BluMetric Environmental Inc.

Management's Discussion & Analysis

Financial Quarters Ended June 30, 2021 and June 30, 2020

(expressed in Canadian Dollars)

August 26, 2021

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This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric Environmental Inc's ("BluMetric" or the "Company") financial condition and results of operations for the nine months ended June 30, 2021. The MD&A should be read in conjunction with the Company's financial statements and related notes for the period ended June 30, 2021 as well as the MD&A and audited financial statements and notes for the year ended September 30, 2020. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

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

Business Update – COVID – 19 Pandemic

The global COVID-19 pandemic is now in its second year and continues to create volatility at local, national and global levels.

BluMetric has adapted its operations to effectively service its clients during the pandemic. Central to this has been the Company's Pandemic Response Plan, developed by its Industrial Hygiene/Occupational Health and Safety service line, which establishes health and safety processes to meet or exceed applicable guidelines set by government health authorities. The plan ensures that BluMetric prioritizes the health of its employees and their families, the community, as well as the Company's clients.

Much of BluMetric's project work for the military and mining markets has been deemed essential throughout the pandemic. Other areas, such as real estate and industrial-commercial projects experienced some COVID-19 related postponements or slowdowns but has since shown signs of recovery. Additionally, the industrial hygiene/occupational health and safety service line was able to respond to the demand from customers for solutions to manage and mitigate COVID-19 impacts on their operations.

Significant uncertainty continues regarding both the impact of COVID-19 on the Company and its markets as Canada continues to roll-out vaccines and new COVID-19 variants emerge. Accordingly, estimates of the extent to which the pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are subject to significant uncertainty.

The Company continues to pursue new revenue contracts, actively manage costs and ensure adequate liquidity. BluMetric continues to monitor and actively manage the impacts from COVID-19 on its projects and operations and is well positioned to react quickly to changes in the business climate.

Business Overview and Strategy

BluMetric is a Canadian company that provides cost-effective and sustainable solutions to help its clients overcome even the most difficult environmental and business challenges. Through a track record that spans 40 years, the Company has evolved into a full-service integrator of environmental solutions known for innovative work in the fields of water/wastewater treatment and professional environmental services.

With a focus on four key markets —Mining; Commercial and Industrial; Government; and Military— BluMetric's main services and products include:

- Engineering, Rehabilitation and Design
- Wastewater and Water Treatment Solutions
- Hydrogeology and Hydrology
- Environmental Due Diligence Assessments
- Waste Management (Solid, Liquid, Hazardous)
- Industrial Hygiene and Occupational Health and Safety
- Management Systems and Training

BluMetric's comprehensive, affordable offerings are tailored to the specific needs of not only each industry, but also each client. With innovation, agility and client-responsive service as its hallmarks, the Company builds partnerships with its customers by delivering a long-term, holistic approach to managing their complete environmental needs, and health and safety responsibilities. It is this high degree of service that differentiates BluMetric from competitors.

BluMetric's team of approximately 170 dedicated and passionate employees and its client-centric approach form the underpinning of its success, contributing to the following core elements of its value proposition:

- Solution-oriented consultation, design, products and construction services
- Turn-key solutions – BluMetric provides a complete end-to-end solution from assessment and evaluation to implementation to ongoing service and management
- World class expertise in the analysis, management and treatment of water in the environment
- Water treatment solutions that are compact, energy efficient, reliable and simple to operate

The Company has 10 offices across Ontario, Quebec, Yukon and Northwest Territories. BluMetric is proud to be a trusted provider of services to many of Canada's northern Indigenous communities.

Technology and Innovation

Innovation is driven by client demands as they face more stringent environmental regulations. Developing a scientifically sound and economically viable solution for a specific problem is the creative process that differentiates BluMetric from its competitors.

Despite the business interruption caused by COVID-19, which has placed some research and innovation initiatives on hold, the Company has expanded its standard products for water and wastewater treatment with the further development of a Portable Water Purification System and a Mobile Wastewater Treatment Plant. Both these solutions are highly flexible and cost efficient and allow for rapid deployments for temporary needs, such as temporary exploration and mining camps.

Additionally, the Company still sees demand for solutions that reduce the ammonia concentration in wastewater due to stricter effluent limits for the mining, landfill, and industrial markets.

BluMetric's ammonia removal process, MARS, has been used in several full-scale treatment systems for mining and landfill customers. Environmental compliance, reduced capital costs and reduced operational costs are the main advantages of the MARS process.

BluMetric is committed to pursuing new opportunities in technology and innovation with respect to cost effective water solutions as they arise.

Sales and Marketing

BluMetric's business development efforts are primarily focused on four key markets where the Company has identified the greatest demand for its products and services:

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

BluMetric uses a client-centric approach to business development, which involves an emphasis on understanding each client's environmental issues and then identifying and preventing potential problems. This approach allows BluMetric to provide a complete and integrated solution.

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

Board of Directors

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

Executive Management

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

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

Our People

The BluMetric team consists of approximately 170 experienced and motivated hydrogeologists, engineers, occupational and industrial hygienists, environmental auditors, environmental scientists, chemists, project managers, finance professionals, trades and support personnel. They are experts in providing a comprehensive range of environmental services and engineered solutions, from contaminated site assessment and remediation to complete turn-key wastewater treatment systems.

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

Diversity

BluMetric is committed to the principles of diversity. The Company strives to create and support an inclusive work environment that respects and values the contributions of all employees and their individual differences.

BluMetric's employees come from a wide range of cultural, ethnic, educational and religious backgrounds. Additionally, women represent 45% of the workforce from welders and field service technicians to a senior member of the executive team. To that end, BluMetric's goal is to capitalize on the strength derived from diversity while affording its team members the greatest opportunity to excel, grow, and contribute to business and society.

Discussion of Results of Operations

Q3 2021 compared to Q3 2020

	Three months ended			
	June 30, 2021 $	**June 30, 2020 $**	**Change $**	**Change %**
Revenue	8,488,308	6,858,006	1,630,302	24%
Gross profit	2,193,016	1,341,716	851,300	63%
Gross margin %	26%	20%		
Operating expenses	1,147,288	1,117,916	29,372	3%
Other income	-	(833,257)	(833,257)	-100%
Operating profit	1,045,728	1,057,057	(11,329)	-1%
Adjusted EBITDA[1]	1,288,218	1,176,891	111,327	9%
Earnings before income taxes	1,005,494	943,121	62,373	7%
Income tax expense	318,260	269,876	48,384	18%
Net earnings	687,234	673,245	13,989	2%
Weighted average common shares outstanding	28,836,574	28,675,695		
Earnings per share – basic and diluted	0.02	0.02		

Note 1: EBITDA is a non-IFRS measure and is calculated as net income before interest expense, income taxes, depreciation, and amortization. Adjusted EBITDA is a non-IFRS measure and is calculated as EBITDA before irregular items, such as impairment of computer hardware (see 'Financial Terms and Definitions' for more detail on both measures).

Revenue for the quarter ended June 30, 2021 was $8.5 million compared to $6.9 million for the quarter ended June 30, 2020.

The Commercial and Industrial market increased $1.7 million in Q3 2021 compared to the prior year. Over $1.0 million of this increase is related to the Company's Industrial Hygiene - Occupational Health and Safety service line which has continued to develop and oversee COVID-19 protocols at external client sites. The remaining increase is related to an overall increase in activity in 2021 compared to a weak Q3 2020 which was hampered due to the onset of COVID-19.

The Government market increased $700,000 in Q3 2021 over Q3 2020, primarily due to higher activity across multiple projects and clients for work in Canada's North. During the quarter ended June 30, 2021, the Company commenced work on a multi-year operation and maintenance contract for the Effluent Treatment Plant at Giant Mine in Yellowknife, Northwest Territories. This project also ran in FY20. However, the contract award in fiscal year 2021 will span both fiscal years 2021 and 2022.

The Military market stayed relatively consistent in Q3 2021 compared to the prior year. A scheduled slowdown in production on the multi-year Seaspan contract was largely offset by increased activity on the

Company's multi-year shipboard reverse osmosis desalination (SROD) contract. Activity on the Seaspan contract is planned to resume in Q4 of 2021

The Mining market decreased $600,000 in Q3 2021 compared to the prior year mainly due to the completion of two large projects. These declines were only partially offset by new projects in the current year.

Gross profit was $2.2 million for Q3 2021 compared to $1.3 million for Q3 2020. Gross margin was higher at 26% compared to 20% in Q3 2020.

Operating costs were consistent with prior year at $1.1 million due to a reduction in credit loss provisions as some large outstanding accounts were collected. This reduction was offset by spending on initiatives which were curtailed in Q2 2020 in response to the pandemic. Additionally, an impairment charge was taken on computer hardware as the Company proactively moved its server infrastructure to a modern serverless cloud IT system. This move ensures best in class storage, backup and recovery capabilities.

In the period ended June 30, 2020, the Company received other income of $833,000 as a subsidy for employee wages paid.

Finance costs were $40,000 in Q3 2021 compared to $114,000 in the prior period primarily due to the re-financing of the Company's $2 million term loan. The new loan carries an interest rate of 3.28% per annum compared to the effective interest rate of 14% on the previous loan.

Net earnings for Q3 2021 were $687,000, consistent with Q3 2020.

Year-to-date Q3 2021 compared to year-to-date Q3 2020

	Nine months ended June 30, 2021 $	June 30, 2020 $	Change $	Change %
Revenue	25,779,224	18,201,826	7,577,398	42%
Gross profit	7,076,107	3,262,615	3,813,492	117%
Gross margin %	27%	18%		
Operating expenses	3,497,113	3,580,437	(83,324)	-2%
Gain on disposal of assets held for sale	-	(947,914)	(947,914)	-100%
Goodwill impairment	-	1,592,095	1,592,095	100%
Other income	-	(833,257)	(833,257)	-100%
Operating profit (loss)	3,578,994	(128,746)	3,707,740	2,880%
Adjusted EBITDA[1]	4,126,286	861,810	3,264,476	379%
Earnings (loss) before income taxes	3,297,699	(511,663)	3,809,362	745%
Income tax expense	858,800	239,033	619,767	259%
Net earnings (loss)	2,438,899	(750,696)	3,189,595	425%
Weighted average common shares outstanding	28,731,885	28,675,695		
Earnings (loss) per share – basic and diluted	0.08	(0.03)		
Total assets	16,340,295	12,147,174		
Working capital	8,773,306	2,585,219		
Non-current liabilities	2,044,730	799,133		
Shareholders’ equity	8,576,824	4,849,708		
Net cash (debt)[2]	1,632,241	(809,068)		

Note 1: EBITDA is a non-IFRS measure and is calculated as net income before interest expense, income taxes, depreciation, and amortization. Adjusted EBITDA is a non-IFRS measure and is calculated as EBITDA before gain on disposal of assets held for sale, goodwill impairment and impairment of computer hardware (see ‘Financial Terms and Definitions’ for more information on both measures).
Note 2: Net cash (debt) is a non-IFRS measure and is calculated as cash less total debt excluding lease liabilities (see ‘Financial Terms and Definitions’).

Revenue for the nine months ended June 30, 2021 was $25.8 million compared to $18.2 million for the nine months ended June 30, 2020.

The Commercial and Industrial market increased $3.5 million in Q3 2021 compared to the prior year primarily due to new service offerings from the Company’s Industrial Hygiene - Occupational Health and Safety service line to assist clients in mitigating and the impacts of COVID-19 on their operations.

The Government market increased $2.7 million year-to-date in Q3 2021 over year-to-date Q3 2020. This was primarily due to large projects awarded to the Company for the provision of COVID cleaning supplies for schools in communities throughout Nunavut, as well as an overall increase in activity.

For the nine months ended June 30, 2021, the Military market increased $1.1 million primarily related to increased activity on the Company's multi-year shipboard reverse osmosis desalination (SROD) contract.

The Mining market stayed relatively consistent with the prior nine month period. The commencement of new projects and resumption of activity at some existing projects that had been stalled due to COVID-19 offset reductions related to the completion of two large projects during the year.

Gross profit was $7.1 million for the nine months ended Q3 2021 compared to $3.3 million. Gross margin was 27% compared to 18% for the nine months ended Q3 2020.

Operating costs decreased slightly for the nine months of 2021 to $3.5 million compared to $3.6 million in the prior year. The decrease is primarily explained by a reduction in credit loss provisions as some large outstanding accounts were collected and by lower levels of travel and conferences related to COVID-19 restrictions. These reductions were partially offset by higher spending on initiatives which had been largely frozen in response to the COVID-19 pandemic. Additionally, an impairment charge was taken on computer hardware as the Company proactively moved its server infrastructure to a modern serverless cloud IT system. This move ensures best in class storage, backup and recovery capabilities.

For the nine months ended Q3 2020, the Company recorded a gain on the disposal of its office building at 3108 Carp Road of $948,000 and a government grant received for employee wages of $833,000, which was almost entirely offset by a non-cash impairment charge of $1.6 million as it was determined that the full carrying amount of goodwill was impaired.

Finance costs were $300,000 year-to-date Q3 2021 compared to $400,000 in the prior year period primarily due to the re-financing of the Company's $2.0 million term loan on April 20, 2021. The new loan carries an interest rate of 3.28% per annum compared to an effective interest rate of 14% on the previous loan.

Net earnings for the nine months ended Q3 2021 were $2.4 million compared to a loss of ($751,000) in the nine months ended Q3 2020.

Net cash (see "Financial Terms and Definitions") as at June 30, 2021 was $1.6 million, a $2.4 million improvement from net debt of $809,000 at June 30, 2020.

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

	Three months ended		Nine months ended	
	June 30, 2021 $	**June 30, 2020 $**	**June 30, 2021 $**	**June 30, 2020 $**
Net income (loss)	687,234	673,245	2,438,899	(750,696)
Finance costs	40,234	113,936	281,295	382,917
Income tax expense (recovery)	318,260	269,876	858,800	239,033
Depreciation and amortization	152,072	119,834	456,874	346,375
EBITDA	1,197,800	1,176,891	4,035,868	217,629
Impairment of computer hardware	90,418	-	90,418	-
Gain on disposal of assets held for sale	-	-	-	(947,914)
Impairment of goodwill	-	-	-	1,592,095
Adjusted EBITDA	1,288,218	1,176,891	4,126,286	861,810

The Company recorded adjusted EBITDA of $1.3 million for the three months ended June 30, 2021, compared with $1.2 million in Q3 2020. The increase in adjusted EBITDA is mainly due to increased project revenue ($1.6 million increase in Q3 2021 compared to Q3 2020) and a higher gross margin (gross margin was 26% in Q3 2021 compared to 20% in Q3 2020).

For the nine months ended June 30, 2021, the Company recorded adjusted EBITDA of $4.1 million, compared with $862,000 for the nine months ended June 30, 2020.

For more detail, see "Discussion of Results of Operations" and "Quarterly Results".

Quarterly Results

Quarterly financial information for the eight quarters ended June 30, 2021

(in 000's, except as otherwise indicated)

	Q3 2021 Jun 30, 2021 $	**Q2 2021 Mar 31, 2021 $**	**Q1 2021 Dec 31, 2020 $**	**Q4 2020 Sept 30, 2020 $**
Revenue	8,488	9,139	8,152	10,420
Cost of sales	6,295	6,475	5,933	7,559
Gross profit	2,193	2,664	2,220	2,861
Gross margin %	26%	29%	27%	27%
Operating expenses	1,147	1,199	1,151	1,350
Other income	-	-	-	(328)
Finance costs	40	122	120	125
Earnings before income taxes	1,005	1,343	949	1,714
Income tax expense	318	291	249	491
Net earnings	687	1,052	700	1,222
Weighted average common shares outstanding - basic	28,836,574	28,683,473	28,675,695	28,675,695
Earnings per share – basic and diluted	0.02	0.04	0.02	0.04

	Q3 2020 Jun 30, 2020 $	**Q2 2020 Mar 31, 2020 $**	**Q1 2020 Dec 31, 2019 $**	**Q4 2019 Sept 30, 2019 $**
Revenue	6,858	5,028	6,316	6,626
Cost of sales	5,516	4,538	4,885	5,204
Gross profit	1,342	490	1,431	1,422
Gross margin %	20%	10%	23%	21%
Operating expenses	1,118	1,308	1,155	1,274
Gain on disposal of assets held for sale	-	-	(948)	-
Goodwill Impairment	-	1,592	-	-
Other income	(833)	-	-	-
Finance costs	114	115	154	110
Earnings (loss) before income taxes	943	(2,525)	1,070	38
Income tax expense (recovery)	270	(257)	226	(1)
Net earnings (loss)	673	(2,268)	844	39
Weighted average common shares outstanding - basic	28,675,695	28,675,695	28,675,695	28,675,695
Earnings (loss) per share – basic and diluted	0.02	(0.08)	0.03	0.00

The Company experiences variability in its results of operations from quarter to quarter due to the nature of the markets and geographies in which it operates. Typically, in the second quarter, the Company experiences slowdowns related to winter weather conditions and holiday schedules. Activity in the fourth quarter generally increases as a result of projects in the North that run in the summer season. Additionally, the Company has a number of discrete contracts that occur throughout the year and can significantly impact the results of any one quarter.

Below are some key highlights for fluctuations quarter over quarter. For information on the operating results please see the Discussion of Results of Operations in each MD&A for each respective quarter.

Highlights on quarter over quarter variances include:

1. Q3 2021 vs Q3 2020: Q3 2021 includes a large project related to COVID-19 for compliance observation which contributed $1.0 million in revenue during the quarter. The Company recognized other income of $833,000 in Q3 2020 related to a subsidy for employee wages.
2. Q2 2021 vs Q2 2020: Q2 2021 includes a number of large projects related to COVID-19 for compliance observation and for the provision of COVID cleaning supplies for schools in each community throughout Nunavut. Combined, these projects contributed $2.2 million in revenue during the quarter. Additionally, an increase of activity on one of the Company's contracts in the Military market contributed an additional $1.2 million to revenue in Q2 2021 over Q2 2020. The Company recognized an impairment of its goodwill of $1.6 million in Q2 2020.
3. Q1 2021 vs Q1 2020: Q1 2021 includes large projects related to COVID-19 for compliance observation and for the provision of COVID cleaning supplies for schools in each community throughout Nunavut. Combined, these projects contributed $1.8 million in revenue during the quarter. In addition, Q1 2020 includes a gain on sale of $948,000 related to the sale of the Company's office building at 3108 Carp Road.
4. Q4 2020 vs Q4 2019: Q4 2020 includes two large projects, one for the operation and maintenance of a large scale effluent treatment system for the Federal Government at the abandoned Giant Mine in the Northwest Territories and one for the provision of COVID cleaning protocol training and supplies for schools in each community throughout Nunavut. Combined, these two projects contributed $2.0 million in revenue during the quarter. The Company also received other income of $328,000 in the period ended September 31, 2020 as a subsidy for employee wages.

Summary of Cash Flows

	Nine months ended	
	June 30, 2021 $	**June 30, 2020 $**
Cash provided by (used in)		
Operating activities, excluding changes to working capital	3,526,290	863,198
Changes related to working capital	(1,219,152)	1,026,407
Operating activities	2,307,138	1,889,605
Investing activities	(132,391)	1,036,224
Financing activities	(859,421)	(1,247,123)
Change in cash and cash equivalents	1,315,326	1,678,706
Cash and cash equivalents – Beginning of period	2,470,002	243,098
Cash and cash equivalents – End of period	3,785,328	1,921,804
Free cash flow[1]	1,814,333	2,644,281

Note 1: Free cash flow is a non-IFRS measure and is calculated as operating cash flows less net capital expenditures and net payment of lease obligations (see 'Financial Terms and Definitions).

Cash produced from operating activities was $2.3 million in the nine months ended June 30, 2021, compared with cash produced from operating activities of $1.9 million in the same period in 2020. Higher revenue and gross margin resulted in a $2.7 million increase in cash from operations. However, this was partially offset by an unfavourable swing in working capital for the nine months ended June 30, 2021 due to project receivable balances and accounts payable.

Investing activities consumed $132,000 of cash in the first nine months of 2021 compared to cash provided by investing activities of $1.0 million in the same period for 2020. The decrease is due to the sale of the Company's office building at 3108 Carp Road in Q1 2020, which provided net proceeds of $1.1 million and strategic investments in field equipment made in the current fiscal year.

For the nine months ended June 30, 2021, cash used in financing activities was $859,000 compared to cash used by financing activities of $1.2 million in the same period of 2020. In the first nine months of 2021, the Company made principal payments of $500,000 on its existing term debt before refinancing the remaining $2.0 million through a new lender on April 20, 2021. This compared to the same period of 2020, where the Company paid down its $925,000 demand loan using the proceeds from the sale of its office building at 3108 Carp Road.

Free cash flow decreased to $1.8 million in the first nine months of 2021 from $2.6 million in the same period of 2020. The decrease of $800,000 is almost entirely related to the sale of the Company's office building at 3108 Carp Road in Q1 2020, which provided net proceeds of $1.1 million.

Liquidity

The Company's short-term credit facilities consist of an operating credit line in the amount of $2.5 million, which is a shared limit between its overdraft facility and letters of credit. The facility carries a floating interest at prime plus 2.25%, is collateralized by a first ranking general security agreement over all of the Company's present and future assets, is subject to margining based on the amounts of eligible accounts receivable and has no contractual maturity.

For the period ended June 30, 2021, the effective interest rate under this facility was 4.7% (2020 – 4.7%). As at June 30, 2021, the Company had drawn $nil on its operating facility and $nil in letters of credit (June 30, 2020 – $nil and $nil respectively). The Company's eligible accounts receivable exceeded the margining threshold, making the $2.5 million facility fully available to the Company.

On April 20, 2021, the Company entered into a letter of agreement with its bank for a new $2.0 million term loan. The proceeds from the new term loan were used to extinguish the existing term loan that was due to expire August 15, 2021. The new term loan has a closed four-year term and carries an interest rate of 3.28% per annum with monthly blended payments of $44,517 commencing May 31, 2021. The interest rate of 3.28% for the new term loan compares to an effective interest rate of 14% on the existing loan and is expected to generate significant interest savings for the Company over the next four years. The new term loan matures April 30, 2025, will be carried at amortized cost and is subject to the same covenants as the Company's short term credit facilities.

As at June 30, 2021, the Company had approximately $6.3 million in availability between its operating line and cash balances and was in compliance with all its covenants.

Business Outlook

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

BluMetric is focused on making key investments in personnel to support growth and market expansion. The Company is planning to invest in leadership in the Commercial and Industrial and Mining markets to take advantage of emerging opportunities. Demand for services in both these markets is expected to grow as the economy transitions out of a pandemic state. Furthermore, BluMetric will continue to build on a strong 2021 servicing clients in Canada's North, as well as its other governmental clients.

BluMetric believes that the following factors have and will continue to position BluMetric for growth:

- Utilizing the Company's position as an established provider of Industrial Hygiene / Occupational Health and Safety expertise to assist new and existing clients with COVID-19 related challenges;
- The Company's diversified service offerings and market sectors;
- The implementation of a Pandemic Response Plan to ensure compliance with health and safety guidelines in case of further resurgences of COVID-19; and
- Interest cost reductions related to a decline in effective interest on the Company's term debt from 14% to 3.28%. This equates to a reduction of approximately $250,000 in finance costs on an annualized basis.

Business Risks

Refer to the discussion on Business Risks found in the Company's MD&A for the year ended September 30, 2020. These risks and uncertainties are reviewed by management on a quarterly basis and have not materially changed in the first nine months of 2021.

Capital Resources

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

Critical Accounting Estimates and Judgements

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 2 of the Company's audited financial statements and related notes for the year ended September 30, 2020.

Contractual Obligations

The reader is referred to Note 23 of the Company's audited financial statements for the year ended September 30, 2020.

Off-Balance Sheet Arrangements

Many of the Company's operating leases have fallen under IFRS 16 as implemented on October 1, 2019 and are now capitalized on the Statement of Financial Position. For contractual commitments not recognized on the Statement of Financial Position, the reader is referred to Note 23 of the Company's audited financial statements for the year ended September 30, 2020.

Transactions with Related Parties

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

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

	Three months ended		Nine months ended	
	June 30, 2021 $	**June 30, 2020 $**	**June 30, 2021 $**	**June 30, 2020 $**
Salaries	260,981	199,739	718,594	637,622
Short-term benefits	24,445	25,771	75,192	78,281
Share-based compensation	3,543	3,655	17,950	11,441
	288,969	229,165	811,736	727,344

Proposed Transactions and Subsequent Events

There are no proposed transactions or subsequent events for the quarter ended June 30, 2021.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares: 28,895,695 common shares
Options: 620,000 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the quarter ended June 30, 2021.

Financial Terms and Definitions

Definition of Non-GAAP Measures

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

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

Adjusted EBITDA: Adjusted EBITDA additionally excludes items that are significant and irregular, such as the gain on disposal of assets held for sale and impairment charges.

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

Free cash flow: Free cash flow is a non-IFRS measure and is calculated as operating cash flows less capital expenditures and net payment of lease obligations. The Company uses this measure as part of assessing the availability of discretionary cash as part of its liquidity management. There is no directly comparable IFRS measure under IFRS.

Net cash (debt): Net cash (debt) is a non-IFRS measure and is calculated as cash less total debt excluding lease liabilities. The Company uses this measure as part of assessing liquidity. There is no directly comparable measure under IFRS.

Management's Responsibility for Financial Reporting

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

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

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

Additional Information

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