



**NOTICE OF MEETING
AND
MANAGEMENT INFORMATION CIRCULAR
FOR THE
ANNUAL MEETING OF SHAREHOLDERS
to be held on April 5, 2017**

March 15, 2017

SUSTAINCO INC.

NOTICE OF ANNUAL SHAREHOLDER MEETING

NOTICE IS HEREBY GIVEN that an annual meeting (the “**Meeting**”) of the holders of common shares of SustainCo Inc. (the “**SustainCo**” or the “**Company**”) will be held on Wednesday, April 5, 2017 at 1:30 p.m. (Eastern Time) at the offices of Fogler Rubinoff LLP, 77 King Street West, Suite 3000, Toronto ON, M5K-1G8 for the following purposes:

1. to receive the annual audited consolidated financial statements of the Company for the financial year ended August 31, 2016, together with the report of the auditor thereon;
2. to elect directors of the Company to hold office until the close of the next annual meeting of the shareholders of the Company or until their successors shall be elected or appointed;
3. to re-appoint the auditor of the Company, to hold office until the close of the next annual meeting of the shareholders of the Company or until a successor is appointed, and to authorize the directors of the Company to fix the remuneration of the auditor;
4. to re-approve the Company’s 10% rolling stock option plan;
5. to re-approve the Company’s deferred share unit plan for the Company; and
6. considering other business that may properly come before the Meeting or any adjournment thereof.

The record date for determining the shareholders entitled to receive notice of and vote at the Meeting is the close of business (5:00 p.m. (Toronto time)) on February 28, 2017 (the “**Record Date**”). Only shareholders whose names have been entered in the register of SustainCo shareholders as of close of business on the Record Date are entitled to receive notice of and vote at the Meeting.

Registered shareholders may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting, or any adjournment or postponement thereof, in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment or postponement thereof. To be effective, the form of proxy must be received by SustainCo’s transfer agent TSX Trust Company at its offices at 200 University Avenue, Suite 300, Toronto, ON, M5H 4H1 (according to the instructions on the proxy), not less than forty-eight (48) hours (other than a Saturday, Sunday or holiday) immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time).

If you are a nonregistered holder of common shares and have received these materials through your broker or through another intermediary, please follow the instructions set out in the voting instruction form or other instructions received from the financial intermediary to ensure that your common shares will be voted at the Meeting.

Dated this 15th day of March, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

“Emlyn J. David”

Emlyn J. David

President, Chief Executive Officer, Chair,
Corporate Secretary & Director

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SUSTAINCO INC.

MANAGEMENT INFORMATION CIRCULAR

In this document, “**you**” and “**your**” refer to the shareholder. “**We**”, “**us**”, “**our**”, the “**Company**” and “**SustainCo**” refer to SustainCo Inc. The information in this document is presented at March 14, 2017, unless otherwise indicated.

This management information circular (the “**Circular**”) is for the annual meeting (the “**Meeting**”) of shareholders of SustainCo (“**Shareholders**”) to be held on Wednesday, April 5, 2017 at 1:30 p.m. (Eastern Time) at the offices of Fogler Rubinoff LLP, 77 King Street West, Suite 3000, Toronto ON, M5K-1G8. Provided you are a Shareholder as of the Record Date (defined below) you have the right to vote the common shares of the Company (the “**Common Shares**”) for the appointment of auditors, election of directors, the approval of the stock option plan of SustainCo, the approval of the deferred share unit plan of SustainCo, and any other items that may properly come before the Meeting or any adjournment of the Meeting.

To help you make an informed decision, please read this Circular and our audited consolidated financial statements and Management’s Discussion & Analysis for the year ended August 31, 2016. This Circular gives you valuable information about the Company and the matters to be dealt with at the Meeting. Financial information is provided in our comparative annual consolidated financial statements and related management discussions and analysis for the financial year ended August 31, 2016. All currency amounts referred to in this Circular are expressed in Canadian dollars, unless stated otherwise.

Record Date and Quorum

The record date for determining the shareholders entitled to receive notice of and vote at the Meeting is the close of business (5:00 p.m. (Toronto time)) on February 28, 2017 (the “**Record Date**”). If you held Common Shares as of the close of business on the Record Date, you have the right to cast one vote per Common Share on any resolution to be voted upon at the Meeting.

Pursuant to the by-laws of SustainCo, subject to the OBCA in respect of a majority shareholder, a quorum for the transaction of business at any meeting of Shareholders is two persons present in person or representing by proxy, at least 5% of the issued and outstanding Common Shares entitled to vote at the meeting.

PROXY RELATED MATTERS

Solicitation of proxies

This Circular is provided in connection with the solicitation of proxies by the management of SustainCo for use at the Meeting for the purposes set forth in the accompanying Notice of Meeting and the associated costs will be borne by the Company. The solicitation of proxies will be conducted primarily by mail. However, directors, officers and regular employees of SustainCo may also solicit proxies by telephone, facsimile, e-mail or in person without special compensation.

Appointment and Revocation of Proxies

Shareholders who are unable to attend the Meeting and vote in person may still vote by appointing a proxyholder. The enclosed form of proxy names Emlyn David, Chief Executive Officer of the Company and Chris Hazelton, Chief Financial Officer of the Company.

A Shareholder has the right to appoint a person or company (who need not be a Shareholder) other than the persons designated in the form of proxy provided by SustainCo to represent the Shareholder at the Meeting. To exercise this right, the Shareholder should strike out the names of management designees in the enclosed form of proxy and insert the name of the desired representative in the blank space provided in the form of proxy or submit another appropriate form of proxy. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting. In order to be effective, Shareholders must send their proxy to

SustainCo's registrar and transfer agent, TSX Trust Company ("**TSX Trust**") at its offices at its offices at 200 University Avenue, Suite 300, Toronto, ON, M5H 4H1 (according to the instructions on the proxy), not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting, being Wednesday, April 5, 2017 (subject to any adjournment or postponement). The chair of the Meeting may waive this cut-off at his discretion without notice but proxies will not be accepted by the chair at the Meeting. The proxy shall be in writing and executed by the respective Shareholder or such Shareholder's attorney authorized in writing, or if such Shareholder is a corporation, under its corporate seal or by a duly authorized officer or attorney.

In addition to revocation in any other manner permitted by applicable laws, a Shareholder may revoke a proxy by signing and dating a written notice of revocation and delivering it:

- (a) to the office of TSX Trust at the address set forth above at any time up to and including the close of business on the last Business Day before the day of the applicable Meeting, or any adjournment or postponement thereof (the notices of revocation will be forwarded to SustainCo's registered office); or
- (b) to the chair of the Meeting before the vote is taken.

Voting of Proxies

The Common Shares represented by an effective proxy will be voted or withheld from voting in accordance with the instructions specified therein on any ballot that may be called. **Where no choice is specified, the Common Shares will be voted in favour of the matters set forth therein.** The enclosed form of proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting, or any adjournment or postponement thereof. As at the date of this Circular, management is not aware of any amendments, variations, or other matters which may be brought before the Meeting. If such should occur, the persons designated by management will vote in accordance with their best judgment, exercising discretionary authority.

Advice to Nonregistered Shareholders

The information set forth in this section is of importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Management Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders who are registered shareholders (that is, shareholders whose names appear on the records maintained by the registrar and transfer agent for the Common Shares as registered holders of Common Shares) will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the Shareholder's name. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted at the direction of the Beneficial Shareholder. Without specific instructions, brokers (or their agents and nominees) are prohibited from voting shares for the broker's clients. Subject to the following discussion in relation to NOBOs (as defined below), the Corporation does not know for whose benefit the shares of the Corporation registered in the name of CDS & Co., a broker or another nominee, are held.

There are two categories of Beneficial Shareholders for the purposes of applicable securities regulatory policy in relation to the mechanism of dissemination to Beneficial Shareholders of proxy-related materials and other securityholder materials and the request for voting instructions from such Beneficial Shareholders. Non-objecting beneficial owners ("**NOBOs**") are Beneficial Shareholders who have advised their intermediary (such as brokers or other nominees) that they do not object to their intermediary disclosing ownership information to the Corporation, consisting of their name, address, e-mail address, securities holdings and preferred language of communication. **Securities legislation restricts the use of that information to matters strictly relating to the affairs of the Corporation.** Objecting beneficial owners ("**OBOs**") are Beneficial Shareholders who have advised their intermediary that they object to their intermediary disclosing such ownership information to the Corporation.

In accordance with the requirements of NI 54-101, the Corporation is sending the Notice of Meeting, this Management Information Circular, and a voting instruction form or a form of proxy, as applicable (collectively, the “**Meeting Materials**”), directly to NOBOs and indirectly through intermediaries to OBOs. NI 54-101 permits the Corporation, in its discretion, to obtain a list of its NOBOs from intermediaries and use such NOBO list for the purpose of distributing the Meeting Materials directly to, and seeking voting instructions directly from, such NOBOs. As a result, the Corporation is entitled to deliver Meeting Materials to Beneficial Shareholders in two manners: (a) directly to NOBOs and indirectly through intermediaries to OBOs; or (b) indirectly to all Beneficial Shareholders through intermediaries. In accordance with the requirements of NI 54-101, the Corporation is sending the Meeting Materials directly to NOBOs and indirectly through intermediaries to OBOs. **The Corporation does not intend to pay for intermediaries to deliver the proxy related materials to OBOs. If the Corporation does not pay for an intermediary to deliver materials to OBOs, OBOs will not receive the materials unless their intermediary assumes the cost of delivery.**

The Corporation has used a NOBO list to send the Meeting Materials directly to NOBOs whose names appear on that list. If the Transfer Agent has sent these materials directly to a NOBO, such NOBO’s name and address and information about its holdings of Common Shares have been obtained from the intermediary holding such shares on the NOBO’s behalf in accordance with applicable securities regulatory requirements. As a result, any NOBO of the Corporation can expect to receive a voting instruction form from the Transfer Agent. NOBOs should complete and return the voting instruction form to the Transfer Agent in the envelope provided. In addition, Internet voting is available. Instructions in respect of the procedure for Internet voting can be found in the voting instruction form. The Transfer Agent will tabulate the results of voting instruction forms received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by such voting instruction forms.

Applicable securities regulatory policy requires intermediaries, on receipt of Meeting Materials that seek voting instructions from Beneficial Shareholders indirectly, to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings on Form 54-101F7 – *Request for Voting Instructions Made by Intermediaries* (“**Form 54-101F7**”). Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting or any adjournment(s) or postponement(s) thereof. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered shareholders; however, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders who wish to appear in person and vote at the Meeting should be appointed as their own representatives at the Meeting in accordance with the directions of their intermediaries and Form 54-101F7. Beneficial Shareholders can also write the name of someone else whom they wish to attend at the Meeting and vote on their behalf. Unless prohibited by law, the person whose name is written in the space provided in Form 54-101F7 will have full authority to present matters to the Meeting and vote on all matters that are presented at the Meeting, even if those matters are not set out in Form 54-101F7 or this Management Information Circular. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a voting instruction form in lieu of the form of proxy. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Broadridge will then provide aggregate voting instructions to the Transfer Agent, which tabulates the results and provides appropriate instructions respecting the voting of shares to be represented at the Meeting or any adjournment or postponement thereof. By choosing to send the Meeting Materials to NOBOs directly, the Corporation (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

All references to Shareholders in this Management Information Circular and the accompanying Instrument of Proxy and Notice are to registered Shareholders unless specifically stated otherwise.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Company consists of an unlimited number of Common Shares. There were 9,442,890 Common Shares of the Company outstanding as of the date of this Circular, each share carrying the right to one

vote. Each shareholder of record at the close of business on the Record Date is entitled to vote at the Meeting the shares registered in his or her name on that date.

Listed below is the name and other information concerning persons who, to the knowledge of the directors or officers, directly or indirectly, had beneficial ownership or control or direction over, as of the date of this Circular, more than 10% of the Common Shares:

| Name and Municipality of Residence | Common Shares Owned or Controlled | Percentage of Outstanding Common Shares |
|--|-----------------------------------|---|
| CANGAP MERCHANT CAPITAL LP TORONTO, ON ⁽¹⁾ | 1,434,973 | 15.19% |

Notes:

- (1) Includes 457,356 Shares owned by 2389779 Ontario Inc., a wholly-owned subsidiary of Cangap Merchant Capital Corp. ("CMC"), a company that is controlled by Emlyn J. David, 962,617 Shares owned directly by CMC, and 15,000 shares owned directly by Mr. David.

BUSINESS OF THE MEETING

Receipt of Financial Statements and Auditors Report

The audited financial statements of the SustainCo for the financial year ended August 31, 2016 and the report of the auditors thereon will be placed before the Meeting. Approval of the Shareholders is not required in relation to the financial statements.

Election of Directors

It is intended that three (3) directors be elected for the ensuing year. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the election of the directors. At the Meeting, each director so elected will hold office until the next annual meeting of Shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company and the provisions of the Canada Business Corporations Act to which the Company is subject.

Management does not contemplate that any of the nominees will be unable to serve as a director of the Company, but if that should occur for any reason prior to the Meeting the persons named in the enclosed form of proxy reserve the right to vote for other nominees at their discretion. The Board recommends that Shareholders vote **FOR** the election of the nominees whose names are set forth below. **Unless the shareholder directs that his, her or its shares are to be withheld from voting in connection with the election of directors, the persons named in the enclosed Form of Proxy will vote FOR the election of the nominees whose names are set forth below.**

The following table sets forth certain information regarding the nominees, their position with the Company, their principal occupation or employment during the last five years, the dates upon which the nominees became directors of the Company and the approximate number of Common Shares beneficially owned by them, directly or indirectly, or over which control or direction is exercised by them as of the date of this Circular:

| Name and Municipality of Residence | Position with SustainCo | Director of SustainCo Since | Principal Occupation, Business or Employment During Preceding Five Years | Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly ⁽¹⁾ |
|---|--|------------------------------------|---|--|
| EMLYN J. DAVID ⁽³⁾ Toronto, ON | President, Chief Executive Officer, Secretary, Chairman and Director | August 22, 2008 | Chief Executive Officer of SustainCo | 1,434,973 (15.19%) ⁽²⁾ |
| MICHAEL GALLORO ⁽³⁾ Toronto, ON | Director | March 19, 2012 | Accountant | 500 (0.01%) |
| ADAM SZWERAS Toronto, ON | Director | Nominee | Partner at Fogler, Rubinoff LLP | Nil (0.0%) |

Notes:

- (1) Based on the Common Shares outstanding as of the date of this Circular.
- (2) Includes 457,356 Shares owned by 2389779 Ontario Inc., a wholly-owned subsidiary of CMC, a company that is controlled by Emlyn J. David, 962,617 Shares owned directly by CMC, and 15,000 Shares owned directly by Mr. David.
- (3) Member of the Audit Committee.

Each nominee has confirmed his eligibility and willingness to serve as a director if elected and, in the opinion of the Board and management of SustainCo, the proposed nominees are qualified to act as directors of the Company.

The following are brief biographies for each of the persons proposed by management to be nominated for election as directors:

Emlyn J. David – President, Chief Executive Officer, Secretary, Chairman, and Director

Emlyn J. 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 business aviation, media, alternative energy and real estate. He also currently holds the following positions:

- Director, CEO, President, Secretary and Chairman: SustainCo Inc.;
- Director and Secretary: Skyservice Business Aviation Inc., the largest provider of private jet management and fixed based operations (FBO) services in Canada, as well as one of the largest in North America; and

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.

Michael Galloro – Director

Michael Galloro is a member of the Institute of Chartered Accountants with over 20 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. Mr. Galloro pursued a consulting career working on various projects in mergers and acquisitions, initial public offering, financing, and securities legislation compliance. 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.

Adam Szweras – Director

Adam Szweras has practiced corporate and securities law since 1996. In January 2006, he founded Foundation Markets Inc. (a brokerage firm licensed as an Exempt Market Dealer) and FMI Capital Advisory Inc. (formerly known as Foundation Opportunities Inc.) (a merchant bank) where he continues as Chairman. In February, 2006 Mr. Szweras joined Fogler, Rubinoff LLP, as a partner, where he continues to practice corporate and securities law. Mr. Szweras has a LLB from the Osgoode Hall Law School at York University.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the Corporation's knowledge, no director, officer, insider or promoter of the Corporation or a Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or within ten (10) years before the date of this Circular, has been, a director, officer, insider or promoter 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, 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.

Adam Szweras was a director and the Corporate Secretary of Bassett Media Group Corp. ("Bassett"), a TSX Venture Exchange listed company, until March 16, 2010. Bassett has been subject to a cease trade order since June 16, 2010 for failing to file its financial statements.

Appointing auditors

The Board, on the advice of the audit committee, recommends that the Shareholders vote **FOR** MNP LLP to be reappointed as auditors of SustainCo until the next annual meeting of Shareholders. MNP LLP have been the auditors of SustainCo since 2008.

The persons named in the enclosed form of proxy intend to cast the votes to which the shares represented by such proxy are entitled FOR the re-appointment of MNP LLP as auditors of SustainCo for the term expiring with the next annual meeting of Shareholders, and to authorize the Board to fix their remuneration, unless otherwise directed by the Shareholders appointing them.

The aggregate fees billed for professional services rendered by MNP LLP for the fiscal years ended August 31, 2016 and 2015, are as set out below (including estimates).

| | 2016 (\$) | 2015 (\$) |
|-----------------------------------|------------------|------------------|
| Audit Fees ⁽¹⁾ | 52,000 | 52,000 |
| Audit Related Fees ⁽²⁾ | - | - |
| Tax Fees ⁽³⁾ | 6,000 | 6,000 |
| All Other Fees | - | - |

Notes:

- (1) Includes fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial

- statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) Includes services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
 - (3) Includes fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

Re-Approval of Stock Option Plan

SustainCo currently has in place a “rolling” Incentive Stock Option Plan (the “**Plan**”) which was initially adopted by the Company on November 7, 2008. The purpose of the Plan is to (i) provide directors, officers, consultants and key employees of the Company (“**Eligible Persons**”) with additional incentive; (ii) encourage stock ownership by such Eligible Persons; (iii) increase the proprietary interest of Eligible Persons in the success of the Company; (iv) encourage Eligible Persons to remain with SustainCo or its subsidiaries; and (v) attract new directors, employees and officers. The Plan requires the approval of Shareholders each year in the annual general meeting of Shareholders in accordance with the TSX-V Policy 4.4 – “*Incentive Stock Options*”. A copy of the Plan is attached hereto as Exhibit “A”.

The Plan is a rolling plan with the Company authorized to issue that number of options which is 10% of the issued and outstanding share capital at the date of the grant of shares, less the aggregate number of shares reserved for issuance or issuable under any Share Compensation Arrangement (as defined in the Plan). As a result, any increase in the issued and outstanding Common Shares will result in an increase in the number of Common Shares available for issuance under the Plan.

Options may be granted under the Plan only to directors, officers, employees and consultants of the Company subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the Common Shares may be listed or may trade from time to time. The number of Common Shares reserved for issue to any one person pursuant to the Stock Option Plan may not exceed 5% of the issued and outstanding Common Shares at the date of such grant, unless the Company has obtained approval by a majority of the votes cast by the shareholders eligible to vote at a shareholders’ meeting, excluding votes attaching to Common Shares beneficially owned by insiders and their associates. The number of Common Shares issuable to (i) any one consultant, or (ii) parties providing investor relation services, in any 12 month period, cannot exceed 2% of the issued and outstanding Common Shares.

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement or form of grant executed by the Company and the optionee, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the TSX-V for so long as the Common Shares are listed on the Exchange. Subject to any vesting restrictions imposed by the TSX-V or the Board, options may be exercised in whole or in part at any time and from time to time during the option period.

Options granted under the Plan will have an exercise price of not less than the closing price of the Common Shares on the TSX-V on the day prior to the date of the grant, less any discount permitted by the policies of the TSX-V.

At the Meeting, Shareholders of the Company will be asked to consider, and if thought fit, approve a motion to re-approve the Plan. The following resolution (the “**Option Plan Resolution**”) which will be put forward to the Shareholders of the Company for approval at the Meeting:

“BE IT RESOLVED THAT:

1. the Stock Option Plan, pursuant to which the directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding common shares at the time of the grant, subject to adjustment as set forth in the Plan, and further subject to the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the TSX Venture Exchange is approved; and

2. any director or officer of the Company is hereby authorized and directed, acting for, in the name of and on behalf of the Company, to execute or cause to be executed, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer be necessary or desirable to carry out the foregoing resolution.”

The Board recommends that Shareholders vote **FOR** the Option Plan Resolution.

Unless specifically instructed to vote against the Option Plan Resolution, the persons named in the form of proxy accompanying the Notice of Meeting intend to vote FOR the approval of the Plan. In order to be effected, this ordinary resolution must be approved by a majority of the votes cast in respect thereof.

Re-Approval of the Deferred Share Unit Plan

SustainCo currently has in place a deferred share unit plan (the “**DSU Plan**”). The purpose of the DSU Plan is to promote the interests of the Company by attracting and retaining qualified persons to serve on the Board and to afford such participants in the DSU Plan an opportunity to receive a portion of their compensation for serving as a director of the Company in the form of securities of the Company.

The Board administers the DSU Plan and determines which members of the Board are eligible to participate (the “**DSU Participants**”, each director being a “**DSU Participant**”) and to whom awards of deferred share units (“**DSUs**”, each a “**DSU**”) will be made.

The number of DSUs that a DSU Participant is entitled to receive in any quarter is one quarter of such DSU Participant’s annual retainer divided by the applicable Common Share price, which is a minimum of the volume weighted average trading price of the Common Shares on the TSX-V for the five (5) trading days immediately preceding the date on which the DSU is granted. Dividend equivalents are awarded in respect of DSUs in a DSU Participant’s account on the same basis as if the DSU Participant was a Shareholder on the relevant record date, and the dividend equivalents are credited to the DSU Participant’s account as additional DSUs (or fractions thereof).

The maximum number of DSUs which may be awarded under the DSU Plan shall not exceed 10% of the then issued and outstanding Common Shares pursuant to the DSU Plan (together with any other share-based compensation arrangement of the Company, including the Option Plan), and the aggregate value of DSUs awarded to DSU Participants within any one-year period under the DSU Plan together with all other security based compensation arrangements of the Company, if any, shall not exceed \$150,000 in value of equity per DSU Participant.

Upon a DSU Participant ceasing to be a member of the Board, he or she may within one (1) business day immediately following the date on which the DSU Participant ceases to hold any position as a director of the Company and its subsidiaries (the “**Termination Date**”) and ending on the 90th day following the Termination Date elect to receive net of any applicable withholding taxes: (i) a cash payment equal to the number of DSUs credited to the DSU Participant’s account as of the Termination Date, multiplied by the closing price of a Common Share on the TSX-V averaged over the five (5) consecutive trading days immediately preceding the Termination Date; (ii) Common Shares purchased on the DSU Participant’s behalf on the open market by a broker; or (iii) a combination thereof. Notwithstanding the foregoing, the Company has the absolute discretion, subject to any necessary Shareholder and regulatory approvals, to issue to the DSU Participant such number of Common Shares from treasury as equal the number of DSUs, net of the number of DSUs that would equal the applicable withholding taxes recorded in the DSU Participant’s account on the Termination Date. In the absence of the giving of a notice of redemption, the DSU Participant will be deemed to have elected a cash payment. In the event of death of a DSU Participant, no notice of redemption shall be required and the Company shall within 90 days of death, in the case of a U.S. DSU Participant, or one (1) calendar year in the case of a non-U.S. DSU Participant, make a lump sum cash payment for the benefit of the trustee, administrator or other legal representative of the individual. The lump sum cash payment would be equivalent to the cash payment on the Termination Date.

Under no circumstances shall DSUs be considered Common Shares nor shall they entitle any DSU Participant to exercise voting rights or any other rights attaching to the ownership of common shares of the Company nor shall any DSU Participant be considered a Shareholder by virtue of the award of DSUs.

The rights or interests of a DSU Participant under the DSU Plan are not assignable or transferable, otherwise than by will or the laws governing the devolution of property in the event of death. Further, such rights or interests are not to be encumbered.

The Board may from time to time amend, suspend or terminate the DSU Plan in whole or in part without further shareholder approval; however, the DSU Plan sets out what the Board may and may not do, without obtaining the approval of Shareholders, in respect of amendments to the DSU Plan. A full copy of the DSU plan will be made available to shareholders upon request, and will be posted on the Company's SEDAR profile.

At the Meeting, Shareholders of the Company will be asked to consider, and if thought fit, approve a motion to re-approve the DSU Plan. The following resolution (the "**DSU Plan Resolution**") which will be put forward to the Shareholders of the Company for approval at the Meeting:

"BE IT RESOLVED THAT:

1. The deferred share unit plan (the "**DSU Plan**"), a summary of which is set forth in the accompanying management information circular, is hereby authorized, approved and adopted;
2. The maximum number of deferred share unit which may be awarded under the DSU Plan shall not exceed 10% of the then issued and outstanding common shares of the Company pursuant to the DSU Plan (together with any other share-based compensation arrangement of the Company, including the incentive stock option plan of the Company); and
3. Any one officer or director of the Company be and is hereby authorized and directed for and on behalf and in the name of the Company to execute, whether under the corporate seal of the Company or otherwise, and deliver all such documents and instruments, and to do or cause to be done all such other acts and things, as may be necessary or desirable to give effect to the foregoing."

Management of the Company recommends that Shareholders vote FOR the DSU Plan Resolution, as set out in Appendix B. In the absence of contrary instructions, the persons named in the enclosed form of proxy intend to vote FOR the DSU Plan Resolution.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's executive compensation philosophy, objectives, and processes and to discuss compensation decisions relating to the Company's executive officers, in particular, the three identified named executive officers (the "**NEOs**"), namely, Emlyn J. David, Chief Executive Officer, Chris Hazelton, Chief Financial Officer, and Nicholas Price, President of VCI, for the period ended August 31, 2016.

As the Company does not have a compensation committee, the functions of a compensation committee are performed by the Board of Directors as a whole.

SustainCo's compensation practices are designed to retain, motivate and reward its executive officers for their performance and contribution to the Company's long-term success. The Board seeks to compensate the Company's executive officers by combining short and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives, and to align executive officers' incentives with shareholder value creation.

Risk Management Principles of Compensation Programs

Although the Company does not have a formal policy relating to the management of compensation related risk, the Board considers and assesses, as necessary, risks relating to compensation prior to the entering into or amending of employment contracts with NEOs and when setting the compensation of directors. The Board believes that the Company's compensation policies and practices are appropriate for its industry and stage of business and that such

policies and practices do not have associated with them any risks that are reasonably likely to have a material adverse effect on the Company or which would encourage a NEO to take any inappropriate or excessive risks. The Board will continue to review the Company's compensation policies, including its compensation-related risk profile, as necessary, to ensure its compensation policies and practices are not reasonably likely to have a material adverse effect on the Company or encourage a NEO to take any inappropriate or excessive risks, and may consider adopting a formal policy in this regard in the future, if necessary.

Restrictions on Financial Instruments

The Company does not have a policy that would prohibit a NEO or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director. However, management is not aware of any NEO or director purchasing such an instrument.

Elements of Compensation Program

The compensation of the NEOs will include three major elements: (a) base salary, (b) an annual, discretionary cash bonus and (c) long-term equity incentives, consisting of stock options granted under the Plan and any other equity plan that may be approved by the Board. These three principal elements of compensation are described below.

The NEOs will not benefit from pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the NEOs.

Base Salary

Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to our success, the position and responsibilities of the NEOs and competitive industry pay practices for other companies of comparable size.

SustainCo does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable businesses. Other comparable businesses that may be considered for benchmarking purposes include other small capitalization public Canadian companies. Increases in base salary are at the sole discretion of the Board.

Annual Cash Bonus

The Board, in its sole discretion, may award Named Executive Officers with an annual bonus for that year, payable in cash. Annual bonuses may be awarded based on qualitative and quantitative performance standards, and will reward performance or the named executive officer individually. The determination of a Named Executive Officer's performance may vary from year to year depending on economic conditions and conditions in the industry, and may be based on measures such as stock price performance, the meeting of financial targets against budget (such as adjusted funds from operations), the meeting of acquisition objectives and balance sheet performance

Stock Option Plan

The Plan provides directors, officers, key employees and consultants of the Company with the opportunity to participate in the Plan, at the discretion of the Board. The Board determines the level of stock options granted from time-to-time based on (i) its assessment of the appropriateness of doing so in light of the competitiveness of total compensation and compensation practices within companies of a size comparable with the Company for positions involving similar responsibilities and complexity; (ii) the long-term strategic objectives of the Company; (iii) the Company's need to retain or attract particular key personnel; and (iv) the number of options already outstanding and overall market conditions. The Board will take into account previous grants of options when considering new grants.

The Plan is intended to provide executives with the promise of longer term rewards which appreciate in value with the favourable future performance of the Company. The Board believes that the Plan provides a method of retention and motivation for the executives of the Company and also aligns senior management's objectives with long-term stock price appreciation.

Executive Compensation

Summary Compensation Table

The following table provides a summary of the compensation earned by the NEOs and directors for services rendered in all capacities during the fiscal years ended August 31, 2016 and 2015.

| Table of compensation excluding compensation securities | | | | | | | |
|---|---------------|--|-------|---------------------------|----------------------|------------------------|--------------------|
| Name and Principal Position | Fiscal period | Salary, consulting fee, retainer or commission | Bonus | Committee or meeting fees | Value of perquisites | All other compensation | Total compensation |
| | | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) |
| EMLYN J. DAVID ⁽³⁾ President, Chief Executive Officer, Secretary and Chairman | 2016 | 225,000 | - | - | - | - | 225,000 |
| | 2015 | 245,000 | - | - | - | - | 245,000 |
| CHRIS HAZELTON Chief Financial Officer | 2016 | 116,000 | - | - | - | 9,000 | 125,000 |
| | 2015 | 116,000 | - | - | - | 9,000 | 125,000 |
| NICHOLAS PRICE President of VCI | 2016 | 214,000 | - | - | - | 14,000 | 228,000 |
| | 2015 | 214,000 | - | - | - | 14,000 | 228,000 |
| MICHAEL GALLORO Director | 2016 | - | - | - | - | - | - |
| | 2015 | 20,000 | - | - | - | - | 20,000 |
| DANIEL HAY ⁽²⁾ Former Director | 2016 | - | - | - | - | - | - |
| | 2015 | 20,000 | - | - | - | - | 20,000 |
| RAJIV (ROGER) RAI ⁽¹⁾ Former Director | 2016 | - | - | - | - | - | - |
| | 2015 | 20,000 | - | - | - | - | 20,000 |
| SCOTT COLE ⁽¹⁾ Former Director | 2016 | - | - | - | - | - | - |
| | 2015 | 10,000 | - | - | - | - | 10,000 |

Notes:

- (1) Mr. Rai and Mr. Cole ceased to be directors April 1, 2016.
- (2) Mr. Hay ceased to be directors March 2, 2017.
- (3) Amounts have been deferred and accrued.

Compensation Securities Table

The following table discloses the particulars of the option-based awards outstanding to NEOs and directors of the Company as at August 31, 2016, including awards granted before the most recently completed financial year.

| Name and Position | Number of securities underlying unexercised options | Date of issue or grant | Option Exercise Price (\$) | Closing price of underlying security on date of grant (\$) | Closing price of underlying security at year end (\$) | Option Expiration Date |
|--|---|------------------------|----------------------------|--|---|------------------------|
| EMLYN J. DAVID President, Chief Executive Officer, Secretary and Chairman | 10,000 | September 1, 2012 | 10.00 | 10.00 | 0.65 | August 31, 2016 |
| | 27,500 | April 4, 2013 | 13.60 | 17.00 | 0.65 | April 3, 2018 |
| | 42,500 | April 1, 2015 | 2.00 | 2.20 | 0.65 | March 31, 2020 |
| CHRIS HAZELTON Chief Financial Officer | 25,000 | April 1, 2015 | 2.00 | 2.20 | 0.65 | March 31, 2020 |
| NICHOLAS PRICE President of VCI | N/A | N/A | N/A | N/A | N/A | N/A |
| MICHAEL GALLORO Director | 2,500 | September 1, 2012 | 10.00 | 10.00 | 0.65 | August 31, 2016 |
| | 2,500 | April 4, 2013 | 13.60 | 17.00 | 0.65 | April 3, 2018 |
| | 5,000 | April 1, 2015 | 2.00 | 2.20 | 0.65 | March 31, 2020 |
| DANIEL HAY Former Director | 2,500 | September 1, 2012 | 10.00 | 10.00 | 0.65 | August 31, 2016 |
| | 2,500 | April 4, 2013 | 13.60 | 17.00 | 0.65 | April 3, 2018 |
| | 5,000 | April 1, 2015 | 2.00 | 2.20 | 0.65 | March 31, 2020 |
| RAJIV (ROGER) RAI Former Director | N/A | N/A | N/A | N/A | N/A | N/A |
| SCOTT COLE Former Director | N/A | N/A | N/A | N/A | N/A | N/A |

Exercise of Stock Options by NEOs and Directors

The following table sets forth information concerning the exercise of options by NEOs and directors that vested during the year ended August 31, 2016.

| Name and Position | Number of underlying securities exercised (#) | Exercise Price per security (\$) | Date of exercise | Closing price per security on date of exercise (\$) | Difference between exercise price and closing price on date of exercise (\$) | Total value on exercise date (\$) |
|--|--|---|-------------------------|--|---|--|
| EMLYN J. DAVID President, Chief Executive Officer, Secretary and Chairman | - | N/A | N/A | N/A | N/A | N/A |
| CHRIS HAZELTON Chief Financial Officer | - | N/A | N/A | N/A | N/A | N/A |
| NICHOLAS PRICE President of VCI | - | N/A | N/A | N/A | N/A | N/A |
| MICHAEL GALLORO Director | - | N/A | N/A | N/A | N/A | N/A |
| DANIEL HAY Former Director | - | N/A | N/A | N/A | N/A | N/A |
| RAJIV (ROGER) RAI Former Director | - | N/A | N/A | N/A | N/A | N/A |
| SCOTT COLE Former Director | - | N/A | N/A | N/A | N/A | N/A |

Employment Management and Consulting Agreements

SustainCo currently has employment agreements in place with Emlyn J. David, Chris Hazelton, and Nicholas Price.

Other than as set out below, the Company does not have any compensatory plan, contract or arrangement where an executive officer is entitled to receive any compensation from the Company 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 Company.

In the event that Mr. Hazelton is terminated without cause, he is entitled to compensation payable by the Company equal to 26 weeks. In the event that the Company enters into a written agreement providing for a Change of Control or a Change of Control occurs and, within six months Mr. Hazelton gives written notice of termination as a result of the occurrence of a triggering event, the Company will pay Mr. Hazelton compensation equal to 26 weeks.

In the event that Mr. Price is terminated without cause, he is entitled to compensation payable by the Company equal to 12 months.

Messrs. David, Hazelton and Price are each entitled to a salary of \$225,000, \$116,000 and \$214,000, respectively, an annual discretionary bonus (to be approved by the Board) and stock options pursuant to the Plan or any other equity plan as may be approved by the Board.

Equity Compensation Plan Information as of the Fiscal Year Ended August 31, 2016

Pursuant to the Plan, the maximum aggregate number of Common Shares which may be subject to options is 10% of the Common Shares outstanding from time to time.

| Plan Category | Number of shares issuable upon exercise of outstanding options (a) | Weighted-average exercise price of outstanding options (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 securityholders | 130,000 | \$2.56 | 814,289 |
| Equity compensation plans not approved by securityholders | N/A | N/A | N/A |
| Total | 130,000 | \$2.56 | 814,289 |

Indebtedness of Directors and Officers

No individual who is, or at any time during the most recently completed fiscal year of the Company was, a director or executive officer of the Company, nor any proposed nominee for election as a director of the Company, nor any associate of any of the foregoing is, or at any time since the beginning of the most recently completed fiscal year of the Company has been, indebted to the Company or any of its subsidiaries (other than in respect of amounts which would constitute routine indebtedness) or was indebted to another entity, which such indebtedness is, or was at any time since the beginning of the most recently completed fiscal year of the Company, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

Interests of Informed Persons in Material Transactions

No "informed person" (as such term is defined under applicable securities laws) of the Company or proposed nominee for election as a director of the Company, or any associate or affiliate of any informed person or proposed nominee, has or had a material interest, direct or indirect, in any transaction since the beginning of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or its subsidiaries.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

General

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 Company's approach to corporate governance in relation to the Guidelines.

Board of Directors

Independence

The Board of Directors is currently comprised of three 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 Company. Messrs. Adam Szweras and Michael Galloro are each considered to be “independent” directors within the meaning of NI 58-101 since they are free from any material relationship with the Company.

Common Board Memberships

The board has not adopted a policy limiting the number of directors who sit on the board of another public company but believes disclosure of common board memberships is important, which can be found under “*Statement of Corporate Governance Practices - Other Public Company Directorships Held*”.

Mandate of the Board of Directors

The Board is responsible for supervising the management of SustainCo business and affairs. The Board’s principal responsibilities relate to the stewardship of management and are summarized below:

- **Strategic planning** - the Board reviews and approves SustainCo’s strategic planning process and strategic plan in light of Management's assessment of emerging trends, the competitive environment, risk issues and significant business practices and products;
- **Risk management** - the Board reviews management reports on material risks associated with our businesses and operations, the implementation by Management of systems to manage these risks and material deficiencies in the operation of these systems;
- **Human resources management** - the Board reviews SustainCo’s approach to human resource management and executive compensation, the extent to which senior management fosters a culture of integrity and succession planning for the Chief Executive Officer and key senior management positions;
- **Financial corporate governance** - the Board reviews SustainCo's approach to corporate governance, director independence, SustainCo's code of ethics and conduct, and policies relating to reputation and legal risk;
- **Financial information** - the Board with assistance from the Audit Committee reviews SustainCo's internal controls relating to financial information, management reports on material deficiencies relating to those controls and the integrity of SustainCo's financial information and systems;
- **Communications** - the Board reviews SustainCo's overall communications strategy, measures for receiving shareholder feedback and compliance with SustainCo's disclosure policy;
- **Board Committees** - the Board establishes committees and their mandates and requires committee chairs to present a report to the board on material matters considered by the committee at the next board meeting;

The mandate of the Board is reviewed each year.

Other Public Company Directorships Held

The following table sets out the directors and officers of the Company that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

| Name of Director, Officer or Promoter | Name of Reporting Issuer | Name of Trading Market |
|--|---------------------------------------|---------------------------|
| Michael Galloro | Agriminco Corp. | TSX-V |
| | Alberta Oilsands Inc. | TSX-V |
| | Black Sparrow Capital Corp. | TSX-V |
| | Delavaco Residential Properties Corp. | TSX-V |
| | Goldstream Minerals Inc. | TSX-V |
| | Organic Potash Corp. | CSE |
| | Santa Maria Petroleum Inc. | TSX-V |
| | SecureCom Mobile Inc. | CSE |
| | Yangaroo Inc. | TSX-V |
| Adam Szweras | Nutritional High International Inc. | CNX |
| | Canada Pacific Canada Corp. | NEX |
| | Aurora Cannabis Inc. | TSX-V |
| | Sagittarius Capital Corp. | TSX-V |
| | Mahdia Gold Corp. | TSX-V |
| | The Tinley Beverage Company Inc. | CNX |

Orientation and Continuing Education

While the Company currently has no formal orientation and education program for new members of the Board of Directors, sufficient information (such as recent annual reports, financial statements, management discussion and analysis, proxy solicitation materials, technical reports and various other operating, property and budget reports) is provided to any new member of the Board of Directors to ensure that new directors are familiarized with the Company's business and the procedures of the Board of Directors. As well, new directors meet with management of the Company to receive a detailed overview of the operations of the Company. All directors are encouraged to visit and meet with management on a regular basis. The Company also encourages continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Company.

Nomination of Directors

The Board of Directors is responsible for identifying new candidates for nomination to the Board of Directors. The process by which the Board of Directors identifies new candidates is through recommendations from members of the Board of Directors based on corporate law and regulatory requirements as well as relevant education and experience related to the Company's business and status as a reporting issuer.

Compensation

None of the members of the Board of Directors or the executive officers currently earns any compensation for services rendered as directors and officers of the Company or in any other capacity except as otherwise disclosed herein. Currently, non-management directors of SustainCo are not paid a cash retainer. Directors are also reimbursed for out-of-pocket expenses incurred with such duties.

Board Committees

The Board has the Audit Committee

Audit Committee

The Audit Committee consists of Mr. Galloro and Mr. David, of whom Mr. Galloro is “independent”, and all of whom are “financially literate” within the meaning of National Instrument 52-110 — *Audit Committees*. Each of the Audit Committee members has an understanding of the accounting principles used to prepare SustainCo’s financial statements, experience preparing, auditing, analyzing or evaluating comparable financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The Audit Committee has the primary function of fulfilling its responsibilities in relation to reviewing the integrity of SustainCo’s financial statements, financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring SustainCo’s compliance with legal and regulatory requirements, selecting the external auditor for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; and reviewing the qualifications, independence and performance of SustainCo’s internal auditors. The Audit Committee has specific responsibilities relating to SustainCo’s financial reports; the external auditor; the internal audit function; internal controls; regulatory reports and returns; and legal or compliance matters that have a material impact on SustainCo. In fulfilling its responsibilities, the Audit Committee meets regularly with the internal and external auditor and key management members. Information concerning the relevant education and experience of the Audit Committee members can be found in “*Business of the Meeting – Election of Directors*”. The full text of the Audit Committee’s charter is disclosed in Exhibit “C”.

ADDITIONAL INFORMATION

The Company will provide to any person or corporation, upon request, one copy of any of the following documents: (i) this Circular; (ii) the Company’s most recently filed consolidated annual financial statements, together with the accompanying report of the auditor; and (iii) any interim financial statements of the Company that have been filed for any period after the end of the Company’s most recently completed financial year.

Copies of the above documents will be provided, upon request, by the corporate secretary or investor relations at 1 Royal Gate Blvd, Vaughan, ON L4L 8Z7. Copies of these documents and other information relating to the Company are available on SEDAR at www.sedar.com.

APPROVAL

The contents and delivery of this management information circular has been approved by the board of directors and a copy has been sent to each shareholder who is eligible to receive notice of and vote his or her shares at the Meeting, as well as to each director and to the auditors.

On behalf of the board of directors,

“Emlyn. J. David”

Emlyn J. David
President, Chief Executive Officer, Chair,
Corporate Secretary & Director

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 EXERCISEBELLAIR 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 Registrant's Name):

(Address)

(Telephone Number)

(Facsimile Number)

(E-Mail Address)

(Optionee's Signature)

(Date)

APPENDIX “B”

**SUSTAINCO INC.
DEFERRED SHARE UNIT PLAN**

April 1, 2016

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DEFERRED SHARE UNIT PLAN

Section 1 Purpose of the Plan.

A plan for directors of the Corporation is hereby established, its purpose being to promote the interests of the Corporation by attracting and retaining qualified persons to serve on the Board and to afford such Participants an opportunity to receive a portion of their compensation for serving as a director of the Corporation in the form of securities of the Corporation.

Section 2 Definitions.

As used in the Plan, the following terms have the following respective meanings:

“Account” means an account maintained for each Participant on the books of the Corporation which will be credited with Deferred Share Units and Dividend Equivalents, in accordance with the terms of the Plan.

“Affiliate” has the meaning ascribed to that term under section 1(2) of the *Securities Act* (Ontario), as now in effect, or such other meaning, and shall include such other entities, as may be determined by the Board.

“Board” means the Board of Directors of the Corporation.

“Broker” means a broker independent from the Corporation or any of its subsidiaries who has been designated by the Corporation as the broker that will purchase Common Shares pursuant to the Plan and who is a member of the principal Canadian stock exchange or other public exchange on which the Common Shares are listed.

“Committee” means the Compensation and Governance Committee of the Board.

“Common Shares” means the common shares of the Corporation.

“Corporation” means SustainCo Inc.

“Deferred Share Unit” means a bookkeeping entry equivalent in value to a Common Share credited to a Participant’s Account in accordance with the terms of the Plan.

“Dividend Equivalent” means a bookkeeping entry equivalent in value to a dividend paid on a Common Share credited to a Participant’s Account in accordance with Section 8 of the Plan.

“Final Payment” has the meaning ascribed to that term in Section 7 of the Plan.

“Grant Agreement” means an agreement between the Corporation and a Participant under which a Deferred Share Unit is granted, substantially in the form attached hereto as Schedule “A”, as each may be amended from time to time;

“Insider” shall have the meaning ascribed thereto in the *Securities Act* (Ontario) or its successor, as amended from time to time.

“Non-Executive Director” means a member of the Board who is not an officer or employee of the Corporation or of any of its Affiliates.

“Non-U.S. Eligible Participant” is any Participant other than a U.S. Eligible Participant.

“Notice of Redemption” means written notice, on a prescribed form, by the Participant, or the administrator or liquidator of the estate of the Participant, to the Corporation of the Participant’s wish to redeem his or her Deferred Share Units for cash or Common Shares of the Corporation.

“Participant” means a director of the Corporation who is designated by the Committee as eligible to participate in the Plan.

“Plan” means this SustainCo Inc. Deferred Share Unit Plan as set forth herein and as may be amended from time to time.

“Section 409A” means Section 409A of the *U.S. Internal Revenue Code of 1986, as amended*, and the Treasury Regulations promulgated thereunder as in effect from time to time.

“Share Price” means the volume weighted average trading price of the Common Shares on the TSXV for the five (5) consecutive trading days immediately preceding either (a) the Termination Date (for the purposes of Section 7 below) or (b) the date of the expiration of the six-month period referenced in Section 20 or the date of death (for the purposes of Section 20 below), as applicable, or in the event such Common Shares are not traded on the TSXV or other recognized stock exchange, the fair market value of such Common Shares as determined by the Committee acting in good faith.

“Termination Date” means the date upon which a Participant ceases to be a director of the Corporation and all Affiliates, including in the event of the death of the Participant.

“TSXV” mean the TSX Venture Exchange.

“U.S. Eligible Participant” refers to a Participant who, at any time during the period from the date Deferred Share Units are granted to the Participant to the date such Deferred Share Units are redeemed by the Participant, is subject to income taxation in the United States on the income received for his or her services as a director of the Corporation and who is not otherwise exempt from U.S. income taxation under the relevant provisions of the *U.S. Internal Revenue Code of 1986, as amended*, or the *Canada-U.S. Income Tax Convention, as amended from time to time*.

Section 3 Deferred Share Units Subject to the Plan.

- (1) The maximum number of Deferred Share Units which may be awarded under the Plan shall be three million (3,000,000) or such greater number as may be approved from time to time by an ordinary resolution of the shareholders of the Corporation.
- (2) The maximum number of Common Shares reserved for issuance under the Plan shall be three million (3,000,000) or such greater number as may be approved from time to time by an ordinary resolution of the shareholders of the Corporation.

- (3) The aggregate value of Deferred Share Units awarded to Participants within any one-year period under the Plan together with all other security based compensation arrangements of the Corporation, if any, shall not exceed \$150,000 in value of equity per Participant.
- (4) The maximum number of Common Shares issued to Insiders under the Plan, or when combined with any other previously established or proposed share compensation arrangements, within any one-year period, may not exceed 10% of the outstanding issue.
- (5) The maximum number of Common Shares issuable to Insiders under the Plan, or when combined with any other previously established or proposed share compensation arrangements, at any time, may not exceed 10% of the outstanding issue.

Section 4 Administration of Plan.

The Committee (or such senior officer of the Corporation as the Committee may designate for the purposes of Section 4(a) and (c) hereof) shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan and to amend and rescind such rules and regulations from time to time;
- (b) to interpret and construe the Plan and to determine all questions arising out of the Plan, and any such interpretation, construction or determination made by the Committee shall be final, binding and conclusive for all purposes;
- (c) to prescribe the form of the instruments used in conjunction with the Plan; and
- (d) to determine which members of the Board are eligible to participate in the Plan.

Section 5 Awards of Deferred Share Units.

- (1) Subject to this Section 5(1) and such other terms and conditions as the Board or the Committee may prescribe, the Committee may recommend the award of, and the Board may, acting on such recommendation, from time to time award, Deferred Share Units to a Participant at such time, in such number and effective as of such date as the Board may determine. The Board shall base its decision to award Deferred Share Units to Participants on such criteria as the Board or Committee may determine, provided that such criteria and the award shall, in any event, relate to services performed or to be performed by the Participant as a Director of the Corporation.
- (2) The number of Deferred Share Units that a senior officer is entitled to receive at a particular time shall be evidenced by a Grant Agreement, signed on behalf of the Corporation. Certificates representing Deferred Share Units shall not be issued by the Corporation. Fractional Deferred Share Units will not be issued under the Plan and any fractional entitlements will be rounded down to the nearest whole number.

Section 6 Taxes and Other Source Deductions.

- (1) The Corporation or an Affiliate may withhold from any amount payable to a Participant, either under the Plan or otherwise, such amounts as are required by law to be withheld, deducted or remitted by the Corporation or an Affiliate as a consequence of his or her

participation in this Plan (“**Withholding Amount**”). In the event that a Participant does not deliver to the Corporation or an Affiliate upon the settlement of a Deferred Share Unit a cash payment in an amount equal to the Withholding Amount as required in Section 7(1), the Participant shall be deemed to have elected that the Corporation shall have the right, in its discretion, to satisfy any Withholding Amount by:

- (a) selling or causing to be sold by the Corporation or by a broker or otherwise, on behalf of any Participant, such number of Common Shares issued to the Participant, as applicable, on the settlement of Deferred Share Units as is sufficient to fund the Withholding Amount and to apply the cash received on such sale of underlying Common Shares to fund the Withholding Amount;
 - (b) retaining the amount necessary to satisfy the Withholding Amount from any cash amount which would otherwise be delivered, provided or paid to the Participant by the Corporation or an Affiliate, whether under this Plan or otherwise;
 - (c) requiring the Participant, as a condition of redemption under Section 7(1) to reimburse the Corporation or an Affiliate for any such Withholding Amount; and/or
 - (d) making such other arrangements as the Corporation may reasonably require.
- (2) The sale of Common Shares, by the Corporation, or by a Broker, under Section 6(1) above will be made on the exchange on which the Common Shares are then listed for trading

Section 7 Redemption of Deferred Share Units.

- (1) Each Participant shall be entitled to redeem his or her Deferred Share Units during the period commencing on the business day immediately following the Termination Date and ending on the 90th day following the Termination Date by providing a written Notice of Redemption to the Corporation in the form of Schedule “B” attached hereto. In the event of the death of a Participant, the Notice of Redemption shall be filed by the administrator or liquidator of the estate of the Participant. The Notice of Redemption must specify an election to receive the following:
- (a) a cash payment equal to the number of Deferred Share Units credited to the Non-U.S. Eligible Participant’s Account as of the Termination Date multiplied by the Share Price on the Termination Date;
 - (b) Common Shares purchased on the Non-U.S. Eligible Participant’s behalf on the open market by a Broker; or
 - (c) a percentage of the number of Deferred Share Units paid out in cash and the remaining percentage of the Deferred Share Units paid out as Common Shares purchased on the Participant’s behalf on the open market by a Broker.

Subject to Section 7(5), in the event a Notice of Redemption is not provided by a Non-U.S. Eligible Participant, such Non-U.S. Eligible Participant will be deemed to have elected to receive a cash payment as provided for in Section 7(1)(a).

- (2) Where Common Shares are purchased on the open market on the Non-U.S. Eligible Participant’s behalf, the Corporation will remit all or a portion of the final payment to the

Broker, and the Broker will be required to (within ten (10) business days) use such payment to purchase Common Shares in the open market on the TSXV or any other public exchange on which the Common Shares are traded. The number of Common Shares to be purchased will be computed by taking the number of Deferred Share Units that the Non-U.S. Eligible Participant elected to receive in Common Shares, net of the number of Deferred Share Units that would equal the Withholding Amount. Any Common Shares acquired by the Broker from all or a portion of the final payment and any cash remaining therefrom shall be delivered directly to the Non-U.S. Eligible Participant forthwith as soon as practicable upon completion of such purchases. The Corporation will pay all brokerage fees arising in connection with the purchase of Common Shares by the Broker in accordance with the Plan.

- (3) Notwithstanding the foregoing, the Corporation may, in its absolute discretion and subject to the receipt of any necessary shareholder and regulatory approvals, issue to the Non-U.S. Eligible Participant such number of Common Shares from treasury that equals the number of Deferred Share Units, net of the number of Deferred Share Units that would equal the Withholding Amount, recorded in the Non-U.S. Eligible Participant's Account on the Termination Date. If the Corporation issues Common Shares as aforesaid, such Common Shares will be issued in consideration for the past services of the Non-U.S. Eligible Participant to the Corporation and the entitlement of the Non-U.S. Eligible Participant under this Plan shall be satisfied in full by such issuance of Common Shares. The Corporation will also make a cash payment, less any Withholding Amount, to the Non-U.S. Eligible Participant with respect to the number of fractional Deferred Share Units standing to the Non-U.S. Eligible Participant's credit after the maximum whole Common Shares have been issued by the Corporation as described above.
- (4) The Corporation will make all of the payments described in this Section 7 (referred to hereinafter as the **"Final Payment"**) to the Participant or the Broker within 120 days of the Termination Date. In the case of a U.S. Eligible Participant, however, the Final Payment will be made the earlier of (i) "separation from service" within the meaning of Section 409A of the Code, or (ii) within 90 days of the U.S. Eligible Participant's death. Upon making such payment to the Participant or the Broker, the Deferred Share Units upon which such payment was based shall be cancelled and no further payments shall be made from the Plan in relation to such Deferred Share Units.
- (5) In the event of the death of a Non-U.S. Eligible Participant, provided that a Notice of Redemption is not filed with the Corporation as described in this Section 7, the Corporation shall, within one calendar year of the Participant's death, make a lump sum cash payment in each case to or for the benefit of the administrator or liquidator of the estate of the Participant. In any event, the payment date will be no later than the end of the first calendar year commencing after the Participant's death. In the case of a U.S. Eligible Participant, the payment date will be within 90 days of the U.S. Eligible Participant's death. The lump sum cash payment shall be equal to the number of Deferred Share Units credited to the Participant's Account on the date of death multiplied by the Share Price as of the Termination Date, net of any Withholding Amount. If permitted by applicable law, the Participant may appoint a beneficiary of his or her rights under the Plan. For this purpose, the beneficiary must be a dependent, an individual who is a "related person" of the Participant as defined in the *Income Tax Act* (Canada), or the estate of the Participant.

Section 8 Award of Dividend Equivalents.

Dividend Equivalents will be awarded in respect of Deferred Share Units in a Participant's Account on the same basis as dividends declared and paid on Common Shares as if the Participant

was a shareholder of record of Common Shares on the relevant record date. These Dividend Equivalents will be credited to the Participant's Account as additional Deferred Share Units (or fractions thereof), with the number of additional Deferred Share Units equal to (a) the actual amount of dividends that would have been paid if the Participant had held Common Shares under the Plan on the applicable record date divided by (b) the closing price for Common Shares on the TSXV on the date on which the dividends on Common Shares are payable. For greater certainty, no Deferred Share Units representing Dividend Equivalents will be credited to a Participant's Account in relation to Deferred Share Units that have been previously cancelled or paid out of the Plan.

Section 9 Adjustments and Reorganizations.

In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of Corporation assets to shareholders, or any other change affecting shares, such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change, shall be made with respect to the number of Deferred Share Units outstanding under the Plan.

Section 10 Unfunded Plan.

The Plan shall be unfunded. To the extent any Participant or his or her estate holds any rights by virtue of a grant of Deferred Share Units under the Plan, such rights shall be no greater than the rights of an unsecured creditor of the Corporation.

Section 11 Plan Amendment.

- (1) Subject to Section 11(2), the Board may at any time, and from time to time, and without shareholder approval, amend any provision of the Plan, subject to any regulatory or stock exchange requirement at the time of such amendment, including, without limitation:
 - (a) amendments to the termination provisions of Section 12;
 - (b) amendments necessary or advisable because of any change in application securities laws;
 - (c) amendments to Section 4 relating to the administration of the Plan;
 - (d) any other amendment, fundamental or otherwise, not requiring shareholder approval under applicable laws or the rules of the TSXV, including amendments of a "clerical" or "housekeeping" nature.
- (2) Any amendment shall not alter the terms or conditions of any Deferred Share Unit or impair any right of any holder of Deferred Share Units pursuant to any Deferred Share Unit granted prior to such amendment.
- (3) No amendment shall be made which prevents the Plan from continuously meeting the requirements of paragraph 6801(d) of the *Income Tax Regulations* (Canada) or any successor provision thereto.

Section 12 Plan Termination.

The Committee may decide to discontinue granting awards under the Plan at any time in which case no further Deferred Share Units shall be awarded or credited under Section 4 of the Plan.

Any Deferred Share Units which remain outstanding in a Participant's Account at that time shall continue to be dealt with according to the terms of the Plan. For greater certainty, Dividend Equivalents shall continue to be awarded, as appropriate, in respect of such outstanding Deferred Share Units pursuant to Section 8 of the Plan. The Plan shall terminate when all payments owing pursuant to Section 7 of the Plan have been made and all Deferred Share Units have been cancelled in all Participants' Accounts.

Section 13 Final Determination.

Any determination or decision by or opinion of the Committee made or held pursuant to the terms of the Plan shall be final, conclusive and binding on all parties concerned. All rights, entitlements and obligations of Participants under the Plan are set forth in the terms of the Plan and cannot be modified by any other documents, statements or communications, except by Plan amendments referred to in Section 11 of the Plan.

Section 14 No Right to Continued Service.

Participation in the Plan shall not be construed to give any Participant a right to be retained as a director of the Corporation.

Section 15 No Other Benefit.

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of Common Shares nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.

Section 16 No Shareholder Rights.

Under no circumstances shall Deferred Share Units be considered Common Shares nor shall they entitle any Participant to exercise voting rights or any other rights attaching to the ownership of Common Shares nor shall any Participant be considered the owner of Common Shares by virtue of the award of Deferred Share Units.

Section 17 Reorganization of the Corporation.

The existence of any Deferred Share Units shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, shares or other securities of the Corporation or the rights and conditions attaching thereto or to affect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

Section 18 Successors and Assigns.

The Plan shall be binding on all successors and assigns of the Corporation.

Section 19 General Restrictions and Assignment.

Except as required by law, the rights of a Participant under the Plan are not capable of being anticipated, assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and

are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant.

Section 20 Section 409A.

- (1) It is intended that the provisions of this Plan comply with Section 409A, and all provisions of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to or for the benefit of a U.S. Eligible Participant may not be reduced by, or offset against, any amount owing by the U.S. Eligible Participant to the Corporation or any of its affiliates.
- (2) Notwithstanding anything in this Plan to the contrary, if a U.S. Eligible Participant becomes entitled to receive payment in respect of any Deferred Share Units as a result of his or her “separation from service” (within the meaning of Section 409A), and the U.S. Eligible Participant is a “specified employee” (within the meaning of Section 409A) at the time of his or her separation from service, and the Committee makes a good faith determination that (i) all or a portion of the Deferred Share Units constitute “deferred compensation” (within the meaning of Section 409A) and (ii) any such deferred compensation that would otherwise be payable during the six-month period following such separation from service is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then payment of such “deferred compensation” shall not be made to the U.S. Eligible Participant before the date which is six months after the date of his or her separation from service (and shall be paid in a single lump sum on the first day of the seventh month following the date of such separation from service) or, if earlier, the U.S. Eligible Participant’s date of death; in such event, the Final Payment will be equal to the number of Deferred Share Units credited to the U.S. Eligible Participant’s Account multiplied by the Share Price as of the expiration of such six-month period or the date of death. (For illustrative purposes only, if a U.S. Eligible Participant who is a specified employee subject to the provisions of the previous sentence incurs a separation from service on January 16 of a calendar year, any payments of deferred compensation that would be payable to such U.S. Eligible Participant during the six-month period from such January 16 through July 16 shall be accumulated and paid in a single lump sum to such U.S. Eligible Participant on July 17 of such calendar year, or, if earlier, such U.S. Eligible Participant’s date of death.)
- (3) Each U.S. Eligible Participant, any beneficiary or the U.S. Eligible Participant’s estate, as the case may be, is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such U.S. Eligible Participant in connection with this Plan (including any taxes and penalties under Section 409A), and neither the Corporation nor any affiliate shall have any obligation to indemnify or otherwise hold such U.S. Eligible Participant or beneficiary or the U.S. Eligible Participant’s estate harmless from any or all of such taxes or penalties. Notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any amounts payable hereunder will be taxable to a Participant under Section 409A prior to payment to such Participant of such amount, the Corporation may (i) adopt such amendments to the Plan and Deferred Share Units and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Deferred Share Units hereunder and/or (ii) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A.

Section 21 Interpretation.

In this Plan words importing the singular meaning shall include the plural and vice versa, and words importing the masculine shall include the feminine and neuter genders.

Section 22 Governing Law.

The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 23 Currency.

All amounts paid or values to be determined under the Plan shall be in U.S. dollars.

Section 24 Severability.

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan and any invalid or unenforceable provision shall be severed from the Plan.

Section 25 Notice.

Any notice, direction, payment or other communication required, permitted or contemplated by the Plan shall be in writing and shall be sufficiently given if mailed by prepaid registered mail or delivered to the Corporation at its head office (presently 1 Royal Gate Blvd, Suite D, Vaughan, ON, L4L 8Z7) and to the Participant at his or her address as shown on the books and records of the Corporation. Any such notice or other communication, if mailed, shall be deemed to have been given on the fifth day (including Saturdays, Sundays and statutory holidays) after the date of mailing and, if delivered, at the time of delivery, as the case may be. Any party may, at any time or from time to time by notice given as aforesaid to the parties, change its address for such notice or other communication.

**SCHEDULE “A”
SUSTAINCO INC.
DEFERRED SHARE UNIT GRANT AGREEMENT**

Name: [name of Participant]

Award Date [insert date]

SustainCo Inc. (the “**Corporation**”) has adopted the Deferred Share Unit Plan (the “**Plan**”). Your award is governed in all respects by the terms of the Plan, and the provisions of the Plan are hereby incorporated by reference. Capitalized terms used and not otherwise defined in this Grant Agreement shall have the meanings set forth in the Plan. If there is a conflict between the terms of this Grant Agreement and the Plan, the terms of the Plan shall govern.

Your Award The Corporation hereby grants to you [●] Deferred Share Units, which shall be payable on the Termination Date.

**PLEASE SIGN AND RETURN A COPY OF THIS GRANT AGREEMENT TO
THE CORPORATION.**

By your signature below, you acknowledge that you have received a copy of the Plan and have reviewed, considered and agreed to the terms of this Grant Agreement and the Plan.

Signature: _____

Date: _____

On behalf of the Corporation:

Name:
Title:

SCHEDULE "B"
SUSTAINCO INC. (THE "CORPORATION")
NOTICE OF REDEMPTION

I, _____, in respect of the
(print name)

Deferred Share Units that were granted to me as a Director of the Corporation, hereby elect to redeem _____ Deferred Share Units and to receive (check one):

() (i) Cash;

() (ii) Common Shares; or

() (iii) a combination of Cash and Common Shares as follows
_____.

If I elect to receive cash or a portion of my Deferred Share Units in cash, I acknowledge that the Corporation will deduct applicable withholding taxes in accordance with the Deferred Share Unit Plan.

If I elect to receive only Common Shares, or insufficient cash to pay applicable withholding taxes, I (check one):

() (i) enclose cash, a certified cheque, bank draft or money order payable to the Corporation in the amount of \$_____ as full payment for the applicable withholding taxes;

() (ii) undertake to direct that such number of Common Shares are to be sold, and the proceeds of such Common Shares delivered to the Corporation, as is necessary to put the Company in funds equal to the amount that would have otherwise been required in (i) above; or

() (iii) elect to redeem for cash such number of Deferred Share Units as is necessary raise funds sufficient to cover such withholding taxes with such amount being withheld by the Company.

Date: _____

(Name of Participant)

(Signature of Participant)

APPENDIX “C”

**CHARTER
OF
THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF
SUSTAINCO INC.**

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

I. PURPOSE

The overall purpose of the audit committee (the “Committee”) is to provide oversight of SustainCo Inc.’s (the “Corporation”) financial management and the design and implementation of an effective system of internal financial controls, to review and report to the Board of Directors (the “Board”) on the integrity of the financial statements of the Corporation, and to oversee, report, and make recommendations to the Board in respect of financial and non-financial risks faced by the Corporation.

II. PROCEDURES AND ORGANIZATION

- A. The Committee shall consist of at least three Board members, who are each financially literate¹.
- B. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the Committee’s chair (the “Chair”) and members of the Committee for the ensuing year. It is desirable that at least one member of the previous Committee be carried over to any newly constituted Committee. Any member may be removed from the Committee or replaced at any time by the Board and shall cease to be a member of the Committee upon ceasing to be a director of the Board.
- C. The Corporate Secretary of the Corporation shall be the secretary of the Committee (the “Secretary”), unless otherwise determined by the Committee.
- D. In the absence of the Chair or Secretary at any meeting of the Committee, the members present at the meeting shall appoint one of their members to act as chair of the Committee meeting and shall designate any director, officer or employee of the Corporation to act as secretary.
- E. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and hear each other.
- F. The Committee shall have access to such officers and employees of the Corporation, to the Corporation’s independent auditors, and to such information and records of the Corporation as it considers necessary or advisable in order to perform its duties and responsibilities.
- G. Meetings of the Committee shall be conducted as follows:
 - (i) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the Chair, one of which shall be to review the annual financial statements of the Corporation and three of which shall be to review the interim financial statements of the Corporation. Notice of meetings shall be given to each member not less than 24 hours before the time of the meeting. However, meetings of the Committee may be held without formal notice if all of the

¹ “financially literate” means the ability to read and understand a set of financial statements that presents a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

members are present and do not object to notice not having been given, or if those absent waive notice in any manner before or after the meeting;

- (ii) notice of meeting may be given verbally or by letter, facsimile, email or telephone and need not be accompanied by an agenda or any other material. The notice shall specify the purpose of the meeting;
 - (iii) the independent auditors shall receive notice of and be entitled to attend all meetings of the Committee; and
 - (iv) management representatives shall be invited to attend meetings as determined by the Committee, with the exception of those meetings deemed by the Committee as executive sessions and private sessions with the independent auditors.
- H. The independent auditors shall have a direct line of communication to the Committee through its Chair. The Committee, through its Chair, may contact an employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.
- I. The Committee shall take to the Board at its next regular meeting all such action it has taken since the previous report.
- J. The Chair shall call and convene a meeting of the Committee at the request of the Chief Executive Officer, a member of the Committee, or the independent auditors of the Corporation.
- K. Any matter to be voted upon shall be decided by a majority of the votes cast on the question. In the case of an equality of votes, the Chair shall be entitled to a second or deciding vote.

III. DUTIES AND RESPONSIBILITIES

- A. The general duties and responsibilities of the Committee shall be as follows:
- (i) to review the annual (consolidated) financial statements of the Corporation, including the notes and management discussion and analysis thereto, and recommend whether such financial statements should be approved by the Board;
 - (ii) to assist the Board in the discharge of its fiduciary responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls;
 - (iii) to provide oversight of the management of the Corporation in designing, implementing and maintaining an effective system of internal controls; and
 - (iv) to report regularly to the Board on the fulfillment of its duties and responsibilities.
- B. The duties and responsibilities of the Committee as they relate to the independent auditors shall be as follows:

- (i) to recommend to the Board a firm of auditors, established by the Committee to be independent, for recommendation to the shareholders of the Corporation for appointment by the Corporation;
 - (ii) to review the fee, scope and timing of the audit and other related services rendered by the independent auditors and recommend to the Board the compensation of the independent auditors;
 - (iii) to pre-approve all non-audit services to be provided to the Corporation by the independent auditors or, alternatively, to adopt specific policies and procedures for the engagement of non-audit services; and
 - (iv) to provide oversight of the work of the independent auditors and then to review with the independent auditors, upon completion of their audit:
 - (a) contents of their report;
 - (b) scope and quality of the audit work performed;
 - (c) adequacy of the Corporation's financial and auditing personnel;
 - (d) cooperation received from the Corporation's personnel during the audit;
 - (e) internal resources used;
 - (f) significant transactions outside of the normal business of the Corporation;
 - (g) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;
 - (h) the non-audit services provided by the independent auditors; and
 - (i) "management" letters and recommendations and management's response and follow-up of any identified issues or weaknesses.
- C. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation shall be:
- (i) to review the appropriateness and soundness of the Corporation's policies and practices with respect to internal auditing, insurance, accounting and financial controls, including through discussions with the Chief Executive Officer and Chief Financial Officer;
 - (ii) to review any unresolved issues between management and the independent auditors that could affect financial reporting or internal controls of the Corporation;
 - (iii) to review the appropriateness and soundness of the Corporation's procedures for the review of the Corporation's disclosure of financial information extracted or derived from its financial statements;

- (iv) to establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (v) to establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- (vi) to periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the staff or by the independent auditors have been implemented.

D. The duties and responsibilities of the Committee as they relate to risk management shall be:

- (i) to inquire of management and the independent auditor about significant business, political, financial and control risks or exposure to such risk;
 - (ii) to document the material risks that the Corporation faces and update as events change and risks shift;
 - (iii) to assess the steps management has taken to control identified risks to the Corporation, such as the use of hedging and insurance;
 - (iv) to review, at least annually, and more frequently if necessary, the Corporation's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks);
 - (v) to submit risk reports to the board and the independent auditors;
 - (vi) to review the following with management, with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:
 - (a) management's tolerance for financial risks;
 - (b) management's assessment of significant financial risks facing the Corporation; and
 - (c) the Corporation's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks;
- and
- (vii) to review with the Corporation's counsel legal matters which could have a material impact on the financial statements.

E. Other responsibilities of the Committee shall be:

- (i) to review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and the associated management discussion and analysis;
- (ii) to review, appraise and report to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

- (iii) to review any earnings press releases before the Corporation publicly discloses such information;
 - (iv) to review the appropriateness of the accounting policies used in the preparation of the Corporation's financial statements, and consider recommendations for any material change to such policies;
 - (v) to review and approve the hiring policies of the Corporation regarding employees and former employees of the present and former independent auditors of the Corporation;
 - (vi) to review with the Corporation's counsel legal matters which could have a material impact on the financial statements;
 - (vii) to determine that the Corporation has implemented adequate internal controls to ensure compliance with legal, ethical and regulatory requirements and that these controls are operating effectively; and
 - (viii) to develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board.
- F. In the carrying out of its responsibilities, the Committee has the authority:
- (i) to engage independent counsel and other advisors at the expense of the Corporation, as may be appropriate in the determination of the Committee;
 - (ii) to set and pay the compensation for any advisors employed by the Committee; and
 - (iii) to communicate directly with the internal and external auditors.
- G. The Committee may delegate to one or more independent² members the authority to pre-approve non-audit services, so long as the pre-approval is presented to the full Committee at its first scheduled meeting following such pre-approval.

² An "independent director" is defined as a director who has no direct or indirect material relationship with the Corporation. A material relationship means a relationship that could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. Certain relationships are prescribed by NI 52-110 as material, including a partner or executive officer of an entity providing paid accounting, consulting, legal, investment banking or financial advisory services to the Corporation.



SustainCo Inc.

Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of SustainCo Inc.

We have audited the accompanying consolidated financial statements of SustainCo Inc., which comprise the statements of financial position as at August 31, 2016 and 2015, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) 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 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 consolidated 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 audits 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 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, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on SustainCo Inc.'s ability to continue as a going concern.

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Mississauga, Ontario
December 21, 2016

MNP

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | August 31, 2016 | August 31, 2015 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 20,400 | \$ 33,042 |
| Accounts receivable, net of \$214,367 allowance (Aug 31, 2015 - \$215,579) | 3,950,863 | 3,483,364 |
| Unbilled receivables | 688,882 | 425,338 |
| Inventories (note 4) | 295,740 | 326,511 |
| Prepaid expenses | 89,790 | 66,142 |
| | 5,045,675 | 4,334,397 |
| Property and equipment (note 5) | 131,251 | 127,942 |
| Intangible assets (note 7) | 286,667 | 351,667 |
| Goodwill (note 6) | 599,802 | 599,802 |
| | \$ 6,063,395 | \$ 5,413,808 |
| Liabilities | | |
| Current liabilities | | |
| Trade payables and accrued liabilities | \$ 2,627,851 | \$ 2,540,418 |
| Bank indebtedness (note 12) | 60,357 | 525,104 |
| Acquisition payable | 60,000 | 60,000 |
| Deferred revenue | 1,074,798 | 447,064 |
| Notes payable (note 14) | 100,000 | - |
| Due to related parties (note 9) | 374,602 | 260,000 |
| | 4,297,608 | 3,832,586 |
| Notes payable (note 14) | 599,451 | - |
| Debentures (note 13) | - | 4,856,864 |
| | 4,897,059 | 8,689,450 |
| Shareholders' equity (deficiency) | | |
| Share capital (note 8) | 20,061,132 | 15,442,371 |
| Share-based payment reserve (note 8) | 2,142,152 | 1,600,869 |
| Deficit | (21,036,948) | (20,318,882) |
| | 1,166,336 | (3,275,642) |
| | \$ 6,063,395 | \$ 5,413,808 |

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

Nature of operations and going concern (note 1)

Subsequent event (note 20)

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)

| | | For the years ended August 31, | |
|--|-----------|---------------------------------------|-----------------------|
| | | 2016 | 2015 |
| Sales (note 16) | \$ | 14,288,823 | \$ 12,305,380 |
| Cost of sales (note 4) | | 10,815,951 | 8,958,595 |
| Gross profit | | 3,472,872 | 3,346,785 |
| General and administrative (note 11) | | 3,393,356 | 3,727,169 |
| Finance expense (note 9, 12, 13 & 14) | | 644,974 | 699,337 |
| Amortization and depreciation (note 5 & 7) | | 145,610 | 110,539 |
| Share-based payments (note 8) | | 66,283 | 117,616 |
| Loss on disposal of equipment (note 5) | | 8,733 | 21,564 |
| Loss on extinguishment of debentures (note 13) | | 424,332 | - |
| Gain on settlement of payables (note 19) | | (492,350) | - |
| Net loss and comprehensive loss | \$ | (718,066) | \$ (1,329,440) |
| Net loss per share | | | |
| Basic and diluted | \$ | (0.26) | \$ (0.57) |
| Weighted average shares outstanding | | 2,803,044 | 2,337,090 |

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

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

| | Share Capital | Share-based payment reserve | Deficit | Total |
|-------------------------------|------------------|--------------------------------|-----------------|----------------|
| Balance, August 31, 2014 | \$ 15,442,371 | \$ 1,483,253 | \$ (18,989,442) | \$ (2,063,818) |
| Share-based payments | - | 117,616 | - | 117,616 |
| Net loss for the year | - | - | (1,329,440) | (1,329,440) |
| Balance, August 31, 2015 | \$ 15,442,371 | \$ 1,600,869 | \$ (20,318,882) | \$ (3,275,642) |
| Issuance of shares for debt | 4,618,761 | - | - | 4,618,761 |
| Issuance of warrants for debt | - | 475,000 | - | 475,000 |
| Share-based payments | - | 66,283 | - | 66,283 |
| Net loss for the year | - | - | (718,066) | (718,066) |
| Balance, August 31, 2016 | \$ 20,061,132 | \$ 2,142,152 | \$ (21,036,948) | \$ 1,166,336 |

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

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

| | For the years ended August 31, | |
|--|--------------------------------|--------------------|
| | 2016 | 2015 |
| Cash flow from operating activities | | |
| Net loss | \$ (718,066) | \$ (1,329,440) |
| Add (deduct) items not involving cash | | |
| Accretion | 137,202 | 60,618 |
| Amortization and depreciation | 145,610 | 110,539 |
| Share-based payments | 66,283 | 117,616 |
| Loss on disposal of equipment | 8,733 | 21,564 |
| Loss on extinguishment of debentures (note 13) | 424,332 | - |
| Gain on settlement of payables (note 19) | (492,350) | - |
| Change in non-cash working capital | | |
| Accounts receivable | (467,499) | (65,484) |
| Unbilled receivables | (263,544) | (24,476) |
| Inventory | 30,771 | 25,316 |
| Prepaid expenses | (23,648) | 62,594 |
| Deferred revenue | 627,734 | 127,289 |
| Accounts payable and accrued liabilities | 579,783 | (135,832) |
| | 55,341 | (1,029,696) |
| Cash flow from financing activities | | |
| Issuance of notes payable | 100,000 | - |
| Payment of acquisition payable | - | (10,000) |
| Advance from related party | 389,416 | 131,801 |
| Repayment of bank indebtedness, net | (464,747) | (570,759) |
| | 24,669 | (448,958) |
| Cash flow from investing activities | | |
| Investment in property and equipment | (92,652) | (7,835) |
| Proceeds from sale of property and equipment | - | 4,694 |
| | (92,652) | (3,141) |
| (Decrease) in cash | (12,642) | (1,481,795) |
| Cash, beginning of period | 33,042 | 1,514,837 |
| Cash, ending of period | \$ 20,400 | \$ 33,042 |

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

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

1. Nature of Operations and Going Concern

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 1 Royal Gate Blvd., Suite D, Vaughan, 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 VCI CONTROLS Inc. (“VCI” or “VCI CONTROLS”).

CleanEnergy is a Canadian industry leading geosource 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.

These consolidated financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. Over the past two years the Company has incurred significant losses including operating losses for the years ended August 31, 2016 and 2015 of \$718,066 and \$1,329,440 respectively. As a result, the Company has an accumulated deficit of \$21,036,948 and working capital of \$748,067 at August 31, 2016. The Company has taken and continues to take steps to reduce these losses and ultimately become profitable including the restructuring of debt; however, losses may continue for the 2017 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 may require additional financing in the form of debt or equity. Failure to obtain such financing could result in delay or indefinite postponement of the Company’s strategic goals. These consolidated financial statements do not include any adjustments 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.

Notes to the Consolidated Financial Statements
For the years ended August 31, 2016 and 2015

2. Basis of Presentation

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International 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 21, 2016.

Basis of measurement and functional currency

The consolidated financial statements are prepared on the historical cost basis.

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. Revenues earned in excess of billings issued are recorded as unbilled receivables. Advance payments received from customers, in excess of revenue recognized, are classified as deferred revenue until the service is provided or the product delivered.

Service revenue is recognized on a straight-line basis over the term of the service agreement.

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.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

3. Summary of Significant Accounting Policies – continued

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 receivables, available-for-sale financial assets, or other financial liabilities. Loans and receivables, held-to-maturity investments, and other financial liabilities which are initially measured at fair value and then at amortized cost. FVTPL financial instruments are subsequently re-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 and accounts receivable are classified as loans and receivables, which are measured at amortized cost less any provision for impairment. Trade payables and accrued liabilities, bank indebtedness, acquisition payable, due to related parties, notes payable and debentures 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, 2016 and 2015. The Company assesses at each reporting period whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Foreign currency translation

Transactions in foreign currencies are initially recorded at the exchange 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.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Notes to the Consolidated Financial Statements
For the years ended August 31, 2016 and 2015

3. Summary of Significant Accounting Policies – continued

Income taxes - continued

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and 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 and equipment | – 10-20% |
| Computer equipment | – 30-40% |
| Job equipment | – 20-30% |
| Vehicles | – 20-30% |
| Leasehold improvements | – straight-line over the lease 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 consolidated 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.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

3. Summary of Significant Accounting Policies – continued

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 consolidated 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 consolidated 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, first out basis.
- Work in progress – cost of direct materials and labour.

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.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

3. Summary of Significant Accounting Policies – continued

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 impaired. 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’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 consolidated 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 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.

Notes to the Consolidated Financial Statements
For the years ended August 31, 2016 and 2015

3. Summary of Significant Accounting Policies – continued

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, 2016, 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 the greater of value in use calculations that use a discounted cash flow model and estimated fair value less cost to sell. 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. The estimated fair value less cost to sell is based on assessment of comparable company multiples and precedent transactions. Refer to Note 8 for more details on the current year impairment analysis.

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.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

3. Summary of Significant Accounting Policies – continued

Changes in accounting standards

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2016, and have not been applied in preparing these consolidated financial statements but may affect the Company.

IFRS 9 - Financial Instruments, 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, 2018, with early adoption permitted, specifies how and when to recognize revenue and enhances relevant disclosures to be applied to all contracts with customers.

IFRS 16 - Leases was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

The Company is currently assessing the effects of these new standards and intends to adopt them on their effective date.

4. 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 \$10,000 (2015 - \$nil), which has been included in cost of sales. Total raw materials, equipment and spare parts charged to cost of sales for the year was \$3,154,229 (2015 - \$3,095,663).

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

5. Property and Equipment

| | Computer equipment | Equipment | Vehicles | Furniture & fixtures | Leasehold improvements | Total |
|---------------------------------|-----------------------|-------------------|------------------|-------------------------|---------------------------|-------------------|
| Cost | | | | | | |
| At August 31, 2014 | \$ 280,720 | \$ 179,531 | \$ 58,102 | \$ 407,785 | \$ 32,591 | \$ 958,729 |
| Additions | 2,309 | 3,747 | - | 1,779 | - | 7,835 |
| Disposals | (106,865) | (76,373) | (22,368) | (160,766) | - | (366,372) |
| At August 31, 2015 | 176,164 | 106,905 | 35,734 | 248,798 | 32,591 | 600,192 |
| Additions | 81,450 | 11,202 | - | - | - | 92,652 |
| Disposals | (80,007) | (16,663) | - | (18,246) | (20,250) | (135,166) |
| At August 31, 2016 | \$ 177,607 | \$ 101,444 | \$ 35,734 | \$ 230,552 | \$ 12,341 | \$ 557,678 |
| Accumulated depreciation | | | | | | |
| At August 31, 2014 | \$ 222,145 | \$ 144,354 | \$ 41,531 | \$ 334,695 | \$ 24,100 | \$ 766,825 |
| Expense for the year | 17,578 | 11,870 | 4,181 | 9,949 | 1,961 | 45,539 |
| Disposals | (104,240) | (72,206) | (18,949) | (144,719) | - | (340,114) |
| At August 31, 2015 | 135,483 | 84,018 | 26,763 | 199,925 | 26,061 | 472,250 |
| Expense for the year | 44,540 | 7,948 | 2,826 | 23,416 | 1,880 | 80,610 |
| Disposals | (75,590) | (14,593) | - | (16,000) | (20,250) | (126,433) |
| At August 31, 2016 | \$ 104,433 | \$ 77,373 | \$ 29,589 | \$ 207,341 | \$ 7,691 | \$ 426,427 |
| Net book value | | | | | | |
| At August 31, 2015 | \$ 40,681 | \$ 22,887 | \$ 8,971 | \$ 48,873 | \$ 6,530 | \$ 127,942 |
| At August 31, 2016 | \$ 73,174 | \$ 24,071 | \$ 6,145 | \$ 23,211 | \$ 4,650 | \$ 131,251 |

The Company disposed of equipment resulting in a loss of \$8,733 for the year ended August 31, 2016 (2015 - \$21,564).

6. Goodwill

The Company completed the acquisition of VCI in fiscal 2014, resulting in goodwill of \$599,802.

For 2016, the Company performed an impairment test, which compared the carrying amount of VCI to the recoverable amount. VCI is regarded as its own CGU, as it is the smallest identifiable group of assets that generates cash inflows, which consists of VCI's trade name, customer relationships and goodwill as listed above and in Note 7.

Using a five year (and related terminal value) discounted future cash flow model, the Company determined the recoverable amount by calculating its value in use. The recoverable amount of the CGU was determined to be above its carrying value as at August 31, 2016.

The key assumptions used in the discounted future cash flow model in fiscal 2016 include projections surrounding pricing, competition, market trends, growth rates and expense cuts. The model used average annual revenue growth rates between 3% and 7% and post-tax discount rates of 20%. A sensitivity analysis was performed using different gross margin rates of 25% and 26% and concluded there was no impairment on the VCI CGU. Management believes that the discount rate reasonably reflects the risks associated with cash flow projections for the business.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

7. Intangible Assets

| | Customer relationships | Exclusivity contracts | Brand or trade name | Total |
|--|------------------------|-----------------------|---------------------|------------|
| Cost | | | | |
| At Aug 31, 2014, 2015, and August 31, 2016 | \$ 395,000 | \$ 180,000 | \$ 203,000 | \$ 778,000 |
| Accumulated depreciation | | | | |
| At August 31, 2014 | 113,333 | 180,000 | 68,000 | 361,333 |
| Expense for the year | 65,000 | - | - | 65,000 |
| At August 31, 2015 | \$ 178,333 | \$ 180,000 | \$ 68,000 | \$ 426,333 |
| Expense for the year | 65,000 | - | - | 65,000 |
| At August 31, 2016 | \$ 243,333 | \$ 180,000 | \$ 68,000 | \$ 491,333 |
| Net book value | | | | |
| At August 31, 2015 | \$ 216,667 | \$ - | \$ 135,000 | \$ 351,667 |
| At August 31, 2016 | \$ 151,667 | \$ - | \$ 135,000 | \$ 286,667 |

8. Share Capital

(a) Authorized

An unlimited number of common shares

(b) Issued

| | Number of shares | Amount |
|--|------------------|----------------------|
| Issued as at August 31, 2014 and August 31, 2015 | 2,337,090 | \$ 15,442,371 |
| Shares issued for debt | 7,105,800 | 4,618,761 |
| Issued as at August 31, 2016 | 9,442,890 | \$ 20,061,132 |

In August 2016, the Company issued 6,683,009 common shares valued at \$4,343,951 as part of the extinguishment of its debentures (note 13).

In August 2016, the Company issued 422,791 common shares valued at \$274,810 as part of the extinguishment of its debt to a related party (note 9(a)(i)).

During the year, the Company consolidated its common shares on a 20 to 1 basis. All figures presented in these consolidated statements have been adjusted on a fully retrospective bases for the effect of this consolidation.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

8. 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 the discounted fair market value of the common shares on the date of grant.

The option details of the Company are as follows:

| Weighted average exercise price | Number of Options | Weighted average remaining life (years) | Vested |
|-----------------------------------|-------------------|---|----------------|
| \$2.00 | 77,500 | 3.58 | 58,125 |
| \$10.00 | 17,500 | 0.00 | 17,500 |
| \$13.60 | 35,000 | 1.59 | 35,000 |
| Balance at August 31, 2016 | 130,000 | 2.56 | 110,625 |

30,000 options expired unexercised during the year from accelerated expiration due to consultants and employees leaving the Company (2015 – 2,500) and 17,500 options were forfeited (2015 – nil). On September 1, 2016, 17,500 stock options exercisable at \$10.00 expired.

In April 2015, the Company granted 112,500 options with an exercise price of \$2.00 per share, for a period of 5 years from the date of grant. The options vest 25% upon grant, with the remainder vesting 25% per six months thereafter. The Company uses the Black-Scholes option pricing model to determine the fair value of options granted. The assumptions used were the following: volatility of 100%; risk-free interest rate of 0.73%; expected life of 5 years; dividend yield of nil; forfeiture rate of nil; share price of \$0.11.

In 2016, the Company recognized share-based payment expense of \$66,283 (2015 - \$117,616).

(d) Warrants

| Weighted average exercise price | Number of warrants | Weighted average remaining life (years) |
|-----------------------------------|--------------------|---|
| \$0.65 | 1,251,750 | 4.94 |
| \$5.00 | 25,375 | 0.78 |
| Balance at August 31, 2016 | 1,277,125 | 4.86 |

In August 2016, the Company issued 1,251,750 warrants valued at \$475,000 as part of the extinguishment of its debentures (note 13). The warrants are exercisable at \$0.65 for a period of 5 years and were valued using the Black Scholes option pricing model and the following assumptions: share price - \$0.65, exercise price - \$0.65, volatility – 93%, risk-free rate – 0.6%, expected life – 3 years. No warrants expired unexercised during the year (2015 – 126,725).

(e) Agent options

| | Number of agent options | Weighted average exercise price | Weighted average remaining life |
|------------------------------|-------------------------|---------------------------------|---------------------------------|
| Outstanding, August 31, 2016 | 1,309 | \$5.00 | 0.78 |

No agent options expired unexercised during the year (2015 – 10,138).

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

9. Related Party Balances and Transactions

(a) Due to related parties is as follows:

| | August 31, 2016 | August 31, 2015 |
|------------------------------|--------------------|--------------------|
| Promissory notes payable (i) | \$ 90,917 | \$ 135,000 |
| Consideration payable (ii) | 125,000 | 125,000 |
| Demand loan payable (iii) | 158,685 | - |
| | \$ 374,602 | \$ 260,000 |

- (i) Notes payable to a corporation controlled by an officer and director of the Company bearing interest at 12% per annum. During the year, additional notes in the amount of \$200,000 were advanced to the Company. In August 2016, the Company signed a settlement agreement under which it extinguished \$245,000 of the notes and accrued interest totalling \$29,810 in exchange for 422,791 common shares valued at \$274,810. There was no gain or loss recognized as a result of this transaction. As at August 31, 2016, the balance payable comprises \$90,000 in promissory notes (2015 – \$135,000) and accrued interest of \$917 (2015 - \$nil). Total interest expense on these promissory notes for the year ended August 31, 2016 was \$30,731 (2015 – \$nil).
- (ii) A corporation that holds significant influence over the Company is owed \$125,000 (August 31, 2015 - \$125,000), which is outstanding consideration payable for the qualifying transaction. These amounts are non-interest bearing and are due on demand.
- (iii) In February 2016 the Company received a demand loan in the amount of \$152,250 from a corporation controlled by an officer and director of the Company bearing interest at 8% per annum. During the year ended August 31, 2016, interest of \$6,435 has accrued on the balance (2015 - \$nil).

Additional related party disclosures

- (b) During the year, rent of \$15,500 (2015 - \$37,200) was paid to a company controlled by an officer of the Company, for additional office space used by the Company.
- (c) As part of the debenture extinguishment described in note 13, 379,112 common shares valued at \$246,423 were issued to a corporation controlled by an officer and director of the Company in settlement of \$241,500 debentures and \$4,923 accrued interest.
- (d) Remuneration of key management personnel of the Company for the year ended August 31, 2016, included \$405,000 of short-term compensation (2015 - \$456,335). In 2016, no stock options were issued to key management. In 2015, 92,500 stock options were issued to key management generating \$54,499 of share-based compensation expense in 2016 (2015 – \$96,706). Within accounts payable, there is \$327,776 payable to key management personnel (2015 \$66,261).

Notes to the Consolidated Financial Statements
For the years ended August 31, 2016 and 2015

10. Financial Instruments and Risk Management

Capital management

The Company's capital currently consists of debt and equity (deficiency). 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.

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 (note 12).

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 (see note 1).

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

Notes to the Consolidated Financial Statements
For the years ended August 31, 2016 and 2015

10. Financial Instruments and Risk Management – continued

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, 2016 | | August 31, 2015 | |
|----------------------------------|------------------------|------------------|------------------------|-----------|
| Within 30 | \$ | 1,868,206 | \$ | 1,492,358 |
| 31 to 60 | | 670,473 | | 1,149,097 |
| 61 to 90 | | 453,736 | | 345,558 |
| Over 90 | | 574,648 | | 235,172 |
| Holdbacks | | 383,800 | | 261,179 |
| Total accounts receivable | \$ | 3,950,863 | \$ | 3,483,364 |

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

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. The Company also has notes payable (note 13) bearing fixed rates of interest.

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.

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.

Notes to the Consolidated Financial Statements
For the years ended August 31, 2016 and 2015

11. General and Administrative Expense

| | For the years ended August 31, | |
|----------------------------------|---------------------------------------|---------------------|
| | 2016 | 2015 |
| Salaries and wages | \$ 1,895,562 | \$ 2,123,819 |
| Office expense | 839,556 | 894,698 |
| Professional and consulting fees | 474,097 | 489,826 |
| Travel | 82,264 | 67,477 |
| Bad debts | 101,877 | 151,349 |
| | \$ 3,393,356 | \$ 3,727,169 |

12. Bank Indebtedness

As at August 31, 2016, bank indebtedness is made up of a \$nil demand operating loan and \$60,357 bank overdraft (2015 - \$315,000 and \$210,104 respectively).

The demand operating loan bears interest at the Royal Bank prime rate plus 3.60% (6.30% at August 31, 2016), which was increased from Royal Bank prime rate plus 1.60%. Security for the above indebtedness is comprised of a general security agreement, and postponement and assignment of claim of amounts due to related parties. The Company previously entered into a forbearance agreement with the bank, which reduces the operating loan maximum to \$650,000.

During the year ended August 31, 2016, interest of approximately \$10,643 (2015 - \$27,977) 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 August 31, 2016, VCI is in compliance with this financial covenant.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

13. Debentures

The Company had issued \$5,075,000 of debentures bearing interest at a rate of 12% per annum with a maturity date of June 2019.

In August 2016, the Company settled all issued and outstanding debentures through the issuance of 6,683,009 of common shares, \$834,500 of promissory notes payable (note 14), and 1,251,750 warrants.

| | August 31 2016 | August 31 2015 |
|------------------------------|-------------------|-------------------|
| Opening balance | \$ 4,856,864 | \$ 4,796,246 |
| Accretion expense | 28,294 | 60,618 |
| Extinguishment of debentures | (4,885,158) | - |
| Closing balance | \$ - | \$ 4,856,864 |

The loss on extinguishment on the settlement is determined as follows:

| | |
|--|---------------------|
| Fair value of 6,683,009 common shares issued (note 8(b)) | \$ 4,343,951 |
| Fair value of 1,251,750 warrants issued (note 8(d)) | 475,000 |
| Fair value of \$834,500 interest-free promissory note (note 14) | 593,981 |
| Total fair value of consideration issued to extinguish debentures | \$ 5,412,932 |
| Carrying value of debentures prior to extinguishment | \$ 4,885,158 |
| Accrued interest on debentures | 103,442 |
| Total value of debt extinguished | \$ 4,988,600 |
| Loss on extinguishment of debentures | \$ 424,332 |

14. Notes Payable

The Company was advanced \$100,000 as notes payable during the period. The notes are repayable upon demand and are non-interest bearing.

In August 2016, in connection with the extinguishment of debentures described in note 13, the Company issued \$834,500 of promissory notes payable. The notes have a three-year term and are non-interest bearing. The Company determined the fair value of the notes on initial recognition to be \$593,981 based on a discount rate of 12%. The Company recognized accretion interest of \$5,470 during the year (2015 - \$nil).

Notes to the Consolidated Financial Statements
For the years ended August 31, 2016 and 2015

15. Contingent Liabilities and Commitments

The Company is involved in several 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 adverse effect on the financial position of the Company.

The Company has a lease commitment for the rental of office space and vehicles. The minimum payments payable over the next five years are as follows:

| | |
|--------------|-------------------|
| 2017 | \$ 259,000 |
| 2018 | 200,000 |
| 2019 | 92,000 |
| 2020 | 47,000 |
| 2021 | 23,000 |
| Thereafter | 4,000 |
| Total | \$ 625,000 |

16. Revenues

| | Year ended August 31, | |
|--|------------------------------|----------------------|
| | 2016 | 2015 |
| Construction and other project revenue | \$ 10,703,063 | \$ 8,095,925 |
| Repairs revenue | 1,195,758 | 1,452,422 |
| Service revenue | 2,192,416 | 2,129,885 |
| Product revenue | 197,586 | 627,148 |
| | \$ 14,288,823 | \$ 12,305,380 |

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

17. Segmented Information

| Year ended August 31, 2016 | Corporate | Geoexchange services | Controls and Mechanical contracting | Total |
|--------------------------------------|----------------|----------------------|-------------------------------------|---------------------|
| Capital expenditures | \$ - | \$ - | \$ 92,652 | \$ 92,652 |
| Total assets | 21,001 | 609,861 | 5,432,533 | 6,063,395 |
| Statement of operations | | | | |
| Revenue | - | 1,396,970 | 12,891,853 | 14,288,823 |
| Cost of sales | - | (1,245,433) | (9,570,518) | (10,815,951) |
| General and administrative | (749,216) | (180,160) | (2,463,980) | (3,393,356) |
| Finance expense | (622,513) | (1,778) | (20,683) | (644,974) |
| Share-based payments | (66,283) | - | - | (66,283) |
| Amortization and depreciation | - | (24,265) | (121,345) | (145,610) |
| Loss (gain) on disposal of equipment | - | - | (8,733) | (8,733) |
| Loss on extinguishment of debentures | (424,332) | - | - | (424,332) |
| Gain on settlement of payables | 492,350 | - | - | 492,350 |
| Segmented (loss) income | \$ (1,369,994) | \$ (54,666) | \$ 706,594 | \$ (718,066) |

| Year ended August 31, 2015 | Corporate | Geoexchange services | Controls and Mechanical contracting | Total |
|--------------------------------------|----------------|----------------------|-------------------------------------|-----------------------|
| Capital expenditures | \$ - | \$ - | \$ 7,835 | \$ 7,835 |
| Total assets | 20,232 | 356,424 | 5,037,152 | 5,413,808 |
| Statement of operations | | | | |
| Revenue | - | 1,451,336 | 10,854,044 | 12,305,380 |
| Cost of sales | - | (972,461) | (7,986,134) | (8,958,595) |
| General and administrative | (921,388) | (400,976) | (2,404,805) | (3,727,169) |
| Finance expense | (669,574) | (1,153) | (28,610) | (699,337) |
| Share-based payments | (117,616) | - | - | (117,616) |
| Amortization and depreciation | - | (5,670) | (104,869) | (110,539) |
| Loss (gain) on disposal of equipment | - | 2,774 | (24,338) | (21,564) |
| Segmented (loss) income | \$ (1,708,578) | \$ 73,850 | \$ 305,288 | \$ (1,329,440) |

Notes to the Consolidated Financial Statements

For the years ended August 31, 2016 and 2015

18. Income Taxes

Current Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income taxes rate of 26.5% (2015 – 26.5%) to the effective tax rate is as follows:

| | 2016 | 2015 |
|--|--------------|--------------|
| Net loss before income taxes | \$ 718,066 | \$ 1,329,440 |
| Expected income tax recovery | \$ (190,287) | \$ (352,302) |
| Tax rate changes and other adjustments | 10,575 | (10,122) |
| Non-deductible expenses | (5,036) | 30,173 |
| Change in tax benefits not recognized | 184,748 | 332,251 |
| Income tax (recovery) expense | \$ - | \$ - |

Deferred Tax

The following table summarizes the components of deferred tax:

| | 2016 | 2015 |
|------------------------------------|---------------|----------------|
| Deferred Tax Assets | | |
| Property and equipment | \$ 12,499 | \$ 3,792 |
| Share issuance costs | 1,727 | 2,629 |
| SR&ED pool | - | 32,197 |
| Non-capital losses carried forward | - | 113,790 |
| Warranty provision | 12,111 | - |
| Cumulative eligible capital | 483 | 491 |
| Investment tax credits | 46,863 | - |
| | 75,483 | 176,127 |
| Deferred Tax Liabilities | | |
| Completed contract revenue | - | (4,654) |
| Intangible asset | (75,483) | (84,130) |
| Warranty provision | - | (10,119) |
| Debentures | - | (77,224) |
| Net deferred tax liabilities | \$ - | \$ - |

Notes to the Consolidated Financial Statements
For the years ended August 31, 2016 and 2015

18. Income Taxes - continued

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

| Net deferred tax assets | 2016 | 2015 |
|------------------------------------|-----------|-----------|
| Property and equipment | \$ 50,143 | \$ - |
| Debenture | 233,130 | - |
| Share issuance costs | 164,901 | 352,774 |
| Non-capital losses carried forward | 9,446,644 | 8,727,325 |
| Net capital losses carried forward | 5,910,090 | 5,910,090 |
| Cumulative eligible capital | 220,143 | 220,143 |

The Canadian non-capital loss carry forwards expire as noted in the table below. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2018. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

| | |
|------|---------------------|
| 2031 | \$ 1,216,153 |
| 2032 | 227,870 |
| 2033 | 2,776,930 |
| 2034 | 2,465,504 |
| 2035 | 1,572,934 |
| 2036 | 1,187,253 |
| | <u>\$ 9,446,644</u> |

19. Gain on Settlement of Payables

The Company recognized a gain on settlement of payables of \$492,350 during the year (2015 - \$nil) based on negotiations with various vendors and service providers.

20. Subsequent Events

On September 1, 2016, 17,500 stock options exercisable at \$10.00 expired (note 8(c)).

In November the Ontario Labour Relations Board ordered the certification of the United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada, Local 787, effective June 1, 2017, as the exclusive bargaining agent for the refrigeration and air-conditioning mechanics and apprentices employed by VCI Controls Inc., a wholly-owned subsidiary of the Company, in Ontario.



SustainCo Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended August 31, 2016

SustainCo Inc.
Management's Discussion & Analysis
For the year ended August 31, 2016



December 21, 2016

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, 2016 and 2015. 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, 2016.

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 VCI CONTROLS Inc. (“VCI” or “VCI CONTROLS”) and Clean Energy Developments Corp. (“CleanEnergy”).

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 disparate building systems utilizing the latest in communications technologies and standards. VCI’s business focuses on building automation and controls, HVAC mechanical services, real-time performance monitoring, and energy efficient retrofit and solutions.

Founded in 1981, VCI has an installed customer base of over 1,400 clients including 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.

With headquarters in Toronto, VCI employs over 70 people in Halifax, Montreal, Pembroke, Ottawa, and Toronto.

CleanEnergy Overview

CleanEnergy is a Canadian industry leading geoexchange company that provides heating and cooling solutions for multi-residential and commercial buildings using energy from the earth. It provides a complete energy solution, including engineering and design, geothermal installation, equipment and controls, and project management.

Overall Performance

Projects

VCI 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.

VCI has recently completed a contract worth over \$650,000 to upgrade and integrate the energy management and control systems for a large government facility in New Brunswick.

VCI is currently retrofitting a large number of boiler plant, booster pump and BAS systems across a number of buildings for a multi-residential asset owner. The combined value of these contracts is in excess of two million dollars.

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. In addition, CleanEnergy is in the process of completing geoexchange installations at a number of other locations, including the Springdale Library for the City of Brampton.

Selected Financial Information

Selected annual information

| | 2016 | 2015 | 2014 |
|---|---------------|---------------|--------------|
| Total revenue | \$ 14,288,823 | \$ 12,305,380 | \$ 8,345,642 |
| Net loss from continuing operations | \$ 718,066 | \$ 1,329,440 | \$ 3,227,008 |
| Net loss from discontinued operations | \$ nil | \$ nil | \$ 704,435 |
| Net loss | \$ 718,066 | \$ 1,329,440 | \$ 3,931,443 |
| Net loss per share from continuing operations | \$ 0.26 | \$ 0.57 | \$ 1.64 |
| Net loss per share from discontinued operations | \$ nil | \$ nil | \$ 0.36 |
| Total assets | \$ 6,063,395 | \$ 5,413,808 | \$ 7,022,515 |
| Long-term liabilities | \$ 599,451 | \$ 4,856,864 | \$ 4,796,246 |
| Dividends per share | \$ nil | \$ nil | \$ nil |

SustainCo Inc.
Management's Discussion & Analysis
For the year ended August 31, 2016



Selected Quarterly Financial Information

| | Q4-2016 \$ | Q3-2016 \$ | Q2-2016 \$ | Q1-2016 \$ | Q4-2015 \$ | Q3-2015 \$ | Q2-2015 \$ | Q1-2015 \$ |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 3,416,625 | 4,333,584 | 3,726,051 | 2,812,563 | 3,274,937 | 3,416,203 | 2,710,410 | 2,903,830 |
| Net income (loss) | (110,103) | (64,680) | (245,291) | (297,992) | (278,981) | (452,355) | (329,919) | (268,185) |
| Basic & diluted earnings (loss) per share | (0.01) | (0.01) | (0.11) | (0.13) | (0.13) | (0.19) | (0.14) | (0.11) |

Results of Operations

Sales and Direct Costs

The Company had the following sales and direct costs:

| | Year ended August 31, | |
|-------------------------------------|-----------------------|--------------|
| | 2016 | 2015 |
| Revenue | | |
| Geoexchange services | \$ 1,396,970 | \$ 1,451,336 |
| Controls and Mechanical contracting | 12,891,853 | 10,854,044 |
| Total Revenue | 14,288,823 | 12,305,380 |
| Cost of sales | | |
| Geoexchange services | (1,245,433) | (972,461) |
| Controls and Mechanical contracting | (9,570,518) | (7,986,134) |
| Total Cost of sales | (10,815,951) | (8,958,595) |
| Gross margin | | |
| Geoexchange services | 151,537 | 478,875 |
| Controls and Mechanical contracting | 3,321,335 | 2,867,910 |
| Gross margin | \$ 3,472,872 | \$ 3,346,785 |

Total revenues from geoexchange services was \$1,396,970 for 2016, a decrease of 3.8% from the same period in 2015. 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. Cost of sales of relate to direct materials and expenditures, equipment costs and materials for products and services sold. Margins decreased from the prior year from 33.0% to 10.9% for 2016 due to the variability in margins from project to project.

The controls and mechanical contracting services recognized revenue of \$12,891,853 in 2016, which is an increase of 18.8% from the same period in 2015. Revenues are earned from engineering services, building automation controls, mechanical and electrical installation, performance monitoring, and operations and maintenance services for multi-residential and ICI facilities. The Cost of sales of relate to direct materials and expenditures for products and services sold. Margins for this division were 25.8% for 2016, which is a slight decrease compared to last year at 26.4%.

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General and Administrative Costs

| | Corporate | | Geoexchange services | | Controls and Mechanical contracting | |
|----------------------------------|------------|------------|----------------------|------------|-------------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Salaries and wages | \$ 502,566 | \$ 664,282 | \$ 74,805 | \$ 137,640 | \$ 1,318,191 | \$ 1,321,897 |
| Professional and consulting fees | 115,869 | 108,792 | 27,970 | 38,115 | 330,258 | 342,919 |
| Office costs | 130,578 | 146,885 | 35,666 | 177,571 | 673,312 | 570,242 |
| Travel costs | 1,188 | 1,429 | 20,546 | 29,852 | 60,530 | 36,196 |
| Bad debts | (985) | - | 21,173 | 17,798 | 81,689 | 133,551 |
| | \$ 749,216 | \$ 921,388 | \$ 180,160 | \$ 400,976 | \$ 2,463,980 | \$ 2,404,805 |

General and administrative costs decreased by \$333,813 in 2016 compared to the prior year as the Company pursues cost reductions. General and administrative costs in the Corporate segment decreased from \$921,388 in 2015 to \$749,216 in 2016. In the Geoexchange division there was a significant decrease compared to the prior year due to reduction in office costs. There was a modest increase for the Controls and Mechanical contracting division from 2015 to 2016. Overall, the Company has continued its cost cutting measures to reduce general and administrative costs wherever possible, with an overall reduction of general and administrative costs to \$3,393,356 for the year ended August 31, 2016 versus \$3,727,169 in the prior year.

Amortization and Depreciation

Amortization and depreciation increased to \$145,610 for the year ended August 31, 2016 versus \$110,539 in 2015. This consists of amortization and depreciation of intangible assets acquired with VCI Controls, as well as equipment within the two segments. There were modest capital expenditures in 2016, at \$92,652 versus \$7,835 in 2015.

Finance Expense

Finance expenses of \$644,974 (2015 - \$699,337) were incurred for the year ended August 31, 2016 and relate to interest and bank charges on the Company's bank indebtedness and debentures. The Company restructured its debt near the end of fiscal 2016. Going forward, the Company expects to have significantly decreased its finance expenses.

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Loss on Extinguishment of Debentures

In August 2016, the Company settled all issued and outstanding debentures through the issuance of 6,683,009 of common shares, \$834,500 of promissory notes payable, and 1,251,750 warrants. The warrants had an exercise price of \$0.65 per share, expiring 5 years from the date of issuance.

The loss on extinguishment on the settlement is determined as follows:

| | |
|--|---------------------|
| Fair value of 6,683,009 common shares issued | \$ 4,343,951 |
| Fair value of 1,251,750 warrants issued | 475,000 |
| Fair value of \$834,500 interest-free promissory note | 593,981 |
| Total fair value of consideration issued to extinguish debentures | \$ 5,412,932 |
| Carrying value of debentures prior to extinguishment | \$ 4,885,158 |
| Accrued interest on debentures | 103,442 |
| Total value of debt extinguished | \$ 4,988,600 |
| Loss on extinguishment of debentures | \$ 424,332 |

Share-based Payments

Total share-based payments for the year ended August 31, 2016 was \$66,283, compared to \$117,616 in 2015. These share-based payments are a non-cash cost.

Net Loss

The Company continues to record business losses as SustainCo continues to build on its strategy. However, the Company is making progress towards achieving break-even, with a decrease in the net loss for the year ended August 31, 2016 to \$718,066 (2015 - \$1,329,440). The controls and mechanical contracting division recorded a net income of \$706,592 (2015 - \$305,288), while the corporate and geexchange services divisions reported a loss of \$1,369,992 and \$54,666 respectively during 2016 (2015 - \$1,708,578 loss and \$73,850 income, respectively).

Fourth Quarter

The Company reported a small net loss for the fourth quarter ended August 31, 2016 at \$110,103 or \$0.01 per share, versus \$278,981 in Q4 2015 or a loss of \$0.13 per share. The main factors for this difference is the reduction in general and administrative expenses, one-time gains of \$492,350 generated from settlement of payables, and growth in gross profit in 2016.

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, 2016, the Company had working capital of \$748,067. As at the date of this report, the Company's working capital has not materially changed from that reported at August 31, 2016. Working capital provides funds for the Company

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to meet its operational and capital requirements.

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

(a) Due to related parties is as follows:

| | August 31, 2016 | August 31, 2015 |
|------------------------------|----------------------------|--------------------|
| Promissory notes payable (i) | \$ 90,917 | \$ 135,000 |
| Consideration payable (ii) | 125,000 | 125,000 |
| Demand loan payable (iii) | 158,685 | - |
| | \$ 374,602 | \$ 260,000 |

- (i) Notes payable to a corporation controlled by an officer and director of the Company bearing interest at 12% per annum. During the year, additional notes in the amount of \$200,000 were advanced to the Company. In August 2016, the Company signed a settlement agreement under which it extinguished \$245,000 of the notes and accrued interest totalling \$29,810 in exchange for 422,791 common shares valued at \$274,810. There was no gain or loss recognized as a result of this transaction. As at August 31, 2016, the balance payable comprises \$90,000 in promissory notes (2015 - \$135,000) and accrued interest of \$917 (2015 - \$nil). Total interest expense on these promissory notes for the year ended August 31, 2016 was \$30,731 (2015 - \$nil).
- (ii) A corporation that holds significant influence over the Company is owed \$125,000 (August 31, 2015 - \$125,000), which is outstanding consideration payable for the qualifying transaction. These amounts are non-interest bearing and are due on demand.
- (iii) In February 2016 the Company received a demand loan in the amount of \$152,250 from a corporation controlled by an officer and director of the Company bearing interest at 8% per annum. During the year ended August 31, 2016, interest of \$6,435 has accrued on the balance (2015 - \$nil).

Additional related party disclosures

- (b) During the year, rent of \$15,500 (2015 - \$37,200) was paid to a company controlled by an officer of the Company, for additional office space used by the Company.
- (c) As part of the debenture extinguishment, 379,112 common shares valued at \$246,423 were issued to a corporation controlled by an officer and director of the Company in settlement of \$241,500 debentures and \$4,923 accrued interest.

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- (d) Remuneration of key management personnel of the Company for the year ended August 31, 2016, included \$405,000 of short-term compensation (2015 - \$456,335). In 2016, no stock options were issued to key management. In 2015, 92,500 stock options were issued to key management generating \$54,499 of share-based compensation expense in 2016 (2015 - \$96,706). Within accounts payable, there is \$327,776 payable to key management personnel (2015 \$66,261).

Financial Instruments Risk Exposure and Management

The Company's financial instruments consist of cash, accounts receivable, trade payables and accrued liabilities, bank indebtedness, due to related parties, 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, 2016 | | August 31, 2015 | |
|----------------------------------|------------------------|------------------|------------------------|------------------|
| Within 30 | \$ | 1,868,206 | \$ | 1,492,358 |
| 31 to 60 | | 670,473 | | 1,149,097 |
| 61 to 90 | | 453,736 | | 345,558 |
| Over 90 | | 574,648 | | 235,172 |
| Holdbacks | | 383,800 | | 261,179 |
| Total accounts receivable | \$ | 3,950,863 | \$ | 3,483,364 |

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

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. The Company also has notes payable bearing a fixed rate of interest.

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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2016, 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, 2018, with early adoption permitted, specifies how and when to recognize revenue and enhances relevant disclosures to be applied to all contracts with customers.

IFRS 16 - Leases was issued by the IASB on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"). The Company will be required to adopt amendments to IAS 1, which includes amendments to further encourage companies to apply judgment in determining what information to disclose in their financial statements for annual periods beginning on or after January 1, 2016.

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

Subsequent events

On September 1, 2016, 17,500 stock options exercisable at \$10.00 expired.

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.

Unionization

On November 30, 2016 the Company announced that the Ontario Labour Relations Board (the "OLRB") has ordered the certification of the United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada, Local 787 (the "Union"), effective June 1, 2017, as the exclusive bargaining agent for the refrigeration and air-conditioning mechanics and apprentices employed by VCI Controls Inc.

The Company will be making adjustments to its business model to ensure continuity and continued profitability and growth.

Disclosure of Outstanding Share Data

As at the date of this report, there were 9,442,890 issued and outstanding common shares in the capital of the Company. The Company has outstanding options to purchase an aggregate of 112,500 common shares, outstanding warrants to purchase an aggregate of 1,277,125 common shares, and outstanding agent options to purchase an aggregate of 1,309 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.

SustainCo Inc.
Management's Discussion & Analysis
For the year ended August 31, 2016

Over the past two years the Company has incurred significant losses including operating losses for the years ended August 31, 2016 and 2015 of \$718,066 and \$1,329,440 respectively. As a result, the Company has an accumulated deficit of \$21,036,948 and working capital of \$748,067 at August 31, 2016. The Company has taken and continues to take steps to reduce these losses and ultimately become profitable; however, losses could be expected to continue for the 2017 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 additional financing in the form of debt or equity. 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.