SustainCo Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended February 28, 2014

April 29, 2014

Introduction

This management discussion and analysis ("MD&A") of the financial condition and results of operations of SustainCo Inc., (the "Company" or "SustainCo"), is for the six months ended February 28, 2014. It is supplemental to, and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended February 28, 2014, as well as the audited annual consolidated financial statements and the accompanying notes for the year ended August 31, 2013.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Comparative financial information has been restated to conform to IFRS, unless otherwise stated. All amounts presented herein are stated in Canadian dollars, unless otherwise indicated.

Readers are cautioned that this MD&A contains certain forward-looking statements. Please see the "Notice concerning forward-looking statements" section at the end of this document for a discussion concerning the use of such information in this MD&A.

Company Overview

SustainCo was incorporated under the Canada Business Corporation Act on August 22, 2008. The Company is listed on the TSX Venture Exchange Inc. (the "TSX-V" or the "Exchange") under the ticker symbol "SMS".

SustainCo is the leading provider of sustainable infrastructure solutions and services through a broad offering including energy modelling, facility technology solutions, and facility maintenance services to customers in the multi-residential and industrial commercial institutional (ICI) sectors across Canada. SustainCo focuses on both new build and retrofit markets. The Company conducts its operations through its wholly owned subsidiary, Clean Energy Developments Corp. ("CleanEnergy") and VCI Controls Inc. ("VCI" or "VCI Controls"), which the Company controls.

CleanEnergy Overview

CleanEnergy is a Canadian industry leading geoexchange company that provides heating and cooling solutions for residential and commercial buildings using energy from the earth. It provides a complete energy solution and is able to provide engineering and design, geo installation, equipment and control systems, as well as manage the complete project. In a highly fragmented Canadian market, CleanEnergy is the only complete solution provider that operates nationally. CleanEnergy is currently the commercial geoexchange leader in Canada and intends to continue to build market share by doing increasingly larger projects in this growing market segment.

VCI Overview

VCI is a leading supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity. It is an industry leader in the development of intelligent building technology, including the integration of all building systems utilizing the latest in communications technologies and standards. VCI's business focuses on digital controls and mechanical services, performance monitoring, and energy efficiency solutions.

Founded in 1981, VCI is headquartered in Toronto with branch offices in Ottawa, Montreal, Halifax and Pembroke. It has been a pioneer in the development of direct digital controls and continues to be a leader in the industry in product development.

VCI has an installed customer base of over 1,400 clients including installs in very large and complex buildings such as the National Art Gallery of Canada, the RCMP complex in Ottawa, the Canadian Forces Base in Halifax, and the Billy Bishop Airport in Toronto.

Overall Performance

Equity Private Placement

In December 2013, the Company raised funds as part of a non-brokered private placement of common shares at a price of $0.07 per share for gross proceeds of $900,000. 12,857,140 shares were issued as part of this private placement. Proceeds are intended to be used for targeted acquisitions and general working capital purposes.

CleanEnergy Overall Performance

CleanEnergy continues to execute large-scale projects, including municipal, commercial and residential projects and continues to focus on building its brand and reputation through strategic partnerships and the dealer network. Highlights:

- CleanEnergy completed the Terminal portion of the Calgary Airport project worth about $3 million out of the total contract valued at $4.5 million in revenue. The Calgary Airport Authority continues its major development project at YYC, including building a new runway and doubling the size of the Air Terminal Building with the addition of a new concourse, which will be the new home for International and U.S. flights. YYC has chosen to incorporate geoexchange as part of its sustainable design principles that are expected to reduce the carbon footprint by 4,900 tonnes per year, which is equivalent to taking 1,200 cars off the road permanently.

- CleanEnergy continued work on the construction of a new Environmental Sci and Chem building at the University of Toronto Scarborough in Toronto, Ontario. The innovative 110,000 square foot facility will provide sustainable and flexible research and study spaces for students and faculty. CleanEnergy's geothermal system will help achieve the necessary points to reach a LEED® Gold certification.

- CleanEnergy entered into a Letter of Intent with a clean technology company to provide CleanEnergy the exclusive use of the GeoModule(TM), a hardware and software package used to design optimal hybrid geoexchange systems.

VCI Acquisition

In December 2013, the Company entered into agreements (the “Agreements”) with PriceCo Inc. ("PriceCo") and Tannenberg Management Inc. ("TMI"), the shareholders of VCI Controls Inc. ("VCI") for the purchase of all of the issued and outstanding subordinate voting and multiple voting shares of VCI for the aggregate purchase price of $1,225,000 (the “Purchase Price”).

The Purchase Price will be satisfied through the payment of $725,000 cash (with $625,000 paid in December, $30,000 due on closing, and the remaining $70,000 due one year from closing), the issuance of 4,444,444 common shares in the Company (the "Shares") at an issue price of $0.1125 per Share for an aggregate value equal to $500,000, and the assumption of debt in the amount of $1,700,000 owing to TMI by PriceCo (the "Debt"). The Debt was acquired by the Company through an assignment by TMI as part of the Agreements. The Company will cancel the Debt upon closing of the transactions contemplated by the Agreements, which is subject to TSX Venture Exchange approval. While the acquisition is pending final exchange approval, the Company has acquired control of VCI as at the date of entering into the Agreements. For accounting purposes, VCI has been consolidated from the date of acquiring control in December 2013. $23,610 of transaction costs expensed during the six months ended February 28, 2014 relate to this transaction.

The purchase consideration was as follows:

Share consideration - 4,444,444 shares @ $0.1125 per share on close	$ 500,000
Cash on signing	625,000
Cash on close	30,000
Contingent cash payment 1 year from the date of close	70,000
Total purchase price	**$ 1,225,000**

The allocation of the purchase price to identifiable assets acquired and liabilities assumed is based upon estimated fair vales at the date of acquisition, as set out below:

Cash	$ 4,219
Accounts receivable	2,862,368
Inventories	392,178
Prepaid expenses	72,933
Property and equipment	148,559
Deferred tax	14,000
Bank indebtedness	(1,179,134)
Accounts payable and accrued liabilities	(1,466,677)
Intercompany payable	(625,000)
Identified net assets acquired	**$ 223,448**

Consideration paid	$ 1,225,000
Identified net assets acquired	(223,448)
Goodwill and unallocated purchase price	**$ 1,001,552**

Discontinued operations

Urban Mechanical Contracting Ltd. ("Urban Mechanical")

The Company originally purchased Urban Mechanical in order to implement a vertical integration strategy to meet the increasing demand of the industrial commercial institutional ("ICI") marketplace through the combination of CleanEnergy, a national leader of sustainable design build energy solutions, with Urban Mechanical, a mechanical contracting business with a history spanning more than 45 years (including predecessor businesses) in low-rise residential, high-rise residential and ICI installations. This combination was expected to provide the delivery of end-to-end sustainable solutions for asset owners, managers and construction leaders.

The Company acquired all of the issued and outstanding shares of Urban Mechanical on December 5, 2012, pursuant to a share purchase agreement dated September 6, 2012, between the Company (then known as Bellair Ventures Inc.) as purchaser, The Edward J. Winter Family Trust as vendor, and Edward Winter and Marco Winter as principals. The purchase price paid was $8,278,419, being $10,000,000 less $1,721,581 of long term debt outstanding at closing. The purchase price paid at closing was satisfied through (a) the issuance of 9,597,125 common shares of the Company at an issue price of $0.55 per share, (b) the assignment by the Company of a loan payable by Urban Mechanical of $500,000 and (c) the promise to pay $500,000 in cash within 90 days after closing (which amount has not been paid and the forgiveness of which was a condition of closing the transaction of purchase and sale). The balance of the purchase price, being $2,000,000, was to be paid through the issuance of up to 3,636,363 common shares of the Company which were not issued at closing as security for a working capital adjustment and other amounts which may have been payable in connection with indemnification claims. The working capital of Urban Mechanical determined as at December 5, 2012 in accordance with the share purchase agreement was in a deficit position of approximately $6,000,000, which was $9,000,000 less than the required working capital amount of $3,000,000. As such, none of those 3,636,363 common shares are expected to be issued to The Edward J. Winter Family Trust. As a result of the working capital adjustment, the purchase price was deemed to be reduced by $2,000,000, for a total purchase price paid of $6,278,419.

Subsequent to the purchase of Urban Mechanical, the Company has found that the resources required to fund and operate Urban Mechanical were greater than originally anticipated. While Urban Mechanical has a substantial backlog of revenue to be realized from uncompleted construction contracts, the working capital deficit created unplanned financial pressures on the Company as a whole and necessitated cash flow management strategies. This, in turn, diverted the Company's attention away from providing solutions and services that offer long-term customer value and environmental sustainability through a broad offering including alternative energy solutions, energy efficiency, innovative facility technology solutions, and facility maintenance services to customers in the multi-residential and ICI sectors across Canada. As a result, the Company had been forced to delay its growth strategy and strategic acquisitions due to the funding requirements for Urban Mechanical.

The Company was approached by the Purchaser in August, 2013 with respect to a potential sale of Urban Mechanical. The Board of Directors of the Company (the "Board") considered other strategic alternatives while executing cash-flow management strategies on a stand-alone basis. As a result of the strategic review process undertaken by the board and upon careful consideration of the terms of the share purchase agreement, the Board concluded that the best strategy to alleviate the financial pressures of the Company would be the sale of Urban Mechanical.

On October 15, 2013, the Company and the Purchaser entered into the Purchase Agreement, which was publicly announced by the Company prior to the commencement of trading on October 16, 2013. Under the terms of the Purchase Agreement, the Purchaser purchased all of the issued and outstanding shares of

Urban Mechanical for a purchase price of $3,000,000 on an "as is, where is" basis, except for certain limited representations and warranties given by the Company as set out in the Purchase Agreement.

The closing of the transaction was subject to a number of conditions, including the approval of the shareholders of the Company, the approval of the TSX Venture Exchange, receipt by the Company of full and final releases by the Purchaser, The Edward J. Winter Family Trust and Edward J. Winter, among others, in favour of the Company with respect to all matters other than those pertaining to the Purchase Agreement but including the release and forgiveness by The Edward J. Winter Family Trust of a debt payable by the Company to The Edward J. Winter Family Trust of $500,000, and receipt by the Purchaser of full and final releases by the Company in favour of the Purchaser, Urban Mechanical, The Edward J. Winter Family Trust and Edward J. Winter, among others, with respect to all matters other than those pertaining to the Purchase Agreement but including the release and forgiveness of any and all debt payable by Urban Mechanical to the Company which was advanced before October 15, 2013 (excluding certain amounts advanced as a short-term loan), which advances as at such date amounted to approximately $2.5 million.

It was also a condition of closing in favour of the Purchaser that the debt payable by Urban Mechanical to CanGap Merchant Capital LP ("CanGap") at closing not exceed $250,000.

The Company closed its sale of Urban Mechanical in December 2013, for gross proceeds of $3,000,000 in cash plus the forgiveness of $500,000 that was owed by the Company for the original Urban Mechanical acquisition. Prior to closing the sale, the Company assumed $500,000 of the CanGap debt from Urban Mechanical and CanGap divested itself of the remaining $250,000 balance to satisfy the closing condition.

Selected Financial Information

Selected Quarterly Financial Information

	Q2-2014 $	Q1-2014 $	Q4-2013 $	Q3-2013 $	Q2-2013 $	Q1-2013 $	Q4-2012 $	Q3-2012 $
Revenue	2,481,253	732,578	312,662	1,008,499	1,034,748	1,081,870	426,851	-
Net loss from continuing operations	317,567	703,706	8,207,099	1,718,166	821,453	110,117	801,435	53,354
Net loss (income) from discontinued operations	500,000	672,000	5,106,418	(67,053)	(715,861)	-	-	-
Net loss	817,567	1,375,706	11,446,695	1,651,113	105,592	110,117	801,435	53,354
Basic & diluted loss per share – continuing operations	0.01	0.02	0.22	0.06	0.03	0.01	0.19	0.04
Basic & diluted (income) loss per share – discontinued operations	0.01	0.02	0.23	(0.00)	(0.03)	-	-	-

* Figures have been restated to give effect to Urban Mechanical as discontinued operations

Results of Operations

The Company had the following sales and direct costs:

	Three months ended February 28,		Six months ended February 28,	
	2014	2013	**2014**	2013
Sales	**$ 2,481,253**	$ 1,034,748	**$ 3,213,831**	$ 2,116,618
Cost of sales	**2,034,412**	947,511	**2,773,045**	1,567,966
Gross margin	**$ 446,841**	$ 87,237	**$ 440,786**	$ 548,652

Revenues are earned on services provided for the development and provision of control services, mechanical contracting services, control and mechanical servicing, the design and engineering of geoexchange projects, the sale of geoexchange equipment and the installation of geoexchange systems.

Revenues for the three and six months ended February 28, 2014 were $2,481,253 and $3,213,831 respectively, versus $1,034,748 and $2,116,618 from the comparative periods in the prior year. This increase in revenue from continuing operations year over year is due to the acquisition of VCI during the period. However, CleanEnergy has continued to experience a decrease in revenue year over year. The Company expects to reverse this trend when the reorganization of the Company and acquisition of VCI are finalized.

Margins for the three and six months ended February 28, 2014 were 18.0% and 13.7% (2013 – 8.4% and 25.9%). The decrease for the six month period is mainly attributable to the significantly lower than typical margin associated with the University of Toronto Scarborough project. For the three month period, the increase was mainly due to the mix of projects being completed under VCI. Direct cost of sales includes direct labour and expenditures for services provided, as well as equipment costs and materials for projects. In addition, throughout a large portion of the six months ended February 28, 2014 the Company was focused on managing and negotiating the disposition of its discontinued operations, Urban Mechanical. The margins were also impacted by the inclusion of VCI, which had a margin of approximately 22.7% during the three months ended February 28, 2014.

Six months ended February 28, 2014, compared with six months ended February 28, 2013

For the six months ended February 28, 2014, the Company reported a net loss from continuing operations of $1,021,273 versus $931,570 in the prior year.

General and administrative expenses increased from $1,057,584 to $1,542,729 during the first six months of 2014. This includes items such as salaries and wages, professional fees, filing fees, and other office expenses. The increase is mainly attributable to VCI's operations, with a notable increase in marketing and sales expense, office expenses and professional fees.

This increase in general and administrative expenses was mostly offset by the gain on the sale of Urban Mechanical of $467,565 during the period, versus $nil in the prior year. This gain is non-recurring in nature.

Share-based payments were $nil in the six months ended February 28, 2014 versus $173,805 in the prior year. This decrease is due to no stock options being issued during this period versus the prior year.

Finance expenses of $244,393 were incurred and relate to interest and bank charges on the Company's notes payable, versus $10,430 in comparable period in 2013. This increase is attributable to the notes payable that were raised during 2013 and 2014, with a total of $5,050,000 as at February 28, 2014, bearing interest at 12% per annum.

Transaction costs decreased to $23,610 in the six months ended February 28, 2014 from $226,613 in the prior year. The prior year's costs were due to the Urban Mechanical acquisition whereas the current year transaction costs relate to the acquisition of VCI. The transaction related costs for VCI are expected to be less than Urban Mechanical.

The net loss for discontinued operations was $1,172,000 versus $715,861 income in 2013. Discontinued operations relate to the results of Urban Mechanical (refer to "Discontinued Operations" for additional details).

Three months ended February 28, 2014, compared with three months ended February 28, 2013

For the three months ended February 28, 2014, the Company reported a net loss from continuing operations of $317,567 versus $821,453 in the prior year.

General and administrative expenses increased from $527,489 in Q2 2013 to $974,407 during Q2 2014. This is mainly due to the inclusion of VCI's operations during the quarter, with a notable increase in marketing and sales, office and professional fees.

The increase in general and administrative expenses was mostly offset by the gain on the sale of Urban Mechanical of $467,565 during the quarter, versus $nil in the prior quarter. This gain is non-recurring in nature. Share-based payments were $nil in Q2 2014 versus $173,805 in the prior year comparable quarter. This decrease is due to no stock options being issued during this quarter versus the prior year's quarter.

Finance expenses of $141,436 were incurred in Q2 2014, and relate to interest and bank charges on the Company's notes payable, versus $7,603 in Q2 2014. This increase is attributable to the notes payable that were raised during 2013 and 2014, which bears interest at 12% per annum.

Transaction costs decreased to $23,610 in the second quarter of 2014 from $193,843 in the prior year comparable quarter. The prior year's costs were due to the Urban Mechanical acquisition whereas the current year transaction costs relate to the acquisition of VCI. The transaction related costs for VCI are expected to be less than Urban Mechanical.

The net loss for discontinued operations was $500,000 in Q2 2014 ($715,861 income in 2013). Discontinued operations relate to the results of Urban Mechanical (refer to "Discontinued Operations" for additional details).

Liquidity and Capital Resources

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations.

As at February 28, 2014, the Company had a working capital deficiency of $2,219,334. The Company is in the process of finalizing the term note agreements, which includes the $5,050,000 of notes payable at period-end and $75,000 of subscriptions received subsequent to period-end. The intention will be to convert these notes from current liabilities into secured notes with a 5 year term. Consequently, after giving effect to these subsequent events, management estimates the Company will have approximately $2,800,000 of working capital, which is sufficient for the next 12 months. Please see the "Outlook" section for further details.

Related Party Balances and Transactions

(a) A corporation that holds significant influence over the Company (Alter NRG Corp.), was owed approximately $128,199 (August 31, 2013 - $378,146), which is outstanding consideration payable for the qualifying transaction. These amounts are non-interest bearing and due on demand.

(b) During the year, rent of $88,250 (2013 - $73,250) was paid to a company controlled by a beneficial owner (Urban Alliance Inc., Mr. Winter) that formerly held significant influence over the Company. In addition, rent of $16,096 (2013 - $nil) was paid to a company controlled by an officer of the Company (Bridgepoint Group Ltd., Mr. Carnevale), for additional office space used by the Company.

(c) A promissory note of $500,000 (August 31, 2013 - $1,000,000) was owed to a corporation controlled by an officer and director of the Company (CanGap Merchant Capital LP, Mr. David). The promissory note bears interest at 12% per annum and is due upon demand. Interest of $8,712 was paid during the year (2013 - $16,664).

(d) A promissory note of $nil (August 31, 2013 - $500,000) was owed to a beneficial owner (The Edward J. Winter Family Trust) that formerly held significant influence over the Company as part of the Urban Mechanical acquisition, bearing interest of 10% per annum. $12,500 of interest was paid during the period (2013 - $11,781). This note was disposed of during the sale of discontinued operations. An additional $500,000 non-interest bearing amount was owed to the same beneficial owner, with payment due upon demand as part of the original purchase price on the acquisition of Urban Mechanical, which was forgiven upon the sale of Urban Mechanical.

(e) A promissory note of $100,000 was repaid during the period to a corporation controlled by an officer and director of the Company (CanGap Capital Corp., Mr. David), which is non-interest bearing. The funds were used for general working capital.

(f) A loan payable totalling $nil from a corporation controlled by a beneficial owner (The Edward J. Winter Family Trust) that formerly held significant influence over the Company was owed (August 31, 2013 - $44,354). This loan was in place prior to the acquisition of Urban Mechanical and was disposed of during the sale of discontinued operations. The loan was repayable in equal monthly principal payments of $9,608 plus interest at 5.75% per annum.

(g) Included in accounts receivable is a non-interest bearing, unsecured loan, which is due upon demand from an associate corporation of $11,100 (EnergyEx Ltd.) (August 31, 2013 - $nil).

Financial Instruments Risk Exposure and Management

The Company's financial instruments consist of cash, accounts receivable, trade payables and accrued liabilities, due to related party, and notes payable. Due to the short-term nature of these financial assets and liabilities, the carrying values approximate the fair values.

The Company did not hold or issue any derivative financial instruments during the year.

Credit risk

The Company's cash is held at chartered Canadian financial institutions. Management reviews the strength of these institutions on a regular basis.

Accounts receivable subject the Company to credit risk. There is a provision for amounts outstanding at February 28, 2014 of $40,000 (August 31, 2013 - $73,313) for certain balances greater than 90 days past due. The Company believes the remaining amounts will be collected. Holdbacks are received upon substantial completion of the projects.

Accounts receivable aging		February 28, 2014		August 31, 2013
Within 30	$	1,646,057	$	184,105
31 to 60		362,885		183,219
61 to 90		235,671		53,141
Over 90		422,308		27,214
Holdbacks		265,819		302,019
Total accounts receivable	**$**	**2,932,740**	**$**	**749,698**

The maximum exposure is limited to the carrying amount of financial assets on the statement of financial position that includes cash and accounts receivable.

Concentration risk

The concentration of revenue generated from major customers is not significant, with the three largest customers combined accounting for less than 20% of gross revenue.

Changes in Accounting Standards

The Company has adopted the following IFRS accounting standards as of September 1, 2013 with no material impact on the financial statements:

- IFRS 10: Consolidated financial statements
- IFRS 11: Joint arrangements
- IFRS 12: Disclosure of interest in other entities
- IFRS 13: Fair value measurement

Outlook

The goal of SustainCo is two-fold: to provide financing and develop clean and renewable energy and energy retrofit projects, and to be at the forefront of advancing sustainability principles in leading organizations. The Company will continue to look for and promote leading edge services and technology combined with our experienced design and delivery teams to create a tremendous value proposition for our customers. The Company foresees the rapid growth of the Company and each of the subsidiaries in order to meet the increasing demand of larger projects.

The Company's objective has been to refocus its efforts to provide strategic project financing towards the development of energy projects and energy efficiency projects that enable the Company to provide its full breadth of vertically integrated sustainable infrastructure solutions and services of design, build, operations, and maintenance for projects. It is anticipated this will allow the Company to take advantage of the higher margin areas of the full service integrated business model initially envisioned for the Company, such as the finance, consulting, and design solutions, as well as simultaneously enabling the Company to capitalize on life-cycle cross selling. This is expected to result in the creation of more revenue streams along the entire life cycle of a project, without compromising control over the process and competitive prices to consumers.

The Company is expected to be in a position to refocus its capital on early stage project financing for energy projects and financing of retrofits and acquiring businesses and/or individuals to build and complete the Company's full service business model. The Company has identified key areas for these investments/acquisitions/hires:

- pre-construction clean and renewable power projects and retrofits projects;
- mechanical and electrical design, installation, retrofits, and maintenance;
- lighting design, installation, retrofits, and maintenance;
- sustainability infrastructure consulting services;
- energy management and automation; and
- equipment design, installation, automation, and maintenance.

With these strategic additions to the Company, the Company plans to offer consumers a "one stop shop" of solutions from the inception of a project, to the implementation of the project, to finally the maintenance and long term servicing of a completed project. The Company's competitive advantage is expected to be the ability to bridge design, build, and maintenance and take advantage of the synergies between each acquisition target.

These "one stop shop" solutions are expected to include:

i. Design: Conceptualization of a project at the stages of inception, including:

   (a) Consulting Services: The Company intends to offer consulting services for both new build and retrofit projects. It will also seek to help clients identify the best sustainable infrastructure solutions for a site while taking into consideration the site's use and the client's objectives and budget.

   (b) Financing: The Company intends to offer financing solutions, which will allow the Company to take a stake in a project as a lender and/or equity stakeholder. On the consumer's end, such financing is expected to increase the consumer's accessibility to sustainable infrastructure. On the Company's end it is expected to add to accessibility and appeal to the consumer, potentially creating a significant revenue stream.

   (c) Mechanical and Electrical Engineering and Design: The Company intends to offer mechanical engineering and design through CleanEnergy and VCI. The Company is exploring potential acquisitions to enhance mechanical and electrical engineering design capabilities.

ii. Build: Implementation of design, including:

   (a) Mechanical and Electrical Installation: The Company intends to offer project management and mechanical installation services through CleanEnergy and VCI. The Company is aiming to build out these offerings via acquisitions and/or outsourcing to enable electrical installation services.

   (b) Equipment: The Company intends to continue to enhance its sustainable equipment and product lines through exclusive licencing and distribution arrangements.

iii. Maintain: Operations and maintenance of installed systems, including:

   (a) Operations and Maintenance Services: The Company intends to offer long-term services to operate and maintain installed systems.

   (b) Energy Monitoring: To ensure the performance of the Company's products and systems, the Company intends to explore the possibility of monitoring the long-term energy consumption and outflows of the systems.

The Company's objective is to bundle these services and solutions, thereby taking advantage of the client's needs along the entire lifecycle of a project. The Company's refocused full service business model is expected to allow for improved margins, the creation of additional revenue streams, and increased accessibility and appeal to consumers.

SustainCo Lighting Solutions Division

During the period, the Company announced the addition of SustainCo Lighting Solutions as a new division of SustainCo Solutions & Services.

The SustainCo Lighting Solutions division will enhance and bolster the current SustainCo Solutions & Services offering by providing LED lighting design and installation services. The division will build on our existing design and installation expertise.

SustainCo will focus its growth strategies on: investments in development projects; acquisitions to tuck under SustainCo Solutions & Services; and organic growth opportunities.

Project Financing Solutions

The Company also announced the addition of Project Financing Solutions. These solutions will complement the array of design build services already offered by the Company, which will also support SustainCo's performance services and energy retrofit divisions.

SustainCo is driving greater adoption of sustainability measures by offering customers financing solutions towards enhancing building performance. In addition to providing project financing to SustainCo projects, SustainCo will also consider direct investment into the development of other alternative energy projects. The Company will be able to leverage the experience of existing management in providing these discreet financing and investment solutions.

Subsequent events

Secured Term Note Private Placement

The Company intends to consolidate pre-existing debt into a secured term note unit, with an expected total of $5,125,000. Each Unit to be issued pursuant to the secured note offering shall be comprised of: (i) one $1,000 principal amount secured term note (each, a "Term Note") of the Company; and (ii) one hundred (100) common share purchase warrants (each common share purchase warrant, a "Warrant") of the Company. The Term Notes will bear interest at a rate of 12% per annum and will have a maturity date that is five (5) years following the closing, with a redemption feature exercisable by the Company after a period of 24 months following the closing. Each Warrant, initially intended to be exercisable for a period of 24 months following the closing at an exercise price of $1.00 per Common Share, will now be exercisable for a period of 36 months following the Closing at an exercise price of $0.25 per Common Share, subject to adjustment in certain events. Following the closing, the Company intends to apply to list the Term Notes with the Canadian National Stock Exchange.

Agreement with Cennatek Bioanalytical Services Inc.

Subsequent to the period, the Company entered into an agreement with Cennatek Bioanalytical Services Inc. ("CENNATEK") to provide a loan instrument of up to $500,000 towards the development of its brand of BioLiNE® biomass projects. BioLiNE converts agricultural waste and marginal vegetation such as cattail into liquid fertilizer and high quality biomass fibre.

The Company secured several key conditions in the agreement, including providing SustainCo with a 5% earned equity interest in CENNATEK, as well as SustainCo securing the right of first refusal to provide development solutions and services that includes engineering, project management, comprehensive site energy work, and operations and maintenance work required for all of CENNATEK's projects. From a financing perspective, SustainCo secures an additional right of first refusal to invest in each project at project finance. CENNATEK has an active list of BioLiNE biomass projects in development.

Disclosure of Outstanding Share Data

As at the date of this report, there were 42,297,357 issued and outstanding common shares in the capital of the Company. The Company has outstanding options to purchase an aggregate of 1,450,000 common shares, outstanding warrants to purchase an aggregate of 7,322,492 common shares, and outstanding agent options to purchase an aggregate of 1,363,118 common shares (assuming warrants obtained from exercising of the agent options are also exercised).

Risk Factors

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. The Company is subject to certain risks and uncertainties from both financial and operational factors. Some of the key risks are highlighted as follows:

Revenue Risk

The Company may experience delays in achieving revenues. Revenues may be delayed or negatively impacted by issues encountered by the Company or its customers including:

- unforeseen engineering and environmental problems;
- delays or inability to obtain required financing, licenses, permits and regulatory approvals;
- supply interruptions or labour disputes;
- foreign exchange fluctuations and collection risk; and
- competition from other suppliers or alternate less capital intensive energy solutions.

There is no assurance that the business will perform as expected or that returns from the business will support the expenditures needed to develop it.

Sales Cycle and Fixed Price Contracts

The Company may enter into sales contracts with fixed pricing, which may be impacted by changes over the period of implementation. The success of sales execution will require collaboration between the Company and its customers.

There is no assurance that delays or problems in the implementation process used for all customers will not adversely affect the Company's activities, operating results or financial position.

Sensitivity to Fixed Costs

Fixed costs, including costs associated with operating losses, leases, labour costs and depreciation will account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

Reliance on Management and Key Personnel

The Company's success and future operations are dependent upon the abilities, expertise, experience, judgment and efforts of senior management and key technical and field personnel of the Company. Any loss of the services of these personnel could have a materially adverse impact on the Company's business, technical capabilities, operating results or financial condition or could result in delays to or abandonment of the Company's projects.

Loss of Contracts

The Company may lose contracts or customer arrangements through competitive bidding or early termination, which would cause its revenue and profitability to decline. In addition, some customers of the Company may terminate their contracts or arrangements before the end of the contract term. If the Company loses contracts or customer arrangements through competitive bidding, early termination or other competitive pressures, it may not be able to replace the lost revenue, which will result in a decrease in its revenue. Whether the Company will be the successful bidder for any particular contract is subject to significant uncertainty.

Competition

The mechanical contracting industry is competitive; however, it is anticipated that the Company will be the only public company offering a turn-key solution. There are smaller privately-owned companies which are providing segments of the process but not a complete solution. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of a complete solution that competes with those of the Company or that new or existing competitors will not enter the various markets in which the Company will be active.

There can be no assurance that the Company's competitors will not develop new and unknown technologies, with which the Company may have difficulty competing. As well, without remaining cost competitive there is also a risk that the Company may lose business to its competitors.

Dependence on Suppliers

The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. Failure of suppliers to deliver such skilled labour, equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to the Company's ability to compete and grow. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Environmental Liability

The Company will be subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. There can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Company may have the benefit of insurance maintained by it or the operator, however, the Company may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

Disclosure Controls and Procedures

Disclosure controls and procedures (the "Disclosure Procedures") are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Company's management conducted an evaluation of the effectiveness of the Disclosure Procedures. Based on this evaluation, management has concluded that, subject to certain limitations indicated below, our Disclosure Procedures are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized, and reported within the time periods specified in those rules and forms.

It should be noted that while management believes that our Disclosure Procedures are effective and will provide a reasonable level of assurance, they do not expect that they will prevent all errors and frauds. A control system, no matter how well designed or operated, can only provide reasonable and not absolute assurance that the objectives of the control system are met.

Notice Concerning Forward-looking Statements

Certain statements in this MD&A constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include the intention to grow the business and operations of the Company. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Company to obtain necessary financing; the economy generally; consumer interest in the services and products of the Company; competition; and anticipated and unanticipated costs. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted under "Risk Factors" in this MD&A. These forward-looking statements are made as of the date of the MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.