SustainCo Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended August 31, 2015

December 18, 2015

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 year ended August 31, 2015 and 2014. 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, 2015.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 a leading provider of sustainable infrastructure solutions and services. The Company focuses on enabling sustainability, energy efficiency, clean and renewable energy projects and technology. The Company operates through its wholly owned subsidiaries of Clean Energy Developments Corp. ("CleanEnergy") and VCI CONTROLS Inc., operating as SustainCo Solutions & Services ("VCI" or "VCI CONTROLS").

SustainCo Solutions & Services Overview

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

With headquarters in Toronto, SustainCo employs over 70 people in Halifax, Montreal, Pembroke, Ottawa, Vaughan, Toronto and Calgary.

Founded in 1981, SustainCo Solutions & Services 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.

CleanEnergy Overview

CleanEnergy is a Canadian industry leader in thermal energy systems. CleanEnergy provides a complete turn-key solution in design, installation, equipment and control systems of sustainable thermal energy systems. CleanEnergy creates customized designs for each customer site's dynamics, and most sites will incorporate a geoexchange component. Geoexchange is the utilization of ground source heating and cooling. From a customer perspective, CleanEnergy focuses directly on multi-residential and ICI facilities, and indirectly sell equipment through a network of local dealers for smaller applications.

In a highly fragmented Canadian market, CleanEnergy is the only complete solution provider that operates nationally. For further information on CleanEnergy's performance please see the "Overall Performance" and "Outlook" sections below for a summary of CleanEnergy's completed and ongoing projects and contracts.

Overall Performance

Projects

CleanEnergy has completed a $450,000 project at the Calgary International Airport to initialize the geoexchange system it has previously installed.

CleanEnergy has completed building the geoexchange system for the Ontario Ministry of Natural Resources' Fire Management Facility. The Geoexchange system will assist the facility in achieving a LEED designation.

SustainCo Solutions & Services continues to execute the awarded contract worth over $575,000 for energy management controls at Phase II of Kipling Acres Homes for the Aged, a City of Toronto property.

SustainCo Solutions & Services has been executing a contract worth over $280,000 by Canadian Food Inspection Agency to upgrade and integrate the energy management and control system in their lab in Saint-Hyacinthe, Quebec.

SustainCo Solutions & Services completed a series of contracts and work orders worth over $550,000 by Defence Construction Canada- CFB Borden and Public Works and Government Services of Canada- CFB Borden. The work comprised of a number of retrofit mandates including HVAC upgrades, cooling tower maintenance and generator repairs. In addition, SustainCo has a standing offer to provide HVAC Services and BAS Controls Services.

Collaboration with University of Ottawa

The Company and the University of Ottawa are collaborating on a pilot project to test the wireless monitoring system in Brooks Residence. The project aims to reduce the overall utility consumption and increase social engagement among the student population.

The university is capitalizing on a prime opportunity to engage students, building operators and the Residence Management Board, as well as provide them with tools to manage the university's peak energy activities. Brooks Residence, which houses over 700 students in 202 units, paves a path for a dynamic sustainability program.

SustainCo is providing the design, equipment, installation, monitoring and analysis of real-time energy data for the university. With SustainCo's device level sensors and the analytics platform, SustainCo's system provides immediate awareness of real-time electricity costs and consumption based on daily activities, as well as empowers the users to bring about measurable change to support environmental sustainability.

SustainCo Debentures Listed on Canadian Securities Exchange

The Company listed its previously issued debentures on the Canadian Securities Exchange (CSE) under the ticker SMS.DB and commenced trading on May 7, 2015.

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. for the purchase of all of the issued and outstanding subordinate voting and multiple voting shares of VCI for the aggregate purchase price of $1,131,250 (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 2013, $30,000 on closing, and the remaining $70,000 due 1 year from closing) and the issuance of 4,444,444 common shares in the Company (the "Shares") at an issue price of $0.1125 per Share, discounted by $93,750 due to restrictions on the shares for an aggregate value equal to $406,250. $26,167 of transaction costs expensed during the year ended August 31, 2014 relate to this transaction. As part of this transaction, $60,000 of consideration remains payable as at August 31, 2015.

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
Discount to fair value on share consideration		(93,750)
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	**$**	**1,131,250**

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:

Accounts receivable	$	2,862,368
Inventories		392,178
Prepaid expenses		72,935
Property and equipment		148,559
Bank indebtedness		(1,174,915)
Accounts payable and accrued liabilities		(1,452,677)
Intercompany payable		(625,000)
Deferred tax		(152,000)
Customer relationships		325,000
Trade name		135,000
Identified net assets acquired	**$**	**531,448**

Consideration paid	$	1,131,250
Identified net assets acquired		(531,448)
Goodwill	**$**	**599,802**

Discontinued operations

Urban Mechanical Contracting Ltd. ("Urban Mechanical")

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 shown as discontinued operations. The Company closed the sale of Urban Mechanical in December 2013.

Selected Financial Information

Selected annual information

	2015	2014	2013
Total revenue	$ 12,305,380	$ 8,345,642	$ 3,437,779
Net loss from continuing operations	$ 1,329,440	$ 3,227,008	$ 8,207,099
Net loss from discontinued operations	$ nil	$ 704,435	$ 5,106,418
Net loss	$ 1,329,440	$ 3,931,443	$ 13,313,517
Net loss per share from continuing operations	$ 0.03	$ 0.08	$ 0.32
Net loss per share from discontinued operations	$ nil	$ 0.02	$ 0.20
Total assets	$ 5,413,808	$ 7,022,515	$ 38,530,437
Long-term liabilities	$ 4,856,864	$ 4,796,246	$ 165,378
Dividends per share	$ nil	$ nil	$ nil

Selected Quarterly Financial Information

	Q4-2015 $	Q3-2015 $	Q2-2015 $	Q1-2015 $	Q4-2014 $	Q3-2014 $	Q2-2014 $	Q1-2014 $
Revenue	3,274,937	3,416,203	2,710,410	2,903,830	2,761,250	2,370,561	2,481,253	732,578
Net loss from continuing operations	278,981	452,355	329,919	268,185	1,020,984	717,186	785,132	703,706
Net loss (income) from discontinued operations	-	-	-	-	-	-	32,435	672,000
Net loss	278,981	452,355	329,919	268,185	1,020,984	717,186	817,567	1,375,706
Basic & diluted loss per share – continuing operations	0.00	0.01	0.01	0.01	0.02	0.02	0.02	0.02
Basic & diluted (income) loss per share – discontinued operations	-	-	-	-	-	-	0.00	0.02

* Figures have been restated to give effect to Urban Mechanical as discontinued operations
Revenue increases in Q2-2014 and on are due to the acquisition of VCI

Results of Operations

Sales and Direct Costs

The Company had the following sales and direct costs:

	Year ended August 31, 2015	2014
Revenue		
Geoexchange services	**$ 1,451,336**	$ 1,386,505
Controls and Mechanical contracting	**10,854,044**	6,959,137
Total Revenue	**12,305,380**	8,345,642
Cost of sales		
Geoexchange services	**(972,461)**	(1,565,392)
Controls and Mechanical contracting	**(7,986,134)**	(5,320,609)
Total Cost of sales	**(8,958,595)**	(6,886,001)
Gross margin		
Geoexchange services	**478,875**	(178,887)
Controls and Mechanical contracting	**2,867,910**	1,638,528
Gross margin	**$ 3,346,785**	$ 1,459,641

Revenues from geoexchange services for 2015 were $1,451,336 (2014 – $1,386,505), which increased 4.7% from the prior year. Cost of sales of $972,461 (2014 - $1,565,107) relate to direct materials and expenditures, equipment costs and materials for products and services sold. Margins increased from the prior year from negative 12.9% to positive 33.0%. This is due to the significantly lower margin associated with the University of Toronto Scarborough project in the prior year, as well as better cross-utilization of staff in the period.

Revenues from controls and mechanical contracting services for 2015 were $10,854,044 (2014 - $6,959,137), which is an increase of 56%. The 2014 results for this segment are from the date of acquisition in December 2013 through to August 31, 2014. Cost of sales of $7,986,134 (2014 - $5,320,609) relate to direct materials and expenditures for products and services sold. Margins were 26.4% for the year for this division, which is an increase from last year at 23.5%.

General and Administrative Costs

	Corporate 2015	Corporate 2014	Geoexchange services 2015	Geoexchange services 2014	Controls and Mechanical contracting 2015	Controls and Mechanical contracting 2014
Salaries and wages	**$ 664,282**	$ 594,265	**$ 137,640**	$ 403,053	**$ 1,321,897**	$ 1,018,445
Professional and consulting fees	**108,792**	401,953	**38,115**	74,743	**342,919**	110,763
Office costs	**146,885**	153,096	**177,571**	181,559	**570,242**	605,634
Travel costs	**1,429**	2,451	**29,852**	61,558	**36,196**	53,113
Bad debts	**-**	50,060	**17,798**	(6,667)	**133,551**	48,641
	$ 921,388	$ 1,201,825	**$ 400,976**	$ 714,246	**$ 2,404,805**	$ 1,836,596

General and administrative costs decreased by $25,498 in 2015. General and administrative costs in CleanEnergy declined, with a significant decrease from $714,963 in 2014 to $400,976. There was also decrease in the Corporate segment, from $1,201,825 in 2014 to $921,388. This was a result of a number of staff reductions and other cost cutting measures. The increase in costs at VCI from 2014 to 2015 are as a result to the acquisition of VCI partway through the year in 2014.

Amortization and Depreciation

Amortization and depreciation decreased slightly to $110,539 in 2015 from $139,236 in 2014. This consists of amortization and depreciation of intangible assets acquired with CleanEnergy and VCI Controls, as well as equipment within the two segments.

Finance Expense

Finance expenses of $699,337 (2014 - $628,277) were incurred and relate to interest and bank charges on the Company's bank indebtedness and debentures.

Share-based Payments

During the year, the Company had $117,616 of share-based payments, versus $nil in 2014. This is due to stock options granted during 2015, with the value of share-based payments determined using the Black-Scholes option pricing model. These share-based payments are a non-cash cost.

Impairment in Intangible Assets

During 2014, the Company recognized an impairment in intangible assets of $232,000 related to its acquisition of CleanEnergy. This was recorded after an impairment assessment of the intangibles acquired within CleanEnergy, which was due to a number of factors, including the shift in focus on integration and operations at VCI, and re-organization of CleanEnergy.

In 2015, the Company did not recognize any impairment in intangible assets.

Discontinued Operations

In 2014, the Company had a loss from discontinued operations of $704,435. These discontinued operations related to its acquisition and disposal of Urban Mechanical. The Company disposed of Urban Mechanical in December 2013 (refer to "Discontinued Operations" for additional details).

Net Loss

The net loss for the year ended August 31, 2015 of $1,329,440 (2014 - $3,931,443) decreased compared to the previous year. The two main factors for this difference in net loss recorded in the prior year includes an improvement in revenue and gross profit in 2015 as well as a loss from discontinued operations of $704,435 from the operations of Urban Mechanical.

Fourth Quarter

The net loss for the fourth quarter ended August 31, 2015 decreased significantly to $278,981 vs. $1,020,984 in 2014. The main factors for this difference in net loss recorded in the prior year includes an increase in gross profit to $1,060,112 (2014 - $701,404) and the impairment in intangible assets in 2014 of $232,000.

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, 2015, the Company had working capital of $501,811. As at December 15, 2015, the Company's working capital has decreased, with the Company utilizing the full amount of its bank facilities. Working capital provides funds for the Company to meet its operational and capital requirements. The bank facility expires at the end of December 2015. The Company is actively working with the bank to renew this facility.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company has taken and continues to take steps to reduce these losses and ultimately become profitable; however, losses are expected to continue for the 2016 fiscal year. See the going concern risk for further details.

Related Party Balances and Transactions

Related party transactions are recorded at their exchange amount.

(a) A corporation that holds significant influence over the Company (Alter NRG Corp.), is owed $125,000 (2014 - $128,199), 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 $nil (2014 - $88,250) was paid to a company beneficially owned by an individual who formerly held significant influence over the Company (Urban Alliance Inc., Mr. Winter). In addition, rent of $37,200 (2014 - $32,927) was paid to a company controlled by an officer of the Company (Bridgepoint Group Ltd., Mr. Carnevale), for additional office space used by the Company.

(c) In 2014, a promissory note of $500,000 that was owed to a corporation controlled by an officer and director of the Company was converted into debentures.

(d) In 2015, a promissory note of $135,000 was received from a corporation controlled by an officer and director of the Company. The promissory note bears interest of 12% and is repayable upon demand.

(e) Remuneration of key management personnel of the Company for the year ended August 31, 2015, included $456,335 of short-term compensation (2014 - $490,000) and 1,850,000 stock options were issued to key management generating $96,706 of share-based compensation (2014 – $nil). Within accounts payable, there is $66,260 payable to key management personnel.

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		**August 31, 2015**		August 31, 2014
Within 30	$	1,492,358	$	2,182,423
31 to 60		1,149,097		483,784
61 to 90		345,558		233,815
Over 90		235,172		313,442
Holdbacks		261,179		204,416
Total accounts receivable	**$**	**3,483,364**	$	3,417,880

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 25% of gross revenue.

Interest rate risk

Debentures owed by the Company are fixed rate instruments. The Company is subject to interest rate risk from its bank indebtedness, which is subject to a floating interest rate, which changes based on prevailing market conditions.

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.

Changes in Accounting Standards

The Company adopted the following accounting standards:

Amendments to IAS 32 - Offsetting Financial Assets and Liabilities and IAS 36 - Impairment of Assets, which are effective retrospectively for annual periods beginning on or after January 1, 2014. The Company determined there was no significant impact from these adoptions.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2015, 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, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

IFRS 15 - Revenue from Contracts with Customers, effective for annual periods beginning on or after January 1, 2017, with early adoption permitted, specifies how and when to recognize revenue and enhances relevant disclosures to be applied to all contracts with customers.

The Company is currently 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 differentiated value proposition for our customers.

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 that this will allow the Company to take advantage of the higher margin areas of the full service business model initially envisioned by 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 to take advantage of the synergies between each acquisition target.

SustainCo Solutions & Services Outlook

SustainCo Solutions and Services has expanded its Performance Monitoring services with the addition of low-cost wireless device-level energy monitoring and analytics for customers. SustainCo has entered into a strategic partnership with Panoramic Power to provide unmatched visibility into device level energy consumption, which includes analytics, reports and alerts for Canadian customers.

Customers will have real-time visibility into operations and energy loads. Panoramic Power's PowerRadar analytics platform analyzes the data and SustainCo energy experts make ongoing recommendations to enhance and optimize system and building performance while reducing customers' utility bills. SustainCo will be responsible for all installations and professional services of this real-time energy monitoring system.

The following is a list of projects that VCI is currently involved in:

- VCI has been awarded two contracts worth over $600,000 by Black & MacDonald for work including: Design Assist, providing the Building Automation System (BAS) equipment, and the commissioning of the system in the Operations Support Building of the Darlington Nuclear Generating Station, Ontario Power Generation.

  The formal contract was awarded in September 2014, and the work is expected to be completed by September 2015.

- VCI has also been awarded a contract worth over $130,000 by Pomerleau for an Energy Management and Control System for CFB (Canadian Forces Base) Halifax.

  The Energy Management and Control System will manage the environmental conditions of the building and proactively report any problems to the building operators.

  The work details include providing the Building Automation System (BAS) equipment, installation, and the commissioning of the system. The BAS manages the air-handling units, primary heating system, room controls for ventilation and heating, and networking to the central BAS across the CFB Halifax network.

  The work is expected to commence in January 2015 and be completed in September 2015. Work will be managed out of the SustainCo Halifax office.

- VCI was awarded a contract for over 50 buildings in the Halton Region. The contract has a total value of $1,200,000 over two years.

- SustainCo Solutions & Services was awarded a contract worth over $270,000 by VR Mechanical Solutions Inc. for an energy management system for The Bishop Strachan School in Toronto.

- SustainCo Solutions & Services was awarded a series of contracts worth over $525,000 by a Fortune 100 company for several energy retrofit measures in their Toronto area facility.

- VCI currently has a backlog which is $900,000 more than the same period in the prior year.

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 was awarded $750,000 of project work recently, which provides substantial work for the upcoming year.

- 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.

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 3,550,000 common shares, outstanding warrants to purchase an aggregate of 507,500 common shares, and outstanding agent options to purchase an aggregate of 26,178 common shares.

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:

Going Concern Risk

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Over the past two years the Company has incurred significant losses including operating losses for the years ended August 31, 2015 and 2014 of $1,329,440 and $3,227,008 respectively and losses from discontinued operations of $nil and $704,435 respectively. As a result, the Company has an accumulated deficit of $20,318,882 and working capital of $501,811 at August 31, 2015. The Company has taken and continues to take steps to reduce these losses and ultimately become profitable; however, losses are expected to continue for the 2015 fiscal year. As a result, there is substantial doubt surrounding the Company's ability to continue as a going concern. In order to rectify these problems, in addition to increasing revenues and decreasing costs in order to reduce losses, the Company will require continuous support from its creditors and additional financing in the form of debt or equity (see note 14 and 20). In addition, the Company is dependent on renewing its current bank facilities. Failure to obtain such financing could result in delay or indefinite postponement of the Company's strategic goals. These financial results do not include any adjustments relative to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

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 geoexchange and controls/mechanical contracting industry is competitive; however, it is anticipated that the Company will be one of a smaller number of public companies 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.

Notice Concerning Forward-looking Statements

Certain statements in this MD&A constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include the intention to grow the business and operations of the Company. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Company to obtain necessary financing; the economy generally; consumer interest in the services and products of the Company; competition; and anticipated and unanticipated costs. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements, except as required by law. 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, except as required by law.

Additional Information

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