Management Discussion & Analysis

Financial Years Ended September 30, 2015 and September 30, 2014
(expressed in Canadian Dollars)

January 28, 2016

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This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric's financial condition and results of operations for the year ended September 30, 2015. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended September 30, 2015 as well as the MD&A and audited consolidated financial statements and notes for the year ended September 30, 2014. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

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

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

Description of Business

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

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

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

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

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

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

Core Business

Water-based environment solutions is the Company's primary focus although business strengths also include other media such as soil and air.

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

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

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

Strategic Update

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

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

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

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

These two areas will influence growth and opportunity for our clients and, as such, will continue to form the basis of our business planning and decision making.

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

1) We will build while maintaining the same level of staff resources, except where required for new and developing opportunities.
2) We will focus on developing our business creation and project execution capabilities. A first step in this direction is the development of an expanded and dedicated sales team, currently staffed with ten highly experienced technical professionals, to lead the advance in new business creation, while at the same time supporting the strong recurring revenue history of the firm.

3) In the area of operations, we have consolidated our project and service delivery structure, eliminating duplication and maximizing efficiency, while developing and retaining key expertise.
4) We will, in the upcoming fiscal year, increase our dedication to innovation, as well as the development and commercialization of new products and services.
5) We will enhance our client focus and delivery mechanism, building upon 40 years of strong business relationships.

A business strategy that included pricing/margin management, SG&A cost control, improved project management, and a focus on high-growth, higher-margin services, returned us to profitability and this strategy will be continued. The results to the year ended September 30, 2015 reflect progress in this regard.

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

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

The Company views establishing a strong representative network across the Americas as fundamental to its ability to broaden its customer base. The Company now has six manufacturers' representatives in the USA, two in Central America, and two in South America. This network will continue to expand with a mandate to sell engineered solutions, standard commercial products, and environmental services.

This network will position the Company to take advantage of the growing recovery of the United States economy, that country's urgent need to repair or replace aging infrastructure, and the advantage that our currency affords. Also, recently signed trade agreements in South and Central America require countries to participate fully in environmental initiatives often driven by North American project owners and clients.

The Company also views strategic alliances with other companies in niche or complementary technologies and sectors as a key element to delivering innovative solutions to customers. In this respect, the Company signed, and announced, a cooperation agreement with Aquarion AG on July 2, 2015.

The Company expects to sign similar agreements for complementary technologies in the near future.

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

Key Performance Drivers

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

Capability to Deliver Results

Board of Directors

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

Executive Management

The Senior Management team comprises: Roger M. Woeller, CEO; Vivian Karaiskos, Chief Financial Officer; David Haig, President and Chief Operating Officer; Jim Hotchkies, Senior Vice President, Business Development and Growth; and Dan Scroggins, Senior Vice President, Research and Innovation. David Haig was appointed to his role on the Executive Team on July 8, 2015.

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

Employees

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

Diversity

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

Selected Annual Information

The following table shows selected consolidated financial data for BluMetric for the three most recently completed fiscal periods.

For the twelve months ended September 30, 2015, and September 30, 2014 and the thirteen months ended September 30, 2013

	2015 (12 months)	2014 (12 months)	2013 (13 months)
	$	$	$
Total revenue	33,478,800	27,308,777	31,549,194
Gross margin	7,379,448	4,732,786	5,612,915
Gross margin percentage of total revenue	22%	17%	18%
Total SG&A expenses	5,747,768	6,712,905	7,410,718
Net income (loss)	1,015,590	(6,938,737)	(2,316,252)
Common shares outstanding	27,880,140	25,191,656	23,592,713
Net income per share	0.04	(0.28)	(0.10)
Total assets	14,742,961	12,816,907	20,244,378
Working capital	(1,799,504)	(2,374,792)	(1,787,469)
Long term debt	2,423,073	3,479,369	2,517,603
Shareholders' equity (deficit)	1,364,692	(512,842)	6,223,730

Results of Operations

Highlights Fourth Quarter 2015

	Three Months Ended				Twelve Months Ended			
	Sept 30, 2015	Sept 30, 2014	Change	Change	Sept 30, 2015	Sept 30, 2014	Change	Change
	$	$	$	%	$	$	$	%
Revenue	9,242,977	6,567,668	2,675,309	41%	33,478,800	27,308,777	6,170,023	23%
Gross profit	2,059,278	884,386	1,174,892	133%	7,379,448	4,732,786	2,646,662	56%
Gross margin %	22%	13%			22%	17%		
SG&A expenses	1,661,760	2,008,905	(347,145)	-17%	5,747,768	6,712,905	(965,137)	-14%
EBITDA[1]	717,001	(4,917,333)	5,634,334	115%	2,554,318	(5,143,774)	7,698,092	150%
Adjusted EBITDA[2]	702,098	(533,682)	1,235,780	232%	2,364,385	(650,912)	3,015,297	463%
Net income (loss)	333,678	(5,680,773)	6,014,451	106%	1,015,590	(6,938,737)	7,954,327	115%
Common shares outstanding	27,880,140	25,191,656			27,880,140	25,191,656		
Net income (loss) per share	0.01	(0.23)			0.04	(0.28)		
Total assets					14,742,961	12,816,907	1,926,054	15%
Working capital					(1,799,504)	(2,374,792)	575,288	24%
Long term debt					2,423,073	3,479,369	(1,056,296)	-30%
Shareholders' equity (deficit)					1,364,692	(512,842)	1,877,534	-366%

Note 1: EBITDA is a non-IFRS measure (see "Financial Terms and Definitions) and is calculated as net income before interest expense, income taxes, depreciation, and amortization.

Note 2: Adjusted EBITDA is a non-IFRS measure ("see Financial Terms and Definitions) and is calculated as EBITDA before gain or loss on foreign exchange, stock based compensation, gain or loss on sale of property, plant and equipment, unrealized gains on investments held for sale and impairment of good will.

Note 3: Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for June 30, 2015.

Revenues in the fourth quarter were $9.2 million compared with $6.6 million for the quarter ended September 30, 2014, an increase of $2.6 million or 41%. The higher revenue is mainly a result of ongoing engineered solutions projects in the Water Systems group, which traditionally yield higher margins than fee-for-service work. There were no comparable engineered solutions projects in Q4 2014. In addition a revenue provision of $422,000 was taken in Q4 2014 against a project which was deemed unrecoverable, which impacted revenue and gross profit unfavourably in the comparable period. The gross margin period-over-period increased to 22% from 13% in the quarter ended September 30, 2015.

Sales, General and Administrative "SG&A" expenses decreased from $2.0 million incurred during Q4 2014 to $1.7 million in Q4 2015, reflecting continued steady cost control.

Finance costs of $219,525 were higher than the $156,302 reported for the three months ended September 30, 2015, reflecting interest costs on a new mortgage, as well as increased interest rates applicable to a number of the Company's debt obligations. Interest costs are expected to continue to be high going forward, reflecting adverse changes to some of the Company's banking arrangements.

The net income for the quarter was $333,678 compared with net loss of $5.7 million for the comparable quarter in the previous year. The quarter ended September 30, 2014 included a $4.3 million impairment of goodwill.

Highlights – Financial year ended September 30, 2015

During the financial year ended September 30, 2015, the Company made significant progress by growing revenues to $33.5 million. The operating income for the year of $1.8 million was a substantial improvement over the prior year loss of $6.3 million even when normalizing for the $4.3 million goodwill impairment taken in the year. The net income for the year was $1.0 million compared to a net loss in the prior period of $6.9 million.

Discussion of Results and Financial Condition for the Financial Year Ended September 30, 2015

This analysis compares the financial year ended September 30, 2015 with the financial year ended September 30, 2014.

During the financial year ended September 30, 2015, total revenues were $33.5 million (September 30, 2014 - $27.3 million), an increase of approximately $6.2 million (23%). This growth is almost entirely due to the increase in engineered solutions projects in Water Systems. Revenue of approximately $20.3 million was derived from Professional Services and $13.2 million from Water Systems.

Gross margin for the financial year ended September 30, 2015 was $7.4 million, or 22% (September 30, 2014 - $4.7 million or 17%), which represents a significant year-over-year improvement. The gross margin on engineered solutions projects tends to be higher than traditional fee-for-service projects. The improved gross margin can be attributed to both an increase in revenue contribution from these projects, and tighter project management and cost control.

SG&A expenses for the financial year ended September 30, 2015 were $5.7 million, which is a $1.0 million decrease from the year ended September 30, 2014, reflecting the impact of the company's cost-reduction measures associated with staff and occupancy costs.

Finance costs of $728,590 for the financial year ended September 30, 2015 were significantly higher than the $539,064 reported for the year ended September 30, 2014, reflecting interest costs on a new mortgage and higher credit utilization and increased interest rates applicable to a number of the Company's debt obligations. Interest costs are expected to continue to be high going forward, reflecting adverse changes to some of the Company's banking arrangements.

The result was a net income of $1.0 million for the financial year ended September 30, 2015 compared with a loss of $6.9 million for the 12 months ended September 30, 2014. Note this prior year loss includes a non-cash impairment to goodwill of $4.3 million.

In September 2015, the Company completed the conversion of $892,025 of certain existing debt to common shares of the Company, less withholding taxes of $112,365. This resulted in the issuance of 2,688,484 common shares at a net value of $726,629

Shareholders' equity increased to $1.4 million at September 30, 2015. At September 30, 2014, there was a shareholders' deficit of $512,842, primarily due to the $4.3 million non-cash impairment of goodwill recognized at September 30, 2014. The improvement is a result of the income for the year, as well as the debt conversion that occurred in September 2015.

The Consolidated Statement of Financial Position as at September 30, 2015 reflects a working capital deficit of $1.8 million. This deficit reflects a current liability classification of the $1.3 million convertible debentures and a $1.0 million mortgage both coming due within 12 months. The Company intends to renegotiate the mortgage prior to its renewal on July 16, 2016 and to replace the existing convertible debentures with another medium-term financing arrangement. Even with the reclassification of this debt to current liabilities, the Company continues to show an improvement in its working capital deficit over the prior year. This reduction is a result of using the proceeds from the sale and leaseback of the Kitchener office in Q2 2015 to pay down existing debt as well as continuing favourable operating results.

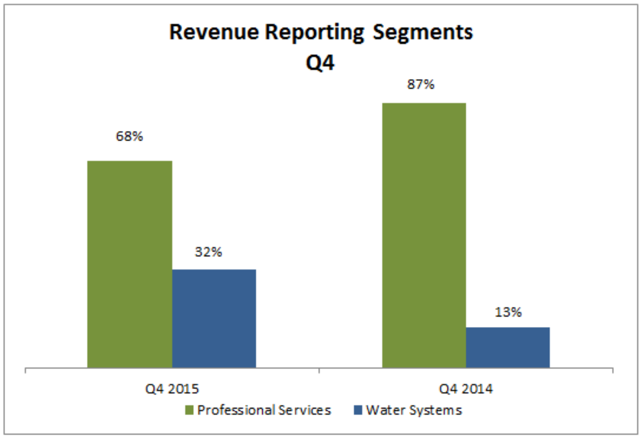
EBITDA and Adjusted EBITDA (see "Financial Terms and Definitions")

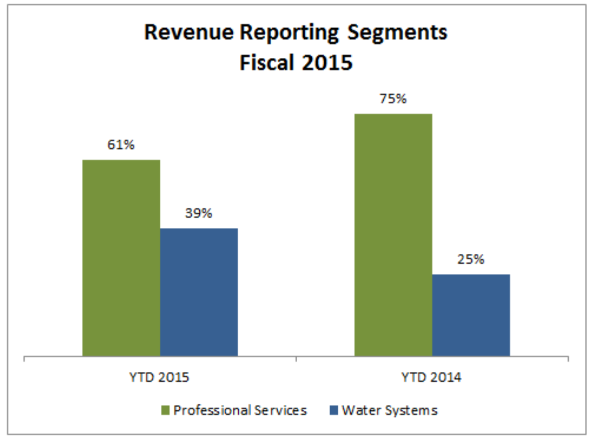
	For the three months ended September 30		For the Twelve months ended Sept 30	
	2015	2014	**2015**	2014
	$	$	**$**	$
Net income (loss)	333,678	(5,680,773)	**1,015,590**	(6,938,737)
Depreciation of property, plant and equipment	89,726	402,498	**433,564**	794,603
Amortization of intangible assets	74,072	204,640	**376,574**	461,296
Finance costs	219,525	156,302	**728,590**	539,064
EBITDA	**717,001**	(4,917,333)	**2,554,318**	(5,143,774)
Foreign exchange loss (gain)	(38,009)	5,267	**(98,217)**	(39,110)
Share-based compensation	15,686	57,463	**135,315**	202,165
Loss (gain) on disposal of property, plant and equipment	10,038	557	**(237,443)**	9,443
Unrealized loss (gain) on investment held for sale	(2,618)	(4,203)	**10,412**	(4,203)
Impairment of goodwill	-	4,324,567	**-**	4,324,567
Adjusted EBITDA	**702,098**	(533,682)	**2,364,385**	(650,912)

The Company recorded adjusted EBITDA of $0.7 million and $2.4 million for the three and twelve months ended September 30, 2015, a significant improvement from the adjusted EBITDA recorded for the same periods in 2014.

Segmented Information

Revenue





The revenue split between the Professional Services and Water Systems was 68% and 32% respectively for Q4 2015, compared to 87% and 13% for Q4 2014. The revenue split for FY15 between the Professional Services and Water Systems was 61% and 39% respectively, compared to 75% and 25% for FY14. This revenue shift is consistent with the Company's direction to increase Water Systems' revenue, which is traditionally higher margin.

Geographical Segmentation

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

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

	For the three months ended September 30		For the twelve months ended Setpember 30	
	2015	2014	**2015**	2014
	$	$	**$**	$
Canada	**8,015,423**	**5,951,165**	**29,481,133**	24,564,709
International	**1,118,858**	**88,284**	**3,247,108**	1,670,438
United States	**108,696**	**528,219**	**750,559**	1,073,630
	9,242,977	6,567,668	**33,478,800**	27,308,777

Technology and Innovation

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

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

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

- Investing in the standardization of our membrane bioreactor systems (COBRA™). This work is in conjunction with our Variable Depth Reactor (VDR) for industrial and domestic waste water treatment, and is currently being constructed at a food processing client site in Central America.
- Pilot testing, commencing in Q4 2015, for agricultural manure treatment and nutrient recovery in Indiana, USA.
- Demonstrating a new Bioreactor (MBR) membrane as a replacement for an extensive membrane bioreactor installed base, with testing completed in Washington State, USA.
- Commissioning the first commercial site for the H4™ (Heavy Fuel Oil Recovery Process) for a thermo-electric generating facility. This facility is currently operating as per design (3000 gpd capacity).
- Successfully trademarking H4 and COBRA in Canada and the US.
- Completing the design and patent application for a process/product (to be known as the CR3) that reduces ammonia to extremely low levels and eliminates the need for some downstream treatment equipment, primarily for the mining sector.
- Adapting drone or UAV technology to displace more traditional, expensive and restricted data collection platforms such as manned helicopters and light fixed-wing aircraft.
- Establishing international strategic alliances, such as with Aquarion AG (announced July 2, 2015), that further our development of designs, processes, and products to reduce energy, water, and dimensional (space) footprints and provide for energy/resource recovery.
- Engaging in an initiative with a European partner to develop a treatment technology for the drastic reduction of cyanide generated by the mining/refining industry, without the creation of toxic by-products.

- Pilot testing an enhanced, membrane-based wastewater treatment solution for the Food and Beverage industry, in New York State, USA. The solution involves the Company aligning itself with a third party to use a technology that removes suspended or particulate BOD (biological oxygen demand) matter prior to secondary treatment for energy cost avoidance and energy recovery from a late-stage enhanced anaerobic digestion.
- Developing our geomatics service area which has extensively displaced photogrammetry and other more traditional methods of data collection and analysis (we have improved software and software analytical capability).
- Through strategic partnership we have added rainfall intensity measurement to our flood prediction and hydrological services, far superior to static rain-gauge approaches.

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

Cost Reduction and Margin Improvement Strategies

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

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

- Appointing a Manager of Operations to improve processes and focus on project management, increasing gross margins by the identification of opportunities and efficiencies;
- Consolidating production and manufacturing under a single Manager of Production at one location resulting in improved utilization of staff and clearer lines of authority;
- Diverting heavy manufacturing off-shore, closer to client sites where appropriate, while maintaining the high intellectual property ("IP") functions in Ottawa, including the ability to prototype;
- Continuing to focus on the process flow from sale to commissioning/project delivery and improving project management processes.
- Continuing to standardize our products, thereby streamlining our engineering process.
- Continuing to implement more robust information systems to allow metrics to be tracked on a timely basis.

Sales and Marketing

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

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

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

Quarterly Results

Quarterly financial information for the eight quarters ended September 30, 2015
(in 000's, except as otherwise indicated)

	Q4 2015 Sept 30, 2015	Q3 2015 June 30, 2015	Q2 2015 Mar 31, 2015	Q1 2015 Dec 31, 2014
Revenue	9,243	8,675	7,781	7,779
Cost of sales	7,184	6,664	6,197	6,055
Gross profit	2,059	2,011	1,584	1,725
Gross margin %	22%	23%	20%	22%
SG&A expenses	1,662	1,510	1,140	1,435
Finance costs	220	160	184	165
Net income (loss)	334	322	246	114
Weighted average common shares	25,235,850	25,191,656	25,191,656	25,191,656
Income (loss) per share	0.01	0.01	0.01	0.01

	Q4 2014 Sep 30, 2014	Q3 2014 June 30, 2014	Q2 2014 Mar 31, 2014	Q1 2014 Dec 31, 2013
Revenue	6,568	6,498	6,618	7,625
Cost of sales	5,684	5,222	5,675	5,995
Gross profit	884	1,276	943	1,630
Gross margin %	13%	20%	14%	21%
SG&A expenses	2,009	1,433	1,790	1,481
Finance costs	156	127	137	119
Net income (loss)	(5,681)	(291)	(985)	18
Weighted average common shares	25,191,656	25,191,656	25,191,656	25,191,656
Income (loss) per share	(0.23)	(0.01)	(0.04)	0.00

Note: Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for September 30, 2015.

Quarterly Trend Analysis

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

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

Q4 15 vs Q4 14

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

Q3 15 vs Q3 14:

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

Q2 15 vs Q2 14:

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

Q1 15 vs Q1 14:

First quarter 2015 results reported revenue of $7.8 million, which was slightly higher than the first quarter of 2014 at $7.6 million. SG&A expenses were slightly lower than for the quarter ended December 31, 2014 at $1.4 million compared to $1.5 million. Net income improved from $18,000 to $114,000.

Liquidity

The Company has certain covenants in accordance with its banking agreement which include maintaining a debt-to-service ratio in excess of 1.2:1 and maintaining, on a quarterly basis, a minimum tangible net worth of $2.4 million. As at September 30, 2015, the Company was in default of the tangible net worth covenant. As a result of this default, all debt associated with the bank has been reclassified as current and is due on demand. In addition, the Company has reclassified two significant debts (totalling approximately $2.4 million) as current since they mature during the upcoming year. These reclassifications have resulted in the working capital deficit of $1.8 million (compared to a working capital deficit of $2.4 million at September 30, 2014).

The Company has an operating line of credit facility, provided by a Canadian chartered bank, with a limit of $1.6 million (2014 - $2.0 million). At September 30, 2015, the Company had outstanding letters of guarantee of US $306,800 (2014 - $38,000), that were carved out of the operating line of credit effectively reducing availability to $1.6 million. These letters of guarantee mature on December 31, 2015 and March 31, 2016 (2014 - April 30, 2015). In connection with the letters of guarantee, the Company holds short-term investments in the amount of US $306,800 (2014 - $Nil).

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

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

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

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

Business Outlook

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

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

External Environment

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

Internal Environment

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

Corporate Focus

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

This will involve:

- Continuing to improve margins and tightly manage overhead, with careful cost-structuring in existing operations and branch offices;
- Maintaining margins on the supply of professional services while growing revenues on the higher-margin engineered solutions business, primarily with the existing staff;
- Supporting and increasing the existing client base;
- Focusing our attention on the Americas;
- Limiting staff growth to business that will yield high growth and high margins;
- Continuing to evolve away from traditional products and technology to emphasize various new products that have smaller environmental footprints and reduced operational expense;
- Commercialize the recently pilot-tested farm manure treatment system and the advanced food and beverage treatment system (Enhanced Primary Treatment (early-stage BOD removal) and Membrane Polishing);
- Completing the patent Application for the CR3 Ammonia Removal system; and
- Continuing to develop our own technologies as well as partnering with complementary businesses that have disruptive or compelling technology in strategically important sectors or locations.

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

Capital Resources

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

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

Business Risks

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

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

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

On November 15, 2012, the Company reached agreement with a number of creditors with respect to repayment terms for outstanding amounts payable, in the aggregate amount of $958,285. Of this amount, $450,452 is owed to related parties. The agreement requires the Company to repay this amount on a monthly basis, with blended payments of $22,947 principal and interest at 7% per annum such that repayment in full will be effected in four years. A gain on restructuring was recognized in the 13-month period ended September 30, 2013 in the amount of $133,754. Effective March 1, 2013, payments were suspended and the outstanding balances have been postponed in favour of the Company's bank. On September 25, 2015 approximately $332,002 of this debt was converted to shares of the company as part of a larger debt-to-equity transaction, as below.

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

Proposed Transactions and Subsequent Events

As at September 30, 2015 there were no significant assets or business acquisitions or dispositions being considered by the Company.

Inter-Corporate Relationships

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

Financial Instruments

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

Classification	Measurement	Carrying Value Sep 30,2015 $	Fair Value Sep 30,2015 $	Carrying Value Sep 30,2014 $	Fair Value Sep 30,2014 $
Loans and receivables					
Short term investments	Amortized cost	**409,425**	**409,425**	-	-
Accounts receivable	Amortized cost	**7,226,548**	**7,226,548**	5,038,457	5,038,457
		7,635,973	**7,635,973**	5,038,457	5,038,457
Financial Assets Through Profit and Loss					
Investment held for sale	Fair Value (L1)	**9,372**	**9,372**	33,626	33,626
		9,372	**9,372**	33,626	33,626
Other Financial Liabilities					
Bank indebtedness	Amortized cost	**22,533**	**22,533**	180,626	180,626
Credit facilities	Amortized cost	**1,470,000**	**1,470,000**	780,000	780,000
Trade and other payables	Amortized cost	**6,673,163**	**6,673,163**	5,358,891	5,358,891
Note, advances and loans payable	Amortized cost	**290,902**	**290,902**	517,737	517,737
Long term debt	Amortized cost	**2,423,073**	**2,423,073**	3,479,369	3,479,369
Convertible debenture	Amortized cost	**1,341,993**	**1,341,993**	1,231,949	1,231,949
Due to shareholders	Amortized cost	**55,502**	**55,502**	269,531	269,531
Contingent consideration	Amortized cost	**156,282**	**156,282**	156,282	156,282
		12,433,448	**12,433,448**	11,974,385	11,974,385

Risk Management

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

The Company's risk management is co-ordinated in close cooperation with the board of directors, and focuses on actively securing the Company's short- to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The financial instrument that potentially exposes the Company to credit risk is accounts receivable.

The Company has credit evaluation, approval, and monitoring processes intended to mitigate potential credit risks. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its receivables in order to mitigate any possible credit losses.

The Company's management considers that all financial assets which are not impaired or past due for each of the September 30, 2015 and September 30, 2014 reporting dates under review are of good credit quality.

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

	2015 **$**	2014 $
Past due 61 to 90 days	**568,181**	**522,319**
Past due greater than 90 days	**1,038,230**	**577,332**
Allowance for doubtful accounts	**(766,801)**	**(911,559)**
	839,610	188,092

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

	2015 **$**	2014 $
Opening balance	**911,559**	**415,965**
Bad debt expense provision	**581,930**	**949,721**
Recoveries	**(657,850)**	**-**
Accounts written off	**(68,838)**	**(454,127)**
Closing balance	**766,801**	911,559

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 September 30, 2015 and September 30, 2014 respectively.

September 30, 2015			Payment Due		
	Total $	In less than 3 months $	4 - 12 Months $	1 - 5 Years $	Over 5 Years $
Credit facilities	1,470,000	1,470,000	-	-	-
Trade and other payables	6,673,163	4,985,701	1,687,462	-	-
Note, advances and loans payable	290,902	-	-	66,582	224,320
Finance lease obligation	4,842	990	3,232	620	-
Long-term debt	2,504,851	325,618	1,533,283	236,450	409,500
Convertible debenture	1,430,000	-	1,430,000	-	-
Due to shareholders	55,502	-	-	55,502	-
Contingent consideration	156,282	-		156,282	-
	12,585,542	6,782,309	4,653,977	515,436	633,820

September 30, 2014			Payment Due		
	Total $	In less than 3 months $	4 - 12 Months $	1 - 5 Years $	Over 5 Years $
Credit facilities	780,000	780,000	-	-	-
Trade and other payables	6,380,644	5,463,967	916,677	-	-
Note, advances and loans payable	517,737	10,000	161,550	121,867	224,320
Finance lease obligation	8,918	991	2,972	4,955	-
Long-term debt	3,479,369	109,345	1,545,899	1,442,269	381,856
Convertible debenture	1,430,000	-	-	1,430,000	-
Due to shareholders	269,531	-	-	269,531	-
Contingent consideration	156,282	-		156,282	-
	13,022,481	6,364,303	2,627,098	3,424,904	606,176

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in interest rates. As at September 30, 2015 the Company had $1,470,000 in outstanding revolving credit facilities and $969,107 in long term debt which were floating rate obligations. A 1% increase in interest rates during the reporting period would increase the net loss and reduce equity for the period by approximately $25,000.

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in currency exchange rates.

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

	September 30, 2015 CAD $	**September 30, 2015 US $**	September 30, 2014 CAD $	September 30, 2014 US $
Cash	7,347	5,505	(9,244)	(8,254)
Accounts receivable	2,080,994	1,559,381	505,533	451,369
Accounts payable	925,823	693,761	441,355	394,067

The Company incurs expenses and earns revenues in Canadian and U.S. dollars. To date the Company has not used foreign currency forward contracts or other hedging strategies to manage its foreign currency exposure, but it endeavours to create natural hedges where there are opportunities to do so.

A 10% strengthening of the US dollar against the Canadian dollar would have increased the net income and increased equity during the reporting period by approximately $100,000.

Capital Management

The Company's objective is to maintain a capital base sufficient to maintain investor, creditor, and market confidence and to sustain future development of the business. Management defines capital as comprising the Company's total shareholders' equity, credit facilities, notes and loans payable, long-term debt, and the convertible debenture. In order to maintain or adjust its capital structure, the Company could issue new shares or obtain new debt. To date, no dividends have been paid to the Company's shareholders and none is planned.

There has been no change to the Company's approach to capital management during the quarter ended September 30, 2015.

Summary of Outstanding Shares and Dilutive Instruments

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

Shares:	27,880,140 common shares
Warrants:	nil
Options:	2,009,325 options

Financial Terms and Definitions

Definition of Additional IFRS Measures

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

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

Definition of Non-IFRS Measures

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

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

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

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

Management's Responsibility for Financial Reporting

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

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

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

Additional Information

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