Management Discussion & Analysis

2016 First Quarter Report
Three months ended December 31, 2015 and 2014
(expressed in Canadian Dollars)

BluMetric™ Environmental

February 29, 2016

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This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric's financial condition and results of operations for the three months ended December 31, 2015. The MD&A should be read in conjunction with the Company's interim consolidated financial statements and related notes for the three months ended December 31, 2015 as well as the MD&A and audited consolidated financial statements and notes for the year ended September 30, 2015. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

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

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

Description of Business

BluMetric Environmental Inc. (www.blumetric.ca), a cleantech company, delivers sustainable solutions to complex environmental issues. The Company serves a global network of clients in many industrial sectors, and at all levels of government. The Company and its predecessors have been in business since 1976.

With a staff of approximately 170 professionals, the Company operates from nine offices in Canada (Ottawa – Headquarters, Toronto, Montreal, Kitchener, Gatineau, Quebec City, Kingston, Sudbury, and Yellowknife), and one office in El Salvador.

Within the overall organizational envelope, the various offices have a high degree of autonomy, and each office's respective market focus is slightly different in response to the industrial sector opportunities specific to its location, such as contaminated site remediation in the North from the Yellowknife office, mining out of Sudbury or a variety of commercial and industrial sector work from Kitchener.

While the Company's primary focus is the Americas, the Company also has extensive project experience in Africa and the Middle East.

The Company's geographic and market focus distribution provides a degree of risk mitigation as a result of this diversification, as some industrial sectors and regions are more active than others at any given time. No one industry sector accounts for more than 25 percent of the Company's revenues.

The head office of BluMetric is at 3108 Carp Road, Ottawa, Ontario, K0A 1L0.

Core Business

The provision of cost-effective water-based environment solutions is the Company's primary focus although business strengths also include other media such as soil, air, and energy.

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

The Company also provides extensive services to the Canadian Armed Forces under long-term contracts for the maintenance, repair, refurbishment, and upgrading of the Canadian Army's Reverse Osmosis Water Purification Units (ROWPU) and for the Navy's Shipboard Reverse Osmosis Desalination (SROD) systems.

Previously, the Company operated as two distinct groups; Professional Services and Water Systems. Moving forward these groups will be viewed as one multi-disciplinary service team with a range of specialities.

Strategic Update

The affordable availability of water, energy and resources is essential for existence on this planet and is the focus of our business pursuits. BluMetric is taking a leading role in the supply, treatment, and protection of these prerequisites world-wide. The Company's short-to-medium-term strategy is to build on the profitability demonstrated over the past five quarters to position the firm for sustainable growth. We will follow disciplined business practices to identify and execute our strategic objectives and operate our business.

Our technical strategic vision focuses in two areas of opportunity. These are:

1. **Resource recovery**
    - Energy
    - Water (beneficial reuse and conservation)
    - Space (smaller foot prints)
    - Reduced chemical usage
    - Labour
    - Nutrients
    - Metals

2. **Climate Change**
    - Flood control sea level change and supporting services.
    - Carbon and energy foot print
    - Water demand use

These two areas will influence growth and opportunity for our clients and support their objective of lowered operational costs.

We will use a variety of tactical measures to do this, including the increased sales of existing and newly developed products and services. Leveraging our extensive and industry-diverse client network, developed over 40 years, we will accelerate growth in the following manner:

1) We will build our business while maintaining the same level of staff resources, except where required for new and developing opportunities.
2) We will focus on developing our business creation and project execution capabilities. A first step in this direction is the development of an expanded and dedicated sales team, currently staffed with ten highly experienced technical and sales professionals, to lead the advance in new business creation, while at the same time supporting the strong revenue history of the firm.
3) In the area of operations, we have consolidated our project and service delivery structure, eliminating duplication and maximizing efficiency, while developing and retaining key expertise.
4) Engineering and the effective design and delivery of our solutions is a mainstay of our business. We have consolidated our engineering team in a manner that optimizes the interaction between this critical function and all other areas of the Company including research and innovation, sales engineering during business development efforts and project execution.
5) We will, in the upcoming fiscal year, increase our dedication to innovation, as well as the development and commercialization of new products and services.
6) We will enhance our client focus and delivery mechanism, building upon 40 years of strong business relationships.

A business strategy that included pricing/margin management, SG&A cost control, improved project management, and a focus on high-growth, higher-margin services, returned us to profitability and this strategy will be continued.

Management has identified a near-term top-line revenue target of $40.0 million as the basis for sustainable growth and continued profitability. The most expedient pathway to this revenue target is to grow the engineered solutions part of our business to a high-margin revenue of $18.0+ million, building on a continuously developing project backlog across all sectors, while leveraging the steady but more modest year-over-year growth of the professional services business.

Over the medium term, a balanced annual revenue growth of 10% is being targeted in the professional services side of our business, at current gross margins. Additionally, we have established growth targets for engineered water solutions and products that will deliver revenues equalling those in professional services over the same time period. This is intended to stabilize our business, mitigate seasonal variability, and allow us to focus on the higher margins from engineered solutions while supporting the stability and consistent growth and opportunity afforded by professional services.

The Company views the establishment and support of a strong representative network across the Americas as fundamental to its ability to broaden its customer base. The Company now has 15 different manufacturers' representatives secured – six on a project basis and an additional nine on contract. They are situated in multiple US States, Canada and Latin America. This network will continue to expand with a mandate to sell engineered solutions, standard commercial products, and environmental services.

The rep network will position the Company to take advantage of the growing recovery of the United States economy, this country's urgent need to repair or replace aging infrastructure, and the advantage that our currency affords. Also, recently signed trade agreements in South and Central America require countries to participate fully in environmental initiatives often driven by North American project owners and clients. Greater support and emphasis will be given in the second quarter of fiscal year 2016 to the US rep network.

The Company also views strategic alliances with other companies in niche or complementary technologies and sectors as key elements in delivering innovative solutions to customers.

The Company's working capital is expected to support planned business operations through fiscal 2016, provided it is able to complete a number of financing initiatives currently in progress.

Key Performance Drivers

Management believes that the Company's business segments continue to be somewhat insulated from international economic and commodity demand factors, since much of its revenues are in Canadian dollars and derived from the fee-for-service business which does not generally have raw materials cost exposure. As the business grows, especially in the US and Latin America, the Company will gain some positive impact from recent adjustments in exchange rates, assuming continued relative strength in the U.S. dollar compared with the Canadian dollar. All international projects are quoted in U.S. dollars. Other external performance drivers include the interplay between regional and global economic conditions, the degree to which potential clients place emphasis on environmental issues (regulatory or otherwise) in their business practices, and the increasing focus of potential clients to reduce their operational expense (OpEx reduction).

Capability to Deliver Results

Board of Directors

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

Executive Management

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

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

Employees

The Company has a team of approximately 170 full-time equivalent staff. Staffing levels fluctuate seasonally with the hiring of temporary staff (primarily students) to meet peak demand periods.

Diversity

The Company is committed to achieving a diversity of knowledge, expertise, and perspectives from its Board, management, and staff. The Company also needs the best minds to achieve its forward-thinking objectives. To achieve this diversity, the Company focuses on recruiting individuals who bring a varied mix of skills and competencies. Appointments are made based on a person’s merit.

Results of Operations

Highlights First Quarter 2016

	Three Months Ended			
	Dec 31, 2015	Dec 31, 2014	Change	Change
	$	$	$	%
Revenue	7,937,197	7,779,364	157,833	2%
Gross profit	1,476,258	1,724,631	(248,373)	-14%
Gross margin %	19%	22%		
SG&A expenses	1,236,913	1,435,295	(198,382)	-14%
EBITDA[1]	380,908	531,520	(150,612)	-28%
Adjusted EBITDA[2]	273,278	531,822	(258,544)	-49%
Net income (loss)	15,779	113,770	(97,991)	-86%
Common shares outstanding	27,880,140	25,191,656		
Net income (loss) per share	0.00	0.00		
Total assets	15,207,572	13,075,509		
Working capital	(1,695,488)	(1,964,308)		
Long term debt	2,386,036	3,384,758		
Shareholders' equity (deficit)	1,395,426	(344,282)		

Note 1: EBITDA is a non-IFRS measure (see "Financial Terms and Definitions) and is calculated as net income before interest expense, income taxes, depreciation, and amortization.
Note 2: Adjusted EBITDA is a non-IFRS measure ("see Financial Terms and Definitions) and is calculated as EBITDA before gain or loss on foreign exchange, stock based compensation, gain or loss on sale of property, plant and equipment, unrealized gains on investments held for sale and impairment of good will.
Note 3: Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for June 30, 2015.

Revenues in the first quarter were $7.9 million compared with $7.8 million for the quarter ended December 31, 2014, an increase of $158,000 or 2%. The higher revenue is mainly a result of fee-for-service work with a slight decline in engineered solutions projects in the Water Systems group. The gross margin period-over-period decreased to 19% from 22% in the quarter ended December 31, 2014.

Sales, General and Administrative "SG&A" expenses decreased from $1.4 million incurred during Q1 2015 to $1.2 million in Q1 2016, reflecting continued steady cost control.

Finance costs of $212,744 were higher than the $164,637 reported for the three months ended December 31, 2014 as a result of additional bank charges, as well as increased interest rates applicable to a number of the Company's debt obligations. Interest costs are expected to continue to be high going forward, reflecting adverse changes to some of the Company's banking arrangements.

The net income for the quarter was $15,779 compared with net income of $113,770 for the comparable quarter in the previous year. This reduction is in part due to the change in sales mix between fee-for-service work and engineered solutions.

Shareholders' equity was $1,395,426 at December 31, 2015 compared with a deficit of ($344,282) at December 31, 2014. This increase is due primarily to consecutive profitable quarters as well as a debt to equity conversion in September 2015 resulting in a net increase in share capital of $726,629.

The Consolidated Statement of Financial Position as at December 31, 2015 reflects a working capital deficit of $1.7 million. This deficit reflects a current liability classification of the $1.4 million in convertible debentures and a $1.0 million mortgage both coming due within 12 months. The Company intends to renegotiate the mortgage prior to its renewal on July 16, 2016 and to replace the existing convertible debentures with another medium-term financing arrangement. Even with the reclassification of this debt to current liabilities, the Company continues to show an improvement in its working capital deficit, which was $1.7 million at December 31, 2015 compared to $2.0 million at December 31, 2014. This reduction is a result of using the proceeds from the sale and leaseback of the Kitchener office in Q2 2015 to pay down existing debt as well as continuing favourable operating results.

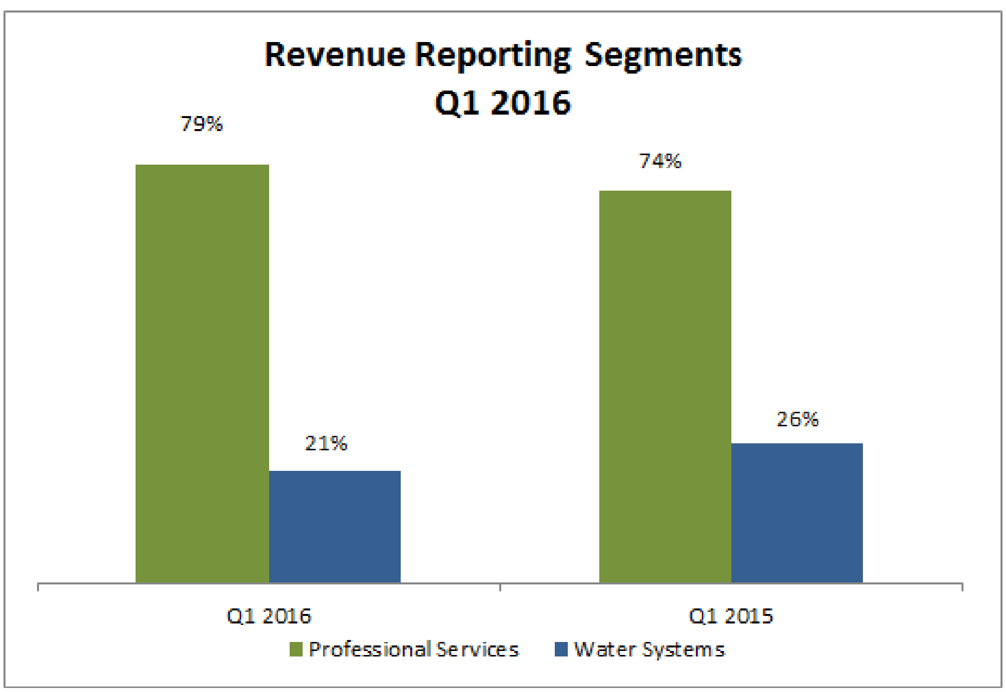
EBITDA and Adjusted EBITDA (see "Financial Terms and Definitions")

	For the three months ended Dec 31	
	2015	2014
	$	$
Net income	**15,779**	113,770
Depreciation of property, plant and equipment	**66,886**	137,789
Amortization of intangible assets	**85,499**	115,324
Finance costs	**212,744**	164,637
EBITDA	**380,908**	531,520
Foreign exchange loss (gain)	**(119,277)**	(41,458)
Share-based compensation	**14,955**	54,790
Unrealized loss (gain) on investment held for sale	**(3,308)**	(13,030)
Adjusted EBITDA	**273,278**	531,822

The Company recorded adjusted EBITDA of $0.3 million for the three months ended December 31, 2015, a slight reduction from the adjusted EBITDA recorded for the same period in 2014.

Segmented Information

Revenue



The revenue split between the Professional Services and Water Systems was 79% and 21% respectively for Q1 2016, compared to 74% and 26% for Q1 2015. The slight reduction in Water Systems is due to timing of projects. There are a number of engineered solutions projects that are coming to a close whereas in Q1 2015. The Company expects the allocation of Water Systems to increase as new contracts are signed during the remainder of the year.

Geographical Segmentation

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

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

	For the three months ended December 31	
	2015	2014
	$	$
Canada	**7,305,691**	6,822,915
International	**133,473**	750,407
United States	**498,033**	206,042
	7,937,197	7,779,364

Technology and Innovation

The Company operates in service lines and industry sectors that are continually being influenced by technological advancement and innovation, improvements in best practices, changes in environmental regulatory requirements, a drive toward reduced operational expenditures, and resource/cost recovery. The future success of the Company is dependent upon its ability to identify and address these drivers and to deliver appropriate solutions.

In the upcoming year, the Company will make increased investment in emerging products, services, pilot testing, and technology to secure our future and to keep us at the leading edge of our business. Emphasis on identification and development of disruptive technologies will support this strategy. The Company will continue to maintain its investment in traditional product and service lines with modest and focused investment.

The Company considers a disruptive technology to be a significant innovation, discovery, or technology that creates new markets and displaces a previous technology or process. Examples of the Company's early success in adopting these disruptive technologies and services include:

- Investing in the standardization of our membrane bioreactor systems (COBRA™). This work is in conjunction with our Variable Depth Reactor (VDR) for industrial and domestic waste water treatment, and is currently being constructed at a food processing client site in Central America.

- Pilot testing, commencing in Q4 2015, for agricultural manure treatment and nutrient recovery in Indiana, USA.
- Demonstrating a new Bioreactor (MBR) membrane as a replacement for an extensive membrane bioreactor installed base, with testing completed in Washington State, USA.
- Commissioning the first commercial site for the H4™ (Heavy Fuel Oil Recovery Process) for a thermo-electric generating facility. This facility is currently operating as per design (3000 gallons per day capacity).
- Successfully trademarking H4 and COBRA in Canada and the US.
- Completing the design and patent application for a process/product (to be known as the CR3) that reduces ammonia to extremely low levels and eliminates the need for some downstream treatment equipment, primarily for the mining sector.
- Adapting drone/Unmanned Aerial vehicle (UAV) technology to displace more traditional, expensive and restricted data collection platforms such as manned helicopters and light fixed-wing aircraft.
- Establishing international strategic alliances that further our development of designs, processes, and products to reduce energy, water, and dimensional (space) footprints and provide for energy/resource recovery.
- Engaging in an initiative with a European partner to develop a treatment technology for the drastic reduction of cyanide generated by the mining/refining industry, without the creation of toxic by-products.
- Pilot testing an enhanced, membrane-based wastewater treatment solution for the Food and Beverage industry, in New York State, USA. The solution involves the Company aligning itself with a third party to use a technology that removes suspended or particulate BOD (biological oxygen demand) matter prior to secondary treatment for energy cost avoidance and energy recovery from a late-stage enhanced anaerobic digestion.
- Developing our geomatics service area which has extensively displaced photogrammetry and other more traditional methods of data collection and analysis (we have improved software and software analytical capability).
- Through a strategic partnership we have added rainfall intensity measurement to our flood prediction and hydrological services, far superior to static rain-gauge approaches.

Where possible, the Company will continue to foster and develop strategic alliances and partnerships with respect to new and emerging technologies in order to provide cost-effective and unique solutions to the market and to expand our geographical reach.

Cost Reduction and Margin Improvement Strategies

The Company consistently reviews its cost structure to ensure it is optimized while at the same time supporting revenue growth.

Structural and process changes that are expected to drive an increase in margins include:

- Continued focus on the process flow from sale to commissioning/project delivery and improving project management processes.
- Continued realignment of the organizational structure to support this process flow.
- Continued standardization of products, thereby streamlining our engineering process.
- Continued leveraging of our information systems to provide timely and robust reporting, including metrics.

Sales and Marketing

The Company has established a dedicated Business Development team of professionals, of varying backgrounds, qualifications and networks, focused on defined growth targets in vertical market sectors. Historically, the Company's business has been developed largely through existing client relationships, word-of-mouth, and marketplace presence. These relationships will continue to be fostered and leveraged to introduce cross-selling opportunities and generate new clients in the Company's existing industry sectors. However, the new Business Development team has been tasked with achieving our strategic growth targets, both by leveraging these internal resources and relationships and by securing new external business opportunities. The team will focus on several key verticals including:

- Metals and mining;
- Agriculture;
- Food and beverage;
- Municipal and commercial land development water and wastewater treatment, including infrastructure renewal and upgrade;
- Energy (oil & gas, power, energy-from-waste, etc.);
- Government/military;
- Industrial and manufacturing sectors.

The Business Development team is supported by a proposal generation group, which has a greater than 50% historical success rate on submissions to date.

Quarterly Results

Quarterly financial information for the eight quarters ended December 31, 2015
(in 000's, except as otherwise indicated)

	Q1 2016 Dec 31, 2015	Q4 2015 Sept 30, 2015	Q3 2015 June 30, 2015	Q2 2015 Mar 31, 2015
Revenue	7,937	9,243	8,675	7,781
Cost of sales	6,461	7,184	6,664	6,197
Gross profit	1,476	2,059	2,011	1,584
Gross margin %	19%	22%	23%	20%
SG&A expenses	1,237	1,662	1,510	1,140
Finance costs	213	220	160	184
Net income (loss)	16	334	322	246
Weighted average common shares	27,880,140	25,235,850	25,191,656	25,191,656
Income (loss) per share	0.00	0.01	0.01	0.01

	Q1 2015 Dec 31, 2014	Q4 2014 Sep 30, 2014	Q3 2014 June 30, 2014	Q2 2014 Mar 31, 2014
Revenue	7,779	6,568	6,498	6,618
Cost of sales	6,055	5,684	5,222	5,675
Gross profit	1,725	884	1,276	943
Gross margin %	22%	13%	20%	14%
SG&A expenses	1,435	2,009	1,433	1,790
Finance costs	165	156	127	137
Net income (loss)	114	(5,681)	(291)	(985)
Weighted average common shares	25,191,656	25,191,656	25,191,656	25,191,656
Income (loss) per share	0.00	(0.23)	(0.01)	(0.04)

Quarterly Trend Analysis

Historically, the Company's Professional Services business has followed a seasonal cycle which dictated that its second and third quarters, ended March 31 and June 30 respectively, have experienced relatively lower levels of activity compared to the balance of the year. This seasonal cycle is partly weather-related, as it is easier and more productive to conduct outdoor environmental investigations, site remediation activities, and various construction-related projects in Canada during the summer; additionally, the December holiday downtime period can have a significant impact on the level of activity possible in that quarter each year (BluMetric's first quarter) depending on how it falls in the month.

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

Q1 15 vs Q1 16
In the first quarter of 2016, revenue of $7.9 million was reported compared to $7.8 million in Q1 2015. The growth quarter over quarter was primarily in Professional Services, offset by a slight decline in engineered solutions revenue in the Water Systems group. Professional Services continue to benefit from a number of large contract wins, especially in mining and in contracts in the North. Net income in Q1 2016 was $16,000 compared to $114,000. This is in part due to the change in revenue mix between fee-for-services and engineered solutions work.

Q4 15 vs Q4 14
Revenue for the fourth quarter 2015 was $9.2 million, which is a $2.6 million increase over the same period the prior year. The most significant cause of the increase continues to be engineered solutions projects in water systems, accounting for $2.1 million of the total change. An expanded northern program over the summer months contributed to higher revenues in professional services as well. Net income in Q4 2015 was $334,000 compared to a loss of $5.7 million in the prior year. Even when normalizing for a $4.3 million goodwill impairment in Q4 2014, the profitability improvement is sizable.

Q3 15 vs Q3 14:
Third quarter 2015, the Company reported revenue of $8.7 million, an increase of $2.2 million over Q3 2014. The increase can be attributed to a higher volume of Water Systems projects compared to Q3 2014, as well as the favourable negotiation of a significant contract of approximately $500,000. SG&A expenses remained fairly constant despite the increase in revenue, reflecting continued cost control. Net income improved from a loss of $291,000 in Q3 2014 to an income of $322,000 in Q3 2015.

Q2 15 vs Q2 14:
Results for Q2 2014 reflect the seasonality impacts as described, as 70% of the revenue earned was attributed to Professional Services. In Q2 2015, these effects were minimized by the significant activity in engineered solutions, which is somewhat insulated from the impact of the winter. These higher-margin projects contributed to improved gross margins over Q2 2014. SG&A expenses for Q2 2015 reflect a gain on the sale of the Company's Kitchener office building of approximately $237,000. In addition to the positive effect of this gain, SG&A expenses were lower than both Q1 2015 and Q2 2014. Net income improved from $114,000 in Q1 2015 to $246,000 in Q2 2015.

Liquidity

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 $2.0 million. As at December 31, 2015, the Company was in default of the tangible net worth covenant. As a result of this default, all debt associated with the bank has been reclassified as current and is due on demand. In addition, the Company has reclassified two significant debts (totalling approximately $2.4 million) as current since they mature during the upcoming year. These reclassifications have resulted in the working capital deficit of $1.7 million (compared to a working capital deficit of $2.0 million at December 31, 2014).

As at December 31, 2015 short-term bank credit facilities consisted of an operating line of credit in the amount of $2,000,000 (September 30, 2015 - $2,000,000), of which $400,000 has been allocated to issuing project-related letters of credit and guarantees. This has effectively reduced the Company's operating line of credit to $1,600,000.

At December 31, 2015, the Company had drawn $1,490,000 (September 30, 2015 - $1,470,000) on its operating line of credit, which carries a floating rate of interest of prime plus 3.50%, is payable on demand and is secured by a general security agreement over the Company's assets.

At December 31, 2015, the Company had outstanding letters of guarantee of $410,562 (September 30, 2015 - $409,425). These letters of guarantee mature on March 31, 2016 and June 30, 2016. In connection with the letters of guarantee, the Company holds short term investments in the amount of $410,562.

The Company and its bank lender have been working under the terms of a forbearance agreement signed December 14, 2015. This agreement precludes the lender from taking actions to enforce its rights under the existing debt facility, rights which were triggered by the covenant violation. This agreement expired January 31, 2016 and is in the process of being extended. The Company is actively pursuing a replacement credit facility with a new financial institution.

The Company is taking several steps to improve its working capital position, including:

- Concluding a new banking arrangement that will provide greater cash availability; and
- Planning for additional equity and/or quasi-equity funding.

There can be no assurance that the Company will be successful in any or all of these efforts.

Business Outlook

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

The Company's operating performance is subject to internal factors, which can be controlled, and external factors, which are less controllable, but can in some cases be anticipated and corrective action taken.

External Environment

The Company primarily operates in Canada for Professional Services and in North America and Central America for Water Systems/Engineered Solutions. Typical clients for water and wastewater treatment systems are food processors, un-serviced residential communities, hotels and resorts, and mines in remote locations.

Internal Environment

Internally, the Company continues to focus on targeting areas of high margin and high growth; generating efficiencies in project execution; establishing clear roles, responsibilities, and accountabilities for employees; and maintaining effective cost-control strategies.

Corporate Focus

In the coming quarters, the Company is targeting organic revenue growth as well as growth through association and co-venturing with technology suppliers in allied fields and sectors.

This will involve:

- Continuing to improve margins and tightly manage overhead, with careful cost-structuring in existing operations and branch offices;
- Expanding our development of US based infrastructure business through our representatives network in the US and providing additional support and training to this group to capitalize on the gaining strength of that market;
- Maintaining margins on the supply of professional services while growing revenues on the higher-margin engineered solutions business, primarily with the existing staff;
- Supporting and increasing the existing client base;
- Focusing our attention on the Americas;
- Limiting staff growth to business that will yield high growth and high margins;
- Continuing to evolve away from traditional products and technology to emphasize various new products that have smaller environmental footprints and reduced operational expense;
- Commercialize the recently pilot-tested farm manure treatment system and the advanced food and beverage treatment system (Enhanced Primary Treatment (early-stage BOD removal) and Membrane Polishing);
- Support the two patent applications for the Membrane Ammonia Removal System (MARS) and the Continuous Regeneration, Recycle, and Recovery (CR3).
- Continue the experiments and pilot work on the biological cyanide destruction process, PFOA removal, high efficiency membranes, and the treatment of high strength industrial wastes.
- Optimize the performance of our recently installed COBRA systems in the candy, snack food, wine, and beer manufacturing sectors to determine the upper limits of the product.
- Continuing to develop our own technologies as well as partnering with complementary businesses that have disruptive or compelling technology in strategically important sectors or locations.

BluMetric management believes there is significant untapped strategic potential in having a single BluMetric team for business development, technical/scientific problem solving, and engineering design. Business development has been shown to benefit from company-wide opportunity identification and generation, while client delivery has benefitted from the combined technical and scientific and engineering problem solving expertise across BluMetric.

BluMetric's holistic "Standard of Care" approach affords the Company the opportunity to address a broad spectrum of our client's environmental concerns.

Capital Resources

Management is continuing to explore opportunities to raise additional capital to support corporate growth.

While ongoing fixed asset needs are modest and typically relate to purchase of computer and office equipment for either replacement purposes or to equip new staff, the Company's future growth strategy contemplates investment in various technologies and processes which will require capital for prototyping purposes. Accordingly, the Company may opportunistically approach the capital markets for additional equity funding if conditions are favourable.

Business Risks

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

- Macroeconomic risk of recession in key markets or economy as a whole;
- Loss of key personnel;
- Inability to maintain the working capital line of credit at the current or a higher level;
- Competition from companies which are better-financed or have disruptive technologies; and
- Major swings in currency valuations after setting the price of foreign contracts.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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

On November 15, 2012, the Company reached agreement with a number of creditors with respect to repayment terms for outstanding amounts payable, in the aggregate amount of $958,285. Of this amount, $450,452 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 13-month period ended September 30, 2013 in the amount of $133,754. Effective March 1, 2013, payments were suspended and the outstanding balances have been postponed in favour of the Company's bank. On September 25, 2015 approximately $332,002 of this debt was converted to shares of the Company as part of a larger debt-to-equity transaction, as below.

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

Proposed Transactions and Subsequent Events

As at December 31, 2015 there were no significant assets or business acquisitions or dispositions being considered by the Company.

Inter-Corporate Relationships

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

Risk Management

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

The Company's management of major risks is reviewed regularly in consultation with the Board of Directors. The current priority is focused on actively securing cash and working capital in the short- to medium-term and renewing longer term financing arrangements (convertible debenture and mortgage).

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.

Capital Management

The Company's objective is to maintain a capital base sufficient to maintain investor, creditor, and market confidence and to sustain future development of the business. Management defines capital as comprising the Company's total shareholders' equity, credit facilities, notes and loans payable, 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.

There has been no change to the Company's approach to capital management during the quarter ended December 31, 2015.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	27,880,140 common shares
Warrants:	nil
Options:	2,146,825 options

Financial Terms and Definitions

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

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

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

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

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

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

Management's Responsibility for Financial Reporting

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

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

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

Additional Information

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