

# Management Discussion & Analysis

**Financial Quarters Ended  
March 31, 2019 and  
March 31, 2018**  
(expressed in Canadian Dollars)



May 29, 2019

## **May 29, 2019**

This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric's financial condition and results of operations for the quarter ended March 31, 2019. The MD&A should be read in conjunction with the Company's consolidated financial statements and related notes for the six months ended March 31, 2019 as well as the MD&A and audited consolidated financial statements and notes for the year ended September 30, 2018. 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 "Discussion of Results and Financial Condition for the Financial Quarter Ended March 31, 2019", "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-GAAP measures to assist users in assessing BluMetric's performance. Non-GAAP 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".

## Business Overview and Strategy

In 1977, BluMetric Environmental Inc. ("BluMetric" or the "Company") started by providing water and soil assessment services to its clients, primarily in the land development market. For over forty years, BluMetric, a Canadian company, has provided cost-effective and sustainable solutions to help its clients overcome their most difficult water related environmental and business challenges. The Company has evolved into a broad spectrum environmental solutions provider setting a standard of care that follows water from its source to its return to the environment. BluMetric's strategy is to deliver a solution that will help its clients successfully manage their water related environmental, health, and safety responsibilities. BluMetric builds partnerships with its customers by providing a long-term holistic approach to water management. This degree of service differentiates BluMetric from competitors that simply provide a one size fits all product or service.

BluMetric focusses its efforts in North America, a geographic region with significant growth potential in markets where BluMetric has had its greatest success. Operating from nine offices, the Company has served hundreds of clients from the Panama Canal to the Arctic Circle. The business continues to stabilize as BluMetric focuses on value-added solutions for target industries and clients. BluMetric is proud to be a trusted provider of services to many of Canada's northern Indigenous communities; working side by side to make the environment a cleaner and safer place.

The BluMetric team of experts consists of highly experienced and motivated hydrogeologists, engineers, occupational and industrial hygienists, environmental auditors, environmental specialists, scientists, chemists, project managers, finance professionals, trades and support personnel.

## Technology and Innovation

Innovation is driven by client demands as they face more stringent environmental regulations or the emergence of a previously unregulated contaminant. Finding a solution for a specific problem is the creative process that differentiates BluMetric from its competitors. An innovative solution must be scientifically and economically viable. All potential new services, products, or technologies go through a stage gate process to confirm the technology works and the potential market is of sufficient size to provide a return on investment. BluMetric's ammonia removal and total cyanide reduction systems fit these requirements. Poly fluorinated compounds (PFC) reduction and other new technologies will continue to be evaluated by the stage gate process.

**Ammonia Removal** – As stated in previous MD&A documents, ammonia is recognized as a significant contaminant responsible for the degradation of water quality. Government and public pressure has not abated and will continue to be the motive force behind the implementation of stricter effluent limits.

In September 2018, BluMetric received a U.S. Patent for its proprietary ammonia removal process, MARS. This membrane-based process reduces ammonia by isolation and direct adsorption. Environmental compliance, reduced capital costs and reduced operational costs are

the main advantages of the MARS process. Prime applications are in the mining, landfill leachate, food and beverage, and industrial markets.

During fiscal year 2018, BluMetric completed the installation of two full-scale ammonia removal systems and completed two extensive pilot testing programs. Results from these activities ratified the viability of the product and has spawned further interest from mining and industrial clients, especially with clients generating and managing landfill leachate. In previous years, ammonia limits were established by the indirect impact on stream toxicity, which did not carry a specific concentration. The industry established range was less than 20 mg/l and very few proposals or systems required ammonia removal below that concentration. It should be noted that over the past few years the effluent ammonia limits have been reduced, in some cases to less than 2 mg/l. Now, virtually every proposal for the treatment of wastewater from mining activity requires ammonia removal.

**Cyanide** – In late 2016 mining regulators changed the cyanide limits for the effluent exiting the tailings ponds and mining facilities. In close association with the Company's technology partners, BluMetric tested a new treatment process for total cyanide reduction and based on the results, a patent application has been generated. Pilot testing with our technology partners continues in fiscal year 2019 and has been refined to focus on membrane separation and biological reduction.

**Emerging Contaminants** – 1-4 Dioxane, poly fluorinated compounds (PFC), cobalt, and selenium have emerged as contaminants of concern. BluMetric has been working successfully with its technology partners to develop processes and systems to treat, adsorb, isolate, reduce, and destroy these compounds. The evaluation of the technology and potential markets began in fiscal year 2018 and continues in 2019. Additional bench-top and field testing is scheduled for the summer of 2019.

## Sales and Marketing

BluMetric's business development is focused on four key markets:

- Mining
- Military
- Commercial and Industrial (site remediation and wastewater)
- Government (with specific expertise in Northern Canada)

BluMetric's sales and marketing team is led by experienced Market Leaders who are supported by dedicated Client Managers. This client-centric approach involves an emphasis on understanding the clients' environmental issues and then identifying and preventing potential problems. This approach provides an integrated solution for all of the client's environmental issues.

The Market Leaders provide support and guidance to the Client Managers and evaluate the environmental concerns presented by their clients to determine if the issues are client specific or market driven. This evaluation identifies trends and allows BluMetric to be more reactive to the future demands of the market.

During 2019, the Company has hired some key employees in the mining and commercial and industrial sectors who will bring additional focus to the delivery of projects and the development of new opportunities.

Satisfied clients provide repeat business as well as incredibly valuable word-of-mouth advertising to allied companies. BluMetric continues to actively leverage the successes of past projects to expand and diversify client relationships, strategic partnerships and service offering portfolios.

### **Board of Directors**

The Board of Directors currently consists of seven members, five of whom are independent. The independent directors reflect a wide range of senior experience in the management of publicly traded and privately held companies. The Board members have expertise in finance, operations, management, and governance.

### **Executive Management**

The Senior Management team comprises: Scott MacFabe, Chief Executive Officer; Vivian Karaiskos, Chief Financial Officer; Tim Beckenham, Senior Director, Operations; and Wayne Ingham, Director, Strategic Business Development.

This team has extensive business and environmental experience and is well supported by highly qualified and experienced managers.

### **Our People**

The BluMetric team consists of approximately 165 hydrogeologists, engineers, environmental scientists, industrial hygienists, project managers, skilled tradespeople, finance professionals and support personnel. They are experts in providing a comprehensive range of environmental services and engineered solutions, from contaminated site assessment and remediation to complete turn-key wastewater treatment systems.

Staffing levels fluctuate seasonally with the hiring of contract staff and students to meet peak demand periods. The Company strives to recruit and retain highly skilled employees who are able to use their technical expertise to deliver creative solutions to complex environmental issues.

## Diversity

BluMetric is committed to the principles of diversity. The Company strives to create and support an inclusive work environment that respects and values the contributions of all employees and their individual differences. BluMetric's employees come from a wide range of cultural, ethnic, educational, religious, and political backgrounds. Women represent 49% of the workforce from welders and field service technicians to the top members of the executive team and Board of Directors.

To that end, BluMetric's goal is to capitalize on the strength derived from diversity while affording the team members the greatest opportunity to excel, grow, and contribute to business and society.

## Results of Operations

	Three Months Ended				Six Months Ended			
	March 31, 2019	March 31, 2018	Change	Change	March 31, 2019	March 31, 2018	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Revenue	6,989,669	7,707,753	(718,084)	-9%	14,590,877	15,267,710	(676,833)	-4%
Gross profit	1,481,423	1,616,291	(134,868)	-8%	3,142,497	3,287,740	(145,243)	-4%
Gross margin %	21%	21%			22%	22%		
Operating costs	1,196,821	1,311,381	(114,560)	-9%	2,455,714	2,733,708	(277,994)	-10%
EBITDA <sup>1</sup>	310,848	324,804	(13,956)	-4%	739,632	625,403	114,229	18%
Earnings before provision for income tax	162,330	168,881	(6,551)	-4%	429,257	269,395	159,862	59%
Deferred income tax expense	49,959	-	49,959		127,554	-	127,554	
Net earnings	112,371	168,881	(56,510)	-33%	301,703	269,395	32,308	12%
Weighted average common shares outstanding	28,675,695	28,391,778	283,917		28,675,695	28,327,120	348,575	
Earnings per share- basic and diluted	0.00	0.01			0.01	0.01		
Total assets					12,436,526	10,073,414	2,363,112	23%
Working capital					4,419,905	1,374,414	3,045,491	222%
Long term debt and demand loan					3,612,177	3,704,053	(91,876)	-2%
Shareholders' equity					5,523,358	2,756,243	2,767,115	100%

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.

## **Discussion of Results and Financial Condition for the Financial Quarter Ended March 31, 2019**

This analysis compares the quarter ended March 31, 2019 with the quarter ended March 31, 2018.

### **Revenue**

During the quarter ended March 31, 2019, total revenue was \$7.0 million, a slight decrease from \$7.7 million in total revenue in the same quarter of the previous year. Achieving a stable revenue level and controlling overhead costs when compared with Q2 2018 is seen as a solid achievement given the Company's strategic realignment and focus of dedicated resources to the development of future business in key markets.

Mining sector projects were slower than anticipated during Q2, due to several field programs being constrained by weather and temporary delays on approvals to proceed on remedial engineering projects. Despite these project delays, the Company augmented its technical bench strength with the addition of a number of key personnel hires with specific expertise in environmental assessment and approvals, and is well positioned for growth in this market.

During the quarter, the Company completed an air quality maintenance project for a large number of institutions throughout Nunavut. The project involved employing and training local residents resulting in an Inuit employment rate of over 30 percent for the project. BluMetric continued to leverage its northern logistical expertise with the completion of several field programs within the Arctic and other remote settings. Overall activity in this segment was moderate during the quarter with the completion of projects coinciding with government fiscal year end.

Commercial and Industrial projects in the development space continued to be strong in Q2 with several Record of Site Condition filings on large brownfield properties in the GTA. As well, BluMetric renewed multi-year consulting agreements with long standing clients, including Wood Preservation Canada and a multinational private client in the energy sector. Services to be provided for these valued clients include environmental compliance auditing services, environmental impact assessment, regulatory compliance and remediation services.

Subsequent to the quarter ended March 31, 2019, BluMetric was ranked among Canada's top 75 defence companies by Canadian Defence Review (CDR) magazine in its special CANSEC Edition. This accomplishment highlights and confirms the Company's place as an important competitor in Canada's defence market.

Gross profit for the quarter ended March 31, 2019 was \$1.5 million or 21%. While gross profit was lower by \$135,000 than the quarter ended March 31, 2018, gross margin was consistent at 21%.

Operating costs for the quarter ended March 31, 2019 were \$1.2 million, a decrease of \$115,000 from the same period in the prior year. The favourable change in operating costs was a result of cost savings initiatives related to the sale of the El Salvador operation and improved credit risk management resulting in lower bad debt expense.

Finance costs of \$122,000 for the quarter ended March 31, 2019 decreased from \$136,000 reported for the same period a year earlier. This was due primarily to the refinancing of a mortgage at lower rates on an office building in Ottawa in Q2 2018.

Earnings before provision for income tax for the quarter ended March 31, 2019 was \$162,000 compared to \$169,000 for the quarter ended March 31, 2018.

Net earnings for the quarter ended March 31, 2019 was \$112,000 compared to \$169,000 for the quarter ended March 31, 2018.

Shareholders' equity increased to \$5.5 million at March 31, 2019 from \$2.8 million for the period ended March 31, 2018.

The Consolidated Statement of Financial Position as at March 31, 2019 showed working capital of \$4.4 million, compared to \$1.4 million reported as at March 31, 2018. As at March 31, 2019, the Company was in compliance with all its covenants.

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

	For the three months ended March 31		For the six months ended March 31	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net income	<b>112,371</b>	168,881	<b>301,703</b>	269,395
Finance costs	<b>122,272</b>	136,029	<b>257,526</b>	284,637
Deferred income tax expense	<b>49,959</b>	-	<b>127,554</b>	-
Depreciation of property, plant and equipment	<b>25,498</b>	7,564	<b>51,011</b>	16,534
Amortization of intangible assets	<b>748</b>	12,330	<b>1,838</b>	54,837
EBITDA	<b>310,848</b>	324,804	<b>739,632</b>	625,403

The Company recorded EBITDA of \$311,000 for the three months ended March 31, 2019. EBITDA was consistent with the same quarter last year as declines in gross profit were largely offset by savings in operating costs.

## Quarterly Results

*Quarterly financial information for the eight quarters ended March 31, 2019  
(in 000's, except as otherwise indicated)*

	<b>Q2 2019</b>	<b>Q1 2019</b>	<b>Q4 2018</b>	<b>Q3 2018</b>
	<b>Mar 31, 2019</b>	<b>Dec 31, 2018</b>	<b>Sep 30, 2018</b>	<b>Jun 30, 2018</b>
Revenue	6,990	7,601	8,563	8,416
Cost of sales	5,508	5,940	6,743	6,763
Gross profit	1,481	1,661	1,820	1,653
Gross margin %	21%	22%	21%	20%
Operating expenses	1,197	1,259	1,477	1,459
Finance costs	122	135	134	128
Earnings before provision for income tax	162	267	209	65
Deferred income tax expense (recovery)	50	78	(2,116)	-
Net earnings	112	189	2,325	65
Weighted average common shares- basic	28,675,695	28,675,695	28,675,695	28,650,735
Earnings per share- basic and diluted	0.00	0.01	0.08	0.00

	<b>Q2 2018</b>	<b>Q1 2018</b>	<b>Q4 2017</b>	<b>Q3 2017</b>
	<b>Mar 31, 2018</b>	<b>Dec 31, 2017</b>	<b>Sep 30, 2017</b>	<b>Jun 30, 2017</b>
Revenue	7,708	7,560	7,587	7,434
Cost of sales	6,091	5,889	5,893	5,989
Gross profit	1,616	1,671	1,694	1,445
Gross margin %	21%	22%	22%	19%
Operating expenses	1,311	1,422	1,580	1,205
Finance costs	136	149	168	170
Earnings before provision for income tax	169	101	(54)	70
Deferred income tax expense (recovery)	-	-	-	-
Net earnings (loss)	169	101	(54)	70
Weighted average common shares- basic	28,391,778	28,263,869	27,880,140	27,880,140
Earnings (loss) per share- basic and diluted	0.01	0.00	(0.00)	0.00

## Quarterly Trend Analysis

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

### **Q2 19 vs Q2 18**

Revenues, gross profit and gross margin in the second quarter of 2019 were \$7.0 million, \$1.5 million and 21% respectively. Total revenue declined by approximately \$700,000, primarily due to one time projects that did not reoccur in fiscal year 2019. In addition, a number of mining sector projects were delayed in Q2 2019 due to weather and temporary delays on approvals. Gross margin was consistent at 21% for both periods. Operating costs decreased favourably to \$1.2 million in Q2 2019 from \$1.3 million in Q2 2018, primarily due to cost savings resulting from the sale of the Company's El Salvador operations and improved credit risk management resulting in lower bad debt expense. Despite lower gross profit in the quarter, earnings before provision for income tax were \$162,000, which is comparable with the same quarter of last year. Net earnings were \$112,000 for the period ended March 31, 2019, compared to \$169,000 in the same quarter of 2018. Overall for Q2 2019, the Company has been focusing on the development of future business in key markets while controlling overhead costs.

### **Q1 19 vs Q1 18**

Revenues, gross profit and gross margin in the first quarter of 2019 were \$7.6 million, \$1.7 million and 22% respectively. These results are consistent with the quarter ended December 31, 2017. Operating costs decreased to \$1.3 million in Q1 2019 from \$1.4 million in Q1 2018, primarily due to a severance of \$250,000 for the previous CEO of the Company that was recognized in Q1 2018. Earnings before provision for income tax were \$267,000 and net earnings were \$189,000 at December 31, 2018, compared to earnings before income tax and net earnings of \$101,000 in the same quarter of the previous year.

### **Q4 18 vs Q4 17**

For the fourth quarter of 2018 revenue was \$8.6 million compared to \$7.6 million in the fourth quarter of 2017. This was due to increased project activity, mainly in the Commercial and Industrial markets. Gross profit increased by \$0.1 million to \$1.8 million in the quarter from \$1.7 million in Q4 2017. Operating costs decreased by \$0.1 million to \$1.5 million from \$1.6 million for the same quarter in the previous year. The Company recognized a deferred income tax asset in the fourth quarter of 2018 in the amount of \$2.1 million, which significantly increased net earnings to \$2.3 million from a net loss of \$54,000 compared to the prior year quarter.

### **Q3 18 vs Q3 17**

Revenues for the third quarter of 2018 were \$8.4 million compared to \$7.4 million for the quarter ended June 30, 2017, an increase of approximately \$1.0 million, mainly as a result of increased engineered solutions projects when compared to the prior year, primarily in the mining sector. Net earnings for the quarter are \$65,200 compared to \$69,900 for same quarter in the prior year. Gross profit improved to \$1.7 million in the quarter from \$1.4 million in the same quarter the prior year representing a 20% gross margin and a slight improvement over the 19% achieved in the same quarter last year. Operating costs increased to \$1.5 million from \$1.2 million in the same quarter in the prior year. In the previous year quarter (June 30, 2017) there were vacant positions that have since been filled, as well as bad debt recoveries of approximately \$60,000.

## Summary of Cash Flows

	For the three months ended		For the six months ended	
	March 31, 2019 \$	March 31, 2018 \$	March 31, 2019 \$	March 31, 2018 \$
<b>Cash provided by (used in):</b>				
Operating activities, before working capital	224,874	197,928	533,699	312,829
Operating activities, working capital	(89,955)	(390,950)	768,638	(311,333)
<b>Operating activities, after working capital</b>	<b>134,919</b>	<b>(193,022)</b>	<b>1,302,337</b>	<b>1,496</b>
<b>Investing activities</b>	<b>-</b>	<b>78,282</b>	<b>(39,946)</b>	<b>78,282</b>
<b>Financing activities</b>	<b>(134,919)</b>	<b>(37,264)</b>	<b>(1,262,391)</b>	<b>(52,206)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>-</b>	<b>(152,004)</b>	<b>-</b>	<b>27,572</b>
Cash and cash equivalents - beginning of period	-	14,079	-	22,117
Bank indebtedness – beginning of period	(460,768)	(348,771)	(1,596,475)	(536,385)
Adjustment to bank indebtedness – beginning of period (*)	460,768	-	1,596,475	-
	<b>-</b>	<b>(334,692)</b>	<b>-</b>	<b>(514,268)</b>
Cash and cash equivalents - end of year	-	27,474	-	27,474
Bank indebtedness – end of period (*)	(346,585)	(514,170)	(346,585)	(514,170)
Adjustment to bank indebtedness – end of period (*)	346,585	-	346,585	-
	<b>-</b>	<b>(486,696)</b>	<b>-</b>	<b>(486,696)</b>

(\*) In light of the company's cash management strategy, at the beginning of the current period it was determined more appropriate to include bank indebtedness as a financing activity

Cash produced from operating activities of \$1.3 million in the first six months of 2019 compares with cash provided by operating activities of \$1,496 in the same period for 2018. The majority of the period-over-period increase resulted from lower investments in working capital, specifically higher cash generated from favourable changes in accounts receivable. Operating cash flows, before working capital, were \$200,000 higher than in 2018 due to lower administrative and finance expenses, which, on a cash basis, more than offset the decline in gross profit.

For the first six months of 2019, cash used in investing activities was \$40,000 compared to the same period in 2018 which produced cash from investing activities of \$78,000. The variance of \$118,000 is due to the sale in 2018 of the investment in Wasdell Falls which generated proceeds of \$105,000.

For the first six months of 2019, cash used in financing activities was \$1.3 million compared to \$100,000 in 2018. The increase was primarily due to repayment of the Company's credit facility using cash flow produced from operations.

## **Liquidity**

The Company's short-term credit facilities consist of an operating demand loan in the amount of \$2,000,000 with a \$500,000 sublimit for letters of credit. The facility carries a floating interest at prime plus 2.25%, is collateralized by a first ranking general security agreement over all of the Company's present and future assets, and is subject to margining based on the amounts of eligible accounts receivable. Each letter of credit must be 100% guaranteed in favour of the bank through a separate program provided by the Export Development Corporation. For the period ended March 31, 2019, the effective interest rate under this facility was 6.20% (March 31, 2018 – 5.7%).

The Company also has a corporate credit card facility in the amount of \$165,000.

As at March 31, 2019, the Company had drawn \$297,699 on its operating demand loan (September 30, 2018 - \$1,544,136) and it had drawn \$213,307 in outstanding letters of credit (September 30, 2018 - \$206,635). The letters of credit expire on July 26, 2019.

The Company has certain covenants in accordance with its short-term credit facilities. As at March 31, 2019, the Company was in compliance with all its covenants.

In addition to the above credit facilities, the Company entered into an agreement with a lending institution on September 12, 2016 for a secured five-year term loan in the amount of \$2,500,000. This loan bears interest at a rate of 10% and requires the Company to pay royalty fees on gross revenue beginning February 2018. The royalty rate is tiered and applies at a rate of 0.35% of gross revenue up to \$38,000,000, and then decreases to 0.15% of gross revenue in excess of that amount.

The Company has certain covenants in accordance with this term loan, as well as cross default provisions with the Company's short-term credit facility arrangement. As of March 31, 2019, the Company was in compliance with its covenants under the term loan agreement.

## **Business Outlook**

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

In fiscal year 2019, the Company has aligned its sales and marketing team and will focus on obtaining new revenue contracts in key markets, efficiently implementing projects, improving cost control and completing the sale of its non-core assets.

The Company is targeting both organic revenue growth and growth through association with technology suppliers. The Company's focus will continue to be on improving margins on all company projects while reducing overhead costs.

The best opportunities for growth are on projects where the client's operating expenses can be reduced as a result of proposed solutions and where these solutions help clients meet more stringent regulatory requirements.

## **Capital Resources**

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

## **Business Risks**

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

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

## **Critical Accounting Estimates and Judgements**

Note 2 of the Company's audited consolidated financial statements and related notes for the year ended September 30, 2018 discussed critical accounting estimates and judgements.

## New Accounting Standards

Note 4 of the Company's condensed consolidated interim financial statements and related notes for the six months ended March 31, 2019 discusses IFRS standards and interpretations that are issued and became effective for the Company on October 1, 2018.

## Off-Balance Sheet Arrangements

Note 20 of the Company's audited consolidated financial statements and related notes for the year ended September 30, 2018 discusses commitments related to equipment leases and leases related to properties occupied by the Company.

## 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.

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	\$	\$	\$	\$
Salaries	252,108	205,846	503,171	667,744 <sup>(1)</sup>
Short-term benefits	37,144	17,552	58,073	38,000
Share-based compensation	12,661	9,997	27,059	17,671
	<u>301,913</u>	<u>233,395</u>	<u>588,303</u>	<u>723,415</u>

<sup>(1)</sup> This includes \$250,000 pursuant to an employment contract with one of the Company's key management personnel whose term ended on November 30, 2017.

## Proposed Transactions and Subsequent Events

As at March 31, 2019 the property at 3108 Carp Road is for sale. Apart from this, there were no significant assets or business acquisitions or dispositions being considered by the Company.

## Inter-Corporate Relationships

There are no inter-corporate relationships for the quarter ended March 31, 2019.

## Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	28,675,695 common shares
Options:	1,050,000 options

## Financial Terms and Definitions

### Definition of Non-GAAP 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-GAAP measures may not be comparable to similar measures presented by other companies. The Company believes that the measures defined here are useful for providing investors with additional information to assist them in understanding components of the financial results.

**EBITDA.** EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, and amortization of intangible assets. The Company uses this measure as part of assessing operating performance. There is no direct comparable IFRS measure for EBITDA.

### 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 condensed interim 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](http://www.blumetric.ca) and at [www.sedar.com](http://www.sedar.com).