SustainCo
Sustainable Infrastructure Solutions

FORM 2A
CANADIAN NATIONAL STOCK EXCHANGE
LISTING STATEMENT

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2. Corporate Structure

SustainCo Inc. (the "Issuer" or "SustainCo") was incorporated pursuant to the *Canada Business Corporations Act* as Bellair Ventures Inc. on August 22, 2008. As of May 30, 2013 the Issuer amended its name to SustainCo Inc. The head and registered office of the Issuer is located at 151 Bloor Street West, Suite 1100, Toronto, Ontario, M5S 1S4.

The Issuer is the parent corporation and holding corporation of two subsidiaries, Clean Energy Developments Corp. ("CleanEnergy") and VCI Controls Inc. ("VCI", together with CleanEnergy shall be referred to as the "Subsidiaries"); CleanEnergy is incorporated pursuant to the *Ontario Business Corporations Act* and VCI is incorporated pursuant to the *Canada Business Corporations Act*. The Issuer owns, controls, and directs 100% of the votes attached to all voting securities of each of the Subsidiaries. Presently, neither Subsidiary has issued any restricted shares.

3. General Development of the Business

History

SustainCo was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "TSX-V"). On November 24, 2008, the Issuer completed an initial public offering of common shares ("Issuer Shares") for aggregate gross proceeds of $678,300, which amount was intended to provide the Issuer with funds with which to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction as defined in Policy 2.4 of the TSX-V. On November 26, 2008, the issued and outstanding Issuer Shares were listed on the TSX-V under the symbol "BVI.P". On March 3, 2011, the Issuer announced that trading of the Issuer Shares would be transferred to the NEX Board, effective immediately, as the Issuer had not completed a Qualifying Transaction within the timeframe prescribed by the TSX-V. In accordance with the TSX-V Policy, 600,000 Bellair Shares were cancelled in connection with the transfer to the NEX Board. Trading commenced on the NEX Board under the symbol "BVI.H".

Private Placement

On June 6, 2012, CleanEnergy completed a brokered private placement of 4,788,000 subscription receipts at $0.50 per subscription receipt for gross proceeds of $2,394,000. Concurrent with the Issuer's Qualifying Transaction (as defined below), the subscription receipts were exchanged for units of the Issuer. Each unit consisted of one Issuer Share and one warrant of the Issuer exercisable at $0.75.

Qualifying Transaction

On July 26, 2012, the Issuer completed its Qualifying Transaction (the "Issuer's Qualifying Transaction") by acquiring all of the issued and outstanding shares of CleanEnergy for $5,000,000 in consideration satisfied by the issuance of 10,000,000 Issuer Shares.

Urban Mechanical Contracting Limited Acquisition

On December 5, 2012 the Issuer completed the acquisition of all of the issued and outstanding shares of Urban Mechanical pursuant to the terms and conditions of a share purchase agreement for a purchase price equal to $10,000,000 less all outstanding long term debt of Urban Mechanical as at closing of the acquisition. On closing, Urban Mechanical had $1,721,581 of long term debt outstanding.

The purchase price was satisfied by the Issuer through the issuance of 9,597,125 Issuer Shares at an issue price of $0.55 per share, the payment of $500,000 in cash, payable within 90 days after closing, and the assignment to the vendor by the Issuer of a $500,000 term loan previously advanced by the Issuer to Urban Mechanical. At the time of the acquisition, up to an additional 3,636,363 Issuer Shares were to be issued in satisfaction of the balance of the purchase price. It was expected that these shares would be issued on the date that is one year following the closing of the transaction to ensure the vendor's performance of certain obligations under the agreement but such shares were not issued due to the Issuer's sale of Urban Mechanical in December 2013 (discussed below).

Private Placement

On January 15, 2013, the Issuer completed a brokered private placement of 2,534,492 units of the Issuer at a purchase price of $0.50 per unit, for gross proceeds of $1,267,246. Proceeds of the private placement will be used for targeted acquisitions and general working capital purposes.

Each unit is comprised of: one Issuer Share; and one common share purchase warrant. Each warrant entitles the holder to purchase one Issuer Share at an exercise price of $0.75 for a period of 24 months following the closing, subject to adjustment in certain events.

Sale of Urban Mechanical Contracting Limited

Subsequent to the purchase of Urban Mechanical, the Issuer 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 Issuer as a whole and necessitated cash flow management strategies. This, in turn, diverted the Issuer'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 Issuer had been forced to delay its growth strategy and strategic acquisitions due to the funding requirements for Urban Mechanical.

The Issuer was approached in August, 2013 with respect to a potential sale of Urban Mechanical. The Board of Directors of the Issuer (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 Issuer would be the sale of Urban Mechanical.

On October 15, 2013, the Issuer entered into the purchase agreement (the "Purchase Agreement"), which was publicly announced by the Issuer 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 Issuer as set out in the Purchase Agreement.

SustainCo 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 Issuer for the original Urban Mechanical acquisition.

VCI Controls Inc. Acquisition

In December 2013, the Issuer entered into agreements with PriceCo Inc. ("PriceCo") and Tannenberg Management Inc. ("TMI"), the shareholders of VCI, for the purchase of all of the issued and outstanding shares of VCI.

The Issuer entered into a share purchase agreement and assignment agreement with PriceCo and TMI respectively (collectively the "Agreements") for the purchase of all of the issued and outstanding subordinate voting and multiple voting shares in the capital of VCI for the aggregate purchase price of $1,225,000.

The Purchase Price has been 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 Issuer Shares at an issue price of $0.1125 per Issuer 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 Issuer through an assignment by TMI as part of the Agreements.

One June 6, 2014 the Issuer received final exchange approval and completed its acquisition of VCI.

Private Placement

In December 2013, the Issuer 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.

Debt Raise

In June 2014, the Issuer completed a private placement and consolidation of pre-existing debt into secured term note units, totalling $5,075,000. Each secured term note unit issued pursuant to the secured note offering is comprised of: (i) one $1,000 principal amount secured term note (each, a "Term Note") of the Issuer; and (ii) one hundred (100) common share purchase warrants (each common share purchase warrant, a "Warrant") of the Issuer. The Term Notes 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 Issuer 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 Issuer Share, will now be exercisable for a period of 36 months following the closing of the debt raise at an exercise price of $0.25 per Issuer Share, subject to adjustment in certain events. The securities were subject to a four (4) month hold period. The Term Notes are secured by general security over any and all assets of the Issuer, and shall rank *pari passu* with all debt raised pursuant to the private placement.

4. Narrative Description of the Business

General

SustainCo is a leading provider of sustainable infrastructure solutions and services. The Issuer operates through its wholly owned subsidiaries of CleanEnergy and VCI, and its division SustainCo Solutions and Services.

Clean Energy Developments Corp.

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 Controls Inc.

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.

SustainCo Solutions & Services

SustainCo Solutions & Services provides comprehensive building performance services, incorporating full life cycle asset optimization, design, build, operations and maintenance services for new build and retrofit facilities. Specifically, it provides: engineering services, building automation controls, performance monitoring, energy retrofits, mechanical and electrical installation and services, thermal energy systems, and operations and maintenance services for multi-residential and ICI facilities.

SustainCo Solutions & Services continues to market its offering to mid-size commercial, institutional and multi-residential assets across Canada. The customers include asset owners and managers as well as facility operators. Sales occur through strategic existing and new relationships with asset owners and managers and strategic partnerships with non-competing firms that deliver contiguous offerings, such as carbon trading or commodity energy contracts.

SustainCo Solutions & Services has a competitive advantage in that it has a cost competitive offering with its market segments of mid-size commercial, institutional and multi-residential customers. As it improves its ability to deliver a more holistic offering to its customer segment, it increases its ability to generate higher margin from bundled and holistic solution and service sets. It is further competitive because it has the right balance of project work versus on-going services work. Greater Toronto Area, Ottawa area, Montreal and Halifax are strong areas because of presence of work force, as well as a versatile work force to install geoexchange systems across Canada.

Business Objectives

Both VCI and CleanEnergy have the following strategic imperatives for Fiscal 2015:

a. Shifting sales to a more holistic approach via Building Performance Group.
b. Building out the Energy Retrofit Business, specifically sales and technical depth and execution.
c. Further development of our Building Performance capabilities, improving the current Performance Monitoring offering.
d. Establish an effective lead generation process / CRM tool to move opportunities through the sales funnel.
e. Deliver an "ESCO-type" retrofit project.
f. Invest in a few Clean Energy projects with immediate opportunities for work.
g. Acquire mechanical services firms in key geographic areas.

The majority of the above-noted objectives are being executed in an organic manner. The CRM tool is expected to be installed by Q2 with no significant expenditure as software as a service. Investment in clean energy projects are on-going discussions whereby SustainCo sources strategic capital through various channels to deliver integrated solutions & services mandates to VCI Controls. As opportunities arise with potential acquisition targets, SustainCo will announce pending acquisitions and make appropriate decisions with the use of cash and shares. Resources are in place to identify and assess opportunities.

SustainCo has $2,400,000 of funds available of which $ 1,500,000 is cash and $900,000 is a line of credit.

The estimated consolidated working capital as of the most recent month end prior to filing the Listing Statement is $1,944,000 working capital.

SustainCo will be raising $1,5000,000 as part of a non-brokered private placement of common shares.

5. Selected Consolidated Financial Information

Annual Information

(a) Net Sales or Total Revenues;

	2014	2013	2012
Total revenue	$ 8,345,642	$ 3,437,779	$ 426,851

(b) Income from continuing operations, in total and on a per share basis and fully diluted per share basis, calculated in accordance with the Handbook;

	2014	2013	2012
Net loss from continuing operations	$ 3,227,008	$ 8,207,099	$ 939,064
Net loss per share from continuing operations	$ 0.08	$ 0.32	$ 0.27

(c) Net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook;

	2014	2013	2012
Net loss	$ 3,931,443	$ 13,313,517	$ 939,064

(d) Total assets;

	2014	2013	2012
Total assets	$ 7,022,515	$ 38,530,437	$ 8,378,178

(e) Total long-term financial liabilities as defined in the Handbook;

	2014	2013	2012
Long-term liabilities	$ 4,796,246	$ 165,378	$ nil

(f) Cash dividends declared per share for each class of share;

Not Applicable

Audited Consolidated Financial Statements of SustainCo Inc. and the Management Discussion and Analysis have been included with the listing statement for the years ended 2013, 2012 and 2011, attached hereto as Schedule "A", "B" and "C", respectively.

Quarterly Information

a) Net Sales or Total Revenue;

	Q4-2014	Q3-2014	Q2-2014	Q1-2014	Q4-2013	Q3-2013	Q2-2013	Q1-2013
Revenue	$ 2,761,250	$ 2,370,561	$ 2,481,253	$ 732,578	$ 312,662	$ 1,008,499	$ 1,034,748	$ 1,081,870

b) Income from continuing operations;

	Q4-2014	Q3-2014	Q2-2014	Q1-2014	Q4-2013	Q3-2013	Q2-2013	Q1-2013	Q4-2012
Net loss from continuing operations	$ 1,020,984	$ 717,186	$ 785,132	$ 703,706	$ 8,207,099	$ 1,718,166	$ 821,453	$ 110,117	$ 801,435

c) Net income or loss;

	Q4-2014	Q3-2014	Q2-2014	Q1-2014	Q4-2013	Q3-2013	Q2-2013	Q1-2013
Net loss	$ 1,020,984	$ 717,186	$ 817,567	$1,375,706	$ 11,446,695	$ 1,651,113	$ 105,592	$ 110,117

Dividends

Presently there are no restrictions that could prevent the Issuer from paying dividends. Dividends are paid at the discretion of the Issuer.

6. Management's Discussion and Analysis

Annual Management's Discussion and Analysis

Please see the Management's Discussion and Analysis for the year ended August 31, 2013, attached hereto as Schedule "A".

Interim Management's Discussion and Analysis

Please see the Management's Discussion and Analysis for the three and nine months ended May 31, 2014, attached hereto as Schedule "D".

7. Market for Securities

The Issuer is listed on the TSX Venture Exchange under the ticker symbol "SMS".

8. Consolidated Capitalization

Secured Term Note Private Placement

In June 2014, the Issuer completed the private placement and consolidation of pre-existing debt into secured term note units, totaling $5,075,000. Each secured term note unit issued pursuant to the secured note offering is comprised of: (i) one $1,000 principal amount secured term note (each, a "Term Note") of the Issuer; and (ii) one hundred (100) common share purchase warrants (each common share purchase warrant, a "Warrant") of the Issuer. The Term Notes 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 Issuer 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.

Equity Private Placement

In December 2013, the Issuer 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.

9. Options to Purchase Securities

Options to Purchase Issuer Shares							
	Issuer			Subsidiaries			Consultants
	Executive Officers	Directors	Employees	Executive Officers	Directors	Employees	
Number of Recipients	2	3	1	-	-	-	1
Aggregate number of Options	900,000	300,000	50,000	N/A	N/A	N/A	100,000
Average Price	$0.62	$0.59	$0.68	N/A	N/A	N/A	$0.59
Expiry Date	Note 1	Note 2	April 3, 2018	N/A	N/A	N/A	Note 3

Note 1: 300,000 Options will expire as of September 1, 2016, and 600,000 Options will expire as of April 3, 2018.
Note 2: 150,000 Options will expire as of September 1, 2016, and 150,000 Options will expire as of April 3, 2018.
Note 3: 50,000 Options will expire as of September 1, 2016 and 50,000 Options will expire as of April 3, 2018.

10. Description of the Securities

Common Shares

The authorized share capital of the Issuer consists of an unlimited number of shares. As of the date of this Listing Statement, there were 46,741,801 issued and outstanding Issuer Shares that are fully paid and non-assessable. Holders of Issuer Shares are entitled to dividends, if, as and when declared by the board of directors of the Issuer, to one vote per share at meetings of the shareholders of the Issuer and, upon liquidation, dissolution or winding-up of the Issuer to receive such assets of the Issuer as are distributable to the holders of the Issuer Shares.

The Issuer Shares do not entitle the Issuer or its holders to any pre-emptive rights, conversion or exchange rights, redemption, retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities and any other material restrictions and/or provisions requiring a holder to contribute additional capital.

Debt Securities

Pursuant to a private placement completed on June 10, 2014 the Issuer offered principal notes (each a "Principal Note") at a purchase price of $1,000 per Principal Note that bear interest at a rate of 12% annually and reflect a 60 month term with a redemption feature exercisable at the discretion of the Issuer after a period of 24 months. Additionally, 100 warrants were attached to each Principal Note and are exercisable into one (1) Issuer Share at a price of $0.25 for a period of 36 months from the date of issuance. The Principal Notes will be listed on the Canadian National Stock Exchange and will be subject to a four (4) month hold period. The Principal Notes are secured by general security over any and all assets of the Issuer, and shall rank *pari passu* with all debt raised pursuant to the private placement. The Issuer raised a total of $5,075,000 debt under this private placement.

With the exception of the aforementioned, the Principal Notes do not entitle the Issuer or its holders to any pre-emptive rights, conversion or exchange rights, redemption (except as set out above), retraction, purchase for cancellation or surrender provisions, sinking or purchase fund provisions or provisions permitting or restricting the issuance of additional securities.

The Issuer is not modifying, amending or varying any rights attached to the securities being listed. The abovementioned securities are not materially limited or qualified by the rights of any other class of securities, and are not ranked ahead or behind any other securities. The Issuer is not listing any other securities than those mentioned above. Securities to be listed pursuant to this Listing Statement have never been listed on another stock exchange or market, including international/foreign stock exchanges and markets.

11. Escrowed Securities

Designation of class held in escrow	Number of securities held in escrow	Percentage of class	Initial Release Date
Common Shares	3,361,200	7.19%	July 30, 2012

Common Shares	4,318,707	9.24%	December 4, 2012
Total:	7,679,907	16.43%	

The Issuer's escrowed securities as of the date of this Listing Statement are set out in the table above. The conditions governing the release of the securities from escrow are set out in the table below.

Release Dates	Percentage of Total Escrowed Securities to be Released
Date of Exchange Bulletin	10%
6 months following Exchange Bulletin	15%
12 months following Exchange Bulletin	15%
18 months following Exchange Bulletin	15%
24 months following Exchange Bulletin	15%
30 months following Exchange Bulletin	15%
36 months following Exchange Bulletin	15%
TOTAL	100%

12. Principal Shareholders

As of the date of this Listing Statement there are two (2) principal shareholders of the Issuer. The number and amount of securities owned or to be owned of the class of securities to be listed pursuant to this Listing Statement is presently unknown. To the knowledge of the Issuer, the principal shareholders' Issuer Share holdings are set out in the table below.

Principal Shareholder	Type of Ownership	Number of Shares	Percentage of Outstanding Shares	
			Non-Diluted	Fully-Diluted
Alter NRG Corp.	Legal and Beneficial	10,000,000	21.39%	17.45%
Cangap Merchant Capital Limited Partnership	Legal and Beneficial[1]	12,361,411	26.45%	21.57%

Note: 9,147,125 of these common shares are beneficially owned through 2389779 Ontario Inc.

For the purposes of this section, the Issuer is not requalifying following a fundamental change or has proposed an acquisition, amalgamation, merger, reorganization or arrangement. To the knowledge of the Issuer, no shareholder owning more than ten per cent (10%) of any class of voting securities of the Issuer is subject to a voting trust or similar agreement. To the knowledge of the Issuer, none of the principal shareholders is an associate or affiliate of another person or company named as a principal shareholder.

Directors and Officers

Name and Municipality of Residence	Number of Voting Shares Beneficially Owned Directly, or Indirectly or Controlled (1)	Offices Held and Time as a Director(2)	Principal Occupation (last 5 years)
Emlyn J. David (Toronto, Canada)	518,000 Shares	President, CEO, Corporate Secretary, and Director since August 22, 2008	Managing Partner of Cangap Capital Corp.
Michael Galloro (Toronto, Canada)	10,000 Shares	Director since March 19, 2012	Accountant
Daniel R. Hay (3) (Calgary, Canada)	--	Director since July 26, 2012	Chief Financial Officer of Alter NRG Corp.
Chris Hazelton (Toronto, Canada)	--	Chief Financial Officer since August 15, 2014	Accountant
Rajiv Rai (Toronto, Canada)	90,000 Shares	Director Since August 22, 2008	Producer, CORE Film Productions

Notes:
(1) This information, not being within the knowledge of the Issuer, has been furnished by the respective nominees. These figures do not include any securities that are convertible into or exercisable for Issuer Shares.
(2) Each directors' term of directorship is indefinite but his or her position may be terminated at any time at the discretion of the Issuer, the shareholders, and/or the board of directors.
(3) Mr. Hay is an Insider of Alter NRG Corp., but is not a Control Person. Alter NRG Corp. holds an aggregate of 10,000,000 Issuer Shares.

Board Committees

The Issuer presently has one (1) board committee, being the Audit Committee. The Audit Committee is comprised of the three (3) members of the Board of Directors, being Michael Galloro, Daniel Hay, and Rajiv Rai. The Board of Directors has determined that a majority of such members are independent and that all such members are financially literate for the purposes of NI 52-110. Mr. Hay may not be considered to be independent for the purposes of NI 52-110 as he is the Chief Financial Officer of Alter NRG Corp.

Cease-Trade Orders, Bankruptcies, Penalties and Sanctions

To the Issuer's knowledge, no director, officer or insider of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer is, or within ten (10) years before the date of this Listing Statement, has been, a director, officer or insider of any other issuer that, while that person was acting in that capacity, (a) was the subject of a cease trade or similar order, or an order that denied such issuer access to any exemptions under applicable securities legislation for a period of more than thirty (30) consecutive days or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or (c) was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or (d) has personally become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, other than as follows: Emlyn J. David was appointed an officer and director of Fareport Capital Inc. (TSXV: FPC) ("**Fareport**") in October, 2007. Prior to and during Mr. David's involvement with Fareport, the company had been subject to a management cease trade order for failure to file financial statements, which eventually became an issuer cease trade order. Fareport was permanently cease traded on July 23, 2008 due to its inability to file those financial statements.

Material Conflicts

To the Issuer's knowledge there are no existing or potential material conflicts of interest between the Issuer or a Subsidiary and a director or officer of the Issuer or a Subsidiary.

Management

Emlyn J. David, age 50, President, Chief Executive Officer, Secretary, Chairman and Director of SustainCo, Director and Chief Executive Officer of CleanEnergy, Director and Chief Executive Officer of VCI
Emlyn J. David is the Chairman, President, and CEO of SustainCo. Mr. David has over 25 years of corporate financial management, investment banking, and investment management experience. Since 2006, Mr. David has been Managing Partner of Cangap Capital Corp., a niche private equity/merchant bank investing in and providing strategic finance solutions to a wide range of companies, including interests in transportation, business aviation, healthcare services, media finance, alternative energy finance, and general commercial finance. Mr. David initially began working as a Corporate Financial Manager with Cambridge Shopping Centres, one of the largest public real estate companies in North America. Subsequent to that, Mr. David was a partner in a number of small niche investment banking/brokerage companies. Mr. David will devote approximately 75% of his time to the Issuer and the Subsidiaries and will be an employee of the Issuer.

Frank Carnevale, age 42, Senior Vice President of Strategic Developments & Communications of SustainCo, Director of CleanEnergy, and Director of VCI
Mr. Carnevale is Senior Vice President, Strategic Developments & Communications for SustainCo. With over 25 years of government, energy and infrastructure experience across Canada, Mr. Carnevale is thought leader in the industry, and focuses on investment, development and acquisition opportunities, strategy, strategic channels and growth opportunities for SustainCo and the Subsidiaries. Mr. Carnevale has packaged and originated sustainable energy and infrastructure solutions for business-to-government and business-to-business for various developers, clean tech and energy and infrastructure companies. He has originated over $100 million in energy retrofit contracts in the municipal and social housing sectors, and has managed stakeholder communications and government relations for some of the largest clean, renewable power projects and infrastructure build. Mr. Carnevale has participated in strategy and execution on some of the largest utility mergers and acquisitions in Canada. Mr. Carnevale will devote approximately 75% of his time to the Issuer and the Subsidiaries and will be an employee of the Issuer.

Michael Galloro, age 40, Director of SustainCo
Michael Galloro is a member of the Institute of Chartered Accountants with over 17 years of experience having earned his designation while working for KPMG LLP. While engaged as Vice President of Finance for a public company that was listed on the Toronto Stock Exchange, Mr. Galloro gained experience in finance and capital markets, corporate governance, human resources, and administration. He pursued a consulting career working on various projects in securities legislation compliance, valuations, mergers and acquisitions, and initial public offerings. His experience stems internationally having been exposed to various global markets. Mr. Galloro currently acts as a Chief Financial Officer and Director for private and publicly listed companies operating abroad.

Daniel R. Hay, age 41, Director of SustainCo

Daniel R. Hay has acted as Chief Financial Officer of Alter or its predecessor since May of 2006. Prior thereto, Mr. Hay acted as Chief Financial Officer of Waveform Energy Ltd. from February 2005 to November 2006, as Senior Manager of Grant Thornton LLP from October 2003 to January 2005 and as manager at Collins Barrow from 1998 to September 2003. Mr. Hay is a chartered accountant and obtained his Bachelor of Commerce degree in 1997 from the University of Calgary.

Chris Hazelton, age 39, Chief Financial Officer of SustainCo

Chris Hazelton is a Chartered Public Accountant with over eleven (11) years of experience working in a variety of audit, advisory, mergers and acquisitions, and valuation engagements. Mr. Hazelton has been involved in a number of public and private market transactions, including business acquisitions and reverse take-overs, for both domestic and internationally segmented entities. His experience spans from the operating level to that of the board of directors while engaging relationships with financial service providers.

Rajiv Rai, age 45, Director of SustainCo

Rajiv Rai has over 19 years of business experience with leadership and cross-functional expertise in sales, customer service, and operations management in the mobile communications, internet video, computer animation, and motion picture sectors. Mr. Rai began his career with Rogers Communications Inc. and helped launch both North America's first high speed cable modem and the first Research in Motion Blackberry device. From 1998 to 2002, Mr. Rai also successfully built Fastvibe, a video streaming business that was eventually sold to Rogers Communications Inc. in 2004. He has also served in executive roles at C.O.R.E Feature Animation, where he co-ordinated the construction of a full functioning computer animation studio for Disney, and C.O.R.E Films Productions, where he is responsible for developing motion pictures and television programs.

Nicholas Price, age 56, President and Director of VCI

Nicholas Price is President of VCI and oversees SustainCo Solutions and Services brand. Mr. Price has held a number of senior leadership roles in the building controls/HVAC industry over the past 25 years. He began his career with Honeywell Limited and served in a number of capacities, including Vice President and General Manager of the Buildings business in Canada. During his career with Honeywell he was recognized with a number of awards, including the Lund Award for excellence in leadership and employee development. Mr. Price holds a Bachelor of Engineering degree complemented by a Masters of Business Administration. He is a registered Professional Engineer in the Province of Ontario. In addition, he has obtained certificates from the Thunderbird School of Global Management, Harvard University and Boston University, and he is as Certified Green Belt, Six Sigma Quality. Mr. Price will devote approximately 50% of his time to the Issuer and will be an employee of a Subsidiary of the Issuer.

14. Capitalization

The securities to be listed pursuant to this Listing Statement are debt securities and the tables and questions hereunder do not apply.

15. Executive Compensation

See Executive Compensation. Attached hereto as Schedule "E".

16. Indebtedness of Directors and Executive Officers

As of the date of this Listing Statement, no current or former directors, executive officers or employees of the Issuers or any of its Subsidiaries, no proposed nominees for election as directors, or any associates of such persons, is currently or has been, at any time since the beginning of the Issuer's most recently completed financial year, indebted to the Issuer or any of the Subsidiaries, and no indebtedness of such persons is the subject of a guarantee, support agreement, letter of credit or other similar arrangement provided by the Issuer or the Subsidiaries.

17. Risk Factors

The following are certain risk factors related to the business to be carried on by the Issuer. It is believed that these are the factors that could cause actual results to be different from expected and historical results, but the risks presented below may not be all of the risks that the Issuer may face. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Listing Statement.

Other sections of this Listing Statement include additional factors that could have an effect on the business and financial performance of the business. The markets in which the Issuer currently competes are very competitive and change rapidly. New risks may emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

Risks Related to the Combined Businesses

Revenue Risk:

The Issuer may experience delays in achieving revenues. Revenues may be delayed or negatively impacted by issues encountered by the Issuer 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;
- competition from other geoexchange suppliers or alternate less capital intensive energy solutions; and
- competition from other mechanical contractors.

Sales Cycle and Fixed Price Contracts:

The Issuer 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 Issuer and its customers. There is no assurance that delays or problems in the implementation process used for all customers will not adversely affect the Issuer'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 Issuer'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 Issuer'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 Issuer. Any loss of the services of these personnel could have a materially adverse impact on the Issuer's business, technical capabilities, operating results or financial condition or could result in delays to or abandonment of the Issuer's projects.

Business and Project Risk:

The Issuer will be in the early stage of development and there is a risk that the Issuer's anticipated milestones and/or projects will not be achieved or completed on time, on budget or at all. The Issuer will also be subject to a variety of risks, including delays, increased construction or operational costs, and interruption of operations due to many factors including, without limitation the following:

- inability to raise or otherwise obtain necessary funds to participate in projects;
- finding suitable project partners and resources to devote to the projects;
- challenges and issues related to the Issuer 's proprietary technology;
- delays in obtaining regulatory approvals or conditions imposed by regulatory bodies;
- breakdown or failure of equipment or processes;
- construction performance falling below expected levels of output or efficiency;
- design errors;
- contractor or operator error;
- labour disputes, disruptions or declines in productivity;
- non-performance by third-party contractors;
- inability to attract a sufficient number of qualified workers;
- increases in material or labour costs;
- changes in the scope of the Issuer 's business;
- violation of patents;
- disruption in the supply of energy; and
- major incidents or catastrophic events such as fires, earthquakes, storms or explosions.

Growth:

The Issuer may not be able to successfully manage its growth. The Issuer's growth strategy will place significant demands on its financial, operational and management resources. In order to continue its growth, it will need to add administrative, management and other personnel, and make additional investments in operations and systems. The success of the Issuer will depend, in a large part, on the expertise, ability, judgment, discretion, integrity and good faith of its management. The Issuer may not be able to find and train qualified personnel, or do so on a timely basis and expand its operations and systems.

Loss of Contracts:

The Issuer 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 Issuer may terminate their contracts or arrangements before the end of the contract term. If the Issuer 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 Issuer will be the successful bidder for any particular contract is subject to significant uncertainty.

Competition:

The geoexchange and mechanical services and building controls industry is competitive; however, the Issuer is the only public company offering a turn-key solution. There are smaller privately-owned companies which are providing segments of the geoexchange process or segments of the building controls and mechanical services business 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 Issuer or that new or existing competitors will not enter the various markets in which the Issuer will be active.

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

Dependence on Suppliers:

The ability of the Issuer to compete and grow will be dependent on the Issuer 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 Issuer's ability to compete and grow. No assurances can be given that the Issuer will be successful in maintaining its required supply of skilled labour, equipment, parts, and components.

Commodity Price Volatility:

The geoexchange industry is impacted by downward trends in the costs of commodities such as oil and natural gas. The lower the current costs for heating and cooling houses the longer the payback period for implementing a geoexchange solution which may discourage potential customers, as well as lower than market energy prices for commercial, institutional and multi-residential properties may have a negative impact for asset owners/managers wanting to better manage their energy costs through the use of Issuers' performance monitoring and retrofit strategies.

Prices for End Products:

The prices the Issuer will receive for its end products will be dependent on the demand for them. While there is a proven market for geoexchange products, there can be no assurance that the pricing of these products will be at levels anticipated by the Issuer. All such estimates for the pricing of the Issuer's end products are, to some degree, uncertain. For this reason, estimates of future net revenues prepared by the Issuer compared to actual net revenues may vary substantially.

Regulatory and Political:

The Issuer's operations will be subject to a variety of federal, provincial, state and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment and the manufacture, management, transportation, and storage and disposal of certain materials that will be used in the Issuer's operations. It is anticipated that the Issuer will be in compliance with such laws, regulations, and guidelines; however, changes to such laws, regulations and guidelines due to environmental changes, unforeseen environmental effects, general economic conditions, and other matters beyond the control of the Issuer may cause adverse effects to the Issuer's operations.

Environmental Liability:

The Issuer 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 Issuer's operations. The Issuer anticipates establishing procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Issuer's procedures will prevent environmental damage occurring from spills of materials handled by the Issuer or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Issuer may have the benefit of insurance maintained by it or the operator, however, the Issuer 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.

The Issuer's customers are subject to similar environmental laws and regulations, as well as limits on emissions to the air and discharges into surface and subsurface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Issuer cannot predict the nature of the restrictions that may be imposed. The Issuer may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Operating Risk and Insurance:

The Issuer has an insurance and risk management program in place to protect its assets, operations, and employees, and also has internal programs in place to address compliance with current safety and regulatory standards. However, the Issuer's operations are subject to risks inherent in the geoexchange and mechanical contracting industry, such as equipment defects, malfunction, failures, and natural disasters. These risks and hazards could expose the Issuer to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution, and other environmental damages.

While the Issuer's anticipates its insurance coverage will address all material risks to which it will be exposed and will be adequate and customary in its state of operations, such insurance will be subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Issuer will be exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Issuer's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Issuer were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Issuer were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations, and financial condition could be materially adversely affected.

Reliance on Technology:

The Issuer will depend upon continuous improvements in technology to meet customer demands in respect of performance and cost, and to explore additional business opportunities. There can be no assurance that the Issuer will be successful in its efforts in this regard or that it will have the resources available to meet this demand.

Limited Operating History of Issuer:

The Issuer is a relatively newly consolidated entity without a long consolidated operating history. The success of the consolidated Issuer will be dependent on the managers of those operations to be successful in their attempts to gain new business. There can be no assurance that the Issuer will be successful in addressing these risks.

Litigation:

Although there are currently no material legal proceedings outstanding or, to the best of the knowledge of the Issuer or the Subsidiaries, as applicable, contemplated against the Issuer or the Subsidiaries, the Resulting Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business.

Surety Bonds, Letters of Credit and Insurance:

If the Issuer is unable to obtain performance or surety bonds, letters of credit or insurance, it may not be able to enter into additional contracts. Contracts may require performance or surety bonds, letters of credit or other financial assurance to secure contractual performance or comply with provincial or local laws or environmental regulations. Alternatively, the Issuer may use letters of credit. If the Issuer were to draw fully upon available credit facilities or were unable to obtain performance or surety bonds or additional letters of credit in sufficient amounts or at acceptable rates, it could be precluded from entering into additional contracts. Any future difficulty in obtaining insurance also could impair the ability of the Issuer to secure future contracts that are conditional upon the contractor having adequate insurance coverage. Accordingly, the failure of the Issuer to obtain performance or surety bonds, letters of credit or other financial assurances or to maintain adequate insurance coverage could limit operations and have a materially adverse effect on the business, financial condition, and results of operations.

Leverage, Restrictive Covenants and Capital Requirements:

The degree to which the Issuer is leveraged could have important consequences to the Issuer shareholders including but not limited to: the ability of the Issuer to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of the Issuer's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; certain of the Issuer's borrowings will be subject to variable rates of interest, which will expose the Issuer to the risk of increased interest rates; and the Issuer may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures.

If the Issuer undertakes acquisitions or expands its operations, its capital expenditures may increase. The increase in expenditures may reduce working capital and require financing for working capital deficits.

Accounting Estimates:

The Issuer will be required to make accounting estimates and judgments in the ordinary course of business. Such accounting estimates and judgments will affect the reported amounts of its assets and liabilities at the date of the financial statements and the reported amounts of its operating results during the periods presented. Additionally, the Issuer will be required to interpret the accounting rules in existence as of the date of the financial statements when the accounting rules are not specific to a particular event or transaction. If the underlying estimates are ultimately proven to be incorrect, or if auditors or regulators subsequently interpret the Issuer's application of accounting rules differently, subsequent adjustments could have a material adverse effect on its operating results for the period or periods in which the change is identified. Additionally, subsequent adjustments could require the Issuer to restate its financial statements. A restatement of the Issuer's financial statements could result in a material change in the price of the Issuer Shares.

Risks Related to Purchasing Debt Notes of the Issuer

Unpredictability and Volatility of the Issuer Debt Note Price:

There can be no assurance that a significant public market for Issuer Debt Notes will develop or be sustained. The deemed price of Issuer Debt Notes issued in connection with the Private Placement have been determined by negotiation among the Issuer and the Agent and may not be indicative of the market price for Issuer Debt Notes. If an active public market for Issuer Debt Notes does not develop, the liquidity of an investment in Issuer Debt Notes may be limited, the market price could be subject to significant fluctuations and the price per debt note may decline below the deemed price of the Issuer Debt Notes in connection with the Private Placement.

The market price of the Issuer Debt Notes could fluctuate significantly as a result of many factors, including but not limited to the following: economic and stock market conditions generally, and specifically as they may impact participants in the geoexchange and mechanical services and building controls industry; the Issuer's earnings and results of operations and other developments affecting the Issuer's businesses; sales of debt notes of the Issuer into the market by the Issuer Debt Note holders and/or Insiders of the Issuer; changes in financial estimates and recommendations by securities analysts following the Issuer Debt Notes; earnings and other announcements by, and changes in market evaluations of, competition in the geoexchange and mechanical services and building controls industry; changes in business or regulatory conditions affecting participants in the geoexchange and mechanical services and building controls industry; trading volume of debt notes in the Issuer; additions or departures of key personnel; and competitive pricing pressures in the geoexchange, mechanical services and building controls industry.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity (debt?) securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price the Issuer Debt Notes may decline even if the Issuer's operating results or prospects have not changed.

Interest Rates:

Interest rate fluctuations are beyond the Issuer's control and there can be no assurance that interest rate fluctuations will not have a significant adverse effect on the Issuer's financial performance. The Issuer is subject to interest rate risk on the outstanding balance of the credit facilities.

Financial Market Turmoil:

Global financial market and economic conditions can pose a significant threat to economic growth in almost all sectors and economies, causing a decline in consumer and business confidence, a reduction in credit availability, and a dampening in business and household spending.

Economic Downturn in the Global Economy:

As a result of the current global economic situation, the Issuer and its industry peers may have restricted access to capital and increased borrowing costs. The lending capacity of all financial institutions has diminished and risk premiums have increased. As the ability of the Issuer to meet future capital requirements may depend upon its ability to borrow money from third parties or make additional offerings of securities in the future, the ability of the Issuer to do so may be limited by, among other factors, the overall state of capital markets and investor demand for investments in the geoexchange and mechanical contracting industry and the Issuer's securities in particular.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, the ability of the Issuer to make capital investments and maintain existing assets may be impaired, and their assets, liabilities, business, financial condition, and results of operations may be materially and adversely affected as a result. Failure to obtain any financing necessary for the capital expenditure plans of the Issuer may result in a delay of the ability of the Issuer to carry out its business strategy.

Economic conditions and other factors may also reduce the demand for geoexchange products or services from that forecasted and factors expected to support or increase demand may not have the effect expected. Any reduction in demand may have a material adverse effect on the financial results or condition of the Issuer.

There is no risk that the security holders of the Issuer may become liable to make an additional contribution beyond the price of the security.

18. Promoters

The Issuer has not engaged any promoters or parties to perform investor relations activities.

19. Legal Proceedings

The Issuer and its Subsidiaries are not jointly or severally a party to any material legal proceedings. The Issuer within the three years immediately preceding the date hereof has not had any penalties or sanctions relating to provincial or territorial securities legislation imposed against the Issuer by a court or a securities regulatory authority.

20. Interest of Management and Others in Material Transactions

(a) Alter NRG Corp., a corporation that holds significant influence over the Issuer, is 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) Prior to the sale of Urban Mechanical rent in connection with the Urban Mechanical office was paid to Urban Alliance Inc., a company controlled by a beneficial owner that formerly held significant influence over the Issuer.

(c) Rent is paid to Bridgepoint Group Ltd., company controlled by an officer of the Issuer, for office space used by the Issuer.

(d) As at May 31, 2014, included in accounts receivable is a non-interest bearing, unsecured loan, which is due upon demand from an associate corporation of $11,100 (August 31, 2013 - $nil).

21. Auditors, Transfer Agents and Registrars

Auditors

MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, Ontario, M5H 2G4, are the current auditors of the Issuer.

Transfer Agent

Equity Financial Trust, located at 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1, are the current transfer agent of the Issuer. The Transfer Agent has been appointed to maintain the common shares register and the register of transfers of such shares.

22. Material Contracts

Not Applicable

23. Interest of Experts

There are no persons or companies whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement that have a direct or indirect interest, or shall receive a direct or indirect interest, in the property of the Issuer or of a Related Person of the Issuer.

24. Other Material Facts

There are no other material facts about the Issuer and its securities that are not disclosed under the preceding items that are necessary in order for this Listing Statement to contain full, true, and plain disclosure of all material facts relating to the Issuer and its securities.

25. Financial Statements

Audited Annual Financial Statements

Please see the audited financial statement for the Issuer including the auditor's report for the years ended August 31, 2013, August 31, 2012, and August 31, 2011 attached hereto as Schedule "A", "B" and "C" respectively.

Interim Audited Financial Statements

Please see the interim financial statement for the Issuer for the three and nine months ended May 31, 2014 and May 31, 2013, attached hereto as Schedule "D".

The Issuer is not re-qualifying for listing following a fundamental change.

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, (full legal name of the Issuer), hereby applies for the listing of the above mentioned securities on CNSX. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at

this 16 day of April, 2015.

Chief Executive Officer

Emlyn J. David

Chief Financial Officer

Chris Hazelton

Promoter (if applicable)

Director

Director

Appendix “A”

Audited Consolidated Financial Statements

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Management Discussion & Analysis

For year ended Aug 31, 2013

SustainCo Inc.

SustainCo Inc.

Consolidated Financial Statements

For the years ended August 31, 2013 and 2012

(Expressed in Canadian Dollars)

MNP LLP

Independent Auditor's Report

To the Shareholders of SustainCo Inc.

We have audited the accompanying consolidated financial statements of SustainCo Inc., which comprise the statement of financial position as at August 31, 2013, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SustainCo Inc. as at August 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The consolidated financial statements as at August 31, 2012 and for the year then ended were audited by MSCM LLP of Toronto, Canada, prior to its merger with MNP LLP. MSCM LLP expressed an unmodified opinion on those statements on December 31, 2012.

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Canada

December 26, 2013

MNP LLP

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	August 31, 2013	August 31, 2012
Assets		
Current assets		
Cash	$ **1,594,877**	$ 1,383,371
Accounts receivable, net of allowance of $73,313 (2012 - $nil)	**749,698**	1,317,330
Inventories *(note 6)*	**57,395**	102,943
Note receivable *(note 5)*	**-**	500,000
Prepaid expenses	**31,736**	70,763
Current assets held for sale *(note 5)*	**23,606,036**	-
	26,039,742	3,374,407
Property and equipment *(note 7)*	**54,137**	68,768
Intangible assets *(note 4&9)*	**282,000**	318,000
Goodwill *(note 4&8)*	**-**	4,617,003
Non-current assets held for sale *(note 5)*	**12,154,558**	-
	$ **38,530,437**	$ 8,378,178
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	$ **1,350,489**	$ 831,786
Deferred revenue	**54,368**	-
Due to related party *(note 11)*	**978,146**	1,142,714
Notes payable *(note 15)*	**2,800,000**	-
Current portion of finance lease obligations *(note 13)*	**-**	4,266
Current liabilities held for sale *(note 5)*	**32,595,216**	-
	37,778,219	1,978,766
Non-current liabilities held for sale *(note 5)*	**165,378**	-
	37,943,597	1,978,766
Shareholders' equity		
Share capital *(note 10)*	**14,188,904**	7,901,791
Contributed surplus *(note 10)*	**1,455,935**	242,103
Deficit	**(15,057,999)**	(1,744,482)
	586,840	6,399,412
	$ **38,530,437**	$ 8,378,178

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

Subsequent events *(note 18)*

Approved on behalf of the Board

Signed: *"Emlyn J. David"*
Director

Signed: *"Michael Galloro"*
Director

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended August 31,	
	2013	2012
Sales	**$ 3,437,779**	$ 426,851
Cost of sales *(note 6)*	**2,967,887**	287,283
Gross margin	**469,892**	139,568
General and administrative *(note 14)*	**2,498,799**	369,895
Share-based payments *(note 10)*	**1,139,660**	-
Depreciation *(note 7&9)*	**59,030**	2,299
	3,697,489	372,194
Loss from continuing operations before finance expense, transaction costs, impairment and income taxes	**(3,227,597)**	(232,626)
Finance expense *(note 11)*	**135,886**	1,304
Transaction costs *(note 4&5)*	**226,613**	705,134
Impairment in goodwill *(note 8)*	**4,617,003**	-
Net loss from continuing operations	**(8,207,099)**	(939,064)
Discontinued operations *(note 5)*	**(5,106,418)**	-
Net loss and comprehensive loss	**$ (13,313,517)**	$ (939,064)
Net loss per share		
Basic and diluted from continuing operations	**$ (0.32)**	$ (0.27)
Basic and diluted from discontinued operations	**$ (0.20)**	$ -
Weighted Average shares outstanding	**25,997,976**	3,466,633

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

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, August 31, 2011	$ 773,977	$ 116,340	$ (805,418)	$ 84,899
Shares issued for CleanEnergy	5,000,000	-	-	5,000,000
Private placement, net of issuance costs	1,845,814	125,763	-	1,971,577
Shares issued for consulting on transaction	282,000	-	-	282,000
Net loss for the year	-	-	(939,064)	(939,064)
Balance, August 31, 2012	$ 7,901,791	$ 242,103	$ (1,744,482)	$ 6,399,412
Shares issued for Urban Mechanical	5,278,419	-	-	5,278,419
Private placement, net of issuance costs	1,008,694	74,172	-	1,082,866
Share-based payments	-	1,139,660	-	1,139,660
Net loss for the year	-	-	(13,313,517)	(13,313,517)
Balance, August 31, 2013	**$ 14,188,904**	**$ 1,455,935**	**$ (15,057,999)**	**$ 586,840**

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

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended August 31, 2013	2012
Cash flow from operating activities		
Net loss from continuing operations	**$ (8,207,099)**	$ (939,064)
Add (deduct) items not involving cash		
Depreciation	**59,030**	2,299
Share-based payments	**1,139,660**	-
Impairment in goodwill	**4,617,003**	-
Non-cash transaction costs	**-**	282,000
Change in non-cash working capital		
Accounts receivable	**567,632**	(1,317,330)
Prepaid expenses	**39,027**	(70,763)
Inventory	**45,548**	(102,943)
Deferred revenue	**54,368**	-
Accounts payable and accrued liabilities and due to related party	**(245,864)**	1,952,191
Cash used in continuing operations	**(1,930,695)**	(193,610)
Cash used in discontinued operations	**(1,789,236)**	-
	(3,719,931)	(193,610)
Cash flow from financing activities		
Private placement, net of issuance costs	**1,082,866**	1,971,577
Issuance of notes payable	**3,287,500**	-
Repayment of notes payable	**(487,500)**	-
Due to related party	**100,000**	-
Repayment of finance leases, net	**(4,266)**	(537)
Cash provided by continuing operations	**3,978,600**	1,971,040
Cash provided by discontinued operations	**299,387**	-
	4,277,987	1,971,040
Cash flow from investing activities		
Investment in property and equipment	**(8,399)**	(1,267)
Investment in note receivable	**-**	(500,000)
Cash used in continuing operations	**(8,399)**	(501,267)
Cash used in discontinued operations	**(338,151)**	-
	(346,550)	(501,267)
Total cash provided by continuing operations	**2,039,506**	-
Total cash used by discontinued operations	**(1,828,000)**	1,276,163
Cash, beginning of the year	**1,383,371**	107,208
Cash, end of the year	**$ 1,594,877**	$ 1,383,371
Supplementary cash flow information:		
Shares issued for acquisition of Urban Mechanical	**$ 6,278,419**	$ -
Shares issued for acquisition of CleanEnergy	**$ -**	$ 5,000,000
Agent options issued	**$ 74,172**	$ 125,763

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

Notes to the Consolidated Financial Statements
For the years ended August 31, 2013 and 2012

1. Nature of Operations

SustainCo Inc. (formerly Bellair Ventures Inc.), (the "Company" or "SustainCo"), was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 151 Bloor Street West, Suite 1100, Toronto, Ontario, Canada. The Company is listed on the TSX Venture Exchange Inc. (the "TSX-V " or the "Exchange") under the trading symbol "SMS".

SustainCo conducts its operations through two wholly owned subsidiaries, Clean Energy Developments Corp. ("CleanEnergy") and Urban Mechan ical Contracting Ltd. ("Urban Mechanical" or "Urban").

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.

Urban Mechanical is a mid-tier mechanical contractor which, together with its predecessor businesses, has a history spanning more than 45 years in low-rise residential, high-rise residential and industrial commercial institutional ("ICI") ins tallations in Ontario, Canada. Subsequent to the year, the Company sold Urban Mechanical (note 5).

2. Basis of Presentation

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the Inter national Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on December 26, 2013.

Basis of measurement and functional currency

The consolidated financial statements are prepared on the historical cost basis. The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements are presented in Canadian dollars, the Company's functional currency.

Principles of consolidation

The Company consolidates its interest in entities which it controls. Control comprises the power to govern an entity's financial and operating policies so as to obtain benefits from its activities. All intercompany balances and transactions have been eliminated.

3. Summary of Significant Accounting Policies

Revenue recognition

Revenue from long-term service contracts, consisting of design and engineering services and installation of mechanical and geoexchange systems, is recognized using the percentage-of-completion method of accounting. The degree of completion is determined by comparing the costs incurred to the total costs anticipated for the contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Advance payments received from customers, in excess of revenue recognized, are classified as deferred revenue until the service is provided or the product delivered.

Product revenue is recognized when the significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits will be received, and the costs incurred or to be incurred can be measured reliably.

Financial instruments

All financial instruments are classified into one of the following categories: fair value through profit and loss ("FVTPL"), held-to-maturity, loans and rec eivables, available-for-sale financial assets, or other financial liabilities. Loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost. FVTPL financial instruments are subsequently measured at fair value and all gains and losses are included in net income or loss in the period which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income or loss until the instrument is derecognized or impaired.

Cash, accounts receivable, and the note receivable are classified as loans and receivables, which are measured at amortized cost less any provision for impairment. Trade payables and accrued liabilities, due to related party, notes payable and finance lease obligations are classified as other financial liabilities which are measured at amortized cost. The Company had neither available-for-sale nor held-to-maturity instruments during the years ended August 31, 2013 and 2012.

Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the end of the reporting period. All differences are recorded in the statement of loss and comprehensive loss.

3. Summary of Significant Accounting Policies – con tinued

Income taxes

Deferred tax assets and liabilities are recognized for the future income tax consequences of events that have been included in the consolidated financial statements or income tax returns of the Company. Deferred taxes are provided for using the asset and liability method. Under this method, deferred taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets, liabilities and certain carry forward items.

Deferred tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing parts of the equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of loss and comprehensive loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a declining balance basis over the expected useful life of the asset at the following rates:

Office furniture & equipment – 20%

Computer equipment – 30-40%

Job equipment – 20-30%

Vehicles – 30%

Leasehold improvements – straight-line over the lea se term

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

3. Summary of Significant Accounting Policies – con tinued

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of loss and comprehensive loss.

Leased assets are amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is amortized over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the statement of loss and comprehensive loss on a straight line basis over the lease term.

Intangible assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on the intangible assets with finite lives is recognized in the statement of loss and comprehensive loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of loss and comprehensive loss when the asset is derecognized.

Intangible assets consist of customer relationships, exclusivity contracts, and brand names. Customer relationships are amortized over five years, and exclusivity contracts over the expected life of the contract. The brand name is an indefinite life intangible, which is tested for impairment annually.

Inventories

Inventories are valued at the lower of cost and net realizable value.

The costs incurred to bring each product to its present location and condition are accounted for as follows:

- Raw materials – purchased cost on a first in, fir st out basis.
- Work in progress – cost of direct materials and l abour.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3. Summary of Significant Accounting Policies – con tinued

Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impair ed. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the statement of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss and comprehensive loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which goodwill relates. Where the recoverable amount of the CGU, including goodwill, is less than its carrying value, an impairment loss is recognized (Note 8). Impairment losses related to goodwill cannot be reversed in future periods.

Stock-based compensation

The Company has in effect a stock option plan which is described in Note 10(c). All stock-based awards granted are accounted for using the fair value based method. Fair value is calculated using the Black-Scholes valuation model. Any consideration paid by eligible participants on the exercise of stock options is credited to share capital. The contributed surplus associated with options is transferred to share capital upon exercise.

3. Summary of Significant Accounting Policies – con tinued

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The Company applies the treasury stock method in the calculation of diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following are the critical assumptions concerning the key sources of estimation uncertainty at August 31, 2013, that have a significant risk of causing adjustments to the carrying values of assets and liabilities.

Assessment of impairments

The Company's impairment tests for goodwill and intangible assets are based on value in use calculations that use a discounted cash flow model. The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Purchase price allocation

The estimated purchase price and purchase price allocation of Urban Mechanical remains subject to the completion of the determination of fair value of the net identifiable assets acquired. The purchase price allocation of CleanEnergy was completed during the current fiscal year. Both allocations are subject to assumptions regarding future cash flows, growth projections and estimates of achieving key operating metrics.

Percentage of completion

The Company uses the percentage of completion method in accounting for its contract revenues. Use of the percentage of completion method requires the Company to estimate the contract work performed to date as a proportion of the total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

3. Summary of Significant Accounting Policies – con tinued

Future changes in accounting standards

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2013, and have not been applied in preparing these consolidated financial statements but may affect the Company.

IFRS 9 - Financial Instruments: Classification and Measurement, effective for annual periods yet to be determined, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

IFRS 10 - Consolidated Financial Statements, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 12 - Disclosure of Interests in Other Entities, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 - Fair Value Measurement defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

The Company is currently assessing the effects of these new standards.

4. Acquisitions

CleanEnergy

On July 26, 2012, the Company completed its qualifying transaction by acquiring all of the issued and outstanding shares of Clean Energy Developments Corp. for $5 million in consideration satisfied by the issuance of 10,000,000 of the Company's common shares. In addition, working capital of CleanEnergy on closing was paid for in cash by SustainCo.

The purchase consideration was as follows:

Purchase price to vendors - 10,000,000 shares @ $0.50 per share	$ 5,000,000
Payment for working capital in excess of $nil	981,684
Total purchase price	**$ 5,981,684**

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

Cash	$ (128,172)
Accounts receivable	1,207,179
Inventories	136,636
Restricted cash	107,274
Prepaid expenses	37,553
Customer relationships	70,000
Exclusivity contracts	180,000
Brand name	68,000
Property, plant and equipment	69,801
Accounts payable and accrued liabilities	(309,324)
Deferred revenue	(69,463)
Finance lease obligations	(4,803)
Identified net assets acquired	**$ 1,364,681**

Identified net assets acquired	$ (1,364,681)
Consideration paid	5,981,684
Goodwill	**$ 4,617,003**

The goodwill is attributable to the sustainable business platform provided by CleanEnergy and the skills and technical talent of CleanEnergy's workforce. Total transaction costs were $705,134.

The purchase price allocation was completed in 2013, with prior period balances being restated to reflect the allocation. In the previous financial statements for the year ended August 31, 2012, the excess of purchase price over net assets identified in the amount of $4,935,003 was temporarily recorded to "unallocated purchase price". In fiscal 2013, after the purchase price allocation was completed, the 2012 figures have been restated to include customer relationship of $70,000, exclusivity contract of $180,000, and brand $68,000 (for cumulative intangible assets $318,000). The remainder of unallocated purchase price of $4,617,003 has been classified as goodwill.

5. Discontinued Operations

Acquisition of Urban Mechanical

On December 5, 2012 the Company completed the acquisition of all of the issued and outstanding shares of Urban Mechanical pursuant to the terms and conditions of a share purchase agreement for a purchase price equal to $10,000,000 less all outstanding long term debt of Urban Mechanical and less up to $2,000,000 of shortfall in the working capital target of $3,000,000 as at closing of the Acquisition.

On closing, Urban Mechanical had $1,721,581 of long term debt outstanding. The purchase price was satisfied by the Company through the issuance of 9,597,125 common shares of the Company at an issue price of $0.55 per share, the payment of $500,000 in cash, payable within 90 days after closing and the assignment to the vendor by the Company of a $500,000 term loan previously advanced by the Company to Urban Mechanical. Transaction costs of $226,613 incurred during the year relate to this acquisition.

The purchase consideration was as follows:

Shares	$ 9,000,000
Less: Long-term debt within Urban Mechanical	(1,721,581)
Less: Reduction of shares for working capital below $3,000,000	(2,000,000)
Total share consideration - 9,597,125 shares @ $0.55 per share	5,278,419
Cash (payable within 90 days of closing)	500,000
Assignment of term loan	500,000
Total purchase price	**$ 6,278,419**

The estimated allocation of purchase price to the identifiable assets acquired and liabilities assumed has not been finalized. The carrying values of identifiable assets acquired and liabilities assumed at the date of acquisition is as follows:

Accounts receivable	$ 12,945,035
Inventories	810,544
Income taxes recoverable	241,500
Prepaid expenses	247,166
Property, plant and equipment	2,720,423
Bank indebtedness	(943,737)
Accounts payable and accrued liabilities	(16,665,902)
Loans payable - related party	(1,770,121)
Deferred revenue	(1,314,104)
Finance lease obligations	(66,424)
Loans payable	(715,553)
Identified net liabilities acquired	**$ (4,511,173)**

Identified net liabilities acquired	$ 4,511,173
Consideration paid	6,278,419
Net unallocated purchase price	**$ 10,789,592**

5. Discontinued Operations – continued

Acquisition of Urban Mechanical – continued

On August 31, 2012, the Company advanced $500,000 to Urban Mechanical prior to the acquisition. The term loan was repayable on demand at any time after 6 months following the date of advance and was subject to interest charged at a rate of 10% per annum. The amount advanced was subject to a security interest granted over all of the personal property of Urban Mechanical. This note receivable was assigned to the vendor of Urban Mechanical upon acquisition on December 5, 2012.

Sale of Urban Mechanical

Since acquisition, the results of Urban Mechanical's operations have been included in the consolidated financial statements. In August 2013, the Company commenced plans to dispose of Urban, and in October 2013, the Company entered into a sales agreement to dispose of all the assets and liabilities of Urban Mechanical. The sale proceeds were $3 million in cash, the forgiveness of $500,000 of debt owed by the Company for the original acquisition of Urban Mechanical, and the assumption of $500,000 of debt from Urban Mechanical by the Company. Accordingly, the Urban Mechanical results of operations and assets and liabilities are now shown as discontinued operations. Subsequent to the year-end, the Company closed the sale of Urban Mechanical (Note 18).

The breakdown of current and non-current assets and liabilities is presented below:

	2013	2012
Assets		
Current assets		
Cash	**$ 10,894**	$ -
Accounts receivable	**20,779,550**	-
Unbilled receivables	**1,467,824**	-
Inventories	**776,611**	-
Income tax recoverable	**267,049**	-
Prepaid expenses	**304,108**	-
Current assets held for sale	**$ 23,606,036**	$ -
Property and equipment	**$ 2,627,726**	$ -
Unallocated purchase price	**9,526,832**	-
Non-current assets held for sale	**$ 12,154,558**	$ -

	2013	2012
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	**$ 21,799,089**	$ -
Deferred revenue	**8,565,116**	-
Due to related party	**1,564,968**	-
Current portion of loans payable	**631,357**	-
Current portion of finance lease obligation	**34,686**	-
Current liabilities held for sale	**$ 32,595,216**	$ -
Loans payable	**$ 71,987**	$ -
Finance lease obligation	**93,391**	-
Non-current liabilities held for sale	**$ 165,378**	$ -

5. Discontinued Operations – continued

Sale of Urban Mechanical – continued

The breakdown of revenue, expenses and after tax loss is presented below:

	Year ended August 31,	
	2013	2012
Sales	**$ 48,284,401**	$ -
Cost of sales	**47,383,618**	-
Gross margin	**900,783**	-
General and administrative	**4,061,786**	-
Depreciation	**162,078**	-
	4,223,864	-
Loss before finance expense, income taxes and impairment	**(3,323,081)**	-
Finance expense	**520,576**	-
Loss from discontinued operations before impairment	**(3,843,657)**	-
Impairment in goodwill	**1,262,761**	-
Net loss from discontinued operations	**$ (5,106,418)**	$ -

Property and equipment

Property and equipment for Urban Mechanical includes primarily job equipment, leasehold improvements, vehicles, computer & software, and furniture & fixtures, with a carrying value at August 31, 2013 of $2,627,726.

Lease obligations

Urban Mechanical has finance lease obligations for equipment of $128,077.

Loans payable

Urban Mechanical has loans payable of $570,000 that are due upon demand bearing interest at 15%. In addition, it had vehicle finance loans totalling $133,344.

Notes to the Consolidated Financial Statements
For the years ended August 31, 2013 and 2012

6. Inventories

The Company maintains inventory, which consist of raw materials, equipment and spare parts for sale or for use.

During the year, the Company recognized an impairment charge on inventory of $79,241 (2012 - $nil), which has been included in cost of sales.

7. Property and Equipment

	Computer equipment	Job equipment	Office furniture & equipment	Total
Cost				
At August 31, 2011	$ -	$ -	$ -	$ -
Additions	19,282	11,075	40,710	71,067
At August 31, 2012	**19,282**	**11,075**	**40,710**	**71,067**
Additions	-	8,399	-	8,399
At August 31, 2013	**$ 19,282**	**$ 19,474**	**$ 40,710**	**$ 79,466**
Depreciation				
At August 31, 2011	$ -	$ -	$ -	$ -
Expense for the year	1,140	336	823	2,299
At August 31, 2012	**1,140**	**336**	**823**	**2,299**
Expense for the year	9,924	5,128	7,978	23,030
At August 31, 2013	**$ 11,064**	**$ 5,464**	**$ 8,801**	**$ 25,329**
Net book value				
At August 31, 2012	$ 18,142	$ 10,739	$ 39,887	$ 68,768
At August 31, 2013	$ 8,218	$ 14,010	$ 31,909	$ 54,137

8. Goodwill

As described in Note 4, the Company completed the acquisition of CleanEnergy in 2012, resulting in goodwill of $4,617,003. During the year, the Company performed an impairment test, which compared the carrying amount of CleanEnergy to the recoverable amount. The recoverable amount determined in the impairment test was lower than the carrying amount. The Company performed the second step of the impairment test, resulting in recognizing a full impairment of goodwill of $4,617,003. The recoverable amount determined was based on the estimated fair value less cost to sell as determined for CleanEnergy. This impairment in goodwill was due to a number of factors, including the focus on integration and operations at Urban Mechanical during the year, and a re-organization of CleanEnergy.

The Company considered as part of the impairment test at the time the recoverable amount of its other long-lived assets and concluded that these assets were not impaired.

9. Intangible Assets

		2013		2012
Customer relationships	$	70,000	$	70,000
Exclusivity contracts		180,000		180,000
Brand name		68,000		68,000
		318,000		318,000
Accumulated amortization		(36,000)		-
Closing balance at August 31, 2013	**$**	**282,000**	**$**	**318,000**

10. Share Capital

(a) Authorized

An unlimited number of common shares

(b) Issued

	Number of shares		Amount
Issued as at August 31, 2011	1,956,600	$	773,977
Shares issued for CleanEnergy acquisition *(note 4)*	10,000,000		5,000,000
Shares issued for consulting	564,000		282,000
Private placement, net of issuance costs	4,788,000		1,845,814
Issued as at August 31, 2012	17,308,600	$	7,901,791
Shares issued for Urban Mechanical acquisition *(note 5)*	9,597,125		5,278,419
Private placement, net of issuance costs	2,534,492		1,008,694
Issued as at August 31, 2013	**29,440,217**	**$**	**14,188,904**

Shares issued for consulting

The Company paid a success fee of 564,000 shares valued at $0.50 per share in relation to its acquisition of CleanEnergy which was expensed under transaction costs (note 4).

Private placements

On June 6, 2012, CleanEnergy completed a brokered private placement of 4,788,000 subscription receipts at $0.50 per subscription receipt for gross proceeds of $2,394,000. Concurrent with the qualifying transaction, the subscription receipts were exchanged for units of SustainCo. Each unit consisted of one common share and one warrant of the Company exercisable at $0.75. Share issuance costs for the placement were $548,186, which includes $125,763 allocated to agent options under contributed surplus. The total proceeds net of share issuance costs were attributed to the common shares.

On January 15, 2013, the Company completed a brokered private placement of 2,534,492 units of the Company (each, a Unit) at a purchase price of $0.50 per Unit, for gross proceeds of $1,267,246, less share issuance costs of $258,552 (including $74,172 of non-cash agent options).

10. Share Capital – continued

Private placements – continued

Each Unit is comprised of: one common share of the Company (a "Common Share"), and one Common Share purchase warrant (a "Warrant"). Each W arrant entitles the holder to purchase one Common Share at an exercise price of $0.75 for a period of 24 months following the closing.

(c) Stock options

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options granted can be exercised for a maximum of 5 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than the discounted fair market value of the common shares on the date of grant.

The option details of the Company are as follows:

	Number of Options	Weighted average exercise price	Vested
Outstanding, August 31, 2011	255,660	$0.50	255,660
Expired	(85,220)	$0.50	(85,220)
Outstanding, August 31, 2012	170,440	$0.50	170,440
Granted during the period:			
	500,000	$0.50	500,000
	500,000	$0.55	125,000
	1,400,000	$0.68	1,400,000
Forefeited:	(375,000)	$0.55	-
Outstanding, August 31, 2013	**2,195,440**	**$0.62**	**2,195,440**

During the year, the Company granted 500,000 options at an exercise price of $0.50 per share as disclosed during the qualifying transaction. The options are exercisable for a period of four years and vested immediately. The value of the options of $172,700 was recorded as an addition to contributed surplus and share-based payment expense.

The Company also granted 500,000 options at an exercise price of $0.55 per share in February 2013. The options were exercisable for a period of three years and were to vest in four equal installments every three months over a period of one year. 125,000 of these options vested during the year, with the remainder being forfeited. The value of the vested portion of options is $47,703, which was recorded as an addition to share-based payment expense and contributed surplus.

1,400,000 options were granted at an exercise price of $0.68 per share in April 2013. The options are exercisable for a period of five years and vested immediately. The value of the options of $919,257 was recorded as an addition to contributed surplus and share-based payment expense during the year.

10. Share Capital – continued

(c) Stock options – continued

The Company uses the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

Volatility	100%
Risk-free interest rate	1.03% to 1.29%
Expected life (years)	3 to 5 years
Dividend yield	Nil
Forfeiture rate	0%
Share price	$0.50 to $0.85
Fair value of option	$0.35 to $0.66

Weighted average exercise price	**Number of Options**	**Weighted average remaining life (years)**	**Vested**
$0.50	670,440	1.55	670,440
$0.55	125,000	0.05	125,000
$0.68	1,400,000	4.59	1,400,000
Balance at August 31, 2013	**2,195,440**	**3.41**	**2,195,440**

(d) Warrants

	Number of warrants	**Weighted average exercise price**	**Weighted average remaining life**
Outstanding, August 31, 2011	-	N/A	
Issued during private placement	4,788,000	$0.75	
Outstanding, August 31, 2012	4,788,000	$0.75	1.90
Issued during private placement	2,534,492	$0.75	
Outstanding, August 31, 2013	**7,322,492**	**$0.75**	**1.07**

As part of the private placement that closed during the year, the Company issued 2,534,492 warrants (2012 – 4,788,000), exercisable for a peri od of two years at $0.75 per warrant for one common share of the Company.

10. Share Capital – continued

(e) Agent options

	Number of warrants	Weighted average exercise price	Weighted average remaining life (years)
Outstanding, August 31, 2011	-	N/A	N/A
Issued during private placement	478,800	$0.50	
Outstanding, August 31, 2012	478,800	$0.50	1.90
Issued during private placement	202,759	$0.50	
Outstanding, August 31, 2013	**681,559**	**$0.50**	**1.04**

Each agent option is exercisable at $0.50 for one common share and one warrant of the Company. Each warrant received from the exercise of the agent option will be exercisable at $0.75 for one common share of the Company.

In fiscal 2012 as part of the private placement, 478,800 agent options were issued as compensation. Each agent option is exercisable at $0.50 for one common share and one warrant of the Company. Each warrant received from the exercise of the agent option will be exercisable at $0.75 for one common share of the Company and will expire 2 years from the date of issuance. The value of agent options issued of $125,763 was included as contributed surplus.

In January 2013 as part of the private placement, the agent was issued 202,759 broker warrants (also referred to here as agent options) at an exercise price of $0.50 per broker warrant. Each broker warrant entitles the holder to (a) one Common Share; and (b) one Common Share purchase warrant, which shall further entitle the agent to purchase one Common Share at an exercise price of $0.75 per Common Share for a period of 24 months from date of Closing, subject to adjustment in certain events. The broker warrants were valued at $74,172 and were recorded as an addition to contributed surplus.

The value of the broker warrants issued during the year was estimated using the Black-Scholes option pricing model, based on the following assumptions: volatility of 100%; risk-free interest rate of 1.18% (2012 – 1.01%); current value of unit of $0.63 (2012 - $0.50); dividend yield of nil; forfeiture rate of nil; and expected life of 2 years.

11. Related Party Balances and Transactions

(a) A corporation that holds significant influence over the Company, was owed approximately $378,146 (August 31, 2012 - $1,142,714), 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 $219,750 was paid to a company controlled by a beneficial owner that held significant influence over the Company. In addition, rent of $12,650 was paid to a company controlled by an officer of the Company, for additional office space used by the Company.

(c) A promissory note of $1,000,000 (August 31, 2012 - $nil) was owed to a corporation controlled by an officer and director of the Company. The promissory note bears interest at 9% per annum and is due upon demand. Interest of $50,671 was paid during the year (2012 - $nil) and has been included in discontinued operations. Refer to note 18 for subsequent events.

11. Related Party Balances and Transactions – conti nued

(d) A promissory note of $500,000 (2012 - $nil) was owed to a beneficial owner that holds significant influence over the Company as part of the Urban Mechanical acquisition, bearing interest of 10% per annum. $36,986 of interest was paid during the period (2012 - $nil). This note is included in 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 remained unpaid.

(e) A promissory note of $100,000 (August 31, 2012 - $nil) is owed to a corporation controlled by an officer and director of the Company, which is non-interest bearing. The funds were used for general working capital.

(f) A loan payable totalling $64,968 from a corporation controlled by a beneficial owner that holds significant influence over the Company was owed at August 31, 2013. This loan was in place prior to the acquisition of Urban Mechanical and is included in discontinued operations. The loan is repayable in equal monthly principal payments of $9,608 plus interest at 5.75% per annum. The loan matures on October 15, 2016.

(g) A corporation controlled by an officer and director of the Company made a payment of $44,354 to a vendor on behalf of the Company. This amount was repaid during the year by the Company, with no interest.

(h) Remuneration of key management personnel of the Company for the year ended August 31, 2013, included $590,633 of short-term compensation (2012 - $84,646) and $697,990 of share-based compensation (2012 – $nil).

12. Financial Instruments and Risk Management

Capital management

The Company's capital currently consists of debt and equity. Its principal sources of cash are from operations, the issuance of common shares and debt. The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Company intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

12. Financial Instruments and Risk Management

Financial instrument risk exposure and management

Liquidity risk

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.

The carrying value of accounts receivable, trade payable and accrued liabilities, due to related party, and notes payables reflected in the consolidated statement of financial position approximates fair value because of the short-term nature of these instruments.

As at August 31, 2013, the Company had a working capital deficiency of $11,738,477. Subsequent to year-end, the Company sold Urban Mechanical for cash proceeds of $3,000,000 (Note 5), thereby eliminating $8,989,180 of working capital deficiency attributed to Urban Mechanical while increasing cash by $3,000,000. The Company is in the process of finalizing the term note agreements, which includes the $2,800,000 of notes payable at year-end and $1,388,000 of subscriptions received subsequent to year-end. The intention will be to convert these notes from current liabilities into secured notes with a 5 year term (Note 18). In addition, the acquisition of VCI (Note 18) will result in a reduction in working capital of approximately $725,000. Consequently, after giving effect to these subsequent events, management estimates the Company will have approximately $3,400,000 of working capital, which is sufficient for the next 12 months.

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. The Company believes the remaining amounts will be collected. Holdbacks are received upon substantial completion of the projects.

Accounts receivable aging		**2013**		**2012**
Within 30	$	184,105	$	446,460
31 to 60		183,219		174,231
61 to 90		53,141		21,639
Over 90		27,214		116,455
Holdbacks		302,019		558,545
Total accounts receivable	**$**	**749,698**	**$**	**1,317,330**

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

Interest rate risk

Notes payable owed by the Company are fixed rate instruments.

12. Financial Instruments and Risk Management – con tinued

Concentration risk

Revenue generated from major customers was as follows:

	Year ended August 31,	
	2013	2012
Largest customer	**39%**	66%
Second largest customer	**39%**	21%
Third largest customer	**4%**	6%

As at August 31, 2013 $473,453 is receivable from a single customer.

Foreign exchange risk

The Company purchases a portion of its inventory in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

13. Finance Lease Obligations and Commitments

Future minimum payments under finance leases, along with the balance of the obligations under finance leases are as follows:

	August 31, 2013	August 31, 2012
Not later than one year	$ -	$ 4,509
Less amounts representing interest	-	(243)
Present value of obligations under finance lease	**$ -**	**$ 4,266**
Current portion	$ -	$ 4,266
Present value of obligations under finance lease	**$ -**	**$ 4,266**

The Company is committed to the rental of facilities. Future minimum lease payments are as follows:

2014	$ 80,944
2015	60,000
2016	60,000
2017	55,000
	$ 255,944

14. General and Administrative Expense

		2013		2012
Salaries and wages	$	1,236,760	$	130,836
Office expense		355,853		64,619
Professional fees		445,989		127,511
Travel		166,958		23,796
Advertising & promotion		31,243		4,274
Filing fees		54,773		24,627
Consulting fees		81,549		7,200
Bad debts		125,674		(12,968)
	$	**2,498,799**	**$**	**369,895**

15. Notes payable

The Company issued $487,500 in short-term loans on May 7, 2013, which were repaid in full plus $12,500 of interest on June 15, 2013.

An additional $2,800,000 was raised in 2013, bearing interest at 12% per annum. These notes are part of the proceeds, which the Company intends to roll into a 5 year secured term note unit private placement. Each secured term note unit would consist of (i) $1,000 principal secured term note and (ii) 100 warrants. The secured term notes will bear interest at 12% per annum and mature 5 years from the closing date. The warrants will have an exercise price of $0.25 per common share, for a period of 24 months.

16. Contingent Liabilities

The Company is involved in a number of claims in the capacity of plaintiff as well as defendant. The Company or its insurer, where applicable, has filed defenses where the Company has been named defendant. In the opinion of management, the resolution of claims against the Company for an amount differing from the amount reflected in the records will not result in a material effect on the financial position of the Company.

17. Income Taxes

The reconciliation of income taxes calculated at the statutory rate on the net loss is as follows:

	2013	2012
Net loss from continuing operations	$ 8,207,099	$ 939,064
Statutory rate	26.5%	27.0%
Expected income tax recovery at combined basic federal and provincial tax rate	$ (2,174,880)	$ (253,550)
Effect on income taxes of:		
Tax rate changes and other adjustments	28,420	45,440
Non-deductible expenses	246,940	-
Undeducted share issue costs	(48,860)	(148,010)
Effect of non-deductible goodwill impairment	1,233,770	-
Addition of unrecognized tax assets on acquisition	-	(3,609,170)
Utilization of losses not previously recognized	-	3,354,530
Change in tax benefits not recognized	714,610	610,760
Income tax recovery	$ -	$ -

The 2013 statutory tax rate of 26.5% differs from the 2012 statutory tax rate of 27% because of the reduction in federal and provincial substantively enacted tax rates.

Deferred income tax assets and liabilities have not been recognized in respect of the following deductible temporary differences:

	2013	2012
Non-capital loss carried forward	$ 5,298,650	$ 2,209,203
Net capital losses carried forward	225,000	225,000
Property and equipment	12,720	230,370
Share issuance costs	420,960	469,820
Cumulative eligible capital	248,120	-

The Company has accumulated non-capital losses for income tax purposes that expire as follows:

2028	$ 21,680
2029	349,490
2030	66,570
2031	708,490
2032	1,062,970
2033	3,089,450
	$ 5,298,650

18. Subsequent Events

Sale of Urban Mechanical

Subsequent to the year-end, the Company closed its sale of Urban Mechanical in December 2013 for gross proceeds of $3,000,000 in cash (Note 5). Prior to closing the sale, the Company assumed $500,000 of debt from Urban Mechanical.

Acquisition of VCI Controls Inc.

Subsequent to the year-end, the Company entered into 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 shares in the capital of VCI.

The Company has entered into a share purchase agreement and assignment agreement with PriceCo and TMI respectively (collectively the "Agreements") for the purchase of all of the issued and outstanding subordinate voting and multiple voting shares in the capital of VCI for the aggregate purchase price of $2,300,000.

The Purchase Price will be satisfied through the payment of $100,000 cash (with $30,000 due on closing, and the remaining $70,000 due 1 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 also acquired by the Company through an assignment by TMI for the purchase price of $625,000. The Company will cancel the Debt upon closing of the transactions contemplated by the Agreements, which is subject to TSX Venture Exchange approval.

Private Placement

Subsequent to the year-end, the Company raised an additional $1,388,000 in funds, which will be a part of the consolidation of pre-existing debt into a secured term note unit. Each Unit to be issued pursuant to the secured note offering shall be comprised of: (i) one CAD $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.

SustainCo Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended August 31, 2013

December 26, 2013

Introduction

This management discussion and analysis ("MD&A") of the financial condition and results of operations of SustainCo Inc., (the "Company" or "Su stainCo"), is for the year ended August 31, 2013 and 2012. It is supplemental to, and should be read in conjunction with the Company's 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 conducted its operations through its wholly owned subsidiary, Clean Energy Developments Corp. ("CleanEnergy").

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. For further information on CleanEnergy's performance please see the "Overall Performance" and "Outlook" sections below for a sum mary of CleanEnergy's completed and ongoing projects and contracts.

Overall Performance

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. CleanEnergy had revenue of $3.4 million this year and has successfully positioned itself to be the industry leading commercial geoexchange company. During the year ended August 31, 2013, CleanEnergy achieved the following:

- CleanEnergy closed on sales of $1,340,000 for the geoexchange retrofit of several elementary schools in Delta, British Columbia. This is part of a large British Columbia wide program to perform energy saving retrofits on hundreds of schools in the province.

- CleanEnergy substantially 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 completed construction of its geothermal system on a state of the art mental hospital in Ontario for $1.5 million. Mental Health Centre Penetanguishene aims to achieve Leadership in Energy and Environmental Design (LEED®) Gold certification for the design and construction of the new facility. CleanEnergy's geothermal system will help the Health Centre achieve the necessary points to reach a LEED® Gold certification.

- CleanEnergy completed its geoexchange installation at the Central Nova Scotia Regional Civic Centre in Truro, Nova Scotia for $880,000. This facility will feature a NHL-sized ice surface with seating for 3,200 spectators. It will also be home to an indoor aquatic centre, an exercise track, a fitness centre, and space for events like concerts, tradeshows, and community gatherings.

- CleanEnergy completed $450,000 of geoexchange heating and cooling solutions for a 72 unit senior's affordable living complex in London, Ontario.

Highlights

SustainCo as New Operating Brand

In February 2013, the Company commenced using its new operating name, SustainCo, as its corporate identity. SustainCo represents the corporate brand while its operating entity, CleanEnergy, will continue to utilize their known sub-brands in the market place. In July 2013, the Company formalized its name change from Bellair Ventures Inc. to SustainCo Inc.

The SustainCo brand is consistent with the corporate direction to provide sustainable infrastructure solutions and services to our customers. Our range of services and solutions offer long-term customer value and environmental sustainability through alternative energy solutions, energy efficiency, and innovative facility technology solutions. SustainCo offers sustainable energy and facility maintenance services to customers in the education, government, municipal, healthcare, and ICI sectors across Canada. The combined company will continue to focus both on the new build and retrofit markets.

The SustainCo brand will focus on providing thought leadership in the industry while the sub-brands of the operating entities will continue to market as CleanEnergy.

Private Placement

On January 15, 2013, the Company completed a brokered private placement of 2,534,492 units of the Company (each, a "Unit") at a purchase price of $0.50 per Unit, for gross proceeds of $1,267,246. Proceeds of the private placement will be used for targeted acquisitions and general working capital purposes.

Each Unit is comprised of: one common share of the Company (a "Common Share"); and one Common Share purchase warrant (a "Warrant"). Each W arrant entitles the holder to purchase one Common Share at an exercise price of $0.75 for a period of 24 months following the closing (the "Closing"), subject to adjustment in certain events .

Portfolio Strategy Securities Inc. (the "Agent") ac ted as agent for private placement. As compensation, the Company paid the Agent a cash commission equal to 8% of the gross proceeds. The Agent was also issued 202,759 broker warrants ("Broker Warrant") at an exercise price of $0.50 per Broker Warrant. Each Broker Warrant is comprised of (a) one Common Share; and (b) one Common Share purchase warrant, which entitles the Agent to purchase one Common Share at an exercise price of $0.75 per Common Share for a period of 24 months from date of Closing, subject to adjustment in certain events.

Discontinued operations

Urban Mechanical Contracting Ltd. ("Urban Mechanica l")

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 Clean Energy Developments Corp. ("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 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 is 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 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 will purchase 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 is 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. 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 annual information

	2013	2012	2011
Total revenue	$ 3,437,779	$ 426,851	$ nil
Net loss from continuing operations	$ 8,207,099	$ 939,064	$ 351,120
Net loss from discontinued operations	$ 5,106,418	$ nil	$ nil
Net loss	$ 13,313,517	$ 939,064	$ 351, 120
Net loss per share from continuing operations	$ 0.32	$ 0.27	$ 0.26
Net loss per share from discontinued operations	$ 0.20	$ nil	$ nil
Total assets	$ 38,530,437	$ 8,378,178	$ 107,208
Long-term liabilities	$ 165,378	$ nil	$ nil
Dividends per share	$ nil	$ nil	$ nil

Selected Quarterly Financial Information

	Q4-2013 $	Q3-2013 $	Q2-2013 $	Q1-2013 $	Q4-2012 $	Q3-2012 $	Q2-2012 $	Q1-2012 $
Revenue	312,662	1,008,499	1,034,748	1,081,870	426,851	-	-	-
Net loss	11,446,695	1,651,113	105,592	110,117	801,435	53,354	60,975	23,300
Basic & diluted loss per share	0.44	0.06	0.00	0.01	0.19	0.04	0.03	0.01

The Company completed its qualifying transaction in Q4 2012.

Results of Operations

The Company had the following sales and direct costs:

	Year ended August 31, 2013	2012
Sales	$ 3,437,779	$ 426,851
Cost of sales	2,967,887	287,283
Gross margin	$ 469,892	$ 139,568

Revenues are earned on services provided for the design and engineering of geoexchange projects, the sale of geoexchange equipment and the installation of geoexchange systems. The increase in revenue to $3,437,779 in 2013 is mainly attributable to having a full year of operations with CleanEnergy in 2013 as compared to 2012 (where CleanEnergy was acquired in July 2012). Prior to the qualifying transaction in July 2012, the Company did not generate any revenue.

Margins for the year ended August 31, 2013 were 13.7% (2012 – 32.6%), which has decreased from the prior year. The margins earned in fiscal 2013 are closer to what can be expected in the future. In 2012, there were limited operations post-acquisition, with certain projects ongoing at the time having margins that are higher than typical. Direct cost of sales includes direct labour and expenditures for services provided, as well as equipment costs and materials for geoexchange projects.

Year ended August 31, 2013, compared with year ended August 31, 2012

For the year ended August 31, 2013, the Company reported a net loss from continuing operations of $8,207,099 versus $939.064 in the prior year.

A large portion of this loss is attributable to an impairment charge to goodwill related to the acquisition of CleanEnergy for $4,617,003. This was recorded after an impairment assessment of the carrying value of CleanEnergy versus its recoverable amount at the end of fiscal 2013, which was due to a number of factors, including the shift in focus on integration and operations at Urban Mechanical during the year, and re-organization of CleanEnergy. This impairment is not expected to recur.

General and administrative expenses were $2,498,799 during 2013. This includes items such as salaries and wages, professional fees, filing fees, and other office expenses. While this is an increase from the prior year, it includes operations from CleanEnergy for the entire year.

During the year, the Company had $1,139,660 of share-based payments, versus $nil in the same period in 2012. This is due to stock options granted during 2013, with the value of share-based payments was determined using the Black-Scholes option pricing model. These share-based payments are a non-cash cost.

Finance expenses of $135,886 were incurred in year ended August 31, 2013, and relate to interest and bank charges on the Company's notes payable and capital leases. This increase is attributable to the notes payable that were raised during 2013, with a total of $2,800,000 raised as at August 31, 2013, bearing interest at 12% per annum.

Transaction costs of $226,613 recorded during the nine months ended May 31, 2013 relate to the acquisition of Urban Mechanical. During the prior year, $705,134 were classified as transaction costs, which relate to the purchase of CleanEnergy.

The net loss for discontinued operations was $5,106,418 in 2013 ($nil in 2012). Discontinued operations relate to the results of Urban Mechanical from the date of acquisition in December 2012 through to August 31, 2013 (refer to "Disconti nued Operations" for additional details).

Three months ended August 31, 2013, compared with three months ended August 31, 2012

The fourth quarter of 2013 had a significant decrease in revenue from continuing operations. This is mainly due to the timing of completion of the various larger scale projects by CleanEnergy. In addition, the Company at the time was focused on managing and negotiating the disposition of its discontinued operations, Urban Mechanical.

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 August 31, 2013, the Company had a working capital deficiency of $11,738,477. Subsequent to year-end, the Company sold Urban Mechanical for cash proceeds of $3,000,000 (Note 5), thereby eliminating $8,989,180 of working capital deficiency attributed to Urban Mechanical while increasing cash by $3,000,000. The Company is in the process of finalizing the term note agreements, which includes the $2,800,000 of notes payable at year-end and $1,388,000 of subscriptions received subsequent to year-end. The intention will be to convert these notes from current liabilities into secured notes with a 5 year term (Note 18). In addition, the acquisition of VCI (Note 18) will result in a reduction in working capital of approximately $725,000. Consequently, after giving effect to these subsequent events, management estimates the Company will have approximately $3,400,000 of working capital, which is sufficient for the next 12 months. Please see the "Outlook" section f or further details.

Related Party Balances and Transactions

(d) A corporation that holds significant influence over the Company (Alter NRG Corp.), was owed approximately $378,146 (August 31, 2012 - $1,142,714), which is outstanding consideration payable for the qualifying transaction. These amounts are non-interest bearing and due on demand.

(e) During the year, rent of $219,750 was paid to a company controlled by a beneficial owner (Urban Alliance Inc., Mr. Winter) that held significant influence over the Company. In addition, rent of $12,650 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.

11. A promissory note of $1,000,000 (August 31, 2012 - $nil) 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 9% per annum and is due upon demand. Interest of $50,671 was paid during the year (2012 - $nil) and has been included in discontinued operations.

12. A promissory note of $500,000 (2012 - $nil) was owed to a beneficial owner (The Edward J. Winter Family Trust) that holds significant influence over the Company as part of the Urban Mechanical acquisition, bearing interest of 10% per annum. $36,986 of interest was paid during the period (2012 - $nil). This note is included in 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 remained unpaid.

13. A promissory note of $100,000 (August 31, 2012 - $nil) is owed 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.

14. A loan payable totalling $64,968 from a corporation controlled by a beneficial owner (The Edward J. Winter Family Trust) that holds significant influence over the Company was owed at August 31, 2013. This loan was in place prior to the acquisition of Urban Mechanical and is included in discontinued operations. The loan is repayable in equal monthly principal payments of $9,608 plus interest at 5.75% per annum. The loan matures on October 15, 2016.

15. A corporation controlled by an officer and director of the Company (Mr. David) made a payment of $44,354 to a vendor on behalf of the Company. This amount was repaid during the year by the Company, with no interest.

16. Remuneration of key management personnel of the Company for the year ended August 31, 2013, included $590,633 of short-term compensation (2012 - $84,646) and $697,990 of share-based compensation (2012 – $nil).

Financial Instruments Risk Exposure and Management

The Company's financial instruments consist of cash, accounts receivable, trade payables and accrued liabilities, due to 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. The Company believes the remaining amounts will be collected. Holdbacks are received upon substantial completion of the projects.

Accounts receivable aging		**2013**		**2012**
Within 30	$	184,105	$	446,460
31 to 60		183,219		174,231
61 to 90		53,141		21,639
Over 90		27,214		116,455
Holdbacks		302,019		558,545
Total accounts receivable	**$**	**749,698**	**$**	**1,317,330**

The maximum exposure is limited to the carrying amount of financial assets on the statement of financial position that includes cash and accounts receivable. As at August 31, 2013 $473,453 is receivable from a single customer.

Concentration risk

Revenue generated from major customers was as follows:

	Year ended August 31,	
	2013	2012
Largest customer	**39%**	66%
Second largest customer	**39%**	21%
Third largest customer	**4%**	6%

Future Changes in Accounting Standards

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2013, and have not been applied in preparing these consolidated financial statements but may affect the Company.

- IFRS 9 - Financial Instruments: Classification and Measurement, effective for annual periods yet to be determined
- IFRS 10 - Consolidated Financial Statements, effective for annual periods beginning on or after January 1, 2013.
- IFRS 12 - Disclosure of Interests in Other Entities, effective for annual periods beginning on or after January 1, 2013.
- IFRS 13 - Fair Value Measurement defines fair value, effective for annual periods beginning on or after January 1, 2013.

The Company is assessing the effects of these new standards.

Outlook

The goal of SustainCo is 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.

Effect of the Sale of Urban Mechanical on the Company

The financial results of Urban Mechanical will no longer be consolidated with that of the Company, effective from the date of closing. However, revenue and expenses incurred prior to the date of closing will continue to be consolidated with the operations of the Company and CleanEnergy.

The Company's objective is to refocus on vertically integrating and building the Company to be a true turnkey business that offers a complete range of sustainable infrastructure solutions and services. It is anticipated this will allow the Company to take advantage of the higher margin areas of the full service 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.

With the disposition of Urban Mechanical, the Company is expected to be in a position to refocus its capital on acquiring businesses and/or individuals to build and complete the Company's full service business model. The Company has identified key areas for these acquisitions/hires:

- 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 inc lude:

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. 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. 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 maintained 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.

Acquisition of VCI Controls Inc.

In December 2013, the Company entered into 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 shares in the capital of VCI.

The Company has entered into a share purchase agreement and assignment agreement with PriceCo and TMI respectively (collectively the "Agreements") for the purchase of all of the issued and outstanding subordinate voting and multiple voting shares in the capital of VCI for the aggregate purchase price of $2,300,000.

The Purchase Price will be satisfied through the payment of $100,000 cash (with $30,000 due on closing, and the remaining $70,000 due 1 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 also acquired by the Company through an assignment by TMI for the purchase price of $625,000. The Company will cancel the Debt upon closing of the transactions contemplated by the Agreements, which is subject to TSX Venture Exchange approval.

Secured Term Note Private Placement

The Company intends to consolidate pre-existing debt into a secured term note unit, with an expected total of $5,000,000. 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.

CleanEnergy Outlook

CleanEnergy's strengthening reputation has allowed it to bid on a number of projects. The following is a list of projects that CleanEnergy is currently involved in:

- CleanEnergy intends to continue working and bidding on projects with respect to the British Columbia wide program to perform energy saving retrofits on hundreds of schools in the province.

- 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.

- In addition to its completion of the Terminal project, CleanEnergy continues its involvement in the Calgary Airport project with the construction of the Piers portion of the project, which is worth approximately $1.5 million out of the total contract valued at $4.5 million in revenue. The Calgary Airport Authority continues with 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 recently began 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 certific ation.

Disclosure of Outstanding Share Data

As at the date of this report, there were 29,440,217 issued and outstanding common shares in the capital of the Company. The Company has outstanding options to purchase an aggregate of 1,650,000 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 geoexchange 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 geoexchange 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 geoexchange 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 in the MD&A, 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", "int ends", "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.

Appendix "B"

Audited Consolidated Financial Statements

&

Management Discussion & Analysis

For year ended Aug 31, 2012

SustainCo Inc.

Bellair Ventures Inc.

Consolidated Financial Statements

For the year ended August 31, 2012 and 2011

(Expressed in Canadian Dollars)

MSCM LLP
Accountants & Advisors for a Complex World®

Independent Auditors' Report

To the Shareholders of
Bellair Ventures Inc.

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Bellair Ventures Inc., which comprise the consolidated statements of financial position as at August 31, 2012, August 31, 2011, and September 1, 2010, the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended August 31, 2012 and August 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bellair Ventures Inc. as at August 31, 2012, August 31, 2011, and September 1, 2010, and its financial performance and its cash flows for the years ended August 31, 2012 and August 31, 2011 in accordance with International Financial Reporting Standards.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
December 31, 2012

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	August 31, 2012	August 31, 2011	Sept 1, 2010 *(note 16)*
Assets			
Current assets			
Cash	**$ 1,383,371**	$ 107,208	$ 352,809
Accounts receivable, net of allowance of $nil	**1,317,330**	-	-
Inventories *(note 6)*	**102,943**	-	-
Other receivables	**-**	-	27,406
Note receivable *(note 5)*	**500,000**	-	225,000
Prepaid expenses	**70,763**	-	-
	3,374,407	107,208	605,215
Equipment *(note 7)*	**68,768**	-	-
Goodwill and unallocated purchase price *(note 8)*	**4,935,003**	-	-
	$ 8,378,178	$ 107,208	$ 605,215
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**$ 831,786**	$ 22,309	$ 169,196
Due to related party *(note 10)*	**1,142,714**	-	-
Finance lease obligation *(note 12)*	**4,266**	-	-
	1,978,766	22,309	169,196
Shareholders' equity			
Share capital *(note 9)*	**7,901,791**	773,977	773,977
Contributed surplus	**242,103**	116,340	116,340
Deficit	**(1,744,482)**	(805,418)	(454,298)
	6,399,412	84,899	436,019
	$ 8,378,178	$ 107,208	$ 605,215

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

Subsequent events (Note 17)

Approved by the Board

Signed: *"Emlyn J. David"*	Signed: *"Michael Galloro"*
Director	Director

Consolidated Statements of Loss and Comprehensive Loss
For the years ended August 31,

		2012		2011
Sales	$	**426,851**	$	-
Cost of sales		**287,283**		-
Gross margin		**139,568**		-
Transaction costs *(note 4)*		**705,134**		-
General and administrative *(note 14)*		**369,945**		121,620
Depreciation		**2,299**		-
Foreign exchange (gain)		**(50)**		-
Finance expense		**1,304**		-
Finance income		**-**		(27,000)
Write-down of note receivable *(note 5)*		**-**		256,500
		1,078,632		351,120
Net loss and comprehensive loss for the year	**$**	**(939,064)**	$	(351,120)
Loss per share - basic and diluted	**$**	**(0.27)**	$	(0.16)
Weighted Average shares outstanding		**3,466,633**		2,259,066

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

Consolidated Statements of Changes in Shareholders' Equity

For the years ended August 31, 2012 and 2011

	Share Capital	Contributed Surplus	Deficit	Total
Balance, September 1, 2010	**$ 773,977**	**$ 116,340**	**$ (454,298)**	**$ 436,019**
Net loss for the year	-	-	(351,120)	(351,120)
Balance, August 31, 2011	**773,977**	**116,340**	**(805,418)**	**84,899**
Shares issued for CleanEnergy	5,000,000	-	-	5,000,000
Private placement, net of issuance costs	1,845,814	125,763	-	1,971,577
Shares issued for consulting on transaction	282,000	-	-	282,000
Net loss for the year	-	-	(939,064)	(939,064)
Balance, August 31, 2012	**$ 7,901,791**	**$ 242,103**	**$ (1,744,482)**	**$ 6,399,412**

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

Consolidated Statements of Cash Flows
For the years ended August 31,

	2012	2011
Cash flow from operating activities		
Net loss for the year	**$ (939,064)**	$ (351,120)
Add (deduct) items not involving cash		
Depreciation	**2,299**	-
Non-cash transaction costs *(note 4)*	**282,000**	-
Write-down of note receivable *(note 5)*	**-**	225,000
Change in non-cash working capital		
Accounts receivable	**(1,317,330)**	-
Other receivables	**-**	27,406
Prepaid expenses	**(70,763)**	-
Inventory	**(102,943)**	-
Accounts payable and accrued liabilities and due to related party	**1,952,191**	(146,887)
	(193,610)	(245,601)
Cash flow from financing activities		
Private placement, net of issuance costs *(note 9)*	**1,971,577**	-
Repayment of finance leases	**(537)**	-
	1,971,040	-
Cash flow from investing activities		
Investment in property, plant and equipment	**(1,267)**	-
Investment in note receivable *(note 5)*	**(500,000)**	-
	(501,267)	-
Increase (decrease) in cash	**1,276,163**	(245,601)
Cash, beginning of year	**107,208**	352,809
Cash, end of year	**$ 1,383,371**	$ 107,208
Supplementary cash flow information:		
Shares issued for acquisition of CleanEnergy	**$ 5,000,000**	$ -
Agent options issued	**$ 125,763**	$ -

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

1. Nature of Operations and Financing Requirements

Bellair Ventures Inc. ("Bellair") was incorporated under the *Canada Business Corporation Act* on August 22, 2008 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "TSX-V" or the "Exchange "). On July 30, 2012 the Exchange issued its Final Exchange Bulletin approving the Company's Qualifying Transaction (see Note 4), as the term is defined within the Exchange's corporate finance manual.

Bellair, through its wholly owned subsidiary Clean Energy Developments Corp. ("CleanEnergy") (collectively, the "Company"), is a leading nationa l design builder and distributor of thermal energy systems and solutions.

The address of the Company's corporate office is 10 Bellair Street, Suite 509, Toronto, Ontario, Canada. The Company is listed on the TSX-V under the trading symbol "BVI".

The Company may need additional financing to carry out its future business objectives, including the acquisition as described in Notes 15 and 17. The Company intends to complete a brokered private placement of a minimum of 2,000,000 units of the Corporation (each, a Unit) and up to a maximum of 4,000,000 Units at a purchase price of $0.50 per Unit, for gross proceeds of a minimum of $1,000,000 and up to a maximum of $2,000,000 in the near future.

2. Basis of Presentation

Conversion to International Financial Reporting Standards ("IFRS") and statement of compliance

These are the Company's first set of annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). IFRS 1, First-time A doption of IFRS ("IFRS 1") has been applied and the impact of the transition from Canadian GAAP to IFRS is explained in Note 16.

The accounting policies set out below have been applied consistently to all periods presented, and in preparing the opening statement of financial position at September 1, 2010 for purposes of transition to IFRS.

These consolidated financial statements were authorized for issue by the Board of Directors on December 31, 2012.

Basis of measurement and functional currency

The consolidated financial statements are prepared on the historical cost basis. The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements are presented in Canadian dollars, its functional currency.

Principles of consolidation

The Company consolidates its interest in entities which it controls. Control comprises the power to govern an entity's financial and operating policies so as to obtain benefits from its activities. All intercompany balances and transactions have been eliminated.

3. Summary of Significant Accounting Policies

Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences are recorded in the statement of loss and comprehensive loss.

Revenue recognition

Product revenue is recognized when the significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits will be received, and the costs incurred or to be incurred can be measured reliably.

Revenue from long-term service contracts, consisting of design and engineering services and installation of geoexchange systems, is recognized using the percentage-of-completion method of accounting. The degree of completion is determined by comparing the costs incurred to the total costs anticipated for the contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Advance payments received from customers, in excess of revenue recognized, are classified as deferred revenue until the service is provided or the product delivered.

Interest income is recognized as interest accrues (using the effective interest method). Interest income is included in finance income on the statement of loss and comprehensive loss.

Financial instruments

All financial instruments are classified into one of the following categories: fair value through profit and loss ("FVTPL"), held-to-maturity, loans and rec eivables, available-for-sale financial assets, or other financial liabilities. All financial instruments are included on the statement of financial position and are measured at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which, are measured at amortized cost. FVTPL financial instruments are subsequently measured at fair value and all gains and losses are included in net income or loss in the period which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income or loss until the instrument is derecognized or impaired.

Cash, accounts receivable, other receivables, and note receivable are classified as loans and receivables, which are measured at amortized cost less any provision for impairment. Accounts payable and accrued liabilities is classified as other financial liabilities which are measured at amortized cost. The Company had neither available-for-sale nor held-to-maturity instruments during the year ended August 31, 2012, and 2011.

3. Summary of Significant Accounting Policies – con tinued

Income taxes

Deferred tax assets and liabilities are recognized for the future income tax consequences of events that have been included in the consolidated financial statements or income tax returns of the Company. Deferred taxes are provided for using the asset and liability method. Under this method, deferred taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets, liabilities and certain carry forward items.

Deferred tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing parts of the equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of loss and comprehensive loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a declining balance basis over the expected useful life of the asset at the following rates:

Office equipment – 20%

Computer equipment – 40%

Drilling equipment – 30%

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

3. Summary of Significant Accounting Policies – con tinued

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of loss and comprehensive loss.

Leased assets are amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is amortized over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the statement of loss and comprehensive loss on a straight line basis over the lease term.

Intangible assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on the intangible assets with finite lives is recognized in the statement of loss and comprehensive loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of loss and comprehensive loss when the asset is derecognized.

Intangible assets consist of customer contracts and customer relationships, and are amortized on a straight-line basis over the life of the contract and three years, respectively.

Inventories

Inventories are valued at the lower of cost and net realizable value.

The costs incurred to bring each product to its present location and condition are accounted for as follows:

- Raw materials – purchased cost on a first in, fir st out basis.
- Work in progress – cost of direct materials and l abour.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3. Summary of Significant Accounting Policies – con tinued

Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impair ed. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the statement of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss and comprehensive loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which goodwill relates. Where the recoverable amount of the CGU, including goodwill, is less than its carrying value, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

Stock-based compensation

The Company has in effect a stock option plan which is described in Note 9(c). All stock-based awards granted are accounted for using the fair value based method. Fair value is calculated using the Black-Scholes valuation model. Any consideration paid by eligible participants on the exercise of stock options is credited to share capital. The contributed surplus associated with options is transferred to share capital upon exercise.

3. Summary of Significant Accounting Policies – con tinued

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The Company applies the treasury stock method in the calculation of diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Use of estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following are the critical assumptions concerning the key sources of estimation uncertainty at August 31, 2012, that have a significant risk of causing adjustments to the carrying values of assets and liabilities.

Assessment of impairments

The Company's impairment tests for goodwill and intangible assets are based on value in use calculations that use a discounted cash flow model. The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Purchase price allocation

The estimated purchase price and purchase price allocation remains subject to the completion of the determination of fair value of the net identifiable assets acquired. The allocation is subject to assumptions regarding future cash flows, growth projections and estimates of achieving key operating metrics.

3. Summary of Significant Accounting Policies – con tinued

Future changes in accounting standards

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2012, and have not been applied in preparing these consolidated financial statements but may affect the Company.

IFRS 9 - Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

IFRS 10 - Consolidated Financial Statements, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 12 - Disclosure of Interests in Other Entities, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 - Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

The Company is currently assessing the effects of these new standards.

4. Qualifying Transaction

On July 26, 2012, Bellair completed its qualifying transaction by acquiring all of the issued and outstanding shares of Clean Energy Developments Corp. ("CleanEnergy") for $5 million in consideration satisfied by the issuance of 10,000,000 of the Company's common shares. In addition, working capital of CleanEnergy in excess of $nil on closing will be paid for in cash by Bellair.

CleanEnergy is a Canadian industry leading geoexchange company that provides heating and cooling for residential and commercial buildings using energy from the earth. This is a solution that is used extensively in Europe as it reduces the use of fossil fuels for heating and cooling. CleanEnergy provides complete design and build solutions for commercial projects and also equipment sales through its dealer network across Canada.

The transaction has been accounted for as a business combination in accordance with IFRS 3. Although the vendor received more than 50% of the outstanding common shares of Bellair upon closing of the transaction, the acquisition was not considered a reverse takeover. This is due to specific arrangements in the agreement including a restriction on the vendor's voting ability to the lesser of 49.9% of the total votes regarding a matter, and the actual percentage of votes held by the vendor. In addition, the vendor is restricted to only nominating up to two of the five members of the board of directors of the Company.

The purchase consideration was as follows:

Purchase price to vendors - 10,000,000 shares @ $0.50 per share	$ 5,000,000
Payment for working capital in excess of $nil	998,738
Total purchase price	**$ 5,998,738**

The total payment for working capital in excess of $nil has not yet been finalized and may be subject to change.

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

Cash	$ (128,172)
Accounts receivable	1,207,179
Inventories	136,636
Restricted cash	107,284
Prepaid expenses	42,862
Property, plant and equipment	69,801
Accounts payable and accrued liabilities	(297,589)
Deferred revenue	(69,463)
Finance lease obligations	(4,803)
Identified net assets acquired	**$ 1,063,735**

4. Qualifying Transaction – continued

Identified net assets acquired	$ (1,063,735)
Consideration paid	5,998,738
Net goodwill and unallocated purchase price	**$ 4,935,003**

The estimated purchase price and purchase price allocation remains subject to the completion of the determination of fair value of the working capital, equipment, intangible assets, goodwill, deferred tax, and consequential adjustments. The majority of the excess purchase price is expected to be allocated to goodwill.

Transaction costs of $705,134 related to the acquisition have been expensed in accordance with IFRS 3. $282,000 of these costs were non-cash share-based payments.

Results of CleanEnergy included in the consolidated financial statements from the date of acquisition include revenue of $426,851 and a net loss of $153,890.

5. Note Receivable

DiBattista Industries note receivable

As part of a proposed qualifying transaction agreement, the Company advanced $225,000 to DiBattista Industries Inc. (“DBI”) in fiscal 2009. The loan bears interest at 12%, was originally due on January 15, 2010. The balance of the note receivable of $225,000, and unpaid accrued interest of $31,500 as at August 31, 2011, was written down to $nil in fiscal 2011.

Urban Mechanical note receivable

On August 31, 2012, the Company advanced $500,000 to Urban Mechanical Contracting Ltd. (“Urban Mechanical”). The term loan is repayable on demand at any time after 6 months following the date of advance and is subject to interest charged at a rate of 10% per annum. The amount advanced is subject to a security interest granted over all of the personal property of Urban Mechanical. Refer to Note 15 and 17 for additional details.

6. Inventories

The Company maintains inventory, which consist entirely of raw materials, equipment and spare parts for sale.

7. Equipment

	Computer equipment	Drilling equipment	Office furniture & equipment	Total
Cost				
At September 1, 2010 & August 31, 2011	$ -	$ -	$ -	$ -
Additions	19,282	11,075	40,710	71,067
At August 31, 2012	**$ 19,282**	**$ 11,075**	**$ 40,710**	**$ 71,067**
Depreciation				
At September 1, 2010 & August 31, 2011	$ -	$ -	$ -	$ -
Expense for the year	1,140	336	823	2,299
At August 31, 2012	**$ 1,140**	**$ 336**	**$ 823**	**$ 2,299**
Net book value				
At September 1, 2010 & August 31, 2011	$ -	$ -	$ -	$ -
At August 31, 2012	$ 18,142	$ 10,739	$ 39,887	$ 68,768

8. Goodwill and unallocated purchase price

As described in Note 4, the Company completed the acquisition of CleanEnergy. As the Company is still finalizing its valuations, there is an unallocated amount of $4,935,003 on the purchase price allocation.

9. Share Capital

(a) Authorized

An unlimited number of common shares

(b) Issued

	Number of shares		Amount
Issued as at September 1, 2010	2,556,600	$	773,977
Common shares cancelled on transfer to NEX	(600,000)		-
Issued as at August 31, 2011	1,956,600		773,977
Shares issued for acquisition	10,000,000		5,000,000
Shares issued for consulting	564,000		282,000
Private placement, net of issuance costs	4,788,000		1,845,814
Issued as at August 31, 2012	**17,308,600**	**$**	**7,901,791**

Cancellation

The Company was not able to complete a Qualifying Transaction within the timeframe prescribed by the TSX-V, and as such the Company's listing had been transferred to the NEX in fiscal 2011. This action resulted in the cancellation of 600,000 common shares of the Company.

Shares issued for acquisition

The Company issued 10,000,000 shares valued at $0.50 per share to acquire CleanEnergy for its qualifying transaction. Refer to Note 4 for additional details on the transaction.

Shares issued for consulting

The Company paid a success fee of 564,000 shares valued at $0.50 per share in relation to its acquisition of CleanEnergy which was expensed under transaction costs. Refer to Note 4 for additional details on the transaction.

Private placement

On June 6, 2012, CleanEnergy completed a brokered private placement of 4,788,000 subscription receipts at $0.50 per subscription receipt for gross proceeds of $2,394,000. Concurrent with the qualifying transaction, the subscription receipts were exchanged for units of Bellair. Each unit consisted of one common share and one warrant of the Company exercisable at $0.75. Share issuance costs for the placement were $548,186, which includes $125,763 allocated to agent options under contributed surplus. The total proceeds net of share issuance costs were attributed to the common shares.

9. Share Capital – continued

(c) Stock options

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options granted can be exercised for a maximum of 5 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than fair market value of the common shares on the date of grant.

The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. The option details of the Company are as follows:

	Number of Options	Weighted average exercise price	Weighted average remaining life (years)	Vested
Outstanding, September 1, 2010 & August 31, 2011	255,660	$0.50	1.24	255,660
Expired	(85,220)	$0.50	-	(85,220)
Outstanding, August 31, 2012	**170,440**	**$0.50**	**1.24**	**170,440**

On March 23, 2012, a director of the Company resigned. As a result, 85,220 stock options held by the director expired on June 18, 2012 unexercised.

(d) Warrants

	Number of warrants	Weighted average exercise price	Weighted average remaining life (years)
Outstanding, September 1, 2010 & August 31, 2011	-	N/A	N/A
Issued July 26, 2012	4,788,000	$0.75	1.90
Outstanding, August 31, 2012	**4,788,000**	**$0.75**	**1.90**

The Company issued 4,788,000 warrants as a part of the private placement in fiscal 2012. Each warrant is exercisable at $0.75 for one common share of the Company. The warrants expire 2 years from the date of issuance.

9. Share Capital – continued

(e) Agent options

	Number of warrants	Weighted average exercise price	Weighted average remaining life (years)
Outstanding, September 1, 2010 & August 31, 2011	-	N/A	N/A
Issued July 26, 2012	478,800	$0.50	1.90
Outstanding, August 31, 2012	**478,800**	**$0.50**	**1.90**

478,800 agent options were issued as compensation for the private placement in fiscal 2012. Each agent option is exercisable at $0.50 for one common share and one warrant of the Company. Each warrant received from the exercise of the agent option will be exercisable at $0.75 for one common share of the Company and will expire 2 years from the date of issuance. The value of agent options issued of $125,763 was included as contributed surplus.

The agent options were valued using the Black-Scholes model with the following estimates:

Fair value of unit	$0.50
Volatility	100%
Risk-free interest rate	1.01%
Expected life (years)	2.00
Dividend yield	Nil

10. Related Party Transactions

Included in general and administrative expenses is remuneration of key management personnel of the Company. For the year ended August 31, 2012, remuneration included $84,646 of short-term compensation (August 31, 2011 - $nil).

A corporation that holds significant influence over the Company was owed approximately $1,142,714 as at August 31, 2012 (August 31, 2011 - $nil) as a result of the qualifying transaction (Note 4). This amount includes consideration as part of the transaction as well as transaction and share issuance costs to be reimbursed by the Company of $143,976. These amounts are non-interest bearing and due on demand.

11. Financial Instruments and Risk Management

Capital Management

The Company's capital currently consists of equity. Its principal sources of cash are from operations and the issuance of common shares. The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence. The Company is not subject to externally imposed capital requirements.

11. Financial Instruments and Risk Management – con tinued

Financial instrument risk exposure and management

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

The carrying value of accounts receivable, accounts payable and accrued liabilities reflected in the statement of financial position approximates fair value because of the short-term nature of these instruments.

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. The Company believes the remaining amounts will be collected.

	August 31, 2012	August 31, 2011	September 1, 2010
Within 30	$ 618,207	$ -	$ -
31 to 60	174,231	-	-
61 to 90	47,779	-	-
Over 90	477,113	-	-
Accounts receivable	**$ 1,317,330**	**$ -**	**$ -**

As at August 31, 2012, $677,600 of receivables is due from a single customer. The maximum exposure is limited to the carrying amount of financial assets on the statement of financial position that includes cash and accounts receivable.

Foreign exchange risk

The Company purchases a large portion of its inventory in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. The Company had the following foreign exchange exposure:

		US Dollars	
	Aug 31, 2012	**Aug 31, 2011**	**Sep 1, 2010**
Cash	$ 1,500	$ -	$ -
Accounts payable and accrued liabilities	(2,337)	-	-
	$ (837)	**$ -**	**$ -**
Effect of 10% increase or decrease in foreign exchange	$ (84)	$ -	$ -

12. Finance Lease Obligations and Commitments

Future minimum payments under finance leases, along with the balance of the obligations under finance leases are as follows:

	August 31, 2012	August 31, 2011	September 1, 2010
2013	$ 4,509	$ -	$ -
Less amounts representing interest	(243)	-	-
Present value of obligations under finance lease	**$ 4,266**	**$ -**	**$ -**

13. Income Taxes

A reconciliation of income taxes calculated at the statutory rate with the amounts reported is as follows:

	2012	2011
Loss before income taxes	$ 939,064	$ 351,120
Statutory rate	27.0%	29.0%
Expected income tax recovery at combined basic federal and provincial tax rate	$ (253,550)	$ (101,825)
Effect on income taxes of:		
Tax rate changes and other adjustments	45,440	42,170
Undeducted share issue costs	(148,010)	-
Addition of unrecognized tax assets on acquisition	(3,609,170)	-
Change in tax benefits not recognized	3,965,290	59,655
Income tax expense	$ -	$ -

Deferred income tax assets and liabilities have not been recognized in respect of the following deductible temporary differences:

	2012	2011
Non-capital losses carried forward	$ 15,111,250	$ 597,957
Net capital losses carried forward	225,000	225,000
Equipment	230,370	-
Share issuance costs	469,820	68,952

The Company has accumulated non-capital losses for income tax purposes that expire as follows:

Year	Amount	Year	Amount
2013	$ 14,050	2028	$ 1,769,460
2014	229,400	2029	6,361,390
2025	406,630	2030	4,439,610
2026	570,240	2031	192,870
2027	575,020	2032	552,580

14. General and administrative expense

		2012		2011
Professional fees	$	127,511	$	45,747
Salaries and wages *(note 10)*		130,836		-
Office expense		64,669		47
Filing fees		24,627		29,549
Travel		23,796		-
Consulting fees		7,200		-
Advertising & Promotion		4,274		-
Bad debts		(12,968)		46,277
	$	**369,945**	**$**	**121,620**

15. Urban Mechanical Acquisition

On August 8, 2012, the Company entered into a letter of intent with The Edward J. Winter Family Trust (the "Vendor"), Urban Mechanical Contracting Ltd. ("Urban Mechanical"), Edward J. Winter and Marco Winter. Pursuant to the letter of intent, the Company intends to acquire all of the issued and outstanding shares of Urban Mechanical for a purchase price of $10,000,000 less any long term debt of Urban Mechanical outstanding at closing of the transaction.

The letter of intent contemplates that, at closing of the transaction agreed to in the definitive agreement, the Company would satisfy the purchase price by a combination of a payment of $500,000 in cash, the assignment to the Vendor of the $500,000 term loan provided by the Company to Urban Mechanical, and the issuance of up to $9,000,000 worth of common shares of the Company at an issue price of $0.55 per share. The number of common shares to be issued on closing will be reduced by the amount of any long term debt of Urban Mechanical outstanding on closing. Further, up to $1,000,000 of the common shares to be issued in satisfaction of the Purchase Price will not be issued at closing but will be issued on the date that is one year following the closing of the transaction to ensure the Vendor's performance of certain obligations under the definitive agreement, and shall be subject to adjustment in certain events.

Subsequent to the year-end, the Company completed the acquisition. Refer to Note 17 for further details.

16. Transition to IFRS

As stated under Note 2, these are the Company’s first annual financial statements prepared in accordance with IFRS.

The policies set out in Note 3 have been applied in preparing the consolidated financial statements for the year ended August 31, 2012, the comparative information presented in these consolidated financial statements for the year ended August 31, 2011, a statement of financial position as at August 31, 2011, and an opening IFRS statement of financial position at September 1, 2010 (the Company’s date of transition). The Company has followed the recommendations in IFRS 1 *First-time adoption of IFRS,* in preparing its transitional annual financial statements.

16. Transition to IFRS – continued

IFRS exemptions and choices

In preparing its opening IFRS statement of financial position, the Company did not adjust the amounts reported previously in its financial statements prepared in accordance with Canadian GAAP. There was no financial statement impact resulting from the transition from Canadian GAAP to IFRS.

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting date. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company did not use the optional exemptions listed in IFRS 1.

Mandatory exceptions to retrospective application

Estimates: Hindsight was not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

The Canadian GAAP statement of financial position at September 1, 2010 has been reconciled to IFRS as follows:

As at September 1, 2010	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets			
Cash	$ 352,809	$ -	$ 352,809
Interest receivable	4,500	-	4,500
Sundry receivable	22,906	-	22,906
Note receivable	225,000	-	225,000
	$ 605,215	$ -	$ 605,215
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 169,196	$ -	$ 169,196
Shareholders' equity			
Share capital	773,977	-	773,977
Contributed surplus	116,340	-	116,340
Deficit	(454,298)	-	(454,298)
	436,019	-	436,019
	$ 605,215	$ -	$ 605,215

Interest receivable and sundry receivable have been grouped together under "other receivables" for presentation purposes in the current fiscal year.

16. Transition to IFRS – continued

The Canadian GAAP statement of financial position at August 31, 2011 has been reconciled to IFRS as follows:

As at August 31, 2011	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets			
Cash	$ 107,208	$ -	$ 107,208
	$ 107,208	$ -	$ 107,208
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 22,309	$ -	$ 22,309
Shareholders' equity			
Share capital	773,977	-	773,977
Contributed surplus	116,340	-	116,340
Deficit	(805,418)	-	(805,418)
	84,899	-	84,899
	$ 107,208	$ -	$ 107,208

The Canadian GAAP statements of loss and comprehensive loss at August 31, 2011 have been reconciled to IFRS as follows:

For the year ended August 31, 2011	Canadian GAAP	Effect of transition to IFRS	IFRS
Interest income	$ 27,000	$ -	$ 27,000
Expenses			
Professional fees	45,747	-	45,747
Filing fees	29,549	-	29,549
Office expense	47	-	47
Bad debt expense	46,277	-	46,277
Write-down of note receivable	256,500	-	256,500
	378,120	-	378,120
Net loss and comprehensive loss for the period	$ (351,120)	$ -	$ (351,120)

17. Subsequent Events

Urban Mechanical Acquisition

On December 5, 2012 the Company completed the acquisition of all of the issued and outstanding shares of Urban Mechanical pursuant to the terms and conditions of a share purchase agreement for a purchase price equal to $10,000,000 less all outstanding long term debt of Urban Mechanical as at closing of the Acquisition (see Note 15).

On closing, Urban Mechanical had $1,721,581 of long term debt outstanding. The purchase price was satisfied by the Company through the issuance of 9,597,125 common shares of the Company at an issue price of $0.55 per share, the payment of $500,000 in cash, payable within 90 days after closing and the assignment to the Vendor by the Company of a $500,000 term loan previously advanced by the Company to Urban Mechanical. Up to an additional 3,636,363 common shares of the Company will be issued in satisfaction of the balance of the purchase price. These shares will not be issued at closing but will be issued on the date that is one year following the closing of the transaction to ensure the Vendor's performance of certain obligations under the Agreement, and shall be subject to adjustment in certain events.

BELLAIR VENTURES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2012

December 31, 2012

Introduction

This management discussion and analysis ("MD&A") of the financial condition and results of operations of Bellair Ventures Inc. (the "Company" or "Bellair") is for the year ended August 31, 2012. It is supplemental to, and should be read in conjunction with the Company's audited annual financial statements of the Company for the year ended August 31, 2012, as well as the filing statement dated July 12, 2012.

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.

Company overview

Bellair was incorporated under the Canada Business Corporation Act on August 22, 2008 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "TSX-V" or the "Exchange"). On July 30, 2 012 the Exchange issued its Final Exchange Bulletin approving the Company's Qualifying Transaction, as the term is defined within the Exchange's corporate finance manual.

Bellair, through its wholly owned subsidiary Clean Energy Developments Corp. ("CleanEnergy"), is a Canadian industry leading geoexchange company that provides heating and cooling solutions for residential and commercial buildings using energy from the earth.

CleanEnergy 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 doing increasingly larger projects in this growing market segment.

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", "int ends", "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.

Highlights during the year

Qualifying transaction

On July 26, 2012, Bellair completed its qualifying transaction by acquiring all of the issued and outstanding shares of CleanEnergy for $5 million in consideration satisfied by the issuance of 10,000,000 of the Company's common shares. In addition, working capital of CleanEnergy in excess of $nil on closing will be paid for in cash by Bellair.

The transaction has been accounted for as a business combination in accordance with IFRS 3. Although the vendor received more than 50% of the outstanding common shares of Bellair upon closing of the transaction, the acquisition was not considered a reverse takeover. This is due to specific arrangements in the agreement including a restriction on the vendor's voting ability to the lesser of 49.9% of the total votes regarding a matter, and the actual percentage of votes held by the vendor.

Private placement

On June 6, 2012, CleanEnergy completed a brokered private placement of 4,788,000 subscription receipts at $0.50 per subscription receipt for gross proceeds of $2,394,000. Concurrent with the qualifying transaction, the subscription receipts were exchanged for units of Bellair. Each unit consisted of one common share and one warrant of the Company exercisable at $0.75. Share issuance costs for the placement were $548,186, which includes $125,763 allocated to agent options under contributed surplus. The total proceeds net of share issuance costs were attributed to the common shares.

Outlook

Urban Mechanical acquisition

On December 5, 2012 the Company completed the acquisition of all of the issued and outstanding shares of Urban Mechanical pursuant to the terms and conditions of a share purchase agreement for a purchase price equal to $10,000,000 less all outstanding long term debt of Urban Mechanical as at closing of the acquisition. On closing, Urban Mechanical had $1,721,581 of long term debt outstanding.

The purchase Price was satisfied by the Company through the issuance of 9,597,125 common shares of the Company at an issue price of $0.55 per share, the payment of $500,000 in cash, payable within 90 days after closing and the assignment to the vendor by the Company of a $500,000 term loan previously advanced by the Company to Urban Mechanical. Up to an additional 3,636,363 common shares of the Company will be issued in satisfaction of the balance of the purchase price. These shares will not be issued at closing but will be issued on the date that is one year following the closing of the transaction to ensure the vendor's performance of certain obligations under the agreement, and shall be subject to adjustment in certain events.

Private placement

The Company intends to complete a brokered private placement (the Private Placement) of a minimum of 2,000,000 units of the Corporation (each, a Unit) and up to a maximum of 4,000,000 Units at a purchase price of $0.50 per Unit, for gross proceeds of a minimum of $1,000,000 and up to a maximum of $2,000,000.

Each Unit shall be comprised of: one common share of the Company (a "Common Share"); and one Common Share purchase warrant (a "Warrant"). Ea ch Warrant shall entitle the holder to purchase one Common Share at an exercise price of $0.75 for a period of 24 months following the closing of the Private Placement (the "Closing"), subject to adjustment in certain events. Proceeds of the Private Placement shall be used for targeted acquisitions and general working capital purposes.

The Company has engaged Portfolio Strategies Securities Inc. (the "Agent") as lead agent for the Private Placement. As compensation, the Corporation shall pay to the Agent a cash commission equal to 8% of the gross proceeds of the Private Placement upon Closing. The Agent will also be issued that number of broker warrants (each, a "Bro ker Warrant") that is equal to 8% of the number of Units sold under the Private Placement at an exercise price of $0.50 per Broker Warrant. Each Broker Warrant is comprised of (a) one Common Share; and (b) one Common Share purchase warrant, which shall entitle the Agent to purchase one Common Share at an exercise price of $0.75 per Common Share for a period of 24 months from date of Closing, subject to adjustment in certain events.

Selected financial information

Selected annual information

	2012 (IFRS)	2011 (IFRS)	2010 (CGAAP)
Total revenue	$ 426,851	$ nil	$ nil
Net loss	$ 939,064	$ 351,120	$ 31,909
Net loss per share	$ 0.26	$ 0.26	$ 0.01
Total assets	$ 8,378,178	$ 107,208	$ 605,215
Long-term liabilities	$ nil	$ nil	$ nil
Dividends per share	$ nil	$ nil	$ nil

Selected Quarterly Financial Information

	Q4-2012	Q3-2012	Q2-2012	Q1-2012	Q4-2011	Q3-2011	Q2-2011	Q1-2011
Net loss	$ 801,435	$53,354	$60,975	$23,300	$190,313	$126,988	$32,698	$1,121
Basic loss per share	$ 0.19	$0.04	$0.03	$0.01	$0.10	$0.05	$0.01	$0.00

Results of Operations

Given the transaction closing on July 26th, at August 31st the Company had just over a month of operating results with CleanEnergy. During that period, the Company had the following sales and direct costs:

	2012	2011
Sales	$ 426,851	$ -
Cost of sales	287,283	-
Gross margin	$ 139,568	$ -

Revenues are earned on services provided for the design and engineering of geoexchange projects, the sale of geoexchange equipment and the installation of geoexchange systems.

Direct cost of sales includes direct labour and expenditures for services provided, as well as equipment costs and materials for geoexchange projects.

Year ended August 31, 2012, compared with the year ended August 31, 2011

For the year ended August 31, 2012, the Company reported a loss of $939,064 versus a loss of $351,120 in the prior year. Given the closing of the qualifying transaction in July of 2012, year-over-year results will not be directly comparable.

Significant expenses during the year ended August 31, 2012 include $705,134 of transaction costs, which relate to the closing of the Company's qualifying transaction. These are not expected to be recurring costs. During the prior year, no such costs were classified as transaction costs.

General and administrative expenses were $369,945 during the year ended August 31, 2012. This includes items such as salaries and wages, professional fees, filing fees, and other office expenses. This increased from $121,620 from the prior year, which is due to the closing of the qualifying transaction and the inclusion of CleanEnergy operations for the stub period.

Note Receivable

On August 31, 2012, the Company advanced $500,000 to Urban Mechanical Contracting Ltd. ("Urban Mechanical"). The term loan is repayable on demand at any time after 6 months following the date of advance and is subject to interest charged at a rate of 10% per annum. The amount advanced is subject to a security interest granted over all of the personal property of Urban Mechanical. Refer to " *Outlook-Urban Mechanical acquisition*" for additional details.

Liquidity and capital resources

As at August 31, 2012, the Company had working capital of $1,395,641. Working capital provides funds for the Company to meet its operational and capital requirements. For the near-term, management believes that increases in revenues will provide the necessary capital to fund operations.

The Corporation has contractual commitments on capital lease obligations for approximately $4,266. The Company also anticipates closing a private placement of up to 4,000,000 units at $0.50 per unit in the near future (refer to " *Outlook – Private placement* ").

Related party transactions

Included in general and administrative expenses is remuneration of key management personnel of the Company. For the year ended August 31, 2012, remuneration included $84,646 of short-term compensation.

A corporation that holds significant influence over the Company was owed approximately $1,142,714 as at August 31, 2012 (August 31, 2011 - $nil) as a result of the qualifying transaction. This amount includes consideration as part of the transaction as well as transaction and share issuance costs to be reimbursed by the Company of $143,976.

Transition to IFRS

The Company's consolidated financial statements for the year ended August 31, 2012 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its fina ncial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). IFRS 1, First-time Adoption of IFRS ("IFRS 1") has been applied and th e impact of the transition from Canadian GAAP to IFRS is explained in Note 16 of the financial statements.

The accounting policies set out have been applied consistently to all periods presented, and in preparing the opening statement of financial position at September 1, 2010 for purposes of transition to IFRS.

Future changes in accounting standards

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2012, and have not been applied in preparing these consolidated financial statements but may affect the Company:

IFRS 9 - Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015.

IFRS 10 - Consolidated Financial Statements, effective for annual periods beginning on or after January 1, 2013.

IFRS 12 - Disclosure of Interests in Other Entities, effective for annual periods beginning on or after January 1, 2013.

IFRS 13 - Fair Value Measurement defines fair value, effective for annual periods beginning on or after January 1, 2013.

The Company is currently assessing the effects of these new standards.

Disclosure of outstanding share data

As at December 1, 2012 there were 17,308,600 issued and outstanding common shares in the capital of the Company. The Company has outstanding options to purchase an aggregate of 170,440 common shares, outstanding warrants to purchase an aggregate of 4,788,000 common shares, and outstanding agent options to purchase an aggregate of 718,200 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. Please refer to the risk factors outlined in the filing statement dated July 12, 2012.

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, including the Chief Executive Officer and Chief Financial Officer, 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 design and operation of our Disclosure Procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that 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 the Company's Chief Executive Officer and Chief Financial Officer believe that our Disclosure Procedures that they 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.

Additional Information

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

Appendix "C"

Audited Consolidated Financial Statements

&

Management Discussion & Analysis

For year ended Aug 31, 2011

SustainCo Inc.

Bellair Ventures Inc.
(A Capital Pool Corporation)

Financial Statements

Years ended August 31, 2011 and 2010

(Expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of
Bellair Ventures Inc. (a Capital Pool Corporation)

Report on the Financial Statements

We have audited the accompanying financial statements of Bellair Ventures Inc. (a Capital Pool Corporation) which comprise the balance sheets as at August 31, 2011 and 2010 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements presents fairly, in all material respects, the financial position of Bellair Ventures Inc. (a Capital Pool Corporation) as at August 31, 2011 and 2010 and its results of operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without modifying our opinion, we draw attention to the fact that the financial statements have been prepared on a going concern basis. This basis may not be appropriate because its validity depends principally on the Corporation's ability to identify, evaluate and negotiate an acquisition of a business, or an interest therein. The financial statements do not include any adjustments that would arise from a failure to complete such a transaction. Details of the circumstances relating to this fundamental uncertainty are described in Note 1 of the financial statements.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
January 3, 2012

Bellair Ventures Inc.
(A Capital Pool Corporation)

Balance Sheets
August 31, 2011 and 2010

		2011		2010
Assets				
Current assets				
Cash	$	107,208	$	352,809
Interest receivable		-		4,500
Sundry receivable		-		22,906
Note receivable *(note 4)*		-		225,000
	$	107,208	$	605,215
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	22,309	$	169,196
Shareholders' equity				
Share capital *(note 5)*		773,977		773,977
Contributed surplus *(note 5)*		116,340		116,340
Deficit		(805,418)		(454,298)
		84,899		436,019
	$	107,208	$	605,215

Going Concern (*note 1*)

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

Approved by the Board

Signed: "Emlyn J. David" Director

Signed: "Rajiv Rai" Director

Bellair Ventures Inc.
(A Capital Pool Corporation)

Statements of Loss and Comprehensive Loss
For the years ended August 31, 2011 and 2010

		2011		2010
Interest income	$	**27,000**	$	27,653
Expenses				
Professional fees		**45,747**		34,792
Filing fees		**29,549**		15,870
Office expense		**47**		8,900
Bad debt expense		**46,277**		-
Write-down of note receivable *(note 4)*		**256,500**		-
		378,120		59,562
Net loss and comprehensive loss for the year	$	**(351,120)**	$	(31,909)
Loss per share - basic and diluted	$	**(0.16)**	$	(0.01)
Weighted average shares outstanding		**2,259,066**		2,556,600

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

Bellair Ventures Inc.
(A Capital Pool Corporation)

Statements of Changes in Shareholders' Equity
For the years ended August 31, 2011 and 2010

		2011		2010
Share Capital				
Balance, beginning and end of year	**$**	**773,977**	$	773,977
Contributed Surplus				
Balance, beginning and end of year	**$**	**116,340**	**$**	116,340
Deficit				
Balance, beginning of year	**$**	**(454,298)**	$	(422,389)
Net loss for the year		**(351,120)**		(31,909)
Balance, end of year	**$**	**(805,418)**	$	(454,298)

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

Bellair Ventures Inc.
(A Capital Pool Corporation)

Statements of Cash Flows
For the years ended August 31, 2011 and 2010

	2011	2010
Cash flow from operating activities		
Cash paid to suppliers	$ (245,601)	$ (79,749)
Interest received	-	39,279
Decrease in cash	(245,601)	(40,470)
Cash, beginning of year	352,809	393,279
Cash, end of year	$ 107,208	$ 352,809

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

1. Nature of Operations and Going Concern

Bellair Ventures Inc. (the "Corporation") was incorporated under the *Canada Business Corporation Act* on August 22, 2008 and is classified as a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange").

The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of a business, or an interest therein. Such an acquisition (a "Qualifying Transaction") will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's-length transaction, of the majority of the minority shareholders.

The Corporation was not able to complete a Qualifying Transaction within the timeframe prescribed by the Exchange, and as such the Corporation's listing has been transferred to the NEX, a separate trading board of the Exchange. Trading in the Corporation's shares will remain suspended pending completion of a Qualifying Transaction. This action resulted in the cancellation of 600,000 common shares of the Corporation.

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. There is, however, substantial doubt whether the Corporation will be able to complete a Qualifying Transaction.

2. Summary of Significant Accounting Policies

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"), and are expressed in Canadian dollars. The significant accounting policies are summarized as follows:

Financial instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments are included on the balance sheet and are measured at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost. Held-for-trading financial instruments are subsequently measured at fair value and all gains and losses are included in net income in the period which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired. The Corporation has classified its cash as held-for-trading, which is measured at fair value.

2. Summary of Significant Accounting Policies – continued

Financial instruments - continued

The interest, sundry and note receivables are classified as loans and receivables, which are measured at amortized cost less any provision for impairment. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. The Corporation had neither available-for-sale nor held-to-maturity instruments during the years ended August 31, 2011 and 2010.

Income taxes

Future income tax assets and liabilities are recognized for the future income tax consequences of events that have been included in the financial statements or income tax returns of the Corporation. Future income taxes are provided for using the liability method. Under the liability method, future income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets, liabilities and certain carry forward items.

Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment. The Corporation makes full provision for income taxes deferred as a result of claiming depreciation and other costs for income tax purposes which differ from the related amounts charged to earnings.

Stock-based compensation

The Corporation has in effect a stock option plan which is described in note 5(c). All stock-based awards granted are accounted for using the fair value based method. Fair value is calculated using the Black-Scholes valuation model. Any consideration paid by eligible participants on the exercise of stock options is credited to share capital. The contributed surplus associated with options is transferred to share capital upon exercise.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The Corporation applies the treasury stock method in the calculation of diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Corporation's reporting for the first quarter of 2012 for which the current and comparative information will be prepared under IFRS. The Corporation is required to adopt all of those IFRS standards which are effective for fiscal year ending August 31, 2012 and apply them to its opening September 1, 2010 balance sheet.

The Corporation is currently assessing the impact of IFRS on its financial statements.

4. Note Receivable

As part of a proposed qualifying transaction agreement, the Corporation advanced $225,000 to DiBattista Industries Inc. ("DBI") in fiscal 2009. The loan bears interest at 12%, was originally due on January 15, 2010 and is personally guaranteed by a principal of DBI. On April 23, 2009, the Corporation announced that it had terminated its definitive agreement in respect of the proposed qualifying transaction with DBI.

On January 18, 2010 the Corporation and DBI agreed to extend the repayment date to May 31, 2010. On June 16, 2010 DBI made an interest payment of $39,279. On June 30, 2010, the Corporation, DBI, and a guarantor agreed to further extend the maturity date of the loan and obligations under the guarantee to August 31, 2010.

On November 25, 2010 the Corporation and DBI entered into a Letter of Intent whereby the Corporation intended to acquire all of the issued and outstanding common shares in the capital of KNR Management Inc. ("KNR") through a share exchange transaction ("Proposed Transaction"). If completed, the Proposed Transaction was expected to constitute the Corporation's qualifying transaction.

The closing of the Proposed Transaction was subject to a number of conditions, including the Corporation successfully completing a private placement for anticipated gross proceeds of at least $500,000; KNR successfully closing on a term loan facility estimated to be in the amount of $2,250,000; confirmation of a definitive valuation for KNR; completion of customary due diligence reviews by the Corporation and DBI; the parties entering into a definitive agreement and such other agreements as may be necessary to give effect to the Proposed Transaction; and the parties obtaining all necessary approvals and consents, including the approval of the Exchange.

Subsequent to August 31, 2011 the Corporation terminated the Proposed Transaction. As a result the balance of the note receivable of $225,000, and unpaid accrued interest of $31,500 at August 31, 2011, has been written down to $Nil as collection is not reasonably assured.

5. Share Capital

(a) Authorized

An unlimited number of common shares

(b) Issued

	Number of common shares		Amount
Balance, August 31, 2010	2,556,600	$	773,977
Common shares cancelled on transfer to NEX	(600,000)		-
Balance, August 31, 2011	1,956,600	$	773,977

Private placement

On September 20, 2008, 1,200,000 common shares were issued at a price of $0.25 per common share as a private placement.

The common shares issued pursuant to this private placement are held in escrow as per to the requirements of the Exchange, to be released as to 10% thereof on the completion of the Corporation's Qualifying Transaction, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

All common shares issued on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction must also be deposited in escrow until the Final Exchange Bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are also required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be escrowed.

Initial public offering

On November 24, 2008, the Corporation completed its initial public offering ("IPO") via the issuance of 1,356,600 common shares at a price of $0.50 per common share for gross proceeds of $678,300. The Corporation incurred issuance costs of $173,311. In addition, the Corporation granted the agents of the offering the option to acquire 135,660 common shares, valued at $31,012 (note 5(c)), at a price of $0.50 per share for a period of 24 months following the IPO. These options expired unexercised during the year.

5. Share Capital – continued

(c) Stock options

The Corporation adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Corporation. The options granted can be exercised for a maximum of 5 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than fair market value of the common shares on the date of grant. At the closing of the IPO, the Corporation granted 255,660 director and officers stock options under this plan, vesting immediately, exercisable at a price of $0.50 per share for a period of 5 years from the date of grant.

The Corporation uses the Black-Scholes option pricing model to determine the fair value of options granted. The fair value of the 135,660 agent options granted was determined to be $31,012 and was included in share issuance costs. These agent options expired unexercised during the year. The fair value of the 255,660 director and officers stock options was determined to be $85,328 and was included in the determination of net loss for the year ended August 31, 2009.

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding and of options exercisable as at August 31, 2011 are as follows:

Options Outstanding			Options Exercisable	
Number Outstanding	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Exercise Price**
255,660	**$ 0.50**	**2.24**	**255,660**	**$ 0.50**

6. Income Taxes

Recovery of income taxes

Major items causing the Corporation's income tax rate to differ from the Canadian statutory rate of approximately 29% (2010 - 32%) were as follows:

		2011		2010
Loss before recovery of income taxes	$	(351,120)	$	(31,909)
Expected income tax recovery at statutory rate	$	(101,825)	$	(10,211)
Adjustments resulting from:				
Non-deductible differences		-		-
Share issue costs		-		-
Tax rate changes		42,170		(22,247)
Change in valuation allowance		59,655		32,458
Recovery of income taxes	$	-	$	-

Future income taxes

The approximate tax effect of each type of temporary difference that gives rise to Corporation's future income tax assets are as follows:

		2011		2010
Non-capital losses	$	149,489	$	109,294
Capital losses		28,126		-
Share issue costs		17,238		25,904
Valuation allowance		(194,853)		(135,198)
Net future income tax assets	$	-	$	-

The Corporation has non-capital losses available to reduce future taxable income. These losses expire as follows:

2028	$	6,881
2029		363,723
2030		66,571
2031		160,782
	$	597,957

7. Capital Management

The Corporation's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Corporation's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to allow the Corporation to complete a qualifying transaction. The Corporation is not subject to externally imposed capital requirements.

8. Financial Instruments

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2011, the Corporation had cash of $107,208 to settle current liabilities of $22,309. The Corporation is not exposed to significant liquidity or market risk.

The carrying value of cash, and accounts payable and accrued liabilities reflected in the balance sheet approximates fair value because of the short-term nature of these instruments.

BELLAIR VENTURES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

For the Year Ended August 31, 2011

Date

This management discussion and analysis ("**MD&A**") of the financial condition and results of operations of Bellair Ventures Inc. (the "**Company**" or "**Bellair**") is for the year ending August 31, 2011.

It is supplemental to, and should be read in conjunction with, the Company's final prospectus dated November 7, 2008 (the "**Prospectus**"), which includes the audited financial statements of the Company for the period from inception to September 2008 and all of the notes, risk factors and information contained therein. The Company's financial statements are prepared in accordance with accounting principles generally accepted in Canada. All amounts presented herein are stated in Canadian dollars, unless otherwise indicated.

Significant Accounting Policies

A detailed summary of the Company's significant accounting policies is included in note 2 of the Company's annual audited financial statements for the year ended August 31, 2011.

Cautionary Statements

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the Company. Particularly, statements regarding our future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Examples of such statements include the Company's intention to complete a "Qualifying Transaction" (as defined by policy 2.4 (the "**CPC Policy**") of TSX Venture Exchange Inc. (the "**Exchange**") and to complete future financings, acquisitions or investments. Forward looking-information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. These factors include the ability of the Company to obtain necessary financing, satisfaction of the conditions under any definitive agreement in connection with a Qualifying Transaction and satisfaction of Exchange requirements with respect to a Qualifying Transaction. For more exhaustive information on these risks and uncertainties you should refer to the Prospectus, which is available at www.sedar.com. Forward-looking information contained in this MD&A is based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, we are under no obligation and do not undertake to update this information at any particular time except as required by law.

Company Overview

The Company was incorporated on August 22, 2008 under the Canada Business Corporations Act. The authorized capital of the Company consists of an unlimited number of common shares without nominal or par value. On September 20, 2008, the Company issued 1,200,000 common shares (the "**Seed Shares**") to seed shareholders for cash consideration of $300,000. The Seed Shares are subject to escrow in accordance with Exchange requirements and will be released in accordance with the terms and conditions of an escrow agreement dated October 7, 2008 among the Company, Equity Financial Trust Company (as escrow agent) and the holders of the Seed Shares.

On November 24, 2008 and pursuant to the Prospectus, the Company completed its initial public offering ("**IPO**") by issuing 1,356,600 common shares at a price of $0.50 per common share for aggregate gross proceeds of $678,300 to be used to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction. In connection with the IPO, the Company also granted (i) to Canaccord Capital Corporation (as the Company's agent in respect of the IPO), a non-transferable agent's option to purchase an aggregate of 135,660 common shares of the Company at $0.50 per common share, exercisable for a period of two years from the date of listing of the Company's common shares on the Exchange (which options expired unexercised during the year ended August 31, 2011), and (ii) to the directors of the Company, incentive stock options to purchase an aggregate of 255,660 common shares of the Company at $0.50 per common share, exercisable for a period of five years from the date of grant. On November 26, 2008, the common shares of the Company commenced trading on the Exchange under the symbol "BVI.P".

On March 03, 2011, the Company announced that trading of the Company's common shares would be transferred to the NEX, a separate trading board of the Exchange, effective immediately, as Bellair had not completed a Qualifying Transaction within the timeframe prescribed by the Exchange. In accordance with the CPC Policy, 600,000 common shares of the Company, representing 50% of the Seed Shares sold to non-arm's length parties, were cancelled in connection with the transfer to the NEX. The Company obtained the requisite shareholder approval for both its transfer to the NEX and the cancellation of the Seed Shares. Trading commenced on the NEX under the symbol "BVI.H".

The Company is a Capital Pool Company (a "**CPC**"), as defined in the CPC Policy. The principal business of the Company is the identification and evaluation of potential opportunities with a view to completing a Qualifying Transaction. For more information on the Company, please refer to the Prospectus.

Overall Performance

As stated above, the Company issued the Seed Shares on September 20, 2008 for aggregate gross proceeds of $300,000 and completed its IPO on November 24, 2008 for aggregate gross proceeds of $678,300. The CPC Policy sets out the permitted uses of proceeds realized from the sale of all securities issued by a CPC, which include fees for legal and accounting services, agents' fees, costs and commissions and listing and filing fees. For the 12-month period ended August 31, 2011, the Company has a net loss of $351,120 as a result of the following expenditures associated with ongoing administrative and general expenses pertaining to the listing on the

Exchange and the pursuit of its Qualifying Transaction:

Expenses

Professional Fees	$45,747
Filing Fees	$29,549
Bad Debt Expense	$46,277
Write-down of Note receivable	$256,500

The expenses incurred in the year ended August 31, 2011 were offset by interest income on the note of $27,000.

Results of Operations

As at August 31, 2011, the Company had no business operations other than the identification and evaluation of potential opportunities with a view to completing a Qualifying Transaction. The net loss of $351,120 for the year ended August 31, 2011 was due primarily to the expenses incurred in such period as set out above.

Selected Financial Information

The Company was incorporated on August 22, 2008. Comparative annual data in respect of previous year is for the 12 month period ended August 31, 2010.

Liquidity and Capital Resources

For the period ended August 31, 2011, the Company had $107,208 in cash as a result of net proceeds derived from the issuance of the Seed Shares and the IPO net of expenses incurred to date, which management considers to still be sufficient to meet the Company's ongoing obligations.

Significant Corporate Events

DiBattista Industries Inc. and KNR Management Transactions

On December 8, 2008, the Company announced that it had identified and entered into a non-binding letter of intent in respect of a proposed Qualifying Transaction (the "**Proposed Qualifying Transaction**") with DiBattista Industries Inc. ("**DBI**"), a holding company that was attempting a consolidation of assets in the industrial and environmental waste services, recycling and infrastructure industry.

On December 23, 2008, the Company announced that it had entered into a definitive agreement (the "**Agreement**") in respect of the Proposed Qualifying Transaction. Pursuant to the Agreement, DBI would amalgamate with a newly-created, wholly-owned subsidiary of the

Company (the "**Amalgamation**"). In consideration for the approval of the Amalgamation, the Company was to issue, to the holders of common shares of DBI (the "**DBI Shares**"), two common shares of the Company for each DBI Share. Completion of the Proposed Qualifying Transaction was subject to a number of conditions, including approval of the Amalgamation by holders of the DBI Shares and the Exchange and the completion of equity and debt financings.

On April 23, 2009, the Company announced that the Agreement between Bellair and DBI had been terminated. As a result of a variety of factors, including volatile and declining economic conditions, DBI was unable to raise the capital required under the Agreement.

On November 25, 2010, the Company and R. DiBattista Investments ("**RDBI**") entered into a non-binding letter of intent pursuant to which the Company was to acquire all of the issued and outstanding common shares in the capital of KNR Management ("**KNR**") through a share exchange transaction (the "**KNR Transaction**"). If completed, the KNR Transaction was expected to constitute the Company's Qualifying Transaction.

On February 03, 2011, the Company announced that it had entered into a definitive agreement for a proposed Qualifying Transaction with RDBI in respect of the KNR Transaction. Closing of the KNR Transaction was subject to a number of conditions, including (i) the completion of a private placement for gross proceeds of not less than $500,000, (ii) KNR successfully closing a term loan facility in the amount of approximately $2,250,000, (iii) confirmation of a definitive valuation for KNR, (iv) completion of customary due diligence, and (v) the parties obtaining all necessary approvals and consents, including the approval of the Exchange.

Subsequent to August 31, 2011, the Company terminated all discussions regarding the KNR Transaction.

Movement to the NEX and Share Capital Reduction

On March 03, 2011, the Company announced that trading of the Company's common shares would be transferred to the NEX, a separate trading board of the Exchange, effective immediately, as Bellair had not completed a Qualifying Transaction within the timeframe prescribed by the Exchange. In accordance with the CPC Policy, 600,000 common shares of the Company, representing 50% of the Seed Shares sold to non-arm's length parties, were cancelled in connection with the transfer to the NEX. The Company obtained the requisite shareholder approval for both its transfer to the NEX and the cancellation of the Seed Shares. Trading commenced on the NEX under the symbol "BVI.H".

Note Receivable

As part of the proposed Qualifying Transaction Agreement with DBI, the Company advanced $225,000 to DBI in fiscal 2009. The loan bore interest at 12%, was originally due on January 15, 2010 and was personally guaranteed by a principal of DBI. On April 23, 2009, the Company announced that it had terminated its definitive Agreement with DBI. On January 18, 2010, the Company and DBI agreed to extend the repayment date of the loan to May 31, 2010.

On June 16, 2010, DBI made an interest payment of $39,279. On June 30, 2010, the Company, DBI and a guarantor agreed to further extend the maturity date of the loan and obligations under the guarantee to August 31, 2010.

On November 25, 2010, the Company and DBI entered into a non-binding letter of intent pursuant to which the Company was to acquire all of the issued and outstanding common shares in the capital of KNR. If completed, the KNR Transaction was expected to constitute the Company's Qualifying Transaction. Subsequent to August 31, 2011, the Company terminated the proposed KNR Transaction. As a result, the balance of the note receivable of $225,000, and unpaid accrued interest of $31,500 at August 31, 2011, has been written down to $Nil as collection is not reasonably assured.

Disclosure of Outstanding Share Data

As more specifically described above under "Company Overview" and "Movement to the NEX and Share Capital Reduction", there are 1,956,600 issued and outstanding common shares in the capital of the Company and the Company has granted options to purchase an aggregate of 255,660 common shares in the capital of the Company.

Risk Factors

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. Please refer to the risk factors outlined in the Prospectus.

Related Party Transactions

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties.

There were no related party expenses for the year ended August 31, 2011.

Future Accounting Pronouncements

*International Financial Reporting Standards ("**IFRS**")*

In January 2006, the CICA's Accounting Standards Board ("**AcSB**") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Additional Information

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

Appendix “D”

Interim Financial Statements

&

Management Discussion & Analysis

For Three & Nine Months ended May 31, 2014

SustainCo Inc.

SustainCo Inc.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended May 31, 2014 and 2013

(Unaudited)

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed an audit or review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

Condensed Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	May 31, 2014	August 31, 2013
Assets		
Current assets		
Cash and cash equivalents	**$ 2,292,713**	$ 1,594,877
Accounts receivable, net of $40,000 allowance (August 31, 2013 - $73,313)	**3,027,451**	749,698
Unbilled receivables	**446,705**	-
Inventories *(note 4)*	**395,228**	57,395
Prepaid expenses	**438,854**	31,736
Current assets held for sale *(note 15)*	**-**	23,606,036
	6,600,951	26,039,742
Property and equipment *(note 6)*	**199,214**	54,137
Intangible assets *(note 7)*	**244,500**	282,000
Goodwill and unallocated purchase price *(note 5)*	**1,001,552**	-
Deferred income taxes	**6,000**	-
Non-current assets held for sale *(note 15)*	**-**	12,154,558
	$ 8,052,217	$ 38,530,437
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	**$ 2,291,649**	$ 1,350,489
Bank indebtedness *(note 16)*	**1,064,394**	-
Acquisition payable *(note 5)*	**600,000**	-
Deferred revenue	**369,377**	54,368
Due to related party *(note 9)*	**128,199**	978,146
Notes payable *(note 13)*	**5,075,000**	2,800,000
Current liabilities held for sale *(note 15)*	**-**	32,595,216
	9,528,619	37,778,219
Non-current liabilities held for sale *(note 15)*	**-**	165,378
	9,528,619	37,943,597
Shareholders' equity		
Share capital *(note 8)*	**15,036,121**	14,188,904
Share-based payment reserve *(note 8)*	**1,455,935**	1,455,935
Deficit	**(17,968,458)**	(15,057,999)
	(1,476,402)	586,840
	$ 8,052,217	$ 38,530,437

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

Subsequent events *(note 19)*

Approved on behalf of the Board

Signed: *"Emlyn J. David"*

Director

Signed: *"Michael Galloro"*

Director

Condensed Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
Sales	**$ 2,370,561**	$ 1,008,499	**$ 5,584,392**	$ 3,125,117
Cost of sales *(note 4)*	**2,053,110**	920,884	**4,826,155**	2,488,850
Gross margin	**317,451**	87,615	**758,237**	636,267
Marketing, general and administrative *(note 12)*	**890,142**	612,460	**2,432,871**	1,670,044
Research and development	**(44,509)**	-	**5,925**	-
Share-based payments *(note 8)*	**-**	1,018,770	**-**	1,192,575
Loss (gain) on disposal of equipment	**(3,837)**	-	**14,644**	-
Amortization and depreciation *(note 6&7)*	**27,479**	5,838	**69,456**	17,628
	869,275	1,637,068	**2,522,896**	2,880,247
Loss from continuing operations before finance expense, transaction costs, and income taxes	**(551,824)**	(1,549,453)	**(1,764,659)**	(2,243,980)
Finance expense	**160,348**	58,596	**404,741**	69,026
Income taxes	**2,457**	-	**10,457**	-
Transaction costs *(note 5)*	**2,557**	-	**26,167**	226,613
Net loss from continuing operations	**(717,186)**	(1,608,049)	**(2,206,024)**	(2,539,619)
Discontinued operations *(note 15)*	**-**	(43,064)	**(704,435)**	672,797
Net loss and comprehensive loss	**$ (717,186)**	$ (1,651,113)	**$ (2,910,459)**	$ (1,866,822)
Net loss per share				
Basic and diluted from continuing operations	**$ (0.02)**	$ (0.05)	**$ (0.06)**	$ (0.10)
Basic and diluted from discontinued operations	**$ -**	$ (0.01)	**$ (0.02)**	$ 0.03
Weighted Average shares outstanding	**42,297,357**	29,440,217	**36,645,867**	24,837,954

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

Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

	Share Capital	Share -based payment reserve	Deficit	Total
Balance, August 31, 2012	$ 7,901,791	$ 242,103	$ (1,744,482)	$ 6,399,412
Shares issued for Urban Mechanical	5,278,419	-	-	5,278,419
Private placement, net of issuance costs	1,008,694	74,172	-	1,082,866
Share-based payments	-	1,192,575	-	1,192,575
Net loss for the period	-	-	(1,866,822)	(1,866,822)
Balance, May 31, 2013	$ 14,188,904	$ 1,508,850	$ (3,611,304)	$ 12,086,450
Balance, August 31, 2013	$ 14,188,904	$ 1,455,935	$ (15,057,999)	$ 586,840
Private placement, net of issuance costs	847,217	-	-	847,217
Net loss for the period	-	-	(2,910,459)	(2,910,459)
Balance, May 31, 2014	**$ 15,036,121**	**$ 1,455,935**	**$ (17,968,458)**	**$ (1,476,402)**

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

Condensed Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
Cash flow from operating activities				
Net loss from continuing operations	**$ (717,186)**	$ (1,608,049)	**$ (2,206,024)**	$ (2,539,619)
Add (deduct) items not involving cash				
Amortization and depreciation	**29,862**	5,838	**69,456**	17,628
Income taxes	**-**	-	**8,000**	-
Share-based payments	**-**	1,018,770	**-**	1,192,575
Loss (gain) on disposal of equipment	**14,644**	-	**35,508**	-
Change in non-cash working capital				
Accounts receivable	**(94,711)**	(65,190)	**584,615**	(479,495)
Unbilled receivables	**(36,866)**	-	**(446,705)**	-
Prepaid expenses	**(73,694)**	14,690	**(334,185)**	43,469
Inventory	**(8,598)**	(87,030)	**33,482**	(95,019)
Deferred revenue	**369,377**	-	**315,009**	-
Accounts payable and accrued liabilities	**(270,010)**	446,630	**(525,517)**	36,330
Cash used in continuing operations	**(787,182)**	(274,341)	**(2,466,361)**	(1,824,131)
Cash generated (used) by discontinued operations	**-**	579,964	**(1,815,391)**	176,551
	(787,182)	305,623	**(4,281,752)**	(1,647,580)
Cash flow from financing activities				
Private placement, net of issuance costs	**(17,033)**	-	**847,217**	1,082,866
Issuance of short-term notes payable	**-**	487,500	**-**	487,500
Issuance of notes payable	**100,000**	700,000	**1,850,000**	700,000
Repayment of notes payable	**(75,000)**	-	**(75,000)**	-
Due to related party	**-**	-	**(349,947)**	-
Repayment of bank indebtedness, net	**(26,097)**	-	**(110,521)**	-
Repayment of VCI loan payable	**-**	-	**(625,000)**	-
Repayment of finance leases, net	**-**	(871)	**-**	(3,362)
Cash generated (used) by continuing operations	**(18,130)**	1,186,629	**1,536,749**	2,267,004
Cash generated (used) by discontinued operations	**-**	(525,354)	**1,243,827**	(1,432,426)
	(18,130)	661,275	**2,780,576**	834,578
Cash flow from investing activities				
Investment in property and equipment	**(2,219)**	(6,412)	**(49,700)**	(17,407)
Proceeds from sale of property and equipment	**4,461**	-	**6,583**	-
Proceeds from the sale of Urban Mechanical	**-**	-	**3,000,000**	-
Investment in VCI	**-**	-	**(625,000)**	-
Cash generated (used) in continuing operations	**2,242**	(6,412)	**2,331,883**	(17,407)
Cash used in discontinued operations	**-**	(60,042)	**(132,871)**	(219,779)
	2,242	(66,454)	**2,199,012**	(237,186)
Total cash generated (used) by continuing operations	**(803,070)**	905,876	**1,402,271**	425,466
Total cash used by discontinued operations	**-**	(5,432)	**(704,435)**	(1,475,654)
Cash and cash equivalents, beginning of period	**3,095,783**	(567,261)	**1,594,877**	1,383,371
Cash and cash equivalents, end of period	**$ 2,292,713**	$ 333,183	**$ 2,292,713**	$ 333,183

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

1. Nature of Operations

SustainCo Inc., (the "Company" or "SustainCo"), was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 151 Bloor Street West, Suite 1100, Toronto, Ontario, Canada. The Company is listed on the TSX Venture Exchange Inc. (the "TSX-V" or the "Exchange") under the trading symbol "SMS".

SustainCo conducts its operations through two subsidiaries, Clean Energy Developments Corp. ("CleanEnergy") and VCI Controls Inc. ("VCI" or "VC I Controls"). The Company sold its wholly owned subsidiary Urban Mechanical Contracting Ltd. ("Urban Mechanical" or "Urban").

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.

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.

2. Basis of Presentation

Statement of compliance

The Company's condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reportin g". These condensed consolidated interim financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended August 31, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 24, 2014.

Basis of measurement and functional currency

The condensed consolidated interim financial statements are prepared on the historical cost basis. The accompanying condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The condensed consolidated interim financial statements are presented in Canadian dollars, the Company's functional currency.

Principles of consolidation

The Company consolidates its interest in entities which it controls. Control comprises the power to govern an entity's financial and operating policies so as to obtain benefits from its activities. All intercompany balances and transactions have been eliminated.

3. Summary of Significant Accounting Policies

These condensed consolidated interim financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended August 31, 2013 except as noted below.

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

Investment in associate

The Company holds a 50% interest in an associate, EnergyEx Ltd., but does not exercise significant influence over operating or financial policies over the associate. No value has been ascribed to the value of the Company's investment. The Company accounts for the investment in associate using the cost method.

Use of estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The critical assumptions concerning the key sources of estimation uncertainty are consistent with those in the audited financial statements of the Company for the year ended August 31, 2013.

4. Inventories

The Company maintains inventory, which consist of manufactured goods, equipment and spare parts for sale or for use.

During the period, the Company recognized an impairment charge on inventory of $20,864 (2013 - $nil), which has been included in cost of sales.

5. Acquisition of VCI

In December 2013, the Company entered into 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 shares of VCI.

The Company entered into a share purchase agreement and assignment agreement with PriceCo and TMI respectively (collectively the "Agreements") for the purchase of all of the issued and outstanding subordinate voting and multiple voting shares in the capital of VCI for the aggregate purchase price of $1,225,000.

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 1 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. $26,167 of transaction costs expensed during the nine months ended May 31, 2014 relate to this transaction. As part of this transaction, $600,000 of consideration remains payable as at May 31, 2014.

Subsequent to the period, the Company received final exchange approval and completed its acquisition of VCI.

For accounting purposes, VCI has been consolidated from the date of acquiring control in December 2013. Although the acquisition did not officially close on signing of the agreements, control was effectively acquired by the Company through officers of the Company being placed on the board and in executive capacities. The Company held a majority of seats on the board of VCI prior to receiving final exchange approval.

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**

5. Acquisition of VCI – continued

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**

6. Property and Equipment

	Computer equipment	Equipment	Vehicles	Furniture & fixtures	Leasehold improvements	Total
Cost						
At August 31, 2012	$ 19,282	$ 11,075	$ -	$ 40,710	$ -	$ 71,067
Additions	-	8,399	-	-	-	8,399
At August 31, 2013	**19,282**	**19,474**	**-**	**40,710**	**-**	**79,466**
Additions from acquisition	300,298	167,771	58,024	360,963	23,250	910,306
Additions	27,447	3,727	3,034	6,151	9,341	49,700
Disposals	(6,574)	(11,907)	(2,956)	(39)	-	(21,476)
At May 31, 2014	**$ 340,453**	**$ 179,065**	**$ 58,102**	**$ 407,785**	**$ 32,591**	**$ 1,017,996**
Accumulated depreciation						
At August 31, 2012	$ 1,140	$ 336	$ -	$ 823	$ -	$ 2,299
Expense for the year	9,924	5,128	-	7,978	-	23,030
At August 31, 2013	**11,064**	**5,464**	**-**	**8,801**	**-**	**25,329**
Additions from acquisition	261,287	130,622	38,738	311,569	19,531	761,747
Expense for the period	11,545	6,154	3,458	10,031	2,886	34,074
Disposals	-	-	(2,368)	-	-	(2,368)
At May 31, 2014	**$ 283,896**	**$ 142,240**	**$ 39,828**	**$ 330,401**	**$ 22,417**	**$ 818,782**
Net book value						
At August 31, 2013	$ 8,218	$ 14,010	$ -	$ 31,909	$ -	$ 54,137
At May 31, 2014	$ 56,557	$ 36,825	$ 18,274	$ 77,384	$ 10,174	$ 199,214

The Company disposed of equipment resulting in a net loss of $14,644 during the nine months ended May 31, 2014 (2013 - $nil).

7. Intangible Assets

		May 31, 2014		August 31, 2013
Customer relationships	$	70,000	$	70,000
Exclusivity contracts		180,000		180,000
Brand name		68,000		68,000
		318,000		318,000
Accumulated amortization		(73,500)		(36,000)
Closing balance at May 31, 2014	**$**	**244,500**	**$**	**282,000**

Amortization of $37,500 was recognized during the nine months ended May 31, 2014 (2013 – $nil).

8. Share Capital

(a) Authorized

An unlimited number of common shares

(b) Issued

	Number of shares		Amount
Issued as at August 31, 2012	17,308,600	$	7,901,791
Private placement, net of issuance costs	2,534,492		1,008,694
Shares issued for Urban Mechanical acquisition	9,597,125		5,278,419
Issued as at May 31, 2013 & August 31, 2013	29,440,217	$	14,188,904
Private placement, net of issuance costs	12,857,140		847,217
Issued as at May 31, 2014	**42,297,357**	**$**	**15,036,121**

In December 2013, the Company raised funds as part of a non-brokered private placement of 12,857,140 common shares at a price of $0.07 per share for gross proceeds of $900,000 less share issuance costs of $52,783.

In January 2013, the Company completed a brokered private placement of 2,534,492 units of the Company (each, a Unit) at a purchase price of $0.50 per Unit, for gross proceeds of $1,267,246, less share issuance costs of $258,552 (including $125,763 of non-cash agent options).

In December 2012, the Company issued 9,597,125 common shares as part of the consideration for the acquisition of Urban Mechanical (Note 15).

(c) Stock options

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options granted can be exercised for a maximum of 5 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than the discounted fair market value of the common shares on the date of grant.

8. Share Capital – continued

(c) Stock options – continued

The option details of the Company are as follows:

	Number of Options	Weighted average exercise price	Vested
Outstanding, August 31, 2012	170,440	$0.50	170,440
Granted	500,000	$0.50	500,000
	500,000	$0.55	125,000
	1,400,000	$0.68	1,400,000
Outstanding, May 31, 2013	2,570,440	$0.61	2,195,440
Outstanding, August 31, 2013	2,195,440	$0.62	2,195,440
Expired	(845,440)	$0.62	(845,440)
Outstanding, May 31, 2014	**1,350,000**	**$0.61**	**1,350,000**

Weighted average exercise price	Number of Options	Weighted average remaining life (years)	Vested
$0.50	500,000	1.25	500,000
$0.68	850,000	3.84	850,000
Balance at May 31, 2014	**1,350,000**	**2.88**	**1,350,000**

During nine months ended May 31, 2014, the Company recognized share-based payment expenses of $nil (2013 – $1,192,575).

(d) Warrants

	Number of warrants	Weighted average exercise price	Weighted average remaining life
Outstanding, August 31, 2013 & May 31, 2014	7,322,492	$0.75	0.32

(e) Agent options

	Number of warrants	Weighted average exercise price	Weighted average remaining life (years)
Outstanding, August 31, 2013 & May 31, 2014	681,559	$0.50	0.29

Each agent option is exercisable at $0.50 for one common share and one warrant of the Company. Each warrant received from the exercise of the agent option will be exercisable at $0.75 for one common share of the Company.

9. Related Party Balances and Transactions

(a) A corporation that holds significant influence over the Company, 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 period, rent of $88,250 (2013 - $152,196) was paid to a company controlled by a beneficial owner that formerly held significant influence over the Company. In addition, rent of $24,069 (2013 - $4,496) was paid to a company controlled by an officer of the Company, 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. The promissory note bears interest at 12% per annum and is due upon demand. Interest of $23,591 was paid during the period (2013 – 9% and $33,678) and an additional $5,096 interest accrued. Refer to note 15 for additional details. Subsequent to the period this note was rolled into the 5 year secured term note.

(d) A promissory note of $nil (August 31, 2013 - $500,000) was owed to a beneficial owner 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 - $24,384). 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, plus interest of $4,373. The funds were used for general working capital.

(f) A loan payable totalling $nil from a corporation controlled by a beneficial owner 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) As at May 31, 2014, included in accounts receivable is a non-interest bearing, unsecured loan, which is due upon demand from an associate corporation of $11,100 (August 31, 2013 - $nil).

10. Financial Instruments and Risk Management

Capital management

The Company's capital currently consists of debt and equity. Its principal sources of cash are from operations, the issuance of common shares and debt. The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Company intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

Financial instrument risk exposure and management

Liquidity risk

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.

The carrying value of accounts receivable, trade payable and accrued liabilities, due to related party, and notes payables reflected in the consolidated statement of financial position approximates fair value because of the short-term nature of these instruments.

As at May 31, 2014, the Company had a working capital deficiency of $2,927,668. Subsequent to the period, the Company finalized the term note agreements, converting these notes from current liabilities into secured notes with a 5 year term (note 13 and 18). Consequently, after giving effect to these subsequent events, management estimates the Company will have approximately $2,000,000 of working capital, which should be sufficient for the next 12 months.

Foreign exchange risk

The Company purchases a portion of its inventory in United States dollars (“USD”) and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

Interest rate risk

The Company is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. Bank indebtedness is floating at Royal Bank prime plus 1.60%.

Notes payable owed by the Company are fixed rate instruments. The risk exists of a change in interest rates when the Company is required to renew its debt.

10. Financial Instruments and Risk Management – con tinued

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 May 31, 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		**May 31, 2014**		**August 31, 2013**
Within 30	$	1,746,356	$	184,105
31 to 60		587,227		183,219
61 to 90		102,937		53,141
Over 90		367,126		27,214
Holdbacks		223,805		302,019
Total accounts receivable	**$**	**3,027,451**	**$**	**749,698**

The maximum exposure is limited to the carrying amount of financial assets on the condensed consolidated 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 generally accounting for less than 20% of gross revenue.

11. Commitments

The Company is committed to the rental of premises and vehicles. Minimum lease payments are as follows:

2014	$	111,500
2015		105,000
2016		62,000
2017		62,000
2018		52,000
Thereafter		23,000
	$	392,500

12. Marketing, General and Administrative Expense

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
Salaries and wages	**$ 404,368**	$ 297,102	**$ 1,188,897**	$ 529,472
Office expense	**122,015**	119,959	**382,327**	186,734
Marketing and sales	**192,264**	3,861	**358,280**	18,769
Professional fees	**66,538**	(21,192)	**322,797**	156,929
Travel	**13,367**	39,207	**42,722**	67,667
Management information systems	**46,770**	-	**74,765**	-
Materials management	**28,385**	-	**47,008**	-
Consulting fees	**16,530**	72,905	**16,530**	72,905
Filing fees	**-**	15,647	**200**	25,108
Bad debts	**(95)**	-	**(655)**	-
	$ 890,142	$ 527,489	**$ 2,432,871**	$ 1,057,584

13. Notes Payable

Total notes payable of $5,075,000 bear interest at 12% per annum. Subsequent to the period, the Company rolled these notes into a 5 year secured term note unit private placement. Each secured term note unit consists of (i) $1,000 principal secured term note and (ii) 100 warrants. The secured term notes bear interest at 12% per annum and mature 5 years from the closing date. The warrants will have an exercise price of $0.25 per common share, for a period of 36 months.

Commissions of $251,780 relating to these notes were included in prepaid expenses, which will be transferred upon conversion and closing of these notes payables into 5 year secured term notes.

14. Contingent Liabilities

The Company is involved in a number of claims in the capacity of plaintiff as well as defendant. The Company or its insurer, where applicable, has filed defenses where the Company has been named defendant. In the opinion of management, the resolution of claims against the Company for an amount differing from the amount reflected in the records will not result in a material effect on the financial position of the Company.

15. Discontinued Operations, Assets and Liabilities Held for Sale

Acquisition of Urban Mechanical

On December 5, 2012, the Company completed the acquisition of all of the issued and outstanding shares of Urban Mechanical pursuant to the terms and conditions of a share purchase agreement for a purchase price equal to $10,000,000 less all outstanding long term debt of Urban Mechanical and less up to $2,000,000 of shortfall in the working capital target of $3,000,000 as at closing of the Acquisition.

On closing, Urban Mechanical had $1,721,581 of long term debt outstanding. The purchase price was satisfied by the Company through the issuance of 9,597,125 common shares of the Company at an issue price of $0.55 per share, the payment of $500,000 in cash, payable within 90 days after closing and the assignment to the vendor by the Company of a $500,000 term loan previously advanced by the Company to Urban Mechanical. Transaction costs of $226,613 incurred during the nine months ended May 31, 2013 relate to this acquisition.

The purchase consideration was as follows:

Shares	$ 9,000,000
Less: Long-term debt within Urban Mechanical	(1,721,581)
Less: Reduction of shares for working capital below $3,000,000	(2,000,000)
Total share consideration - 9,597,125 shares @ $0.55 per share	5,278,419
Cash (payable within 90 days of closing)	500,000
Assignment of term loan	500,000
Total purchase price	**$ 6,278,419**

On August 31, 2012, the Company advanced $500,000 to Urban Mechanical prior to the acquisition. The term loan was repayable on demand at any time after 6 months following the date of advance and was subject to interest charged at a rate of 10% per annum. The amount advanced was subject to a security interest granted over all of the personal property of Urban Mechanical. This note receivable was assigned to the vendor of Urban Mechanical upon acquisition on December 5, 2012.

Sale of Urban Mechanical

Since acquisition, the results of Urban Mechanical's operations have been included in the consolidated financial statements. In August 2013, the Company commenced plans to dispose of Urban, and in October 2013, the Company entered into a sales agreement to dispose of all the assets and liabilities of Urban Mechanical. The sale proceeds were $3 million in cash, and the forgiveness of $500,000 of debt owed by the Company for the original acquisition of Urban Mechanical, less the assumption of $500,000 of debt from Urban Mechanical by the Company. Accordingly, the Urban Mechanical results of operations and assets and liabilities are shown as discontinued operations. The Company closed the sale of Urban Mechanical on December 11, 2013. The Company expects the transaction to result in a net loss on disposal for tax purposes.

15. Discontinued Operations, Assets and Liabilities Held for Sale – continued

The proceeds from disposition are summarized as follows:

Cash	$ 3,000,000
Forgiveness of debt	500,000
Transaction costs	(32,435)
Proceeds net of transaction costs	**$ 3,467,565**
Net assets disposed at carrying value	3,000,000
Gain on disposition of discontinued operations	**$ 467,565**

The breakdown of current and non-current assets and liabilities is presented below:

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	May 31, 2014	August 31, 2013
Assets		
Current assets		
Cash	**$ -**	$ 10,894
Accounts receivable	**-**	20,779,550
Unbilled receivables	**-**	1,467,824
Inventories	**-**	776,611
Income tax recoverable	**-**	267,049
Prepaid expenses	**-**	304,108
Current assets held for sale	**$ -**	$ 23,606,036
Property and equipment	**$ -**	$ 2,627,726
Unallocated purchase price	**-**	9,526,832
Non-current assets held for sale	**$ -**	$ 12,154,558

	May 31, 2014	August 31, 2013
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	**$ -**	$ 21,799,089
Deferred revenue	**-**	8,565,116
Due to related party	**-**	1,564,968
Current portion of loans payable	**-**	631,357
Current portion of finance lease obligation	**-**	34,686
Current liabilities held for sale	**$ -**	$ 32,595,216
Loans payable	**$ -**	$ 71,987
Finance lease obligation	**-**	93,391
Non-current liabilities held for sale	**$ -**	$ 165,378

15. Discontinued Operations, Assets and Liabilities Held for Sale – continued

Sale of Urban Mechanical – continued

The breakdown of revenue, expenses and after tax loss is presented below:

	Three months ended May 31,		Nine months ended May 31,	
	2014	2013	**2014**	2013
Sales	**$ -**	$ 16,709,873	**$ 25,720,579**	$ 29,115,451
Cost of sales	**-**	15,134,363	**24,569,055**	25,298,495
Gross margin	**-**	1,575,510	**1,151,524**	3,816,956
General and administrative	**-**	1,359,940	**1,062,196**	2,578,841
Depreciation	**-**	56,139	**36,187**	107,296
	-	1,416,079	**1,098,383**	2,686,137
Income before finance expense, income taxes and impairment	**-**	159,431	**53,141**	1,130,819
Finance expense	**-**	152,495	**85,712**	368,022
Deferred income taxes	**-**	50,000	**-**	90,000
Loss from discontinuted operations before impairment	**-**	(43,064)	**(32,571)**	672,797
Impairment in unallocated purchase price	**-**	-	**1,139,429**	-
Net income (loss) from discontinued operations	**$ -**	$ (43,064)	**$ (1,172,000)**	$ 672,797

16. Bank Indebtedness

The demand operating loan bears interest at the Royal Bank prime rate plus 1.60%. Security for the above indebtedness is comprised of a general security agreement, postponement and assignment of claim of amounts due to related parties, corporate guarantees totaling $1,500,000, personal guarantees totaling $750,000 and life insurance on two directors of VCI. The maximum amount of credit available under this demand operating loan is $1,500,000.

During the period ended May 31, 2014, interest of approximately $17,045 (2013 - $nil) related to the above indebtedness has been charged to interest expense.

VCI is subject to a financial covenant related to its bank indebtedness which consists of a maximum threshold for its liabilities to tangible net worth ratio. At May 31, 2014, VCI is not in compliance with this financial covenant, but is working with the lender to remedy the situation.

SustainCo has sufficient financial resources to rectify the bank covenants and has made a commitment to VCI to do so.

17. Segmented Information

Nine months ended May 31, 2014	Corporate	Geoexchange services	Controls and Mechanical contracting	**Total**
Capital expenditures	$ -	$ -	$ 49,700	**$ 49,700**
Total assets	2,642,816	619,785	4,789,616	**8,052,217**
Statement of operations				
Revenue	-	1,082,086	4,502,306	**5,584,392**
Cost of sales	-	(1,173,193)	(3,652,962)	**(4,826,155)**
General and administrative	(826,165)	(605,040)	(1,001,666)	**(2,432,871)**
Other expenses	(367,737)	(4,195)	(75,358)	**(447,290)**
Depreciation	-	(46,031)	(23,425)	**(69,456)**
Loss (gain) on disposal of equipment	-	(18,481)	3,837	**(14,644)**
Segmented (loss) income	$ (1,193,902)	$ (764,854)	$ (247,268)	**$ (2,206,024)**

Three months ended May 31, 2014	Corporate	Geoexchange services	Controls and Mechanical contracting	**Total**
Capital expenditures	$ -	$ -	$ 2,219	**$ 2,219**
Total assets	2,642,816	619,785	4,789,616	**8,052,217**
Statement of operations				
Revenue	-	199,266	2,171,295	**2,370,561**
Cost of sales	-	(202,526)	(1,850,584)	**(2,053,110)**
General and administrative	(243,207)	(126,672)	(520,263)	**(890,142)**
Other expenses	(125,097)	(1,117)	5,361	**(120,853)**
Depreciation	-	(14,095)	(13,384)	**(27,479)**
Loss (gain) on disposal of equipment	-	-	3,837	**3,837**
Segmented (loss) income	$ (368,304)	$ (145,144)	$ (203,738)	**$ (717,186)**

18. Agreement with Cennatek Bioanalytical Services Inc.

The Company entered into a term sheet 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 loan is subject to due diligence by the Company and execution of a formal loan agreement. The Company intends to act as an intermediary to facilitate the loan via the Company’s financing capability and external sources of capital.

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.

19. Subsequent Events

Private Placement - debt

Subsequent to the period, the Company completed the private placement and consolidation of pre-existing debt into a secured term note unit, totalling $5,075,000. Each secured term note unit is comprised of: (i) one CAD $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. The Company intends to apply to list the Term Notes with the Canadian Securities Exchange.

The Company paid certain finders a finder's fee equal, in the aggregate, to 6% of the gross proceeds received under the debt offering from subscribers identified by such finders payable in cash, and that number of Warrants that is equal to 6% of the total value of the debentures sold to such subscribers.

Share issuance

Subsequent to the period, the Company issued 4,444,444 common shares at an issue price of $0.1125 per Share for an aggregate value equal to $500,000, which was part of the consideration for the VCI acquisition.

SustainCo Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended May 31, 2014

July 24, 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 nine months ended May 31, 2014. It is supplemental to, and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the nine months ended May 31, 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 informati on 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" sect ion 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 subsidiaries, Clean Energy Developments Corp. ("CleanEnergy") and VCI Controls Inc. ("VCI" or "VCI 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

Secured Term Note Private Placement

In June 2014, the Company completed the private placement and consolidation of pre-existing debt into secured term note units, totaling $5,075,000. Each secured term note unit issued pursuant to the secured note offering is 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 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. The Company intends to apply to list the Term Notes with the Canadian National Stock Exchange.

The Company paid certain finders a finder's fee equal, in the aggregate, to 6% of the gross proceeds received under the debt offering from subscribers identified by such finders payable in cash, and that number of Warrants that is equal to 6% of the total value of the debentures sold to such subscribers.

Agreement with Cennatek Bioanalytical Services Inc.

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 loan is subject to due diligence by the Company and execution of a formal loan agreement. The Company intends to act as an intermediary to facilitate the loan via the Company's financing capability and external sources of capital.

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.

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"). In June 2014, the Company received final TSX Venture Exchange approval and closed the acquisition of VCI.

The Purchase Price was 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 had 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. $26,167 of transaction costs expensed during the nine months ended May 31, 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 Mechanica l")

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 alternative s 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 no t 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

	Q3-2014 $	Q2-2014 $	Q1-2014 $	Q4-2013 $	Q3-2013 $	Q2-2013 $	Q1-2013 $	Q4-2012 $
Revenue	2,370,561	2,481,253	732,578	312,662	1,008,499	1,034,748	1,081,870	426,851
Net loss from continuing operations	717,186	317,567	703,706	8,207,099	1,718,166	821,453	110,117	801,435
Net loss (income) from discontinued operations	-	500,000	672,000	5,106,418	(67,053)	(715,861)	-	-
Net loss	717,186	817,567	1,375,706	11,446,695	1,651,113	105,592	110,117	801,435
Basic & diluted loss per share – continuing operations	0.02	0.01	0.02	0.22	0.06	0.03	0.01	0.19
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 May 31, 2014	Three months ended May 31, 2013	Nine months ended May 31, 2014	Nine months ended May 31, 2013
Sales	**$ 2,370,561**	$ 1,008,499	**$ 5,584,392**	$ 3,125,117
Cost of sales	**2,053,110**	920,884	**4,826,155**	2,488,850
Gross margin	**$ 317,451**	$ 87,615	**$ 758,237**	$ 636,267

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 nine months ended May 31, 2014 were $2,370,561 and $5,584,392 respectively, versus $1,008,499 and $3,125,117 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 integration of VCI are finalized.

Margins for the three and nine months ended May 31, 2014 were 13.4% and 13.6% (2013 – 8.7% and 20.4%). The decrease for the nine 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 Q1 and part of Q2 2014, the Company was focused on managing and negotiating the disposition of its discontinued operations, Urban Mechanical.

Nine months ended May 31, 2014, compared with nine months ended May 31, 2013

For the nine months ended May 31, 2014, the Company reported a net loss from continuing operations of $2,206,024 versus $2,539,619 in the prior year.

Marketing, general and administrative expenses increased from $1,670,044 to $2,432,871 during the first nine 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, salaries, office expenses and professional fees.

Share-based payments were $nil in the nine months ended May 31, 2014 versus $1,192,575 in the prior year. This decrease is due to no stock options being issued during this period versus the prior year.

Finance expenses of $404,741 were incurred and relate to interest and bank charges on the Company's notes payable, versus $69,026 in comparable period in 2013. This increase is attributable to the notes payable that were raised during 2013 and 2014, with a total of $5,075,000 as at May 31, 2014, bearing interest at 12% per annum.

Transaction costs decreased to $26,167 in the nine months ended May 31, 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 $704,435 versus $672,797 income in 2013. Discontinued operations relate to Urban Mechanical (refer to "Di scontinued Operations" for additional details).

Three months ended May 31, 2014, compared with three months ended May 31, 2013

For the three months ended May 31, 2014, the Company reported a net loss from continuing operations of $717,186 versus $1,608,049 in the prior year.

Marketing, general and administrative expenses increased from $612,460 in Q3 2013 to $890,142 during Q3 2014. This is mainly due to the inclusion of VCI's operations during the quarter, with a notable increase in marketing and sales, salaries, office and professional fees.

The increase in general and administrative expenses was more than offset by the decrease in share-based payments. Share-based payments were $nil in Q3 2014 versus $1,018,770 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.

There was a small recovery of research and development expenses during the quarter from the receipt of SR&ED credits.

Finance expenses of $160,348 were incurred in Q3 2014, and relate to interest and bank charges on the Company's notes payable, versus $58,596 in Q3 2013. 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 $nil in Q3 2014 ($43,064 loss in 2013). Discontinued operations relate to Urban Mechanical (refer to "Di scontinued 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 May 31, 2014, the Company had a working capital deficiency of $2,927,668. In June 2014, the Company finalized and closed the term note agreements, which includes the $5,075,000 of notes payable at period-end. Consequently, after giving effect to this, the Company will have approximately $2,000,000 of working capital, which should be sufficient for the next 12 months.

Related Party Balances and Transactions

(d) 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.

(e) During the period, rent of $88,250 (2013 - $152,196) 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 $24,069 (2013 - $4,496) 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.

(f) 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 $23,591 was paid during the period (2013 - $33,678) and an additional $5,096 interest accrued. Subsequent to the period this note was rolled into the 5 year secured term note.

(g) 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 - $24,384). 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.

9. 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), plus interest of $4,373. The funds were used for general working capital.

10. 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.

11. 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 May 31, 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		**May 31, 2014**		**August 31, 2013**
Within 30	$	1,746,356	$	184,105
31 to 60		587,227		183,219
61 to 90		102,937		53,141
Over 90		367,126		27,214
Holdbacks		223,805		302,019
Total accounts receivable	**$**	**3,027,451**	**$**	**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 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 is to refocus on vertically integrating and building the Company to be a true turnkey business that offers a complete range of sustainable infrastructure solutions and services. It is anticipated this will allow the Company to take advantage of the higher margin areas of the full service 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 acquiring businesses and/or individuals to build and complete the Company's full service business model. The Company has identified key areas for these acquisitions/hires:

- 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 inc lude:

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.

CleanEnergy

CleanEnergy was awarded a contract for a geothermal system for another school in British Columbia from School District 23 (Central Okanagan). The contract is to provide full installation of a turn-key innovative geoexchange system for roughly $175,000. Including this project, CleanEnergy has executed seven geoexchange projects in schools in British Columbia over the past 18 months.

VCI

VCI has been awarded a contract from Defence Construction Canada to provide a bundle of integrated energy services for an energy retrofit of Building Q-103 Garrison Petawawa, Ontario, Canada including the decommissioning of its boiler and upgrading the HVAC and exhaust system. The contract for the Canadian Forces base is for over $600,000.

Subsequent events

Subsequent to the period, the Company closed the acquisition of VCI and debenture private placement, as discussed in "Overall Performance".

Disclosure of Outstanding Share Data

As at the date of this report, there were 46,741,801 issued and outstanding common shares in the capital of the Company. The Company has outstanding options to purchase an aggregate of 1,350,000 common shares, outstanding warrants to purchase an aggregate of 7,829,992 common shares, and outstanding agent options to purchase an aggregate of 1,389,296 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 expec t", "is expected", "estimates", "intends", "anticipates " or "does not anticipate", or "believes", or varia tions 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.

Appendix "E"

Executive Compensation

SustainCo Inc.

EXECUTIVE COMPENSATION

A Named Executive Officer ("**NEO**") means: (a) the Corporation's Chief Executive Officer; (b) the Corporation's Chief Financial Officer; (c) the Corporation's three other most highly compensated executive officers at the end of the financial year ended August 31, 2014 whose total compensation, individually, was greater than $150,000; and (d) each individual who would be an NEO but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor serving in a similar capacity, at the end of the financial year ended August 31, 2014.

For the financial year ended August 31, 2014, the Corporation had four NEOs, namely: (a) Emlyn J. David, the President, Chief Executive Officer, Secretary and Chairman of the Corporation; (b) Chris Hazelton, the Chief Financial Officer of the Corporation; (c) Frank Carnevale, the Chief Operating Officer of the Corporation; (d) Nicholas Price, the President of VCI Controls Inc. ("VCI").

Compensation Discussion and Analysis

As the Corporation does not have a compensation committee, the functions of a compensation committee are performed by the Board of Directors as a whole and the compensation of the NEOs is reviewed and approved annually by the Board of Directors. Compensation was paid to the NEOs for the fiscal year ended August 2014, as set out in the Summary Compensation table below. Executives are also eligible to participate in the Corporation's Option Plan as described herein.

Objectives of Compensation Program

The objective of the Board of Directors in setting compensation levels will be to attract and retain individuals of high calibre to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers with the long-term interests of the Shareholders, while at the same time preserving cash flows. These objectives are designed to ensure that the Corporation continues to grow on an absolute basis as well as to grow cash flow and earnings for Shareholders. The Board of Directors will set the compensation received by NEOs so as to be generally competitive with the compensation received by persons with similar qualifications and responsibilities who are engaged by other companies of corresponding size, stage of development, having similar assets, number of employees, market capitalization and profit margin. In setting such levels, the Board of Directors will rely primarily on their own experience and knowledge.

Elements of the Compensation Program

The Corporation's compensation program comprises: (i) base salary; (ii) annual incentives; and (iii) long-term incentives, including the Option Plan. Each component of the executive compensation program is addressed below.

Base Salaries and Benefits

Salaries for executive officers are determined based on the nature and extent of the current activities of the Corporation, corporate and personal performance and on individual levels of responsibility. Base salaries are established to be competitive in order to attract and retain highly qualified executives. Salaries of the executive officers are not determined based on a specific formula.

The Corporation does not provide any pension or retirement benefits to its executive officers.

Annual Incentives

The Board of Directors may recommend bonuses be paid to executive officers of the Corporation when their performance warrants additional consideration.

Long Term Incentives and Stock Option Plan

The purpose of the Option Plan is to provide the Corporation with a mechanism to attract, retain and motivate qualified directors, officers, consultants and employees, to reward the same for their contributions toward the long-term goals of the Corporation and to enable and encourage such directors, officers, consultants and employees to acquire Shares as long-term investments.

The Board of Directors administers the Option Plan and determines the number of options to be granted to each executive officer based on the level of responsibility and experience required for the position. The Board of Directors regularly reviews and, where appropriate, adjusts the number of options granted to individuals and determines the vesting provisions of such options. The Board of Directors sets the number of options, as appropriate, designed to attract and retain qualified and talented personnel. The Board of Directors also takes account of the Corporation's contractual obligations and the award history for all participants in the Option Plan.

Please refer to the section below entitled "Summary Compensation Table" for details of management compensation payable during the most recently completed financial year of the Corporation.

Summary Compensation Table

The following table sets forth the compensation earned in the financial years ended August 31, 2014, August 31, 2013, and August 31, 2012 by each NEO.

Name and Principal Position	Year	Salary ($)	Share-based Awards ($)	Option-based Awards ($)	Non-equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
					Annual Incentive Plans	Long-Term Incentive Plans			
Emlyn J. David, President, Chief Executive Officer, Secretary and Chairman	2014	225,000	NIL	NIL	NIL	NIL	NIL	20,000	245,000
	2013	176,442	NIL	430,217	NIL	NIL	NIL	26,091	632,750
	2012	10,000	NIL	NIL	NIL	NIL	NIL	NIL	10,000
Chris Hazelton, Chief Financial Officer(1)	2014	4,461	NIL	NIL	NIL	NIL	NIL	375	4,836
Frank Carnevale, Chief Operating Officer	2014	125,000	NIL	NLI	NIL	NIL	NIL	3,750	128,750
	2013	118,750	NIL	67,371	NIL	NIL	NIL	5,793	191,914
	2012	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Nicholas Price, President of VCI Controls Inc.	2014	153,085	NIL	NIL	NIL	NIL	NIL	13,408	166,493

Notes:
(1) Mr. Hazelton services as Chief Financial Officer commenced on August 15, 2014.
(2) VCI Controls Inc. was acquired December 18, 2013.

Incentive Plans and Awards

Outstanding share-based awards and option-based awards

The following table provides information regarding the incentive plan awards (option-based awards) outstanding for each Named Executive Officer outstanding as of August 31, 2014, including awards granted before the most recently completed financial year. All option awards vested immediately upon their respective date of grant.

Name	Option-Based Awards				Share-Based Awards		
	Number of Shares Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Value of In-The-Money Unexercised Options ($)(1)	Number of Shares That Have Not Vested (#)	Market Value of Share-Based Awards That Have Not Vested ($)	Outstanding Amount In Respect of Share-Based Awards That Have Not Vested ($)
Emlyn J. David	200,000	0.50	September 1, 2016	NIL	NIL	NIL	NIL
	550,000	0.68	April 3, 2018	NIL	NIL	NIL	NIL
Frank Carnevale	100,000	0.68	April 3, 2018	NIL	NIL	NIL	NIL

Notes:
(1) Value based on the closing price of Shares on the TSX Venture Exchange (the "**TSX-V**") as of August 23, 2014 (the last trade prior to the 2014 fiscal year end) less the exercise price in respect of such options.
(2) The original option expiry date was April 3, 2018. As per the stock option plan, directors, officers, employees and consultants have 90 days to exercise options once leaving the Corporation. These options have since expired as at the date of this Circular.

Value Vested or Earned During the Year

The following table provides information regarding the value vested or earned in respect of incentive plan awards during the financial year ending August 31, 2014 for each Named Executive Officer.

Name	Option-based awards – value vested during the year ($)(1)	Share-based awards – value vested during the year ($)	Non-equity incentive plan compensation – value earned during the year
Emlyn J. David	NIL	NIL	NIL
Frank Carnevale	NIL	NIL	NIL

Notes:
(1) The amount represents the aggregate dollar value that would have been realized if the options had been exercised on the vesting date, based on the difference between the closing price of the Corporation's Shares and the exercise price on such vesting date.

Options Exercised During the Most Recently Completed Financial Year

There were no stock options exercised by the NEOs during the financial year ending August 31, 2014.

Pension Plan Benefits and Deferred Compensation Plan

The Corporation has not established a pension plan and has not established any deferred compensation plans.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Corporation does not have any compensatory plan, contract or arrangement where an executive officer is entitled to receive any compensation from the Corporation in the event of the resignation, retirement or any other termination of employment of an executive officer or from a change of control of the Corporation.

Director Compensation

Each director who is not otherwise a full time employee of the Corporation receives compensation of $20,000 per annum for their services in their capacity as a director. Such directors are also eligible to receive stock options of the Corporation, as determined by the Board of Directors.

The following table summarizes all amounts of compensation provided to the non-executive directors for the year ended August 31, 2014.

Name	Fees Earned ($)	Share-Based Awards ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Michael Galloro	20,000	NIL	NIL	NIL	NIL	NIL	20,000
Daniel Hay	20,000	NIL	NIL	NIL	NIL	NIL	20,000
Rajiv Rai	20,000	NIL	NIL	NIL	NIL	NIL	20,000

Incentive Plan Awards

Outstanding option- based awards

The following table sets forth all awards outstanding at the end of the financial year ended August 31, 2014 for each non-management director of the Corporation. The relevant disclosure with respect to Mr. David is provided above, under the headings "Summary Compensation Table" and "Incentive Plan Awards".

	Option-based awards			
Name	**Number of securities underlying unexercised options**	**Option exercise price ($)**	**Option expiration dates**	**Value of unexercised in-the-money options ($)[(1)]**
Michael Galloro	NIL	NIL	NIL	NIL
Daniel Hay	NIL	NIL	NIL	NIL
Rajiv Rai	NIL	NIL	NIL	NIL

Notes:
(1) Value based on the closing price of Shares on the TSX-V as of August 23, 2014 (the last trade prior to the 2014 fiscal year end) less the exercise price in respect of such options.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth details of the Corporation's compensation plans under which equity securities of the Corporation are authorized for issuance as at August 31, 2014.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by Shareholders	4,674,180	$0.61	3,324,180
Equity compensation plans not approved by Shareholders	NIL	NIL	NIL
Total	**1,350,000**	**$0.61**	**748,582**

Notes:

(1) The aggregate number of Shares reserved for issuance under the Option Plan is such number of Shares as is equal to 10% of the total number of Shares of the Corporation issued and outstanding from time to time. As of August 31, 2014, 46,741,801 Shares were issued and outstanding.

Option Plan

The Option Plan allows the Corporation to grant options to its directors, officers, employees, and other service providers subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the Shares of the Corporation may be listed or may trade from time to time. The Option Plan authorizes the issuance of such number of Shares as is equal to 10% of the total number of Shares issued and outstanding from time to time. The number of Shares reserved for issue to any one person pursuant to the Option Plan, within any 12 month period, may not exceed 5% of the issued and outstanding Shares of the Corporation. The exercise price of options issued under the Option Plan may not be less than the market price of the Shares at the time the option is granted, subject to any discounts permitted by applicable securities laws and stock exchange rules. The maximum number of Shares which may be reserved for issuance to insiders under the Option Plan may not exceed 10% of the Shares of the Corporation issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of options which may be granted to any one consultant under the Option Plan, within any 12 month period, may not exceed 2% of the Shares issued and outstanding at the time of the grant (on a non-diluted basis). The maximum number of options that may be granted to "investor relations persons" under the Option Plan, within any 12 month period, may not exceed in the aggregate 2% of the Shares issued and outstanding at the time of the grant (on a non-diluted basis).

The Option Plan is attached in its entirety as "Appendix F".

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No current or former directors, executive officers or employees of the Corporation or any of its subsidiaries, no proposed nominees for election as directors, or any associates of such persons, is currently or has, at any time since the beginning of the Corporation's most recently completed financial year, been indebted to the Corporation or any of its subsidiaries, and no indebtedness of such persons is the subject of a guarantee, support agreement, letter of credit or other similar arrangement provided by the Corporation.

CORPORATE GOVERNANCE

National Policy 58-201 – "Corporate Governance Guidelines" sets out a series of guidelines for effective corporate governance (the "**Guidelines**"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. National Instrument 58-101 – "Disclosure of Corporate Governance Practices" ("**NI 58-101**") requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance. Set out below is a description of the Corporation's approach to corporate governance in relation to the Guidelines.

The Board of Directors

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship that could, in the view of the Board of Directors, be reasonably expected to interfere with such member's independent judgment.

The Board of Directors is currently comprised of four members. Mr. Emlyn J. David is not considered to be "independent" within the meaning of NI 58-101 as a result of his role as President, Chief Executive Officer, Secretary and Chairman of the Corporation. Messrs. Daniel Hay, Michael Galloro and Rajiv Rai are each considered to be "independent" directors within the meaning of NI 58-101 since they are free from any material relationship with the Corporation.

The Board of Directors believes that it functions independently of management. To enhance its ability to act independent of management, the Board of Directors meets in the absence of members of management and the non-independent directors or may excuse such persons from all or a portion of any meeting where a potential conflict of interest arises or where otherwise appropriate.

Appendix "F"

Option Plan

SustainCo Inc.

APPENDIX "A"
BELLAIR VENTURES INC.
STOCK OPTION PLAN EFFECTIVE AS OF November 7, 2008

1. Purpose of Plan

The purpose of the stock option plan (the **"Plan"**) of Bellair Ventures Inc. (the **"Corporation"**), is to advance the interests of the Corporation by encouraging the Directors, Employees and Consultants (as such terms are defined under TSX Venture Exchange Inc. (the **"Exchange"**) Policy 4.4 (the **"Policy"**)) of the Corporation, and of its subsidiaries and affiliates, if any, to acquire common shares in the capital of the Corporation (the **"Shares"**), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

2. Administration

The Plan shall be administered by the board of directors of the Corporation (the **"Board"**) or by a special committee of the directors appointed from time to time by the Board pursuant to rules of procedure fixed by the Board (such committee, if appointed, is also hereinafter referred to as the **"Board"**). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing by the Board, shall be binding and conclusive on all Participants (as hereinafter defined) and on their legal personal representatives and beneficiaries, the Corporation and all other interested individuals.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations deemed necessary or advisable for the administration and implementation of the Plan. No member of the Board or any person acting pursuant to authority delegated by it hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith, and each member of the Board and each such person shall be entitled to indemnification by the Corporation with respect to any such action or determination.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, substantially in the form attached hereto as **Schedule "A" – Notice of Option Grant**, or in such other form as is determined by the Board.

Each option granted by the Corporation prior to the date of the approval of the Plan by the shareholders of the Corporation be and are continued under and shall be subject to the terms of the Plan after the Plan has been approved by the shareholders of the Corporation.

3. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to the rules and policies of the Exchange, or, if the Shares are not then listed on the Exchange, such stock exchange or exchanges on which the Shares are then listed and any other government or regulatory body having jurisdiction.

4. Shares Subject to Plan

Subject to adjustment as provided in Section 19 hereof, the Shares to be offered under the Plan shall consist of authorized but unissued Shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding Shares at the time of the stock option grant. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised in full, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

5. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

6. Eligibility and Participation

Directors, Employees and Consultants (such persons hereinafter collectively referred to as "**Participants**") of the Corporation shall be eligible for selection by the Board to participate in the Plan on a voluntary basis and a selected Participant shall execute a Notice of Option Grant substantially in the form attached hereto as Schedule "A". Subject to compliance with applicable Exchange requirements, Participants may elect to hold options granted to them in a Company (as defined in Exchange Policy 1.1) wholly owned by them and such Company shall be bound by the Plan in the same manner as if the options were held by the Participant; provided, however, that such Company must agree not to effect or permit any transfer of ownership or option of shares of such Company nor to issue further shares of any class in such Company to any other individual or entity as long as the option granted under the Plan remains outstanding, except with the written consent of the Exchange.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, the number of Shares to be subject to each option and the exercise price of the options. In the case of options granted to Employees, Consultants or Management Company Employees (as defined in the Policy), the option agreements to which they are party must contain a representation of the Corporation that such Employee, Consultant or Management Company Employee, as the case may be, is a bona fide Employee, Consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

7. Exercise Price

(a) The exercise price of the Shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted and shall be specified on the Notice of Option Grant substantially in the form attached hereto as Schedule "A". In no event shall such exercise price be lower than the exercise price permitted by the Exchange.

(b) Once the exercise price of the Shares subject to each option has been determined by the Board, accepted by the Exchange and the option has been granted, the exercise price of the Shares subject to the option may be reduced upon receipt of Board and Exchange approval, provided that in the case of options held by Insiders (as defined by Exchange Policy 1.1) of the Corporation, the exercise price of the Shares subject to such option may be reduced only if disinterested shareholder approval is obtained in accordance with Exchange requirements.

8. Number of Optioned Shares

(a) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.

(b) At any time, (i) the number of Shares reserved for issuance under options granted to Insiders (as defined by Exchange Policy 1.1) under the Plan shall not exceed 10% of the issued and outstanding Shares, and (ii) Insiders (as defined by Exchange Policy 1.1) shall not be granted, within any 12 month period, a number of options exceeding 10% of the issued and outstanding Shares.

(c) No single Participant may be granted options to purchase a number of Shares equalling more than 5% of the issued Shares in any one twelve-month period unless the Corporation is classified as a "Tier 1" issuer by the Exchange and has obtained the requisite disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.

(d) No more than 2% of the issued Shares may be issued to any one Consultant in any twelve-month period pursuant to the exercise of options granted under the Plan.

(e) No more than an aggregate of 2% of the issued Shares may be issued to an Employee conducting Investor Relations Activities (as defined in Exchange Policy 1.1) in any twelve-month period pursuant to the exercise of options granted under the Plan. Options granted to Consultants performing Investor Relations Activities must contain vesting provisions such that vesting occurs over at least 12 months with no more than 1/4 of the options vesting in any 3 month period.

9. Duration of Option

Each option and all rights thereunder shall be expressed to expire on the date set out in the Notice of Option Grant and shall be subject to earlier termination as provided in Sections 12 and 13, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the Exchange, the maximum term may not exceed 10 years if the Corporation is classified as a "Tier 1" issuer, and the maximum term may not exceed 5 years if the Corporation is classified as a "Tier 2" issuer.

10. Option Period, Consideration and Payment

(a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 12 and 13 covering cessation as a Director, Employee or Consultant of the Corporation or its subsidiaries, or death of the Participant.

(b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

(c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this

Plan has been approved by a resolution duly passed by the shareholders of the Corporation.

(d) Except as set forth in Sections 12 and 13, no option may be exercised unless the Participant is at the time of such exercise a Director, Employee or Consultant of the Corporation or any of its subsidiaries.

(e) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise substantially in the form attached hereto as **Schedule "B" – Notice of Option Exercise**, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised.

11. Share Certificates

Upon exercise of the option and payment in full of the Shares subject to exercise of the option, the Corporation shall cause to be issued to the optionee within a reasonable period of time a duplicate certificate or certificates in the name of the optionee representing the number of Shares the optionee has purchased. The original share certificate(s) may be held by the Corporation as custodian, at the Corporation's option, to ensure compliance with the terms and conditions of the Plan and Notice of Option Grant, for delivery to the optionee in accordance with the Plan and Notice of Option Grant.

12. Ceasing To Be a Director, Officer, Consultant or Employee

If a Participant shall cease to be a Director, Employee or Consultant of the Corporation, or its subsidiaries, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that if the Corporation is classified by the Exchange as a Tier 2 issuer at the time of grant, such exercise must occur within 90 days after the Participant ceases to be a Director, Employee or Consultant, unless such Participant was engaged in Investor Relations Activities, in which case such exercise must occur within 30 days after such Participant ceases to be employed to provide Investor Relations Activities to the Corporation.

The granting of an option under the Plan does not confer upon the optionee any right to continue in the employment of the Corporation or any subsidiary of the Corporation or as a member of the Board, as the case may be, or any right to continue as a Consultant of the Corporation or any subsidiary of the Corporation, nor does it interfere in any way with the rights of the Participant or of the Corporation's rights to terminate the employment of the Participant's services at any time or of the shareholders' right to elect directors.

13. Death of Participant

Notwithstanding section 12, in the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

(a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and

(b) if and to the extent that such Participant was entitled to exercise the Option at the date of his death.

14. Rights of Optionee

Optionees shall not have any rights as a shareholder with respect to Shares subject to option until (a) a share certificate or share certificates have been duly issued; and (b) payment has been made to the Corporation and provision satisfactory to the Corporation has been made for payment of, any federal, provincial or local withholding taxes required by law to be withheld in respect of an option.

15. Non-Exclusivity

Nothing contained herein shall prevent the Board from adopting other or additional compensation arrangements for the benefit of any Participant, subject to any required stock exchange, regulatory or shareholder approval

16. Notices

All written notices to be given by the optionee to the Corporation may be delivered personally or by registered mail, postage prepaid, addressed.

Any notice given by the optionee pursuant to the terms of the option shall not be effective until actually received by the Corporation. Any notice to be given to the optionee shall be sufficiently given if delivered personally (effective at the time of delivery), by facsimile transmission (effective one day after transmission) or by postage prepaid mail to the last address of the optionee on the records of the Corporation and shall be effective five days after mailing.

17. Corporate Action

Nothing contained in the Plan or in any option shall be construed so as to prevent the Corporation or any subsidiary of the Corporation from taking corporate action that is deemed by the Corporation or the subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan.

18. Proceeds from Sale of Shares

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

19. Adjustments

The Board shall make such adjustments as it deems appropriate to (i) the number of Shares reserved for issuance pursuant to the Plan; (ii) the number of vested and unvested Shares subject to option; and (iii) the exercise price of Shares subject to option, to give effect to capital adjustments by reason of a stock dividend or split, recapitalization, consolidation, combination or exchange of shares, reclassification conversion or other fundamental change in the authorized or issued capital of the Corporation.

Furthermore, in the event of an amalgamation, merger, arrangement or any similar change affecting the Corporation or its securities, the Board may, in its sole discretion, treat the vested and unvested options issued under the Plan in the manner it deems fair and reasonable in light of the circumstances of the change, including without limitation taking any actions and/or making such adjustments to the number and kind of shares which thereafter may be offered to Participants under the Plan as it may deem equitable.

20. Sale Transaction

Notwithstanding the vesting dates set forth in the Notice of Option Grant, in the event that the Corporation or its shareholders receive and accept an offer to acquire all of the Shares or all or substantially all of the assets of the Corporation, whether effected through an acquisition for cash or securities, and whether structured as a purchase, business combination, amalgamation, merger, arrangement, reorganization or otherwise (in each case, a **"Sale Transaction"**) at the purchase price for each Share of the Corporation as set forth in the sale transaction agreement (the **"Sale Price"**), the Board may, in its sole discretion, treat the options issued under the Plan in a manner it deems fair and reasonable in light of the circumstances of the Sale Transaction. Without limiting the generality of the foregoing, in connection with a Sale Transaction, the Board may, without any action or consent required on the part of any optionee, (i) accelerate, conditionally or otherwise, and on such terms as it sees fit the first vesting date or first date of the exercise period; (ii) deem any or all options (vested or unvested) under the Plan to have been exercised and the shares subject to any or all of such option to have been tendered to the Sale Transaction, (iii) apply a portion of the optionee's proceeds from the closing of the Sale Transaction to the exercise price payable by that optionee for the exercise of his or her options, (iv) cancel the options and pay to an optionee the amount that the optionee would have received, after deducting the exercise price of the options, had the Options been exercised, (v) exchange unvested options, or any portion of them, for options to purchase shares in the capital of the acquirer or any corporation which results from an amalgamation, merger or similar transaction involving the Corporation made in connection with the Sale Transaction, or (vi) take such other actions, and combinations of the foregoing actions, as it deems fair and reasonable under the circumstances.

21. Transfer and Assignment

The options and the rights relating thereto granted under the Plan are not assignable or transferable by the optionee or subject to any other alienation, gift, bequest, sale, pledge, mortgage, charge or encumbrance by such optionee during the optionee's lifetime and therefore, subject to Section 13, the options are exercisable during the optionee's lifetime only by the optionee. The obligations of each optionee shall be binding on his or her heirs, executors and administrators. Any purported assignment or transfer of options or the rights relating thereto will not be recognized by the Corporation and will result in the immediate expiry and termination of any such options and any rights relating thereto.

22. Amendment and Termination of Plan

The Board reserves the right, in its sole discretion, to amend, suspend or terminate this Plan or any portion thereof at any time, in accordance with applicable legislation, without obtaining the approval of shareholders of the Corporation. Any amendment to any provision of the Plan will be subject to any required regulatory or shareholder approval. Subject to compliance with the applicable rules of the Exchange, no amendment, suspension or termination will alter or impair any options under the Plan, or any rights pursuant thereto, granted previously to any Participant without the consent of that Participant.

If this Plan is terminated, the provisions of this Plan and any administrative guidelines, and other rules adopted by the Board and in force at the time of this Plan, will continue in effect as long as any options under the Plan or any rights pursuant thereto remain outstanding. However, notwithstanding the termination of the Plan, the Board may make any amendments to the Plan or options it would be entitled to make if the Plan were still in effect.

23. Necessary Approvals

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

24. Effective Date of Plan

The Plan will become effective upon the approval of the Plan by the Board, subject to any required regulatory and/or shareholder approval.

25. Governing Law

The Plan is established under the laws of the Province of Ontario and the rights of all parties and the construction and the construction and effect of each provision of the Plan shall be according to the laws of the Province of Ontario and the laws of Canada applicable therein.

Schedule "A"
Notice of Option Grant

BELLAIR VENTURES INC.
10 Bellair Street, Suite 509
Toronto, Ontario
M5L 1B9

[Date]

[Name & Address]

Dear **[Name]**:

This is to advise you that in recognition of your contribution to our business, you have been selected to participate in the 2008 Stock Option Plan (the **"Plan"**) of Bellair Ventures Inc. (the **"Corporation"**). On ______________________, _______, you were granted non-assignable, non-transferable options (the **"Options"**) to acquire ____________ common shares of the Corporation (**"Shares"**) at a price of $___________ per Share.

The Options will vest as follows: ●

The Options will expire on ________________, _________.

By accepting the Options, you represent and warrant to the Corporation that your participation in the Plan is voluntary and that you have not been induced to participate by expectation of engagement, appointment, employment, continued engagement, continued appointment or continued employment, as applicable.

In addition to any resale restrictions under applicable securities laws, you acknowledge that in the event that the Corporation is classified as a "Tier 2 Issuer" by TSX Venture Exchange Inc. (the **"Exchange"**), the Shares issued on the exercise of the Options must be legended with a four month Exchange hold period commencing on the date the Options were granted.

To the extent you are not a resident of Canada, you further represent and warrant to the Corporation that the grant and exercise of the Options, and the sale of the underlying Shares, is exempt from the prospectus (or similar) requirements of all applicable securities legislation.

To the extent that the Options being granted hereunder are being granted to a Company (as defined in Exchange Policy 1.1), you further represent and warrant to the Corporation that such Company is wholly owned by you and you further agree not to effect or permit any transfer of ownership or option of shares of such Company, nor to issue further shares of any class in such Company to any other individual or entity as long as the Option being granted hereunder remains outstanding, except with the written consent of the Exchange.

To the extent that the Options being granted hereunder are being granted to an Employee, Consultant, or Management Company Employee (as such terms are defined in Exchange Policy 4.4) of the

Corporation, the Corporation represents that such optionee is a bona fide Employee, Consultant, or Management Company Employee, as the case may be, of the Corporation.

Yours sincerely,

____

Name: Emlyn J. David
Position: President, CEO, CFO, Secretary and Director

The undersigned acknowledges receipt of a copy of the Plan and acknowledges and agrees that the undersigned's options are subject to and governed by the provisions of the Plan. The undersigned further acknowledges and agrees that the Plan and the grant of options to acquire ________________ Shares at a price of $___________ per Share on the terms described in the foregoing notice of grant (the **"Notice"**) constitutes the entire agreement between the parties with respect to the subject matter addressed herein and supercedes all prior agreements relating to the subject matter hereof. Other than the grant of options described in this Notice, the undersigned has no other written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming such for the purchase of Shares or any other interest in the Corporation.

Dated this ____ day of _________________, _________.

____

[Name of Optionee]

Schedule "B"

NOTICE OF OPTION EXERCISE

BELLAIR VENTURES INC.
STOCK OPTION PLAN

To: Chief Financial Officer, Bellair Ventures Inc. (the **"Corporation"**)

Please be advised that in connection with stock options granted to me (the **"Options"**) under the Corporation's Stock Option Plan pursuant to the Notice of Option Grant dated _____________________, ________, the undersigned hereby wishes to exercise his or her option to purchase _________ common shares (the **"Option Shares"**) in the capital of the Corporation at a price of $__________ per Option Share, for a total payment of $___________ (the **"Exercise Payment"**). I hereby agree to assist the Corporation in the filing of, and will file on a timely basis, all reports that I may be required to file under applicable securities laws or regulatory requirements. I hereby covenant, at the request of the Corporation, to pay to the Corporation, or make provision satisfactory to the Corporation for payment of any federal, provincial or other applicable taxes required by law to be withheld in respect of the Option prior to the issuance of such Option Shares. I understand that this request to exercise my Options is irrevocable.

Please find enclosed a cash payment, bank draft or certified cheque in the amount of $___________, representing the aggregate Exercise Payment payable to the Corporation in full payment for the Option Shares.

The Option Shares issued on the exercise of my Options specified above are to be registered as follows:

____

(Print Registree's Name):

____
(Address)

____

____
(Telephone Number)

____ ____
(Facsimile Number) *(Optionee's Signature)*

____ ____
(E-Mail Address) *(Date)*