Consolidated Financial Statements

Nine Months Ended
August 31, 2012 and Twelve Months
Ended November 30, 2011 and as at
December 1, 2010
(expressed in Canadian Dollars)

WESA

Group Inc.

-

Independent Auditor's Report

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To the Directors of
BluMetric Environmental Inc.

We have audited the accompanying consolidated financial statements of WESA Group Inc., which comprise the consolidated statements of financial position as at August 31, 2012, November 30, 2011 and December 1, 2010 and the consolidated statements of changes in shareholders' equity, the consolidated statements of comprehensive income (loss) and the consolidated statements of cash flows for the nine-month period ended August 31, 2012 and year ended November 30, 2011, and a summary of significant accounting policies and other explanatory information.

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 (IFRS) 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditor's 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 policies 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of WESA Group Inc. as at August 31, 2012, November 30, 2011 and December 1, 2010 and its financial performance and its cash flows for the nine-month period ended August 31, 2012 and the year ended November 30, 2011 in accordance with International Financial Reporting Standards.

Raymond Chabot Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
February 7, 2014

WESA Group Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

	August 31 2012	Nov 30 2011 Restated (note 23)	Dec 1 2010 Restated (note 23)
	$	$	$
ASSETS			
Current assets			
Accounts receivable (note 3)	**7,057,884**	4,705,712	5,966,388
Unbilled revenues	**2,211,875**	2,256,445	1,992,948
Prepaid expenses	**113,383**	97,053	81,603
Investment tax credits recoverable	**99,762**	539,932	369,526
Total Current Assets	**9,482,904**	7,599,142	8,410,465
Non-current assets			
Property, plant and equipment (note 6)	**2,166,005**	2,124,295	2,206,985
Intangible assets (note 7)	**229,867**	196,587	147,358
Investments accounted for using the equity method (note 5)	**411,478**	411,478	291,830
Long-term investments (note 5)	**11,085**	11,085	11,085
Deferred taxes (note 13)	**55,474**	39,584	91,275
Goodwill (note 8)	**1,592,095**	1,592,095	1,592,095
TOTAL ASSETS	**13,948,908**	11,974,266	12,751,093
LIABILITIES			
Current liabilities			
Bank indebtedness (note 9)	**259,471**	397,724	700,655
Credit facilities (note 9)	**2,780,000**	150,000	1,720,000
Accounts payable and accrued liabilities (note 4)	**3,433,700**	3,961,978	3,947,078
Deferred revenue	**179,215**	33,322	45,209
Current portion of long-term debt (note 10)	**279,975**	229,640	271,522
Total Current Liabilities	**6,932,361**	4,772,664	6,684,464
Non-current liabilities			
Long-term debt (note 10)	**1,157,456**	1,138,649	1,143,228
Due to shareholders (note 16)	**441,627**	497,186	406,989
Deferred taxes (note 13)	**29,498**	63,697	-
Contingent consideration (note 17)	**78,141**	78,141	-
Total liabilities	**8,639,083**	6,550,337	8,234,681
SHAREHOLDERS' EQUITY			
Share capital (note 11)	**1,393,096**	1,393,096	1,032,835
Retained earnings	**3,660,781**	3,786,646	3,357,766
Equity attributable to owners of the parent	**5,053,877**	5,179,742	4,390,601
Non-controlling interest	**255,948**	244,187	125,811
Total equity	**5,309,825**	5,423,929	4,516,412
TOTAL LIABILITIES & EQUITY	**13,948,908**	11,974,266	12,751,093

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

APPROVED BY THE BOARD

Roger M. Woeller
Director

Jordan B. Grant
Director

WESA Group Inc.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine-month period ended August 31, 2012 and twelve-month period ended November 30, 2011
(in Canadian dollars)

	Share Capital $	Contributed Surplus $	Retained Earnings $	Total Attributable to Owner of Parent $	Non Controlling Interest $	Total Equity $
Balance at December 1, 2010 (restated – note 22)	1,032,835	-	3,357,766	4,390,601	125,811	4,516,412
Net income and comprehensive income for the year (restated – note 22)	-	-	558,671	558,671	164,098	722,769
Acquisition of shares of a subsidiary			(129,791)	(129,791)	(45,722)	(175,513)
Issuance of share options (note 12)	-	236,072	-	236,072	-	236,072
Issuance of share capital on share option exercise (note 12)	360,261	(236,072)	-	124,189	-	124,189
Balance at November 30, 2011	1,393,096	-	3,786,646	5,179,742	244,187	5,423,929
Net loss and comprehensive loss for the period	-	-	(125,865)	(125,865)	11,761	(114,104)
Balance at August 31, 2012	1,393,096	-	3,660,781	5,053,877	255,948	5,309,825

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

WESA Group Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the nine-month period ended August 31, 2012 and twelve-month period ended November 30, 2011
(in Canadian dollars)

	Nine months ended August 31	**Twelve months ended November 30**
	2012	2011 Restated (note 22)
	$	$
Revenue	**16,645,601**	22,472,195
Cost of goods sold	**13,752,812**	18,008,045
Gross profit	**2,892,789**	4,464,150
Selling, general and administrative expenses	**2,654,091**	3,734,653
Research and development	**171,979**	121,580
Business acquisition expenses	**110,859**	-
Total operating expenses	**2,936,929**	3,856,233
Operating income (loss)	**(44,140)**	607,917
Gain on sale of shares of joint venture (note 5)	**-**	422,853
Finance costs (note 14)	**(65,144)**	(126,870)
Income (loss) before income taxes	**(109,284)**	903,900
Income taxes (note 13)	**4,820**	181,131
Net income (loss) and comprehensive income (loss) for the period	**(114,104)**	722,769
Net income (loss) and comprehensive income (loss) for the period attributable to:		
Owners of the parent	**(125,865)**	558,671
Non-controlling interest	**11,761**	164,098
	(114,104)	722,769
Net income (loss) per share attributed to the equity holders of the parent:		
Basic	**(0.20)**	0.89
Diluted	**(0.20)**	0.89
Weighted average number of shares outstanding:		
Basic	**634,468**	624,881
Diluted	**634,468**	624,881

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

WESA Group Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine-month period ended August 31, 2012 and twelve-month period ended November 30, 2011
(in Canadian Dollars)

	Nine months ended August 31 2012	Twelve months ended November 30 2011
		Restated (note 22)
	$	$
Cash flows from operating activities		
Net income (loss) for the period	**(114,104)**	722,769
Non-cash items:		
Depreciation of property, plant and equipment	**246,965**	303,330
Amortization of intangible assets	**43,268**	30,430
Loss on disposal of property, plant and equipment	**8,256**	14,189
Loss on disposal of property, plant and equipment	**-**	5,258
Gain on sale of shares of joint venture	**-**	(422,853)
Stock based compensation	**-**	236,072
Deferred tax expense	**(50,089)**	115,387
Changes in working capital balances (note 15)	**(2,266,147)**	814,337
Net cash generated by (used in) operating activities	**(2,131,851)**	1,818,919
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(296,931)**	(234,829)
Acquisition of intangible assets	**(76,548)**	(84,917)
Acquisition of shares of subsidiary	-	(97,372)
Proceeds from sale of shares of joint venture	-	332,776
Increase in long term investments	-	(29,571)
Net cash used in investing activities	**(373,479)**	(113,913)
Cash flows from financing activities		
Issuance of share capital on stock option exercise	**-**	124,189
Issuance of long-term debt	**258,298**	233,639
Repayment of long term debt	**(189,156)**	(280,100)
Increase (decrease) in use of credit facilities and bank loans	**2,630,000**	(1,570,000)
(Decrease) Increase in due to shareholders	**(55,559)**	90,197
Net cash generated by (used in) financing activities	**2,643,583**	(1,402,075)
Net change in cash and cash equivalents	**138,253**	302,931
Bank indebtedness – Beginning of period	**(397,724)**	(700,655)
Bank indebtedness – End of period	**(259,471)**	(397,724)
Supplementary Information		
Interest paid – included in operating activities	**60,288**	100,639
Taxes paid – included in operating activities	**24,345**	91,227

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

1. Nature of Operations

WESA Group Inc. ("WESA" or the "Company") was amalgamated under the Ontario Business Corporations Act on June 1, 2001 and provides services in the fields of environmental geosciences and engineering across many industrial sectors. The Company is privately owned by its employees, and its head office is located at 3108 Carp Road, Ottawa, Ontario, Canada K0A 1L0.

2. Accounting Policies

a. Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are the Company's first annual IFRS consolidated financial statements, so accordingly first-time adoption of IFRS ("IFRS 1") has been applied. Previously, the Company prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("previous GAAP") in effect prior to IFRS conversion. In accordance with IFRS 1, the Company has restated comparative financial information to be in accordance with IFRS. An explanation of how the transition to IFRS has affected the reported financial position, comprehensive income (loss) and cash flows of the Company is provided in note 22.

In anticipation of the reverse takeover transaction described in note 24 of these consolidated financial statements, the Company decided to change their year-end to August 31, 2012 to better align with the legal acquirer, Seprotech Systems Incorporated. As a result, certain amounts in these financial statements may not be entirely comparable.

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

These accounting policies have been used throughout all periods presented in the consolidated financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in note 22.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of BluMetric Environmental Inc. on February 7, 2014.

b. Presentation and Functional Currency

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

c. Basis of Measurement

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

d. Critical Accounting Judgements, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of 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. 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 of any contract is assessed by management by taking into consideration all information available at the reporting date. In this process, management exercised significant judgement about milestones, actual work performed and the estimated costs to complete work.

b. 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

Each reporting period, 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 is 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 sum of the discounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying value of a long-lived asset over its fair value. 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 compensation 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 probably life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes model.

e. Principles of Consolidation

The consolidated financial statements are for the Company and include the accounts of its wholly-owned subsidiaries WESA Inc, WESA Technologies Inc, WESA Tecnologias S.A. de C.V. and 66.67% of OEL-HydroSys Inc. (50% at November 30, 2011). All inter-company transactions have been eliminated on consolidation including unrealized gains or losses.

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights for all its subsidiaries. The subsidiaries have a reporting date of August 31, except for WESA Tecnologias S.A. de C.V., which 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 not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

f. 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.

g. Investment in Joint Ventures

The Company has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among venturers.

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

Under the equity method, the investment in a joint venture 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 joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income (loss) reflects the Company's share of the results of operations of the joint venture. In addition, when there has been a change recognized directly in the equity of the joint venture, 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 joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share of profit or loss of a joint venture is shown on the face of the statement of comprehensive income (loss) outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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

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

h. Financial Assets and Liabilities

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 measurements of financial assets and financial liabilities are described below.

Financial assets are derecognized when the contractual rights to the cash flows from the particular financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

For the purpose of subsequent measurement, financial assets are classified as loans and receivable and available for sale financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

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. The Company's available for sale financial assets includes the equity investment in Wasdell Falls Power Corporation. The equity investment in Wasdell Falls Power Corporation is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognized in profit or loss.

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Classification:	
Accounts receivable	Loans and receivables
Long term investments	Available for sale
Bank indebtedness	Financial liabilities at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Long term debt	Financial liabilities at amortized cost
Credit facilities	Financial liabilities at amortized cost
Due to shareholders	Financial liabilities at amortized cost
Contingent consideration	Financial liabilities at amortized cost

Measurement

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

i. Revenue Recognition

The Company generates revenue principally through providing consulting services in the fields of environmental geosciences and engineering across many industrial sectors, and in the provision of design-build services in the water and wastewater industries.

Consulting services

The Company provides services under arrangements that contain various pricing mechanisms, and recognizes revenue when the following criteria are met: there is clear evidence that an arrangement exists, the amount of revenue and related costs can be measured reliably, it is probable that future economic benefits will flow to the Company, the stage of completion can be measured reliably where services are delivered and the significant risks and rewards of ownership, including effective control, are transferred to clients where products are sold. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, and sales related taxes.

Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized by reference to the stage of completion using the cost approach. Stage of completion is measured by reference to labor costs incurred to date as a percentage of total estimated labor costs for each contract. 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. Revenue from time-and-material contracts without stated ceilings and from short-term projects is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed.

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

Design-build contracts

Revenue from Systems contracts is recognized on the percentage of completion basis, comparing costs incurred to the estimated final cost to complete the contract. Amounts are generally billable on reaching certain performance milestones, as defined by individual contracts. Revenue is measured at the fair value of consideration secured or receivable in relation to that activity.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred if it is probably that it will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

Revenue is reported net of discounts, sales taxes, returns, and rebates.

Revenue in excess of contract billings is recorded as unbilled revenue.

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 consolidated financial position dates.

j. Net Earnings Per Share

The basic net earnings per share is calculated on the basis of net earnings divided by the weighted average number of common shares outstanding during the period. The diluted share amount 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.

k. Property, Plant and Equipment, and Intangibles

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any. 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 conditions necessary for it to be capable of operating in the manner intended by management and, where applicable, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is calculated using the straight line method over the anticipated useful lives of the assets as follows:

Buildings	20 years
Computer hardware	3 years
Furniture and fixtures	5 years
Leasehold improvements	5 years
Field equipment	5 years
Paving	12 years
Vehicles	3 years

Material residual value estimates and estimates of useful life are updated as required but at least annually.

Intangible assets are recorded at cost less subsequent amortization and impairment, if any. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. They are amortized on a straight-line basis over their remaining estimated useful lives as these assets have a finite useful life. The following useful lives are applied:

Trademarks	15 years
Computer software	5 years

Depreciation and amortization are included in adminstrative expenses of the consolidated statement of comprehensive income.

l. 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 the statement of comprehensive income (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 the statement of comprehensive income (loss).

m. Goodwill

Goodwill is not amortised 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 synergies of 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. An impairment loss recognized for goodwill is not reversed in a subsequent period, even if future value suggests that goodwill has been recovered.

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

n. Research and Development

Research costs are expensed as incurred. Development costs on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Development costs not meeting these criteria for capitalization are expensed as incurred.

o. Provisions and Contingent Liabilities

Provisions represent liabilities to 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 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 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.

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 entity; 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

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 in the income statement on a straight-line basis over the period of the lease. Related expenses, such as maitenance and insurance expenses are charged as incurred.

q. Income Taxes

Income tax expense comprises both current and deferred tax, which is recognized in earnings except to the extent it relates to items recognized in other comprehensive income or 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 year.

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

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the balance sheet. 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 provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the forseeable 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 using tax rates and laws enacted or substantially enacted at the reporting date, 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 are reviewed at 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 each reporting date 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. Share Capital

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

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 the fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of goods and services received, the Company measures the fair 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 instrument granted.

The fair value at the grant date of the share options is determined using the Black-Scholes pricing model and is recognized in the consolidated income statement 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 the income statement 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 share options is credited to share capital and the shares options reserve component resulting from share-based payment is transferred from contributed surplus 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 contributions on a dollar for dollar basis (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 August 31, 2012.

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 currently two operating segments, professional engineering services (WESA Inc.) and environmental technical solutions (WESA Technologies Inc.)

v. New standards and interpretations issued but not yet effective

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.

Management anticipates that all of the relevant pronouncements will be adopted for the first 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)**

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities and the chapter on hedge accounting have been issued. A chapter dealing with impairment methodology is still being developed. In November 2012, the IASB published an exposure draft in order to made limited modifications to IFRS 9's financial asset classification model to address application issues. In addition, in November 2013, the IASB decided to defer to a date to be announced, the implementation of IFRS 9. The Company's management has yet to assess the impact of this new standard on its consolidated financial statements. However, Management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

ii. **Consolidation standards**

A package of new consolidation standards is effective for annual periods beginning or after January 1, 2013. Information on these new standards is presented below. Management has not yet completed its assessment of the impact of these new and revised standards on the Company's consolidated financial statements.

IFRS 10 'Consolidated Financial Statements' (IFRS 10)

IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation - Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Company's existing investees.

IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

iii. **IFRS 13 'Fair Value Measurement' (IFRS 13)**

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Company's consolidated financial statements.

3. Accounts Receivable

	August 31, 2012	Nov 30, 2011	Dec 1, 2010
	$	$	$
Trade receivables	**6,644,260**	4,228,693	6,430,731
Other receivables	**601,302**	544,657	8,219
Allowance for doubtful accounts	**(187,678)**	(67,638)	(472,562)
	7,057,884	4,705,712	5,966,388

All of the Company's trade and other receivables have been reviewed for indications of impairment, and no trade receivables were found to be impaired in excess of the allowance for doubtful accounts.

4. Accounts Payable and Accrued Liabilities

	August 31, 2012	Nov 30, 2011	Dec 1, 2010
	$	$	$
Trade payables	**2,287,690**	2,041,718	1,824,827
Other accrued liabilities and payables	**1,146,010**	1,920,260	2,122,251
	3,433,700	3,961,978	3,947,078

5. Investments Accounted for using the Equity Method and Long-term Investments

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 their 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 their 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 this time, the Company will receive the remaining cash and common shares of Coastal Hydro Corporation in exchange for their remaining interests in Wasdell Falls Power Corporation.

The Company's investment in Wasdell Falls Power Corporation is accounted for under the equity method. Wasdell Falls Power Corporation has not yet generated any revenues or expenses. Accordingly, there is no income recorded in these financial statements.

	August 31, 2012 **$**	Nov 30, 2011 $	Dec 1, 2010 $
Investments subject to significant influence			
Class A Common shares of Wasdell Falls Power Corporation (377,501 at August 31, 2012 and November 30, 2011; 755,002 at December 1, 2010)	411,478	411,478	291,830
Long-term investments			
17,828 Class A shares of Canzone Limited	11,085	11,085	11,085

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 Equip.	Furniture and Fixtures	Leasehold Improvements	Paving	Vehicles	Total
Cost									
Opening Balance at Dec. 1, 2011	**282,873**	**2,039,308**	**1,761,155**	**286,098**	**597,098**	**342,727**	**43,726**	**161,776**	**5,514,761**
Additions	-	13,253	70,394	28,168	15,579	36,904	-	132,633	296,931
Disposals	-	-	-	-	-	-	-	(44,952)	(44,952)
Closing Balance at Aug. 31, 2012	**282,873**	**2,052,561**	**1,831,549**	**314,266**	**612,677**	**379,631**	**43,726**	**249,457**	**5,766,740**
Accumulated Depreciation									
Opening Balance at Dec. 1, 2011	**-**	**788,976**	**1,451,237**	**194,080**	**488,568**	**317,994**	**21,172**	**128,439**	**3,390,466**
Depreciation	-	103,342	93,444	15,694	5,769	11,437	2,873	14,406	246,965
Disposals	-	-	-	-	-	-	-	(36,696)	(36,696)
Closing Balance at Aug. 31, 2012	-	**892,318**	**1,544,681**	**209,774**	**494,337**	**329,431**	**24,045**	**106,149**	**3,600,735**
Net Book Value at Aug. 31, 2012	**282,873**	**1,160,243**	**286,868**	**104,492**	**118,340**	**50,200**	**19,681**	**143,308**	**2,166,005**

	Land	Buildings	Computer Hardware	Field Equip	Furniture and Fixtures	Leasehold Improvements	Paving	Vehicles	Total
Cost									
Opening Balance at Dec. 1, 2010	**282,873**	**1,999,460**	**1,665,600**	**254,629**	**582,837**	**334,468**	**43,726**	**161,776**	**5,325,369**
Additions	-	39,848	138,897	33,564	14,261	8,259	-	-	234,829
Disposals	-	-	(43,342)	(2,095)	-	-	-	-	(45,437)
Closing Balance at Nov. 30, 2011	**282,873**	**2,039,308**	**1,761,155**	**286,098**	**597,098**	**342,727**	**43,726**	**161,776**	**5,514,761**
Accumulated Depreciation									
Opening Balance at Dec. 1, 2010	**-**	**649,736**	**1,358,544**	**180,277**	**484,359**	**309,945**	**17,342**	**118,181**	**3,118,384**
Depreciation	-	139,240	122,992	14,752	4,209	8,049	3,830	10,258	303,330
Disposals	-	-	(30,299)	(949)	-	-	-	-	(31,248)
Closing Balance at Nov. 30, 2011		**788,976**	**1,451,237**	**194,080**	**488,568**	**317,994**	**21,172**	**128,439**	**3,390,466**
Net Book Value at Nov.30, 2011	**282,873**	**1,250,332**	**309,918**	**92,018**	**108,530**	**24,733**	**22,554**	**33,337**	**2,124,295**
Net Book Value at Dec 1, 2010	**282,873**	**1,349,724**	**307,056**	**74,352**	**98,478**	**24,523**	**26,384**	**43,595**	**2,206,985**

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.

	Computer Software	Trademarks	Total
Cost			
Opening Balance at Dec. 1, 2011	**539,890**	**35,469**	**575,359**
Additions	65,317	11,231	76,548
Closing Balance at Aug. 31, 2012	**605,207**	**46,700**	**651,907**
Accumulated Amortization			
Opening Balance at Dec. 1, 2011	361,497	17,275	378,772
Amortization	41,310	1,958	43,268
Closing Balance at Aug. 31, 2012	**402,807**	**19,233**	**422,040**
Net Book Value at Aug. 31, 2012	**202,400**	**27,467**	**229,867**

	Computer Software	Trademarks	Total
Cost			
Opening Balance at Dec. 1, 2010	**491,114**	**35,469**	**526,583**
Additions	84,917	-	84,917
Disposals	(36,141)	-	(36,141)
Closing Balance at Nov. 30, 2011	**539,890**	**35,469**	**575,359**
Accumulated Amortization			
Opening Balance at Dec. 1, 2010	363,598	15,627	379,225
Amortization	28,782	1,648	30,430
Disposals	(30,883)	-	(30,883)
Closing Balance at Nov. 30, 2011	**361,497**	**17,275**	**378,772**
Net Book Value at Nov.30, 2011	**178,393**	**18,194**	**196,587**
Net Book Value at Dec 1, 2010	**127,516**	**19,842**	**147,358**

8. Goodwill

Goodwill acquired through business combinations has been recorded in the Professional Services CGU.

The Company completed the annual impairment test in the final quarter of each year and did not identify any impairment.

The recoverable amount of the Professional Services CGU 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 is 15.0% (2011: 15%) and cash flows are extrapolated for a five year period using a 2.0% growth rate (2011: 2.0%) that is similar to the rate of inflation in Canada.

The calculation of value in use for the Professional Services CGU 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 its operating segments 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.

9. Credit Facilities and Bank Indebtedness

As at August 31, 2012, short-term bank credit facilities consisted of an operating line of credit in the amount of $2,400,000 (2011 - $2,400,000) and a separate facility specifically for issuing client project related letters of credit in the amount of $500,000 (2011 - $500,000). The operating line of credit facility carries a floating rate of interest of prime plus 0.5%. At August 31, 2012 there was $2,780,000 outstanding under the operating line of credit; letters of credit totalling U.S. $485,862 (2011 - $38,000 and $2010 - $68,000) were secured by the separate facility at the same date. On August 27, 2012, the Company's bank increased the limit of the operating line of credit to $2,900,000 for a period of 90 days.

The credit facility is secured by general security agreements issued by WESA Inc., WESA Group Inc., WESA Technologies Inc. and OEL-HydroSys Inc., unlimited corporate guarantees by WESA Group Inc. and WESA Technologies Inc., guarantee of advances in the amount of $300,000 by OEL-HydroSys Inc., assignment of fire insurance and collateral mortgages on real properties owned by WESA Group Inc.

	August 31 2012 $	Nov 30, 2011 $	Dec 1, 2010 $
Line of credit	**2,780,000**	150,000	1,720,000
Bank indebtedness (cash on hand, net of outstanding items)	**259,471**	397,724	700,655
	3,039,471	547,724	2,420,655

The Company has certain covenants in accordance with its banking agreement which include: maintaining a working capital ratio on an annual basis in excess of 1.30:1, a debt to service ratio on an annual basis in excess of 1.2:1, total liabilities to net worth on a quarterly basis of less than 2.25:1, and an operating line to an available maximum of $2.4 million. The Company was in compliance with all bank covenants as at August 31, 2012, November 30, 2011 and December 1, 2010 and during all periods.

10. Long-Term-Debt

	August 31, 2012 $	Nov 30, 2011 $	Dec 1, 2010 $
Bank loan, bearing interest at prime plus 0.50%, repayable in monthly principal instalments of $4,542 plus interest, due March 2017, secured by a collateral mortgage on building with a carrying value of $696,993 and an unlimited guarantee from a related company.	249,792	290,667	345,167
Bank loan, bearing interest at prime plus 0.75%, repayable in monthly principal instalments of $3,022 plus interest, due April 2023, secured by a charge on building with a carrying value of $470,329.	386,845	414,045	450,311

Bank loan, bearing interest at prime plus 0.75%, repayable in monthly principal instalments of $1,611 plus interest, due March 2023, secured by a charge on building with a carrying value of $242,116.	204,611	219,111	238,444
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of $3,325 plus interest, due December 2014, secured by a general security agreement.	93,103	123,029	162,930
Bank loan, bearing interest at prime plus 0.75%, repayable in monthly principal instalments of $5,878 plus interest, due January 2012, secured by a general security agreement.	-	11,756	82,290
Bank loan, bearing interest at prime plus 1% per annum, payable in monthly principal instalments of $1,716 plus interest, secured by a general security agreement, due June 2016.	78,917	94,357	-
Bank loan, bearing interest at prime plus 1.25%, repayable in monthly principal instalments of $3,750 plus interest, secured by a general security agreement.	-	-	29,833
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of $1,763 plus interest, due November 2015, secured by a general security agreement.	68,754	84,620	105,775
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of $2,178 plus interest, due November 2016, secured by a general security agreement.	111,098	130,704	-
Bank loan, bearing interest at prime plus 1%, repayable in monthly principal instalments of $1,992 plus interest, due July 2017, secured by a general security agreement.	117,553	-	-
Ford Credit loan, bearing interest at prime, payable in monthly Instalments of $3,190, due May, 2016 and secured by a general security agreement.	126,758	-	-
Total	1,437,431	1,368,289	1,414,750
Current portion	279,975	229,640	271,522
Long-term debt	1,157,456	1,138,649	1,143,228

11. Share Capital

Authorized

An unlimited number of Class A Common shares.

100 each of Class B,C,D,E,F,G,H,I,J,K,L,M,N,O,P,Q,R,S,T,U,V,W,X,Y,Z,AA,BB,CC Special shares

	Common Shares	
	Number	**Amount $**
Class A Common shares issued and fully paid November 30, 2010	611,459	1,032,835
Issuance of Class A Common shares on share option exercise	23,009	360,261
Class A Common shares issued and fully paid November 30, 2011	634,468	1,393,096
Class A Common shares issued and fully paid August 31, 2012	634,468	1,393,096

12. Share Acquisition Options

Beginning in 2004, the Company had occasionally granted selected employees the right to acquire common shares of the Company at specified prices, exercisable over a period of time so long as the employee remained in the employ of the Company, in the form of individual share purchase option agreements. Employees who exercised their acquisition rights were required to become a party to the Company's Unanimous Shareholders Agreement upon becoming a shareholder.

Between December 1, 2010 and August 31, 2012, the following activity took place in the share option plan:

	Options Number	**Weighted Average Exercise Price $**
Options outstanding, December 1, 2010	-	-
Granted	23,009	$5.397
Exercised	23,009	$5.397
Expired	-	-
Forefeited	-	-
Options outstanding, November 30, 2011	-	-

Granted	-	-
Exercised	-	-
Expired	-	-
Forefeited	-	-
Options outstanding, August 31, 2012	-	-

The fair value of employee share options granted is recognized as compensaton cost. During the year ended November 30, 2011, there were 23,009 share options granted to directors and employees of the Company. The following inputs were used in the measurement of the fair value at grant date under the share option plan:

Fair value of share options and assumptions	**FY 2011**
Fair value at grant date	$10.26
Share price at grant date	$15.60
Exercise price	$5.397
Expected Volatility	50%
Expected option life (yrs)	0.38
Expected dividends	Nil
Risk-free interest rate	2%

As the Company was a private company prior to the reverse takeover transaction described in note 24, volatility was determined based on the volatility of similar publicly listed companies. The options granted during the year ended November 30, 2011 vested immediately. As a result, the Company recognized $236,072 as compensation expense for the year ended November 30, 2011.

No options were granted during the period ended August 31, 2012. There were no share options outstanding at August 31, 2012.

13. Income Taxes

Income tax expense recognized in the Statements of Comprehensive Income consists of the following components:

	Nine Months Ended August 31	**Year ended November 30**
	2012	**2011**
Current income tax expense (recovery)	**$**	**$**
Current year	71,070	45,091
Over provided in prior years	(16,161)	20,653
	54,909	65,744

Deferred income tax expense (recovery)		
Origination and reversal of timing differences	(50,089)	115,387
Total	4,820	181,131

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:

	Nine Months ended August 31, 2012 $	**Year ended November 30 2011 $**
Income before tax	(109,284)	903,400
Statutory tax rate	27.42%	27.42%
Expected tax expense	(29,966)	247,712
Rate differences	(1,749)	(102,868)
Non-taxable income / non-deductible expenses	46,236	19,985
Prior period adjustments	(16,162)	20,653
Other	6,461	(4,351)
Total tax expense	4,820	181,131
Effective income tax rate	(4.41)%	20.05%

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

	Opening Balance, December 1, 2011	**Recognized in Income**	**Ending Balance, August 31, 2012**
Property, plant and equipment	(27,431)	3,752	(23,679)
Operating losses	1,577	18,285	19,862
Deferred charges	56,205	2,627	58,832
Investment tax credits	(43,574)	24,679	(18,895)
Investments	(14,403)	-	(14,403)
Transitional debit	(4,000)	2,532	(1,468)
Transitional credit	9,188	(3,461)	5,727
Others	(1,674)	1,674	-
Total asset (liability)	(24,112)	50,088	25,976

	Opening Balance, December 1, 2010	**Recognized in Income**	**Ending Balance, November 30, 2011**
Property, plant and equipment	(36,023)	8,590	(27,431)
Operating losses	-	1,577	1,577
Deferred charges	60,435	(4,230)	56,205
Investment tax credits	(11,688)	(31,886)	(43,574)
Investments	11,619	(26,022)	(14,403)
Transitional debit	(5,944)	1,944	(4,000)
Transitional credit	-	9,188	9,188
Others	72,876	(74,550)	(1,674)
Total liability	91,275	(115,387)	(24,113)

	August 31 2012 $	Nov 30, 2011 $	Dec 1, 2010 $
Deferred tax asset	**55,474**	39,584	91,275
Deferred tax liability	**(29,498)**	(63,697)	-
Net deferred tax asset (liability)	**25,976**	(24,113)	91,275

As at August 31, 2012, the Company has recognized deferred tax assets of $19,862 (2011 - $Nil) related to non-capital losses. These losses are available to reduce taxable income in future years. If not utilized, the losses begin to expire in 2032.

14. Information Included in Consolidated Earnings

	Nine months ended August 31 2012 $	**Twelve months ended November 30 2011 $**
Employee benefit expense		
Wages, salaries and short term benefits	7,752,608	10,052,498
Share-based compensation	-	236,072
Employee benefit expense	337,497	359,795
Employee group RRSP contributions	201,557	246,309
	8,291,662	10,894,674

	Nine months ended August 31 2012 $	Twelve months ended November 30 2011 $
Finance costs		
Interest on bank loan	35,828	64,566
Other financial expense	7,342	27,353
Interest income	(2,486)	(1,122)
Mortgage Interest	24,460	36,073
	65,144	126,870

Other elements of expenses	Nine months ended August 31 2012 $	Twelve months ended November 30 2011 $
Depreciation of property, plant and equipment	246,965	303,330
Amortization of intangible assets	43,268	30,430
Foreign exchange	(21,222)	11,861

15. Change in working capital balances

	2012	2011
Accounts receivable	**(2,352,172)**	1,260,676
Unbilled revenues	**44,570**	(263,497)
Prepaid expenses	**(16,330)**	(15,449)
Investment tax credits recoverable	**440,170**	(170,406)
Accounts payable and accrued liabilities	**(528,278)**	14,900
Deferred revenue	**145,893**	(11,887)
	(2,266,147)	814,337

16. Due to Shareholders

These amounts are non-interest bearing. As the timing of repayment is at the discretion of the Board of Directors, the amounts have been excluded from current liabilities. These loans are not collateralized by any assets of the Company.

17. Commitments and Contingencies

During the periods ending August 31, 2012 actual expenses paid for rental of premises and equipment were $323,087 and $69,057 (total $392,144) respectively and for the period November 30, 2011 $406,046 and $60,683 (total $466,729). Future minimum rental payments required under operating leases for premises, including operating costs that have initial or remaining lease terms in excess of one year at August 31, 2012 are as follows:

	Premises $	Equipment $	Total $
< 1 year	362,698	88,570	451,268
1 to 5 years	535,959	51,666	587,625
> 5 years	-	-	-
	927,171	**140,236**	**1,067,407**

The operating leases relate to the property occupied by the Company. There is no option to purchase any property at the expiry of the lease period.

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 paymentbased on achieving the final stage of the sale of the Company's remaining investement in Wasdel Falls Power Corporation (see note 5). At the acquisition date, the fair value of the contingent consideration was determined to be $78,141. The fair value of the contingent consideration was calculated using a discounted cash flow method based upon the liklihood and timing of the project becoming operational and a discount rate of 15%. For the nine months ended August 31, 2012 and the year ended November 30, 2011, as a result of changes to the expected timing of realizing the contingent consideration, there have been no changes to the recorded liability in the consolidated financial statements.

18. Segmented Disclosure

Management has determined that the Company operates in two industry segments, professional engineering services (WESA Inc.) and environmental technical solutions (WESA Technologies Inc.).

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Executive Officer monitors the results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Segmented information is as follows:

	Nine months ended August 31, 2012		
	Professional Services	Environmental Solutions	Total
Revenue	14,841,651	1,803,950	16,645,601
Gross margin	3,239,616	(346,827)	2,892,789
Income (loss) before income taxes	366,866	(476,150)	(109,284)
Income (loss)	362,046	(476,150)	(114,104)
Total assets	12,743,773	1,205,135	13,948,908
Total liabilities	7,982,391	656,692	8,639,083
Other disclosures			
Investment accounted for using the equity method (note 5)	411,478	-	411,478
Long-term investments (note 5)	11,085	-	11,085

	Twelve months ended November 30, 2011		
	Professional Services.	Environmental Solutions	Total
Revenue	20,641,274	1,830,921	22,472,195
Gross margin	4,204,008	260,142	4,464,150
Income (loss) before income taxes	908,316	(4,416)	903,900
Income (loss)	598,111	124,658	722,769
Total assets	10,743,686	1,230,574	11,974,260
Total liabilities	6,344,353	205,982	6,550,335
Other disclosures			
Investment accounted for using the equity method (note 5)	411,478	-	411,478
Long-term investments (note 5)	11,085	-	11,085

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, not final destination of equipment) are as follows.

	Nine months ending August 31, 2012			
	Canada	**Int'l**	**US**	**Total**
Revenue	14,355,757	2,207,378	82,466	16,645,601

	Twelve months ending November 30, 2011			
	Canada	**Int'l**	**US**	**Total**
Revenue	22,190,069	141,353	140,773	22,472,195

19. Related Party Transactions

All related party transactions are reflected under terms and conditions reflecting prevailing market conditions at the transaction date and recorded at fair value.

Compensation of Key Management Personnel

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

	Nine month period ended August 31, 2012	Twelve month period ended November 30, 2011
Salaries and short-term benefits	$646,171	$640,339

20. Financial Instruments

Financial Assets and Financial Liabilities

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

	August 31 2012	Nov 30, 2011	Dec 1, 2010
	$	$	$
Accounts receivable	**7,057,884**	4,705,712	5,966,388
Total loans and receivables	**7,057,884**	4,705,712	5,966,388
Bank indebtedness and credit facilities	**3,039,471**	547,724	2,420,655
Accounts payable and accrued liabilities	**3,045,055**	3,380,771	3,451,173
Due to shareholders	**441,627**	497,186	406,989
Long term debt	**1,437,431**	1,368,289	1,414,750
Contingent consideration	**78,141**	-	-
Total financial liabilities at amortized cost	**8,041,725**	5,793,970	7,693,567
Long term investments available for sale	**11,085**	11,085	11,085

Fair Value

The carrying amounts for accounts receivable, bank indebtedness, credit facilities and accounts payable and accrued liabilities approximate fair market value because of the short-term maturity of these instruments.

The fair values of the obligations under long-term debt are determined by discounting future cash flows using rates that are implicit in the specific contracts. The carrying value approximates their fair value.

The fair value of amounts due to shareholders was $384,000 ($428,000 – 2011; $407,000- 2010), determined by discounting the amounts by the Company's borrwing rate over the expected payment term.

The fair value of the contingent consideration approximates its book value as it was determined by discounting the amounts by the Company's borrowing rate over the expected payment term.

Risk Management Objectives and Policies

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, 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 trade receivables in order to mitigate any possible credit losses. The allowance for doubtful accounts and past due receivables are reviewed by management at each balance sheet reporting date. The Company updates its estimate of the allowance for doubtful accounts based on an examination of the aged accounts receivable listing, considering such factors as customer payment history, status of pending litigation and the current financial condition of the customers. Accounts receivable are written off once determined not to be collectible.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts, which may include interest accrued after the receivable is more than 60 days outstanding are still considered recoverable. There are no credit issue concerns regarding amounts due to the Company which are current.

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

	August 31, 2012 $	Nov 30, 2011 $	Dec 1, 2010 $
Past due 61 to 90 days	**1,381,915**	467,381	280,880
Past due greater than 90 days	**640,086**	670,534	2,062,241
Allowance for doubtful accounts	**(187,678)**	(67,638)	(472,562)
	1,834,323	1,070,277	1,870,559

Of the past due accounts receivable greater than 90 days of $640,086, none is contractually held back pending completion of certain customer terms and conditions.

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

	August 31, 2012 $	Nov 30, 2011 $	Dec 1 2010 $
Opening balance	**67,638**	472,562	376,419
Bad debt expense provision	**141,566**	(154,541)	34,316
Accounts written off	**(21,526)**	(250,383)	61,827
Closing balance	**187,678**	67,638	472,562

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company currently settles all of its financial obligations out of cash and bank indebtedness. The ability to do so relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

The following table outlines the liquidity risk associated with the Company’s payment obligations as at the periods ended August 31, 2012 and November 30, 2011 respectively.

August 31, 2012		Payment Due				
	Total	In less than 3 months	4 - 12 Months	2 - 5 Years	Over 5 Years	Total
Credit facilities and bank loans	$ 3,039,471	$ 3,039,471	$ -	$ -	$ -	$ 3,039,471
Trade and other payables	3,045,055	3,045,055	-	-	-	3,045,055
Long-term debt	$ 1,624,201	$ 82,922	$ 245,140	$ 816,300	$ 479,839	1,624,201
Due to related party	441,627	-	441,627	-	-	441,627
Contingent consideration	78,141	-	-	78,141	-	78,141
	$ 8,228,495	$ 6,167,448	$ 686,767	$ 894,441	$ 479,839	$ 8,228,495

November 30, 2011		Payment Due				
	Total	In less than 3 months	4 - 12 Months	2 - 5 Years	Over 5 Years	Total
Credit facilities and bank loans	$ 547,724	$ 547,724	$ -	$ -	$ -	$ 547,724
Trade and other payables	3,380,771	3,380,771	-	-	-	3,380,771
Long-term debt	$ 1,581,903	$ 79,670	$ 200,296	$ 716,195	$ 585,743	1,581,903
	$ 5,510,398	$ 4,008,165	$ 200,296	$ 716,195	$ 585,743	$ 5,510,398

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. At August 31, 2012 the Company had $2,780,000 in outstanding revolving credit facilities and long-term debt of 1,437,431 which were floating rate obligations. A 1% increase in interest rates at the reporting date would increase the net loss and reduce equity for the period by $20,980

Foreign Currency Risk

The Company operates internationally and is therefore subject to foreign currency risk as follows:

	August 31 2012 CAD $	**August 31 2012 US $**	November 30 2011 CAD $	November 30 2011 US $	December 1 2010 CAD $	December 1 2010 US $
Cash	**98,741**	**97,526**	19,779	19,391	11,039	10,717
Accounts receivable	**29,547**	**29,184**	46,027	45,126	177,932	173,113
Accounts payable	**75,303**	**74,326**	7,871	7,989	15,580	15,486

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.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

A 10% strengthening of the US dollar against the Canadian dollar would have increased the net loss and decreased equity by $ 8,750.

21. Capital Management

The Company's objective is to maintain a capital base so as to sustain future development of the business through organic growth and selective acquisitions. Management defines capital as being the Company's total shareholders' equity, credit facilities, and long-term debt. In order to maintain or adjust its capital structure, the Company could issue new shares, or raise new debt. To date, no dividends have been paid to the Company's shareholders and none are planned.

There were no changes in the Company's approach to capital management during the year. The Company's view is that there was no increase in risk related to capital management during the nine month period ended August 31, 2012.

22. Transition to IFRS

The date of transition to IFRS for the Company is December 1, 2010. The Company has applied IFRS 1, First-time Adoption of IFRS in preparing its first set of consolidated statements. The effect of the transition to IFRS on equity, total comprehensive income and expected cash flows are presented in this section and further explained in the notes that accompany the tables. IFRS 1 is based on the principle that the adoption of IFRS should be applied retrospectively. However, IFRS 1 offers certain optional exemptions and mandatory exceptions to the retrospective application of IFRS to first-time preparers of IFRS financial statements. These exemptions and exceptions, which are relevant to the Company, are discussed in turn below.

Optional IFRS Exemptions

Business combinations

IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, or of interests in associates and joint ventures that occurred before December 1, 2010. Use of this exemption means that the Canadian GAAP carrying amounts of assets and liabilities, that are required to be recognized under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Company did not recognize or exclude any previously recognized amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the Canadian GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Company has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at December 1, 2010.

Share Options

IFRS 2 *Share-based Payment* has not been applied to equity instruments in share-based payment transactions that were granted and vested before December 1, 2010.

The Company had no unvested options outstanding as at the transition date, and currently has no options outstanding.

Mandatory IFRS Exceptions

Accounting estimates

IFRS 1 requires that estimates under IFRS at the transition date should be consistent with estimates made for the same date under previously applied Canadian GAAP, after applying any adjustments to reflect differences in accounting policies, unless there is objective evidence that these estimates were made in error. As such, a first-time adopter cannot use hindsight in order to create or revise any accounting estimates. Estimates previously made by the Company under Canadian GAAP have not been revised, except where necessary to reflect any differences in accounting policies.

Financial assets and liabilities

Financial assets and liabilities that had been de-recognized before the date of transition to IFRS under previous GAAP have not been recognized under IFRS.

Non-controlling interests

The following requirements of IAS 27 have been applied prospectively from the date of transition to IFRS:

- Total comprehensive income has been attributed to non-controlling interests irrespective of whether this results in a deficit balance;
- Changes in a parent’s ownership interest have been treated as equity transactions.

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires a first-time adopter of IFRS to reconcile shareholders' equity, comprehensive income and cash flows for prior periods beginning as of the Transition Date.

Reconciliation of equity as at December 1, 2010

	Notes	Canadian GAAP	Remeasurements	IFRS as at December 1, 2010
		$	$	$
ASSETS				
Current assets				
Accounts receivable		5,966,388		5,966,388
Unbilled revenues		1,992,948		1,992,948
Prepaid expenses		81,604		81,604
Investment tax credits recoverable		369,526		369,526
Total Current Assets		8,410,466		8,410,466
Non-current assets				
Property, plant and equipment	**A**	2,615,228	(408,243)	2,206,985
Intangible assets		132,123	15,235	147,358
Investments accounted for using the equity Method	**C**	435,980	(144,150)	291,830
Long-term investments		11,085		11,085
Deferred taxes	**E**	-	91,274	91,274
Goodwill and other assets	**D**	1,602,517	(10,422)	1,592,095
TOTAL ASSETS		13,207,399	(456,306)	12,751,093
LIABILITIES				
Current liabilities				
Bank indebtedness		700,655		700,655
Credit facilities and bank loans		1,720,000		1,720,000
Accounts payable and accrued liabilities		3,947,078		3,947,078
Deferred revenue		45,209		45,209
Current portion of long-term debt		271,522		271,522
Total Current Liabilities		6,684,464		6,684,464
Non-current liabilities				
Long-term debt		1,143,228		1,143,228
Due to shareholders		406,989		406,989
Deferred taxes	**E**	87,896	(87,896)	-
Total liabilities		8,322,577	(87,896)	8,234,681
SHAREHOLDERS' EQUITY				
Share capital		1,032,835		1,032,835
Retained earnings		3,726,176	(368,950)	3,357,766
Equity attributable to owners of the parent		4,759,011	(368,950)	4,390,601
Non-controlling interest		125,811		125,811
Total equity		4,884,822	(368,950)	4,516,412
TOTAL LIABILITIES & EQUITY		13,207,399	(456,306)	12,751,093

Reconciliation of equity as at November 30, 2011

	Notes	Canadian GAAP (restated note 23)	Remeasurements	IFRS as at November 30, 2011
		$	$	$
ASSETS				
Current assets				
Accounts receivable		4,705,712		4,705,712
Unbilled revenues		2,256,445		2,256,445
Prepaid expenses		97,053		97,053
Investment tax credits recoverable		544,605	(4,673)	539,932
Total Current Assets		7,603,815	(4,673)	7,599,142
Non-current assets				
Property, plant and equipment	**A**	2,550,143	(425,848)	2,124,295
Intangible assets		105,948	90,639	196,587
Investments accounted for using the equity method	**B,C**	304,852	106,626	411,478
Long-term investments		11,085		11,085
Deferred taxes	**E**	38,200	1,384	39,584
Goodwill and other assets	**D**	1,601,028	(8,933)	1,592,095
TOTAL ASSETS		12,215,071	(240,805)	11,974,266
LIABILITIES				
Current liabilities				
Bank indebtedness		397,724		397,724
Credit facilities and bank loans		150,000		150,000
Accounts payable and accrued liabilities		3,961,978		3,961,978
Deferred revenue		33,322		33,322
Current portion of long-term debt		229,640		229,640
Total Current Liabilities		4,772,664		4,772,664
Non-current liabilities				
Long-term debt		1,138,649		1,138,649
Due to shareholders		497,186		497,186
Deferred taxes	**E**	129,432	(65,736)	63,696
Contingent consideration		78,141	-	78,141
Total liabilities		6,616,072	(65,736)	6,550,336
SHAREHOLDERS' EQUITY				
Share capital		1,393,096		1,393,096
Retained earnings		4,012,083	(225,437)	3,786,646
Equity attributable to owners of the parent		5,405,179	(225,437)	5,179,742
Non-controlling interest	**B**	193,820	50,367	244,187
Total equity		5,598,999	(175,070)	5,423,929
TOTAL LIABILITIES & EQUITY		12,215,071	(240,805)	11,974,266

Reconciliation of comprehensive income for the year ended November 30, 2011

	Notes	**Canadian GAAP (restated – note 23)**	Remeasurements	IFRS for the year ended November 30 2011
		$	$	$
Revenue		22,472,195		22,472,195
Cost of goods sold		18,008,045		18,008,045
Gross profit		4,464,150		4,464,150
Selling, general and administrative expenses	**A**	3,793,941	(59,288)	3,734,653
Research and development		121,580		121,580
Total operating expenses		3,915,521	(59,288)	3,856,233
Operating Income		548,629	59,288	607,917
Gain on sale of shares of joint venture	**B**	172,077	250,776	422,853
Finance costs		(126,870)		(126,870)
Income before income taxes		593,836	310,064	903,900
Income taxes	**E**	171,574	9,557	181,131
Net income and comprehensive income for the period		422,262	300,507	722,769
Net income and comprehensive income for the period attributable to:				
Owners of the parent		308,531	250,140	558,671
Non-controlling interest	**B**	113,731	50,367	164,098
		422,262	300,507	722,769

Notes to the reconciliation of equity as at December 1, 2010 and November 30, 2011 and total comprehensive income for the year ended November 30, 2011

A Property, Plant and Equipment and Intangible Assets

Under Canadian GAAP, the Company adopted depreciation rates for their property, plant and equipment and their intangible assets solely for tax purposes which did not reasonably estimate their useful lives. On conversion to IFRS, the Company re-evaluated the useful lives of their property, plant and equipment and intangible assets to better reflect their actual use. The effect of this difference was to decrease property plant and equipment by $408,243 and increase intangible assets by $15,235 on December 1, 2010 and decrease property plant and equipment by $425,848 and increase intangible assets by $90,639 on November 30, 2011. The adjustment also had the effect of decreasing comprehensive income by $59,288 as a result of the adjusted depreciation expense for the year.

B Investment accounted for using the equity method

During the year ended November 30, 2011, the Company entered into an agreement to sell its interest in Wasdell Falls Power Corporation (see note 5). On the loss of joint control resulting from the sale agreement, the Company revalued their remaining 25% interest in Wasdell Falls Power Corporation at a fair value of $411,478, which results in an additional gain of $250,776 during the year ended November 30, 2011 in accordance with IFRS. In addition, as the investment in Wasdell Falls Power Corporation is held in a subsidiary of the Company, the recognition of the gain on revaluation also had the impact of increasing the net income attributable to non-controlling interests by $50,367.

C Investment accounted for using the equity method

The Company valued their contribution in the Wasdell Falls Power Corporation at their fair value as permitted under Canadian GAAP. On conversion to IFRS, the Company derecognized amounts previously recognized as long-term investments to reflect in its income statement the portion of any gain arising on the investment attributable to the other venturers. The effect of this difference was to decrease long-term investments by $144,150 for November 1, 2010 and November 30, 2011, the gain arising on the investment which is not attributable to other venturers.

D Incorporation costs

On conversion to IFRS the Company derecognized amounts previously recorded as incorporation costs under Canadian GAAP as the amount did not meet the recognition criteria under IFRS. As a result, retained earnings as at December 1, 2010 and November 30, 2011 were reduced by $10,422 and $8,933 respectively.

E Income taxes

The various transitional adjustments lead to different temporary differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or net income and comprehensive income for the period.

23. Correction of Prior Period Errors

The Canadian GAAP consolidated financial statements previously issued for the year ended November 30, 2011 contained material errors and therefore required restatement.

The table below shows the detail of the correction of these prior period errors.

	Notes	**Canadian GAAP as reported on November 30, 2011**	Corrections	Restated Canadian GAAP as at November 30, 2011
		$	$	$
ASSETS				
Current assets				
Accounts receivable		4,705,712		4,705,712
Unbilled revenues		2,256,445		2,256,445
Prepaid expenses		97,053		97,053
Investment tax credits recoverable		544,605		544,605
Total Current Assets		7,603,815		7,603,815
Non-current assets				
Property, plant and equipment		2,550,143		2,550,143
Intangible assets		105,948		105,948
Investments accounted for using the equity method	**C**	465,551	(160,699)	304,852
Long-term investments		11,085		11,085
Deferred tax asset	**F**	-	38,200	38,200
Goodwill and other assets	**D**	1,689,008	(87,980)	1,601,028
TOTAL ASSETS		12,425,550	(210,479)	12,215,071
LIABILITIES				
Current liabilities				
Bank indebtedness		397,724		397,724
Credit facilities and bank loans		150,000		150,000
Accounts payable and accrued liabilities		3,961,978		3,961,978
Deferred revenue	**C**	33,322		33,322
Deposit	**C**	332,776	(332,776)	-
Current portion of long-term debt		229,640		229,640
Total Current Liabilities		5,105,440	(332,776)	4,772,664
Non-current liabilities				
Long-term debt		1,138,649		1,138,649
Due to shareholders		497,186		497,186
Deferred taxes	**F**	87,896	41,536	129,432
Contingent consideration	**E**	-	78,141	78,141
Total liabilities		6,829,171	(213,099)	6,616,072
SHAREHOLDERS' EQUITY				
Share capital	**B**	1,157,024	236,072	1,393,096
Retained earnings	**B,C,D, E,F**	4,313,860	(301,777)	4,012,083
Equity attributable to owners of the parent		5,470,884	(65,705)	5,405,179
Non-controlling interest	**C,D**	125,495	68,325	193,820
Total equity		5,596,379	2,620	5,598,999
TOTAL LIABILITIES & EQUITY		12,425,550	(210,479)	12,215,071

	Notes	**Canadian GAAP as reported on November 30, 2011**	Corrections	Restated Canadian GAAP as at November 30, 2011
		$	$	$
Revenue		22,472,195		22,472,195
Cost of goods sold		18,008,045		18,008,045
Gross profit		4,464,150		4,464,150
Selling, general and administrative expenses	**A,B,D**	3,984,765	(190,824)	3,793,941
Research and development		121,580		121,580
Total operating expenses		4,106,345	(190,824)	3,915,521
Operating Income		357,805	190,824	548,629
Gain on sale of shares of joint venture	**C**	-	172,077	172,077
Finance costs		(126,870)		(126,870)
Income before income taxes		230,935	362,901	593,836
Income taxes	**F**	61,071	110,503	171,574
Net income and comprehensive income for the period		169,864	252,398	422,262
Net income and total comprehensive income for the period attributable to:				
Owners of the parent		149,173	159,358	308,531
Non-controlling interest	**C,D**	20,691	93,040	113,731
		169,864	252,398	422,262

A The Company recorded certain amounts in fiscal 2011 that would have met the definition of a liability as at December 1, 2010. The correction of this error had the impact of increasing Trade and Other Payables by $440,000 while decreasing Retained Earnings on December 1, 2010. The correction of this error also had the impact of decreasing selling, general and administrative expenses and increasing Income from operations by $440,000 for the year ended November 30, 2011, with no impact on the previously reported liability and retained earnings as at November 30, 2011.

B During the year ended November 30, 2011 the Company issued 23,009 stock-options that were subsequently exercised in the year. The Company failed to record a $236,072 compensation expense related to these options (see note 12). The correction of this error has resulted in an increase in 2011 operating expenses and a decrease in net income before taxes.

C During the year ended November 30, 2011, the Company entered into an agreement to sell its interest in Wasdell Falls Power Corporation (see note 5). The Company had not recognized a gain on the sale of one half their interests in the joint venture of $172,077. The book value of this half of the interest was $160,699 and the Company had recorded a deposit of $332,776 as part of the agreement. The correction of this error has resulted in an increase in net income before taxes of $172,077 for 2011. As the investment in Wasdell Falls Power Corporation is held

in a subsidiary of the Company, the recognition of the gain on sale also had the impact of increasing the net income attributable to non-controlling interests by $50,367.

D During the year ended November 30, 2011, the Company acquired additional shares of one of their subsidiaries to increase their interests from 50% to 66.67%. The Company accounted for this transaction principally as in increase in goodwill rather than an equity transaction. The correction of this error had the impact of decreasing goodwill by $87,980, increase selling general and administrative expenses and non-controlling interests by $9,392, for a small gain recognized on the transaction. The corrected entry has the impact of decreasing non-controlling interest by $45,722 and decreasing retained earnings by $51,650.

E The amount of the liability related to the contingent consideration resulting from the increase in the Company's interests in their subsidiary had not been recorded by the Company (see note 17). The correction of this error had the impact of increasing long-term liabilities by $78,141 and decreasing retained earnings by the same amount.

F The correction of the entries above also had an impact on the deferred tax balances.

24. Subsequent Event

On October 24, 2012 the Company's shareholders approved the sale of all the issued and outstanding shares of WESA Group Inc. ("WESA") to Seprotech Systems Incorporated ("Seprotech") by way of a reverse merger. Seprotech subsequently changed its name to BluMetric Environmental Inc. ("BluMetric").

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 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 comprises the value of the expected synergies arising from the acquisition, which is not separately recognized. None of the goodwill recognized is expected to be deductible for income tax purposes.