	-	2,325,642	-	2,325,642
Existing shares of Seprotech prior to reverse takeover	4	-	6,644,692	-	-	-	-	-	-
Purchase of shares of a subsidiary		-	-	-	-	63,171	63,171	(255,948)	(192,777)
Conversion of Series I special shares to common shares	19	(2,831,325)	2,831,325	-	-	-	-	-	-
Common shares issued on private placement	19	-	1,558,206	1,044,000	-	-	1,044,000	-	1,044,000
Warrants issued on private placement	19	-	-	(11,251)	11,251		-		
Share issue costs related to private placement		-	-	(122,063)		-	(122,063)	-	(122,063)
Equity component of convertible debenture	19	-	-	-	195,901	-	195,901	-	195,901
Deferred tax asset on equity component of convertible debenture	20	-	-	-	(53,716)	-	(53,716)	-	(53,716)
Warrants issued on convertible debenture	19	-	-		26,375		26,375	-	26,375
Share issue costs related to convertible debenture		-	-	-	(20,351)		(20,351)	-	(20,351)
Share based compensation	19	-	-	-	27,146	-	27,146	-	27,146
Net loss and comprehensive loss for the period		-	-	-	-	(2,316,252)	(2,316,252)	-	(2,316,252)
Balance at September 30, 2013		**-**	**25,191,656**	**4,629,424**	**186,606**	**1,407,700**	**6,223,730**	**-**	**6,223,730**
Share based compensation	19	-	-	-	202,165	-	202,165	-	202,165
Net loss and comprehensive loss for the period		-	-	-	-	(6,938,737)	(6,938,737)	-	(6,938,737)
Balance at September 30, 2014		**-**	**25,191,656**	**4,629,424**	**388,771**	**(5,531,037)**	**(512,842)**	**-**	**(512,842)**

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

BLUMETRIC ENVIRONMENTAL INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the twelve months ended September 30, 2014 and the thirteen months ended September 30, 2013
(in Canadian dollars, except the number of shares)

	Notes	Twelve months ended September 30, 2014 $	Thirteen months ended September 30, 2013 $
Revenue	25	**27,308,777**	31,549,194
Cost of goods sold		**21,787,991**	25,936,279
Gross profit		**5,520,786**	5,612,915
Operating expenses:			
Selling, general and administrative expenses	21	**7,500,905**	7,410,718
Gain on debt restructuring	15	**-**	(133,754)
Impairment of intangible assets	7	**25,000**	81,838
Impairment of goodwill	10	**4,324,567**	-
Business acquisition expenses		**-**	252,586
Total operating expenses		**11,850,472**	7,611,388
Operating loss		**(6,329,686)**	(1,998,473)
Share of net loss of an associated company	8	**(33,374)**	-
Finance costs	21	**(539,064)**	(357,244)
Loss before income taxes		**(6,902,124)**	(2,355,717)
Income taxes	20	**36,613**	(39,465)
Net loss and comprehensive loss for the period		**(6,938,737)**	(2,316,252)
Net loss per share:	23		
Basic		**($ 0.28)**	($ 0.10)
Diluted		**($ 0.28)**	($ 0.10)
Weighted average number of shares outstanding:	23		
Basic		**25,191,656**	23,592,713
Diluted		**25,191,656**	23,592,713

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

BLUMETRIC ENVIRONMENTAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the twelve months ended September 30, 2014 and the thirteen months ended September 30, 2013
(in Canadian dollars)

	Notes	Twelve months ended September 30, 2014 $	Thirteen months ended September 30, 2013 $
Cash flows from operating activities			
Net loss for the period		**(6,938,737)**	(2,316,252)
Non-cash items:			
Depreciation of property, plant and equipment		**794,603**	474,578
Amortization of intangible assets		**461,296**	288,571
Loss on disposal of property, plant and equipment		**9,443**	1,257
Impairment of intangible assets		**25,000**	81,838
Impairment of goodwill		**4,324,567**	-
Gain on debt restructuring		**-**	(133,754)
Revaluation of restructured debt		**-**	-
Interest accretion on convertible debenture		**101,265**	37,652
Deferred tax expense		**-**	(27,740)
Share of net loss of an associated company		**33,374**	-
Unrealized gain on investment held for sale		**(4,203)**	-
Share-based compensation	19	**202,165**	27,146
Changes in working capital items	22	**2,543,170**	1,432,103
Net cash generated by (used in) operating activities		**1,551,943**	(134,601)
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	**(832,019)**	(498,612)
Acquisition of intangible assets	7	**-**	(320,016)
Investment held for sale		**(29,423)**	-
Reverse takeover, net cash received	4	**-**	123,732
Net cash used in investing activities		**(861,442)**	(694,896)
Cash flows from financing activities			
Issuance of share capital, net of costs		**-**	921,937
Issuance of convertible debenture, net of costs		**-**	1,307,822
Increase (decrease) in note, advances and loans payable		**179,766**	(733,483)
Issuance of long term debt		**1,760,000**	636,600
Repayment of long term debt		**(798,234)**	(871,530)
Increase (decrease) in finance leases		**(14,188)**	1,247
Decrease in due to shareholders		**-**	(172,096)
Decrease in use of credit facilities		**(740,000)**	(1,260,000)
Net cash generated by (used in) financing activities		**387,344**	(169,503)
Net change in cash and cash equivalents		**1,077,845**	(999,000)
Bank indebtedness – Beginning of period		**(1,258,471)**	(259,471)
Bank indebtedness – End of period		**(180,626)**	(1,258,471)
Supplementary Information			
Interest paid - included in operating activities		**288,685**	157,124
Taxes paid - included in operating activities		**-**	32,158

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

1. Nature of Operations

On November 16, 2012 BluMetric Environmental Inc. (“BluMetric” or the “Company”) completed a reverse take-over (“RTO”) with WESA Group Inc. (“WESA”) pursuant to which BluMetric acquired 100% of the issued and outstanding common shares of privately held WESA. BluMetric and WESA and all subsidiaries with the exception of WESA Tecnologias S.A. de C.V., El Salvador were amalgamated on November 17, 2012 and continued under the Canada Business Corporations Act. The RTO transaction is more fully described in Note 4, “Business Acquisition – Reverse Takeover”.

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

BluMetric focuses on two main areas:

- professional consulting services on environmental earth sciences and engineering, contaminated site remediation, water resource management, industrial hygiene, occupational health and safety, and renewable energy; and
- water and wastewater design-build and pre-engineered product solutions.

The head office of the Company is located at 3108 Carp Road, Ottawa, Ontario, Canada K0A 1L0. The Company’s common shares are listed on the Toronto Venture Exchange (“TSX.V”) in Canada.

2. Basis of Presentation and Summary of Accounting Policies

a. Going concern

These consolidated financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, certain adverse conditions and events cast significant doubt upon the validity of this assumption.

BluMetric has incurred significant operating losses for the fiscal periods ended September 30, 2014 and 2013 and remains in violation of certain of its debt covenants which triggers a cross default clause and results in certain long-term debt balances being reclassified to current debt. As a result of this reclassification, the Company’s working capital is in a deficit position of $2.4 million.

The Company is actively pursuing a new financing arrangement that it anticipates will provide greater cash availability than its current credit facility. The Company’s ability to continue operating on a sustainable basis is dependent upon securing this financing, generating sufficient cash from its operations to satisfy its liquidity requirements, and continuing to satisfy current creditors. The Company continues to report significant stable revenues with improving margins and is driving profitability by continuing to control costs and by ongoing adjustments to its operations. However, there can be no assurance it will be successful in these efforts.

If the going concern assumption was not appropriate for these financial statements, then adjustments would likely be necessary in the carrying amounts of assets and liabilities, revenues and expenses, the accumulated deficit and the classifications used in the consolidated statement of financial position. These adjustments could be material.

b. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

c. Authorization of Financial Statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on February 2, 2015.

d. Presentation and Functional Currency

The Company’s presentation and functional currency is the Canadian dollar, which is also the functional currency of the subsidiary.

e. Basis of Measurement

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

f. Critical Accounting Judgements, Estimates and Assumptions

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

i. Judgements

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements:

a. Going Concern

The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

b. Percentage of completion of revenue contracts

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

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

c. Consulting contracts

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

d. Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgement. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

ii. Estimation uncertainty

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

a. Useful lives of depreciable assets

Management reviews the useful lives, depreciation methods and residual values of depreciable assets at each reporting date, at which management assesses the useful lives which represent the expected utility of the assets of the Company. Actual results, however, may vary due to technical or commercial obsolescence.

b. Allowance for doubtful accounts and revenue adjustments

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

c. *Impairment assessments*

Long-lived assets, such as property, plant and equipment and intangible assets, subject to amortization, are tested for recoverability when there is an indication that their carrying value may not be recoverable. Goodwill is tested at least annually. Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses are a subjective process involving judgement and a number of estimates and assumptions in many cases. The carrying value of a long-lived asset is not recoverable when it exceeds the recoverable amount, being the higher of an asset's fair value less costs to sell and its value in use. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In most cases, determining the applicable discount rate involves estimating the appropriate adjustments to market risk and the appropriate adjustment to asset specific risk factors. The actual results may vary and cause significant adjustments to the Company's assets within the next financial year.

d. Share-based compensation

The estimation of share-based payments costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

3. Basis of Presentation and Summary of Accounting Policies

a. Principles of Consolidation

The consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiary WESA Tecnologias S.A. de C.V., El Salvador. All inter-company transactions and balances between these companies have been eliminated on consolidation including unrealized gains or losses.

The subsidiary is an entity over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through owning more than half of the voting rights for its subsidiary. The subsidiary has a reporting date of December 31.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

b. Investment in Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of comprehensive loss reflects the Company's share of the results of operations of the associate. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of comprehensive loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as share of profit of an associate in the statement of comprehensive loss.

Upon loss of control over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

c. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

d. Financial Instruments

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

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

i. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest recognized on an effective yield basis.
ii. Financial assets at fair value through profit or loss are subsequently measured at fair value and changes therein, are recognized in comprehensive loss.
iii. Financial liabilities are subsequently measured at amortized cost using the effective interest method.
iv. Financial liabilities at fair value through profit or loss are subsequently measured at fair value and changes therein, are recognized in comprehensive loss. The Company does not have any liabilities in this category.

Available for sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Impairment charges are recognized in profit or loss.

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

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

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

e. Fair Value Hierarchy

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7 – Financial Instruments: Disclosures. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

Level 1 ("L1") – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 ("L2") – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 ("L3") – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

f. Convertible debentures

The convertible debentures are seperated into their debt and equity components. The value of the debt component of the debentures is determined, at the time of issuance, by discounting the future interest obligations and the principal payment due at maturity, using a discount rate which represents the estimated borrowing rate available to the Company for similar debentures having no conversion rights. The remaining portion of the gross proceeds of the debentures issued is presented as an option to convert debentures in equity net of the tax implications, and the attributed amount remains over the term of the related convertible debentures. Convertible debenture issue costs are applied against the two components on a pro rata basis of the allocated proceeds of issue.

g. Foreign currency transactions and balances

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

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

h. Revenue Recognition

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

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

Amounts billed in advance of performance are recorded as deferred revenue. Deferred revenue is classified as non-current if it relates to performance obligations that are expected to be fulfilled after 12 months from the end of the reporting period.

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

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

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

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

i. Basic and Diluted Earnings (Loss) Per Share

The basic earnings (loss) per share is calculated on the basis of net earnings (loss) attributable to the owners of the parent divided by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares.

j. Inventory

Inventory consists of raw materials and is stated at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis. Cost includes all direct costs associated with the inventory. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

k. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, where applicable, borrowing costs and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Company reviews residual values and remaining useful lives are updated as required at least annually.

Depreciation is calculated on a straight line basis to write down the cost less estimated residual value over the anticipated useful lives of the assets as follows:

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

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

Depreciation is included in selling, general and administrative expenses in comprehensive loss.

l. Intangible Assets

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

The following useful lives are applied:

Patents	17 years
Trademarks	25 years
Technology	3 years
Customer lists	5 years
Software	5 years

Amortization is included in selling, general and administrative expenses in comprehensive loss.

m. Impairment Testing of Tangible and Intangible Assets

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

The recoverable amount is the higher of fair value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is

recognized immediately in comprehensive loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash generating units.

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

n. Goodwill

Goodwill is not amortized but it is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or a group of cash-generating units expected to benefit from the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. The recoverable amount is the greater of its value in use and its fair value less costs to sell, generally determined using a discounted cash flow model. An impairment loss recognized for goodwill is not reversed in a subsequent period, even if future events suggest that the value of goodwill has been recovered.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss.

o. Provisions and Contingent Liabilities

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the the present obligation at the end of the reporting period.

Provisions are measured at the present value of the expected expenditures to settle the obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation, and when the effect of the time value of money is material, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision during the period to reflect the passage of time is recognized as finance costs.

Provisions for warranty are established based on management's best estimates as to the amounts that could be disbursed based on contract terms, and are typically a percentage of the sales or contract price. Relevant disbursements made by the Company are accounted for by reducing the associated provision when the claim from the customer is deemed relevant, in accordance with the contract terms and conditions.

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

p. Leases

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

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

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

q. Income Taxes

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

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

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

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not recognized if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax is calculated, without discounting, using tax rates and laws enacted or substantially enacted at the reporting date in Canada, and which are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

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

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

r. Equity

Share Capital

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

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

Contributed Surplus and Other Equity

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

Retained Earnings (Deficit)

Retained earnings include all current and prior period retained profits.

s. Share-Based Payments

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

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

The fair value at the grant date of share options is determined using the Black-Scholes pricing model and is recognized in comprehensive loss as a compensation expense using a graded vesting schedule over the vesting period, based on the company's estimate of the number of shares which will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. Any impact arising from revision of the original estimates is recognized in comprehensive loss such that the cumulative compensation expense reflects the revised estimate, with a corresponding adjustment to contributed surplus. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different from those estimated on vesting.

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

t. Pension Benefit Plans

The Company maintains a defined contribution pension plan for employees in which the Company matches on a dollar for dollar basis contributions (up to a maximum of 2-5% of salary, as determined by a formula reflecting an individual's length of tenure and age) made by employees into a registered plan managed by a third-party fund manager. There was no unfunded pension plan liability as at September 30, 2014.

u. Segment Reporting

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

The Company has determined that there are two operating segments – Professional Services and Water Systems.

v. Changes in accounting policies and future applicable accounting standards

Changes in accounting policies

Effective October 1, 2013, the Company adopted IFRS 10 - Consolidated Financial Statements and IFRS 12 - Disclosure of Interest in Other Entities. The application of these interpretations had no impact on the Company's consolidated financial statements.

Effective October 1, 2013, the Company adopted IFRS 13 – Fair Value Measurement ("IFRS 13"). With the exception of the additional disclosures required for fair value measurements, the adoption of IFRS 13 had no impact on the Company's consolidated financial statements.

Accounting standards issued but not yet applied

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

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

i. **IFRS 9 "Financial Instruments" (IFRS 9)**

On July 24, 2014, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9") to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

ii. **IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)**

On May 28, 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") replacing IAS 11, "Construction Contracts", IAS 18, "Revenue", IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for annual periods beginning on or after January 1, 2017. The standard may be applied retrospectively or using a modified retrospective approach.

4. Business Acquisition - Reverse Takeover

On November 16, 2012, the Company completed its acquisition of all of the issued and outstanding common shares of WESA, following which the two companies were amalgamated. Prior to completion of the transaction, the Company changed its name from Seprotech Systems Incorporated ("Seprotech") to BluMetric Environmental Inc. and consolidated its common shares on a ten to one basis. Pursuant to the acquisition agreement, in exchange for obtaining all of the issued and outstanding common shares of WESA, the Company issued 14,157,433 common shares (post-consolidation) to the former shareholders of WESA as well as 2,831,325 Series 1 Special Shares (see Note 17). This represents approximately 71.8% of the combined entity's ownership. As a result, WESA has been identified as the accounting acquirer and the transaction as a reverse takeover ("RTO").

In accordance with IFRS 3, "Business Combinations" the transaction is a reverse takeover of an operating company, Seprotech management having determined that the definition of a business under the standard has been met. The resulting financial statements are presented as a continuance of WESA (accounting acquirer), and comparative figures presented in the financial statements are those of WESA. The results of Seprotech's operations have been included in the Company's financial statements from the closing date of November 16, 2012 and going forward.

The fair value of the deemed consideration transferred in the RTO is equivalent to the fair value of the 6,644,692 Seprotech common shares controlled by the original Seprotech shareholders. The fair value of the Seprotech common shares were estimated to be $2,325,642 based on a fair market value of $0.35 per share, being the closing market price on the last day before trading was halted following announcement of the RTO.

The following table describes management's determination of purchase price allocation over the fair value of Seprotech's net tangible and intangible assets acquired upon completion of the RTO on November 16, 2012.

Consideration deemed transferred		**$ 2,325,642**
Assets acquired		
Cash	$ 123,732	
Accounts receivable	911,794	
Inventories	20,640	
Unbilled revenues	486,543	
Prepaid expenses	131,114	
Investment tax credit recoverable	35,000	
Property, plant and equipment	139,184	
Intangible assets	1,318,266	
	$ 3,166,273	
Liabilities assumed:		
Bank indebtedness	$ 490,570	
Trade and other payables	2,400,051	
Deferred revenue	223,369	
Note, loans payable and secured debenture	1,071,454	
Obligation under finance lease	21,469	
Long term debt	958,285	
	$ 5,165,198	
Net identifiable assets acquired		**(1,998,925)**
Goodwill		**$ 4,324,567**

The goodwill of $4,324,567 comprised the value of the expected synergies arising from the acquisition, which is not separately recognized. The full amount of goodwill has subsequently been determined to be impaired (see Note 10).

5. Accounts Receivable

	2014	2013
	$	$
Trade receivables	**5,521,094**	7,475,254
Other receivables	**428,922**	144,867
Allowance for doubtful accounts (Note 28)	**(911,559)**	(415,965)
	5,038,457	7,204,156

All of the Company's trade and other receivables have been reviewed for indications of impairment. An allowance for doubtful accounts has been established for any trade receivable found to be impaired.

6. Property, Plant & Equipment

All of the Company's property, plant and equipment are pledged as security for the bank loans. Accordingly, there are restrictions on the title of such assets.

	Land	Buildings	Computer hardware	Field equipment	Office furniture & equipment	Leasehold improve-ments	Paving	Vehicles	Total
Cost									
Balance at October 1, 2013	282,873	2,052,561	1,943,325	417,012	726,299	681,968	43,726	249,457	6,397,221
Additions	200,375	625,425	6,219				-	-	832,019
Disposals	-	-			(10,000)		-	(45,550)	(55,550)
Balance at September 30, 2014	**483,248**	**2,677,986**	**1,949,544**	**417,012**	**716,299**	**681,968**	**43,726**	**203,907**	**7,173,690**
Accumulated Depreciation									
Balance at October 1,2013	-	1,063,274	1,685,731	248,222	525,445	379,429	28,194	138,960	4,069,255
Depreciation	-	120,870	258,880	83,402	144,260	125,819	2,915	58,457	794,603
Disposals	-				(1,667)			(44,440)	(46,107)
Balance at September 30, 2014	**-**	**1,184,144**	**1,944,611**	**331,624**	**668,038**	**505,248**	**31,109**	**152,977**	**4,817,751**
Net book value at September 30, 2014	**483,248**	**1,493,842**	**4,933**	**85,388**	**48,261**	**176,720**	**12,617**	**50,930**	**2,355,939**

	Land	Buildings	Computer hardware	Field equipment	Office furniture & equipment	Leasehold improve-ments	Paving	Vehicles	Total
Cost									
Balance at September 1, 2012	282,873	2,052,561	1,831,549	314,266	612,677	379,631	43,726	249,457	5,766,740
Additions	-	-	95,611	19,085	81,579	302,337	-	-	498,612
Additions from reverse takover	-	-	22,707	83,661	32,816	-	-	-	139,184
Disposals	-	-	(6,542)	-	(773)	-	-	-	(7,315)
Balance at September 30, 2013	**282,873**	**2,052,561**	**1,943,325**	**417,012**	**726,299**	**681,968**	**43,726**	**249,457**	**6,397,221**
Accumulated Depreciation									
Balance at September 1, 2012	-	892,318	1,544,681	209,774	494,337	329,431	24,045	106,149	3,600,735
Depreciation	-	170,956	147,108	38,448	31,108	49,998	4,149	32,811	474,578
Disposals	-	-	(6,058)	-	-	-	-	-	(6,058)
Balance at September 30, 2013	-	1,063,274	1,685,731	248,222	525,445	379,429	28,194	138,960	4,069,255
Net book value at September 30, 2013	**282,873**	**989,287**	**257,594**	**168,790**	**200,854**	**302,539**	**15,532**	**110,497**	**2,327,966**

7. Intangible Assets

All of the Company's intangible assets are pledged as security for the bank loans. Accordingly, there are restrictions on the title of such assets.

During the year ended September 30, 2014, the Company recognized an impairment loss of $25,000 in its customer lists related to a group of customers where it no longer retained exclusivity rights.

During the thirteen month period ended September 30, 2013, the Company received notification that technology it was developing for waste water treatment was not patentable. All remaining capitalized costs related to this initiative were written off, resulting in an impairment loss of $81,838.

	Trademarks	Computer Software	Patents	Technology	Customer Lists	Total
Cost						
Balance at October 1, 2013	222,981	873,610	50,855	258,416	801,150	2,207,012
Additions	-	-	-	-	-	-
Impairment	-	-	-	-	(30,000)	(30,000)
Balance at September 30, 2014	222,981	873,610	50,855	258,416	771,150	2,177,012
Accumulated Amortization						
Balance at October 1, 2013	36,910	486,063	10,299	43,067	132,933	709,272
Amortization	37,214	174,722	2,991	86,139	160,230	461,296
Impairment	-	-	-	-	(5,000)	(5,000)
Balance at September 30, 2014	74,124	660,785	13,290	129,206	288,163	1,165,568
Net book value at September 30, 2014	**148,857**	**212,825**	**37,565**	**129,210**	**482,987**	**1,011,444**

	Trademarks	Computer Software	Patents	Technology	Customer Lists	Total
Cost						
Balance at September 1, 2012	46,700	605,207	-	-	-	651,907
Additions	26,195	257,661	6,160	-	30,000	320,016
Additions through reverse takeover	158,501	10,742	119,457	258,416	771,150	1,318,266
Impairment	(8,415)	-	(74,762)	-	-	(83,177)
Balance at September 30, 2013	222,981	873,610	50,855	258,416	801,150	2,207,012
Accumulated Amortization						
Balance at September 1, 2012	19,233	402,807	-	-	-	422,040
Amortization	19,016	83,256	10,299	43,067	132,933	288,571
Impairment	(1,339)	-		-	-	(1,339)
Balance at September 30, 2013	36,910	486,063	10,299	43,067	132,933	709,272
Net book value at September 30, 2013	**186,071**	**387,547**	**40,556**	**215,349**	**668,217**	**1,497,740**

8. Investment Accounted for using the Equity Method

	2014	2013
	$	$
Investment subject to significant influence		
Class A common shares of Wasdell Falls Power Corporation	**378,104**	411,478

As at December 1, 2010, the Company had a 50% interest in Wasdell Falls Power Corporation, a jointly controlled entity involved in the business of developing a hydroelectric power generation project in the region of the Wasdell Falls dam. During the year ended November 30, 2011, the Company entered into an agreement to sell its interest in Wasdell Falls Power Corporation. The sale involves three transaction steps, the last of which has not yet occurred. Total consideration is to be $465,455, plus 1,500,000 common shares of Coastal Hydro Corporation, a privately owned company. To date, the purchasers have paid $332,776 in connection with the agreement in exchange for one half of the Company's interest in Wasdell Falls Power Corporation. The Company revalued its remaining 25% interest in Wasdell Falls Power Corporation at a fair value of $411,478, based on an observed equivalent cash transaction. As a result, the Company recognized a gain on the sale of one half of its interests in the joint venture of $422,853 during the year ended November 30, 2011.

The final step of the transaction will occur once Wasdell Falls Power Corporation has achieved the commencement of operations. At that time, the Company will receive the remaining cash and common shares of Coastal Hydro Corporation in exchange for its remaining interests in Wasdell Falls Power Corporation.

The Company's investment in Wasdell Falls Power Corporation is accounted for under the equity method.

9. Long-term Investment

	2014	2013
	$	$
Long term investment		
17,828 Class A shares of Canzone Limited	**11,085**	11,085

The Company's investment in Canzone Limited is accounted for under the cost method since the investment is an equity instrument with no quoted market price.

10. Goodwill

	2014	2013
	$	$
Balance, beginning of year	**5,916,662**	1,592,095
Reverse takeover of Seprotech (Note 4)	**-**	4,324,567
Impairment	**(4,324,567)**	-
Balance, end of year	**1,592,095**	5,916,662

For the purpose of annual impairment testing performed in the final quarter of each year, goodwill is allocated to the following cash generating units ("CGUs"), which are the groups of units expected to benefit from the synergies of the business combinations: Professional Services and Water Systems.

The carrying amount of goodwill allocated to each CGU as at September 30 was as follows:

	2014	2013
	$	$
Professional Services	**1,592,095**	1,592,095
Water Systems	**-**	4,324,567
Balance at September 30, 2014	**1,592,095**	5,916,662

The recoverable amount of each CGU group has been determined based on a value in use calculation using cash flow projections from the annual financial budgets approved by senior management and the Board of Directors followed by an extrapolation over four further years. The pre-tax discount rate applied to cash flow projections for each CGU is 25.0% (2013: 15%) and cash flows are extrapolated using a 2.0% growth rate (2013: 2.0%).

The calculation of value in use is most sensitive to the following assumptions:

- Gross margins
- Discount rates
- Growth rates used

Gross margins – Gross margins are based on average values achieved in the years preceding the beginning of the budget period. There have been no increases reflected for anticipated efficiency improvements.

Discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors.

Growth rates – Growth rates used by management are similar to the rate of inflation in Canada.

The impairment test identified a lower value in use for the Water Systems CGU than its carrying amount, resulting in an impairment charge of $4,324,567, largely due to continuing losses within the Water Systems CGU.

11. Credit Facilities

As at September 30, 2014, short-term bank credit facilities consisted of an operating line of credit in the amount of $2,000,000 (2013 - $2,000,000) and a separate facility specifically for issuing client project-related letters of credit in the amount of $500,000 (2013 - $500,000).

At September 30, 2014, the Company had drawn $780,000 (2013 - $1,520,000) on its operating line of credit, which carries a floating rate of interest of prime plus 2.25%, is payable on demand and is secured by a general security agreement over the Company's assets.

At September 30, 2014, the Company had an outstanding letter of guarantee of $38,000 which was carved out of the operating line of credit. This letter of guarantee matures on April 30, 2015.

At September 30, 2013, the Company had letters of credit of U.S. $56,000 which were secured by the separate facility at the same date.

The Company has certain covenants in accordance with its banking agreement which include maintaining a debt to service ratio in excess of 1.2:1 and maintaining, on a quarterly basis, a minimum tangible net worth of $2.4 million. As at September 30, 2014, the Company was in default of the tangible net worth covenant and the debt to service ratio covenant (see Note 2(a) – Going Concern).

12. Trade and Other Payables

	2014	2013
	$	$
Trade payables	**3,231,681**	3,907,579
Salaries and benefits payable	**618,838**	664,939
Other accrued liabilities and payables	**1,508,372**	1,658,158
	5,358,891	6,230,676

Provisions in the amount of $18,373 (2013 - $21,012) are included in other accrued liabilities and payables and are entirely with respect to product warranty provisions.

As at September 30, 2014, other accrued liabilities and payables includes amounts owing to key management personnel of $27,164 (2013 - $398,162).

13. Note, Advances and Other Loans Payable

Note Payable

The note payable bears interest of 4% per annum, is compounded semi-annually, and is repayable in four equal, annual installments of principal and interest. The promissory note does not have a specific maturity date. At year end, the Company was in default of the repayment terms of this promissory note.

Advances

During the year ended September 30, 2014, related party advances of $165,000 were received. These amounts bear interest at a rate of 7% and are repayable on demand.

Bridge Financing

On November 29, 2011 BluMetric arranged bridge financing with a director of the Company of potentially up to $200,000, with an interest rate of 7% payable monthly in arrears, and maturing February 27, 2012. The facility was extended to April 30, 2013, subsequent to which it has continued on an interest only (7%) month to month basis.

	2014	2013
	$	$
Note payable	**224,320**	224,320
Advances	**171,550**	-
Bridge financing	**121,867**	113,651
	517,737	337,971

14. Obligations Under Finance Leases

The Company has a finance lease for field equipment which was signed March 1, 2013 and is repayable in 48 monthly installments of principal and interest of $330. The lease bears interest of 29% per annum.

The finance lease is secured by the underlying equipment. As at September 30, 2014, the net carrying amount of equipment under finance lease is $10,105 (2013 - $26,738) and is included as part of field equipment.

September 30, 2014	**Future Minimum Lease Payments $**	**Finance Charges $**	**Present Value of Minimum Lease Payments $**
Within one year	3,963	264	3,698
Between one and five years	4,955	125	4,830
After five years	-	-	-
Total obligation under finance lease	8,918	389	8,528

September 30, 2013	**Future Minimum Lease Payments $**	**Finance Charges $**	**Present Value of Minimum Lease Payments $**
Within one year	15,203	947	14,256
Between one and five years	9,919	1,459	8,460
After five years	-	-	-
Total obligation under finance lease	25,122	2,406	22,716

15. Long-Term-Debt

	2014	2013
	$	$
Mortgage, bearing interest at 7.99%, repayable in monthly principal instalments of $8,083 plus interest, due July 16, 2016, secured by a collateral mortgage on land and building with a carrying value of $423,281.	**989,809**	-
Mortgage, bearing interest at BDC Floating Base Rate (5.0% as at September 30, 2014) plus 2.0%, repayable in monthly principal instalments of $3,900 plus interest, due June 15, 2029, secured by a collateral mortgage on land and building with a carrying value of $807,558.	**690,300**	-
Bank loan, bearing interest at prime plus 2.5%. Repaid in full on July 16, 2014.	**-**	**190,750**
Bank loan, bearing interest at prime plus 2.5%, repayable in monthly principal instalments of $3,022 plus interest, due April 2023, secured by a charge on land and building with a carrying value of $504,324.	**311,289**	**347,556**
Bank loan, bearing interest at prime plus 2.5%, repayable in monthly principal instalments of $1,611 plus interest, due March 2023, secured by a charge on land and building with a carrying value of $241,927.	**164,334**	**183,667**
Bank loan, bearing interest at prime plus 2.5%, repayable in monthly principal instalments of $3,325 plus interest, due December 2014, secured by a general security agreement.	**9,975**	**49,877**
Bank loan, bearing interest at prime plus 2.5% per annum, repayable in monthly principal instalments of $1,716 plus interest, due June 2016, secured by a general security agreement.	**36,027**	**56,614**
Bank loan, bearing interest at prime plus 2.5%, repayable in monthly principal instalments of $1,763 plus interest, due November 2015, secured by a general security agreement.	**24,681**	**45,836**
Bank loan, bearing interest at prime plus 2.5%, repayable in monthly principal instalments of $2,178 plus interest, due November 2016, secured by a general security agreement.	**56,638**	**82,779**
Bank loan, bearing interest at prime plus 2.5%, repayable in monthly principal instalments of $1,992 plus interest, due July 2017, secured by a general security agreement.	**67,742**	**91,651**
Bank loan, bearing interest at prime plus 2.5%, repayable in monthly principal instalments of $9,896 plus interest, due March 2017, secured by a general security agreement.	**221,875**	**415,625**
Bank loan, bearing interest at prime plus 2.5%, repayable in monthly principal instalments of $2,693 plus interest, due May 2018, secured by a general security agreement. (1)	**118,507**	**150,827**
Ford Credit loan, bearing interest at prime, payable in monthly instalments of $3,190, due May 2016 and secured by a general security agreement.	**47,004**	**85,286**
Restructured trade debt (2)	**741,188**	**817,135**
Total	**3,479,369**	**2,517,603**
Current portion of long-term debt	**1,110,520**	**1,928,828**
Long-term portion of long-term debt	**2,368,849**	**588,775**

(1) On March 8, 2013 the Toronto-Dominion Bank paid out the syndicate of Credit Unions (led by Unity Savings & Loan) by providing the Company with a four-year term loan.

(2) 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 is 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 thirteen month period ended September 30, 2013 of $133,754. Effective March 1, 2013, payments were suspended and the outstanding balances have been postponed in favour of the Company's bank.

At September 30, 2014, the Company was in default of certain of its debt covenants (see Note 11), which has triggered a cross default on its bank loans. Consequently, the long term debt portion attributable to these loans has been reclassified to current liabilities and is now payable on demand.

16. Convertible Debenture

On June 27, 2013 the Company completed the private placement of 1,430 unsecured convertible debenture units (the "Units"), for gross proceeds of $1,430,000. Each Unit of the Offering comprises a $1,000 convertible debenture (the "Convertible Debentures") and 1,666 one-half common share purchase warrant (each whole warrant, a "Warrant").

The Convertible Debentures are convertible, at the option of the subscriber, at any time prior to the maturity date, into common shares of the Company ("Common Shares") at a conversion price of $0.60 per Common Share representing a conversion rate of approximately 1,666 Common Shares per $1,000 in principal amount of the Convertible Debentures. Holders of the Convertible Debentures also have the option to receive interest payments in cash or, subject to the approval of the TSX Venture Exchange, Common Shares based on the 20-day volume weighted average price, which will not be lower than the Discounted Market Price of the Common Shares (as defined in the TSX Venture Manual), at the time of payment. The Convertible Debentures mature three years from the Closing, and bear interest at a rate of 9% per annum, calculated from date of issue, semi-annually in arrears and compounded annually.

Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.75 per Common Share for a period of two years from the Closing. The Common Shares underlying the Convertible Debentures and the Warrants are subject to a four-month hold period from the date of Closing and the Common Shares issued in respect of the interest payments if any, are subject to a four-month hold period from the date of issue.

The Convertible Debentures were determined to be a compound instrument. The initial carrying amount of the financial liability was determined to be $1,234,099 and was based on the fair value of the future interest and principal payments. The residual amount of $195,901 has been classified as equity. The Convertible Debentures, net of the equity component and issue costs of $148,533 are accreted using an effective interest rate of 15% over their term, such that the carrying amount will equal the total face value at maturity.

17. Due to Shareholders

Amounts due to shareholders are non-interest bearing, with no fixed terms of repayment. Repayments of these amounts have been postponed in favour of the Company's bank and are not expected to occur during the next 12 months.

18. Contingent Consideration

During the year ended November 30, 2011, the Company acquired shares of their subsidiary, OEL Hydrosys, from one of the minority shareholders, increasing the Company's ownership in the subsidiary from 50% to 66.67%. The purchase consideration was $97,372 in cash and a contingent payment based on achieving the final stage of the sale of the Company's remaining investment in Wasdell Falls Power Corporation (see Note 8). At the acquisition date, the fair value of the contingent consideration was determined to be $78,141.

During the year ended September 30, 2013 and prior to the RTO described in Note 4, the Company acquired the remaining shares of this subsidiary, increasing the Company's ownership from 66.67% to 100%. The purchase consideration was $127,500 in cash and a contingent payment based on the same criteria as above (based on achieving the final stage of the sale of the Company's remaining investment in Wasdel Falls Power Corporation). At the acquisition date, the fair value of the contingent consideration was determined to be $78,141.

The fair value of the contingent consideration in both transactions was calculated using a discounted cash flow method based upon the likelihood and timing of the project becoming operational and a discount rate of 15%. The combined contingent consideration for the above two transactions at September 30, 2014 is $156,282.

19. Shareholders' Equity (Deficit)

Share Capital

Authorized

Common Shares

The Company is authorized to issue an unlimited number of Common Shares. The holders of the Company's Common Shares are entitled to dividends as and when declared by the board of directors of the Company, to one vote per share at meetings of shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares.

Special Shares

The Company is authorized to issue an unlimited number of Special Shares, issuable in series, of which 2,831,325 Series 1 Special Shares were designated pursuant to the share exchange agreement dated September 20, 2012, and subsequently issued in connection with the RTO. On July 2, 2013 the 2,831,325 Series 1 Special Shares were converted into 2,831,325 Common Shares of the Company.

Share Consolidation

Following the approval of its shareholders on September 21, 2012 and in conjunction with the RTO, the Company effected a ten to one consolidation of its common shares. The consolidated financial statements have been adjusted to reflect the share consolidation.

Private Placement

On November 16, 2012, concurrent with closing the RTO, the Company completed a brokered private placement of 1,558,206 common shares for gross proceeds of $1,044,000.

Share Options

Activity in the share option plan is summarized as follows:

	Twelve months ended September 30, 2014		Thirteen months ended September 30, 2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**455,667**	**1.00**	498,000	1.13
Granted	**1,830,800**	**0.50**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**(204,692)**	**0.55**	(42,333)	2.60
Outstanding, end of period	**2,081,775**	**0.59**	455,667	1.00
Exercisable, end of period	**1,050,251**	**0.68**	102,376	1.00

Share-Based Compensation

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

On October 11, 2013 and March 4, 2014, the Company issued 1,685,800 and 145,000 options respectively to purchase Common Shares to officers, directors, employees and consultants. The exercise price is $0.50 per share and all but 275,000 options have a term of 5 years. A total of 737,917 options vested immediately, with the remainder vesting over 3 years.

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

	2014	2013
Share price at grant date	**$ 0.29 - 0.40**	n/a
Exercise price	**$ 0.50**	n/a
Expected volatity	**78%**	n/a
Expected option life (years)	**3.72**	n/a
Expected dividends	**-**	n/a
Risk-free interest rate	**2.00%**	n/a

During the year ended September 30, 2014, the Company recognized $202,165 (2013 - $27,146) in compensation expense related to the vesting of previously granted stock options.

Warrants

On November 16, 2012 BluMetric issued 66,184 broker compensation warrants in connection with the private placement of 1,558,206 common shares. Each warrant is exercisable into one common share of the Company, at a price of $0.67 per share, until November 16, 2014. The fair value of these warrants was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: share price on date of grant - $0.35; dividend yield – 0%; volatility of 120% based on the historical weekly volatility of the Company's common shares over a 2 year period; risk free interest rate 2%; and an expected life of 2 years. The resulting fair value of the warrants was estimated as $11,251. The value of these warrants has been reflected in these financial statements as a reduction in proceeds from the issuance of share capital.

On June 27, 2013 BluMetric issued 131,875 broker compensation warrants in connection with the private placement of 1,430,000 unsecured convertible debenture units. Each warrant is exercisable into one common share of the Company, at a price of $0.60 per share, until June 27, 2015. The fair value of these warrants was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: share price on date of grant - $0.40; dividend yield – 0%; volatility of 116% based on the historical daily volatility of the Company's common shares between October 1, 2011 and September 30, 2013; risk free interest rate – 2%; and an expected life of 2 years. The resulting fair value of the warrants was estimated as $26,375. The value of these warrants has been reflected in these financial statements as a reduction in the proceeds from the issuance of both the debt and equity components of the debenture.

There has been no activity related to these warrants since their issuance and they remain unexercised at year end.

20. Income Taxes

Income tax expense recognized in comprehensive loss consists of the following components:

	For the twelve months ended September 30, 2014	For the thirteen months ended September 30, 2013
	$	**$**
Current year	-	(11,725)
Over provided in prior years	36,613	-
	36,613	(11,725)
Deferred income tax expense (recovery)		
Origination and reversal of timing differences	-	(27,740)
Total	36,613	(39,465)

The provision for income taxes differs from the result that would be obtained by applying the combined Canadian federal and provincial statutory income tax rates to income before taxes. The reconciliation between the statutory income tax rate and the Company's effective tax rate of income tax is as follows:

	For the twelve months ended September 30, 2014	For the thirteen months ended September 30, 2013
	$	**$**
Loss before tax	(6,902,124)	(2,355,717)
Statutory tax rate	26.76%	27.42%
Expected tax expense	(1,847,008)	(645,938)
Rate differences	-	(8,724)
Changes in temporary differences	769,446	546,674
Non-taxable income / non-deductible expenses	1,226,073	71,085
Prior period adjustments	(111,898)	(2,562)
Total tax expense	36,613	(39,465)
Effective income tax rate	(0.53)%	(1.68)%

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

	Opening Balance, September 30, 2013	**Recognized in Income**	**Equity Component**	**Ending Balance, September 30, 2014**
Property, plant and equipment	247,111	(145,864)	-	101,247
Operating losses	-	-	-	-
Intangible assets	(170,150)	120,562	-	(49,588)
Investment tax credits	-	-	-	-
Investments	(24,500)	5,055	-	(19,445)
Transitional debit	-	-	-	-
Transitional credit	-	-	-	-
Others	(52,461)	6,218	14,029	(32,214)
Total liability	-	(14,029)	14,029	-

	Opening Balance, August 31, 2012	**Recognized in Income**	**Equity Component**	**Ending Balance, September 30, 2013**
Property, plant and equipment	(23,679)	270,790		247,111
Operating losses	19,862	(19,862)		-
Intangible assets	59,832	(229,982)		(170,150)
Investment tax credits	(18,895)	18,895		-
Investments	(14,403)	(10,097)		(24,500)
Transitional debit	(2,468)	2,468		-
Transitional credit	5,727	(5,727)		-
Others	-	1,255	(53,716)	(52,461)
Total liability	25,976	27,740	(53,716)	-

As at September 30, 2014, the Company has $12,776,841 (2013 - $10,600,038) of timing differences for which no deferred tax asset has been recognized as follows:

	2014	2013
	$	$
Property, plant and equipment	1,936,543	1,100,104
Operating losses	8,517,078	7,114,693
Transitional credit	-	55,290
Research and development expenses	2,292,781	2,292,781
Reserves	18,373	23,420
Financing costs	12,067	13,750
	12,776,841	10,600,038

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried to the following years:

2034	949,098
2033	1,754,112
2032	78,399
2031	576,315
2030	779,798
2029	472,337
2028	111,680
2027	2,722,896
2026	0
2025	437,145
2024	0
2023	635,298
	8,517,078

As at September 30, 2014, the Company had an investment tax credit for an amount of $789,181 (2013 - $789,181) that was not recorded. This credit can be used against any federal income tax payable and expires in the years 2024 to 2032.

21. Information Included in Consolidated Statements of Comprehensive Income

	For the twelve months ended September 30, 2014	For the thirteen months ended September 30, 2013
	$	$
Employee Benefit Expenses		
Salaries and short term benefits	**13,066,631**	14,417,995
Share based compensation cost	**202,165**	27,146
Pensions - defined contribution plans	**349,230**	355,529
Employee group benefit expense	**545,527**	623,255
	14,163,553	15,423,925
Finance Costs		
Interest on convertible debentures	**233,714**	57,882
Interest on debt restructuring	**25,371**	98,466
Interest on bank loans	**77,312**	120,866
Other interest and financial expense	**204,079**	80,721
Interest income	**(1,412)**	(691)
	539,064	357,244
Other elements of expenses		
Foreign exchange	**(38,778)**	15,101

22. Changes in Working Capital Balances

	For the twelve months ended September 30, 2014	For the thirteen months ended September 30, 2013
	$	$
Accounts receivable	**2,165,699**	765,522
Unbilled revenue	**260,368**	591,175
Inventory	**12,351**	6,740
Prepaid expenses	**77,652**	64,739
Investment tax credits	**128,763**	5,999
Trade and other payables	**(871,785)**	269,425
Deferred revenue	**770,122**	(271,497)
	2,543,170	1,432,103

23. Earnings per Share

As a result of the net loss of $6,938,737 reported for the year ended September 30, 2014 and the net loss of $2,316,252 for the thirteen months ended September 30, 2013, outstanding options and warrants were not included in the computation of diluted loss per share because to have done so would have been anti-dilutive.

24. Commitments

Future payments required under operating leases that have initial or remaining lease terms in excess of one year at September 30, 2014 are as follows:

	Premises	Equipment	Total
	$	$	$
Within one year	342,348	46,959	389,307
Between one and five years	286,835	148,704	435,539
After five years	-	-	-
	629,183	**195,663**	**824,846**

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

25. Segmented Disclosure

Revenue

The Company currently operates under two reportable segments as follows:

	For the twelve months ended September 30, 2014	For the thirteen months ended September 30, 2013
	$	$
Professional Services	**20,443,591**	21,410,154
Water Systems	**6,865,186**	10,139,040
	27,308,777	31,549,194

Geographical Segmentation

The Company operates in three principal geographical areas, Canada (Country of domicile), the United States and internationally, which represents wide distribution.

Sales reported by client location based on origin of purchase (i.e. domicile of contracting party) are as follows:

	For the twelve months ended September 30, 2014	For the thirteen months ended September 30, 2013
	$	$
Canada	24,564,709	28,412,835
International	1,670,438	2,202,366
United States	1,073,630	933,993
	27,308,777	31,549,194

Of total revenue for the twelve months ended September 30, 2014, approximately 17% was derived from one client in Professional Services (2013 – 10%) and 13% was from one client in Water Systems (2013 – 19%).

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

The Company reviews the following current assets and current liabilities at a segment level:

	2014		2013	
	$		$	
	Professional Services	**Water Services**	Professional Services	Water Services
Trade accounts receivable	**4,216,590**	**812,673**	4,269,433	2,577,405
Unbilled revenue	**1,956,919**	**335,583**	1,902,764	650,106
Deferred revenue	**599,460**	**747,376**	150,538	426,176

26. Related Party Transactions

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

Compensation of Key Management Personnel

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

	For the twelve months ended September 30, 2014	For the thirteen months ended September 30, 2013
	$	$
Salaries, short-term benefits and share based compensation	**673,570**	921,588

27. Financial Instruments

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

Classification	Measurement	Carrying Value Sep 30,2014 $	Fair Value Sep 30,2014 $	Carrying Value Sep 30,2013 $	Fair Value Sep 30,2013 $
Loans and receivables					
Accounts receivable	Amortized cost	**5,038,457**	**5,038,457**	7,204,156	7,204,156
		5,038,457	**5,038,457**	7,204,156	7,204,156
Financial Assets Through Profit and Loss					
Investment held for sale	Fair Value (L1)	**33,626**	**33,626**	-	-
		33,626	**33,626**	-	-
Other Financial Liabilities					
Bank indebtedness	Amortized cost	**180,626**	**180,626**	1,258,471	1,258,471
Credit facilities	Amortized cost	**780,000**	**780,000**	1,520,000	1,520,000
Trade and other payables	Amortized cost	**5,358,891**	**5,358,891**	6,230,676	6,230,676
Note, advances and loans payable	Amortized cost	**517,737**	**517,737**	337,971	337,971
Long term debt	Amortized cost	**3,479,369**	**3,479,369**	2,517,603	2,517,603
Convertible debenture	Amortized cost	**1,231,949**	**1,231,949**	1,130,684	1,130,684
Due to shareholders	Amortized cost	**269,531**	**269,531**	269,531	269,531
Contingent consideration	Amortized cost	**156,282**	**156,282**	156,282	156,282
		11,974,385	**11,974,385**	13,421,218	13,421,218

28. Risk Management

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

The Company's risk management is 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 actively 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 its receivables in order 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, 2014 and September 30, 2013 reporting dates under review are of good credit quality.

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

	2014	2013
	$	$
Past due 61 to 90 days	**522,319**	471,056
Past due greater than 90 days	**577,332**	1,311,643
Allowance for doubtful accounts	**(911,559)**	(415,965)
	188,092	1,366,734

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

	2014	2013
	$	$
Opening balance	**415,965**	187,678
Bad debt expense provision	**949,721**	885,149
Accounts written off	**(454,127)**	(656,862)
Closing balance	**911,559**	415,965

At the end of the fiscal period, two customers (2013 – two customers) accounted for 24% (2013 – 21%) of accounts receivable.

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 (see Note 2(a) – Going Concern).

The following table outlines the liquidity risk associated with the Company's payment obligations as at September 30, 2014 and September 30, 2013 respectively.

September 30, 2014			**Payment Due**		
	Total	**In less than 3 months**	**4 - 12 Months**	**2 - 5 Years**	**Over 5 Years**
	$	**$**	**$**	**$**	**$**
Credit facilities	780,000	780,000	-	-	-
Trade and other payables	5,358,891	4,396,606	962,285	-	-
Note, advances and loans payable	517,737	10,000	161,550	121,867	224,320
Finance lease obligation	8,918	991	2,972	4,955	-
Long-term debt	4,586,013	156,862	461,745	2,910,335	1,057,071
Convertible debenture	1,623,000	32,175	96,525	1,494,300	-
Due to shareholders	269,531	-	-	269,531	-
Contingent consideration	156,282	-		156,282	-
	13,300,372	5,376,634	1,685,077	4,957,270	1,281,391

September 30, 2013	Payment Due				
	Total	In less than 3 months	4 - 12 Months	2 - 5 Years	Over 5 Years
	$	$	$	$	$
Credit facilities	1,258,471	1,258,471	-	-	-
Trade and other payables	5,544,725	4,287,262	1,257,463	-	-
Note, loans payable and secured debenture	337,971	337,971		-	-
Finance lease obligation	25,122	3,835	11,505	9,782	
Long-term debt	2,785,152	205,606	603,774	1,610,218	365,554
Convertible debenture	1,751,750	32,175	96,525	1,623,050	
Due to shareholders	269,531		269,531		
Contingent consideration	156,282			156,282	
	12,129,004	6,125,320	2,238,798	3,399,332	365,554

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, 2014 the Company had $780,000 in outstanding revolving credit facilities and $1,748,372 in long term debt which were floating rate obligations. A 1% increase in interest rates during the reporting period would increase the net loss and reduce equity for the period by approximately $25,000.

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, 2014 CAD	**September 30, 2014 US**	September 30, 2013 CAD	September 30, 2013 US
	$	**$**	$	$
Cash	(9,244)	(8,254)	(165,775)	(170,798)
Accounts receivable	505,533	451,369	1,083,293	1,116,117
Accounts payable	441,355	394,067	410,544	422,983

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 decreased the net loss and increased equity during the reporting period by approximately $5,500.

29. Capital Management

The Company's objective is to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as comprising the Company's total shareholders' equity, credit facilities, note, advances and loans payable, long term debt and the convertible debenture. 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.

The Company's goal is to achieve a debt to equity ratio not in excess of 2:1. There were no changes in the Company's approach to capital management during the fiscal years ended September 30, 2014 and September 30, 2013.

30. Comparative Figures

Certain 2013 comparative figures have been reclassified to conform with the financial statements presentation adopted for 2014.