



## **SustainCo Inc.**

**Condensed Interim Consolidated Financial Statements**

**For the three and six months ended February 28, 2019 and 2018**

**(Unaudited, Expressed in Canadian Dollars)**

**Notice of No Auditor Review of Interim Financial Statements**

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

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

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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**Condensed Interim Consolidated Statements of Financial Position**
**As at**
*(Unaudited, Expressed in Canadian Dollars)*

	<b>February 28, 2019</b>	August 31, 2018 <i>(Audited)</i>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 316,536	\$ 93,548
Accounts receivable, net of \$6,506 allowance (August 31, 2018 - \$131,381)	4,440,020	3,980,307
Unbilled receivables	626,506	702,039
Inventories (note 4)	233,897	297,026
Prepaid expenses	119,216	81,295
	<b>5,736,175</b>	5,154,215
Property and equipment (note 5)	99,223	101,813
Intangible assets (note 7)	135,000	156,667
Goodwill (note 6)	599,802	599,802
	<b>\$ 6,570,200</b>	\$ 6,012,497
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 11)	\$ 319,719	\$ 352,909
Trade payables and accrued liabilities	2,348,020	1,822,058
Deferred revenue	1,201,429	885,238
Notes payable (note 12)	50,000	50,000
Promissory notes payable (note 12)	650,832	618,330
Current income tax payable	34,882	19,173
	<b>4,604,882</b>	3,747,708
Deferred income taxes	25,779	40,453
	<b>4,630,661</b>	3,788,161
<b>Shareholders' equity</b>		
Share capital (note 8)	21,011,132	21,011,132
Share-based payment reserve (note 8)	2,229,156	2,229,156
Deficit	(21,300,749)	(21,015,952)
	<b>1,939,539</b>	2,224,336
	<b>\$ 6,570,200</b>	\$ 6,012,497

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

Nature of operations and going concern (note 1)

Approved on behalf of the Board

Signed: "Emlyn J. David"

Director

Signed: "Michael Galloro"

Director

**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

**For the three and six months ended February 28, 2019 and 2018**

*(Unaudited, Expressed in Canadian Dollars)*

	For the three months ended February 28,		For the six months ended February 28,	
	2019	2018	2019	2018
Sales (note 14)	\$ 3,730,914	\$ 2,924,675	\$ 8,542,162	\$ 6,459,895
Cost of sales (note 4)	3,268,944	2,081,693	7,052,211	4,792,709
Gross profit	461,970	842,982	1,489,951	1,667,186
General and administrative (note 10)	903,950	737,546	1,668,492	1,425,482
Amortization and depreciation (notes 5 & 7)	12,798	23,354	35,932	45,371
Finance expense (notes 11 & 12)	22,719	18,295	41,991	37,765
Share-based payments (note 8)	-	19,693	-	41,721
Inventory provision (note 4)	53,284	-	53,284	-
Bad debt expense (recovery)	(54,788)	-	(54,788)	-
Income (loss) from operations before income taxes	(475,993)	44,094	(254,960)	116,847
Tax expense	(14,837)	-	(29,837)	-
<b>Net income (loss) and comprehensive income (loss) after income taxes</b>	<b>(490,830)</b>	<b>44,094</b>	<b>(284,797)</b>	<b>116,847</b>
<b>Net income (loss) per share</b>				
Basic and diluted	\$ (0.03)	\$ 0.00	\$ (0.02)	\$ 0.01
Weighted average shares outstanding	15,776,223	15,776,223	15,776,223	15,776,223

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

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**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**For the periods ended February 28, 2019 and 2018**  
*(Unaudited, Expressed in Canadian Dollars)*

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	Share Capital		Share-Based Payment Reserve		Deficit	Total
Balance, August 31, 2017	\$	21,011,132	\$	2,173,805	\$ (20,892,095)	\$ 2,292,842
Share-based payments ( <i>note 8</i> )		-		41,721	-	41,721
Net income for the period		-		-	116,847	116,847
Balance, February 28, 2018	\$	21,011,132	\$	2,215,526	\$ (20,775,248)	\$ 2,451,410
Balance, August 31, 2018	\$	21,011,132	\$	2,229,156	\$ (21,015,952)	\$ 2,224,336
Net loss for the period		-		-	(284,797)	(284,797)
<b>Balance, February 28, 2019</b>	<b>\$</b>	<b>21,011,132</b>	<b>\$</b>	<b>2,229,156</b>	<b>\$ (21,300,749)</b>	<b>\$ 1,939,539</b>

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

**Condensed Interim Consolidated Statements of Cash Flows**  
**For the six months ended February 28, 2019 and 2018**  
*(Unaudited, Expressed in Canadian Dollars)*

	<b>For the six months ended February 28,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flow from (used in) operating activities</b>		
Net income (loss)	\$ (284,797)	\$ 116,847
Add (deduct) items not involving cash		
Accretion (note 12)	32,502	32,502
Amortization and depreciation (notes 5 & 7)	35,932	45,371
Share-based payments (note 8)	-	41,721
Inventory provision (note 4)	53,284	-
Change in non-cash working capital		
Accounts receivable	(459,713)	(453,595)
Unbilled receivables	75,533	6,810
Inventories	9,845	3,958
Prepaid expenses	(37,921)	11,429
Deferred revenue	316,191	156,220
Accounts payable and accrued liabilities	525,962	(251,907)
Current income tax payable	15,709	(59,581)
Deferred income taxes	(14,674)	-
	<b>267,853</b>	<b>(350,225)</b>
<b>Cash flow used in financing activities</b>		
Repayment of notes payable (note 12)	-	(6,000)
Repayment of bank indebtedness (note 11)	(33,190)	-
Acquisition payable	-	(30,000)
	<b>(33,190)</b>	<b>(36,000)</b>
<b>Cash flow used in investing activities</b>		
Investment in property and equipment (note 5)	(11,675)	(25,694)
	<b>(11,675)</b>	<b>(25,694)</b>
<b>Increase (decrease) in cash</b>	<b>222,988</b>	<b>(411,919)</b>
<b>Cash, beginning of period</b>	<b>93,548</b>	<b>472,305</b>
<b>Cash, end of period</b>	<b>\$ 316,536</b>	<b>\$ 60,386</b>

*The accompanying notes are an integral part of these condensed interim financial statements*

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**Notes to the Condensed Interim Consolidated Financial Statements**

*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*

*(Expressed in Canadian Dollars)*

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## **1. Nature of Operations and Going Concern**

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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 geoexchange company that provides heating and cooling solutions for residential and commercial buildings using energy from the earth.

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 condensed interim 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. The Company incurred a net loss of \$284,797 for the six months ended February 28, 2019 (2018 - net income of \$116,847) and has an accumulated deficit of \$21,300,749 (August 31, 2018 - \$21,015,952). As a result, there is significant 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, 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.

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**Notes to the Condensed Interim Consolidated Financial Statements**

*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*

*(Expressed in Canadian Dollars)*

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## **2. Basis of Presentation**

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### **Statement of compliance**

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended August 31, 2018, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These financial statements were authorized for issue by the Board of Directors on April 23, 2019.

### **Basis of measurement and functional currency**

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

The condensed interim 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**

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These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended August 31, 2018.

### **Use of estimates**

The preparation of these condensed interim 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 critical assumptions concerning the key sources of estimation uncertainty are consistent with those in the audited financial statements of the Company for the year ended August 31, 2018.

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**Notes to the Condensed Interim Consolidated Financial Statements**

*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*

*(Expressed in Canadian Dollars)*

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### **3. Summary of Significant Accounting Policies – continued**

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*Standards issued and effective for the period ended February 28, 2019:*

IFRS 9 – Financial Instruments (“IFRS 9”) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

IFRS 15 - Revenue from Contracts with Customers, specifies how and when to recognize revenue and enhances relevant disclosures to be applied to all contracts with customers. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

The Company has assessed the impact of these standards and have determined that they do not have a significant impact on the Company’s condensed consolidated interim financial statements.

*Standard issued but not yet effective for the period ended February 28, 2019:*

IFRS 16 - Leases (“IFRS 16”) was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be 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. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

The Company has not early adopted this standard and is currently assessing the impact that it will have on the condensed consolidated interim financial statements.

**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

## 4. Inventories

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

Total raw materials, equipment, and spare parts charged to cost of sales for the three and six months ended February 28, 2019 were \$729,545 and \$1,657,713, respectively (2018 - \$592,222 and \$1,304,984, respectively).

Inventories are stated at the lower of cost or market. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. In the current quarter, the Company incurred a one-time charge of \$53,284 (2018 – \$Nil).

## 5. Property and Equipment

	Computer equipment	Equipment	Vehicles	Furniture & fixtures	Leasehold improvements	Total
<b>Cost</b>						
At August 31, 2017	\$ 169,077	\$ 100,043	\$ 16,041	\$ 234,058	\$ 9,341	\$ 528,560
Additions for the year	18,980	20,629	4,175	800	-	44,584
Disposals for the year	(1,656)	-	(5,205)	(1,779)	-	(8,640)
At August 31, 2018	\$ 186,401	\$ 120,672	\$ 15,011	\$ 233,079	\$ 9,341	\$ 564,504
Additions for the period	3,157	3,522	4,996	-	-	11,675
<b>At February 28, 2019</b>	<b>\$ 189,558</b>	<b>\$ 124,194</b>	<b>\$ 20,007</b>	<b>\$ 233,079</b>	<b>\$ 9,341</b>	<b>\$ 576,179</b>
<b>Accumulated depreciation</b>						
At August 31, 2017	\$ 138,797	\$ 75,460	\$ 13,895	\$ 207,899	\$ 6,576	\$ 442,627
Additions for the year	13,297	8,626	1,131	2,900	1,870	27,824
Disposals for the year	(1,317)	-	(4,664)	(1,779)	-	(7,760)
At August 31, 2018	\$ 150,777	\$ 84,086	\$ 10,362	\$ 209,020	\$ 8,446	\$ 462,691
Expense for the period	6,149	4,781	1,207	1,233	895	14,265
<b>At February 28, 2019</b>	<b>\$ 156,926</b>	<b>\$ 88,867</b>	<b>\$ 11,569</b>	<b>\$ 210,253</b>	<b>\$ 9,341</b>	<b>\$ 476,956</b>
<b>Net book value</b>						
At August 31, 2018	\$ 35,624	\$ 36,586	\$ 4,649	\$ 24,059	\$ 895	\$ 101,813
<b>At February 28, 2019</b>	<b>\$ 32,632</b>	<b>\$ 35,327</b>	<b>\$ 8,438</b>	<b>\$ 22,826</b>	<b>\$ -</b>	<b>\$ 99,223</b>

## 6. Goodwill

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

**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

## 7. Intangible Assets

	Customer relationships		Brand or trade name		Total
<b>Cost</b>					
At August 31, 2018 and February 28, 2019	\$	395,000	\$	203,000	\$ 598,000
<b>Accumulated depreciation</b>					
At August 31, 2017	\$	308,333	\$	68,000	\$ 376,333
Expense for the year		65,000		-	65,000
At August 31, 2018		373,333		68,000	441,333
Expense for the period		21,667		-	21,667
<b>At February 28, 2019</b>	<b>\$</b>	<b>395,000</b>	<b>\$</b>	<b>68,000</b>	<b>\$ 463,000</b>
<b>Net book value</b>					
At August 31, 2018	\$	21,667	\$	135,000	\$ 156,667
<b>At February 28, 2019</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>135,000</b>	<b>\$ 135,000</b>

## 8. Share Capital

### (a) Authorized

An unlimited number of common shares.

### (b) Issued

As of February 28, 2019, there were 15,776,223 common shares outstanding (August 31, 2018 – 15,776,223 common shares outstanding) and share capital of \$21,011,132 (August 31, 2018 – \$21,011,132).

### (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	72,500	1.09	72,500
\$0.15	700,000	3.46	700,000
<b>Balance at February 28, 2019</b>	<b>772,500</b>	<b>3.24</b>	<b>772,500</b>

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**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

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## 8. Share Capital (continued)

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For the six months ended February 28, 2019, the Company recognized share-based payment expense of \$Nil (2018 - \$41,721). The Company did not issue any stock options during the periods ended February 28, 2019 and 2018.

**(d) Warrants**

Weighted average exercise price	Number of warrants	Weighted average remaining life (years)
\$0.65	1,251,750	2.44
<b>Balance at February 28, 2019</b>	<b>1,251,750</b>	<b>2.44</b>

## 9. Financial Instruments and Risk Management

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### Capital management

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

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

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 11).

### 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 (note 1).

The carrying value of accounts receivable, trade payables and accrued liabilities, bank indebtedness, acquisition payable, notes and debentures 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.

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**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

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## 9. Financial Instruments and Risk Management – continued

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### 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 recorded amounts will be collected. Holdbacks are received upon substantial completion of the projects.

<b>Accounts receivable aging</b>	<b>February 28, 2019</b>	<b>August 31, 2018</b>
Within 30	\$ 2,193,561	\$ 1,871,517
31 to 60	877,290	937,020
61 to 90	297,963	352,591
Over 90	506,345	553,022
Holdbacks	564,861	266,157
<b>Total accounts receivable</b>	<b>\$ 4,440,020</b>	<b>\$ 3,980,307</b>

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

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 0% 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 Condensed Interim Consolidated Financial Statements**  
*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

## 10. General and Administrative Expense

	For the three months ended February 28,		For the six months ended February 28,	
	2019	2018	2019	2018
Salaries and wages	\$ 520,086	\$ 527,196	\$ 973,129	\$ 949,744
Office expense	180,124	132,342	371,272	327,204
Professional and consulting fees	148,955	30,996	248,720	78,847
Travel	54,785	47,012	75,371	69,687
	\$ 903,950	\$ 737,546	\$ 1,668,492	\$ 1,425,482

## 11. Bank Indebtedness

As at February 28, 2019, bank indebtedness was \$319,719 (August 31, 2018 - \$352,909).

The demand operating loan bears interest at the Royal Bank prime rate plus 1.6% (1.6% at August 31, 2018). Security for the above indebtedness is comprised of a general security agreement, and postponement and assignment of claim of amounts due to related parties.

During the three and six months ended February 28, 2019, interest of approximately \$4,155 and \$6,391, respectively, (2018 - \$1,521 and \$2,099, respectively) 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 February 28, 2019, VCI is in compliance with this financial covenant.

## 12. Notes Payable

The Company was advanced \$100,000 as notes payable during 2016. The notes are repayable upon demand and are non-interest bearing. The Company repaid \$24,500 of notes payable during the year ended August 31, 2018 (2017 - \$25,500). During the six months ended February 28, 2019, the Company repaid \$Nil (2018 - \$6,000) leaving \$50,000 outstanding as of February 28, 2019 (August 31, 2018 - \$50,000).

In August 2016, in connection with the extinguishment of debentures, 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%. As of February 28, 2019, the principal balance remaining was \$676,600 (August 31, 2018 - \$676,600). The Company recognized accretion interest of \$16,251 and \$32,502, respectively, during the three and six months ended February 28, 2019 (2018 - \$16,251 and \$32,502, respectively), resulting in a carrying value of \$650,832 as of February 28, 2019 (August 31, 2018 - \$618,330).

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**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

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### 13. Contingent Liabilities and Commitments

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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:

2019	\$ 173,154
2020	105,698
2021	81,568
2022	41,076
2023	6,609
<b>Total</b>	<b>\$ 408,105</b>

### 14. Revenues

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	For the three months ended February 28,		For the six months ended February 28,	
	2019	2018	2019	2018
Construction and other project revenue	\$ 2,729,235	\$ 1,954,737	\$ 6,553,598	\$ 4,529,524
Repairs revenue	303,077	368,607	566,479	726,993
Service revenue	696,739	595,219	1,417,594	1,193,666
Product revenue	1,863	6,112	4,491	9,712
	<b>\$ 3,730,914</b>	<b>\$ 2,924,675</b>	<b>\$ 8,542,162</b>	<b>\$ 6,459,895</b>

Certain prior year balances have been reclassified to conform to the current year's presentation.

**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

## 15. Segmented Information

<b>Three months ended February 28, 2019</b>	<b>Corporate</b>	<b>Geoexchange services</b>	<b>Controls and Mechanical contracting</b>	<b>Total</b>
Capital expenditures	\$ -	\$ 552	\$ 4,588	\$ 5,140
Total assets	177,827	976,353	5,416,020	6,570,200
<b>Statement of operations</b>				
Revenue	-	938,376	2,792,538	3,730,914
Cost of sales	-	(810,322)	(2,458,622)	(3,268,944)
General and administrative	(204,562)	(58,483)	(640,905)	(903,950)
Finance expense	(16,301)	(3,741)	(2,677)	(22,719)
Inventory provision	-	-	(53,284)	(53,284)
Bad debt recovery	-	12,940	41,848	54,788
Amortization and depreciation	-	(248)	(12,550)	(12,798)
Tax expense	-	-	(14,837)	(14,837)
<b>Segmented income (loss)</b>	\$ (220,863)	\$ 78,522	\$ (348,489)	\$ (490,830)

  

<b>Three months ended February 28, 2018</b>	<b>Corporate</b>	<b>Geoexchange services</b>	<b>Controls and Mechanical contracting</b>	<b>Total</b>
Capital expenditures	\$ -	\$ 10,105	\$ 6,893	\$ 16,998
Total assets	45,674	465,351	5,478,961	5,989,986
<b>Statement of operations</b>				
Revenue	-	33,662	2,891,013	2,924,675
Cost of sales	-	(34,293)	(2,047,400)	(2,081,693)
General and administrative	(115,158)	(21,670)	(600,718)	(737,546)
Finance expense	(16,285)	(213)	(1,797)	(18,295)
Share-based payments	(19,693)	-	-	(19,693)
Amortization and depreciation	-	(293)	(23,061)	(23,354)
<b>Segmented income (loss)</b>	\$ (151,136)	\$ (22,807)	\$ 218,037	\$ 44,094

**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and six months ended February 28, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

## 15. Segmented Information – continued

<b>Six months ended February 28, 2019</b>	<b>Corporate</b>	<b>Geoexchange services</b>	<b>Controls and Mechanical contracting</b>	<b>Total</b>
Capital expenditures	\$ -	\$ 3,522	\$ 8,153	\$ 11,675
Total assets	177,827	976,353	5,416,020	6,570,200
<b>Statement of operations</b>				
Revenue	-	1,922,241	6,619,921	8,542,162
Cost of sales	-	(1,573,869)	(5,478,342)	(7,052,211)
General and administrative	(324,868)	(111,007)	(1,232,617)	(1,668,492)
Finance expense	(32,615)	(3,984)	(5,392)	(41,991)
Inventory provision	-	-	(53,284)	(53,284)
Bad debt recovery	-	12,940	41,848	54,788
Amortization and depreciation	-	(496)	(35,436)	(35,932)
Tax expense	-	-	(29,837)	(29,837)
<b>Segmented income (loss)</b>	<b>\$ (357,483)</b>	<b>\$ 245,825</b>	<b>\$ (173,139)</b>	<b>\$ (284,797)</b>

  

<b>Six months ended February 28, 2018</b>	<b>Corporate</b>	<b>Geoexchange services</b>	<b>Controls and Mechanical contracting</b>	<b>Total</b>
Capital expenditures	\$ -	\$ 12,219	\$ 13,475	\$ 25,694
Total assets	45,674	465,351	5,478,961	5,989,986
<b>Statement of operations</b>				
Revenue	-	603,520	5,856,375	6,459,895
Cost of sales	-	(488,475)	(4,304,234)	(4,792,709)
General and administrative	(234,595)	(50,243)	(1,140,644)	(1,425,482)
Finance expense	(32,601)	(2,676)	(2,488)	(37,765)
Share-based payments	(41,721)	-	-	(41,721)
Amortization and depreciation	-	(405)	(44,966)	(45,371)
<b>Segmented income (loss)</b>	<b>\$ (308,917)</b>	<b>\$ 61,721</b>	<b>\$ 364,043</b>	<b>\$ 116,847</b>