



## **SustainCo Inc.**

**Condensed Interim Consolidated Financial Statements**

**For the three and nine months ended May 31, 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>May 31, 2019</b>	August 31, 2018 <i>(Audited)</i>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 273,251	\$ 93,548
Accounts receivable, net of \$7,351 allowance (August 31, 2018 - \$131,381)	3,699,264	3,980,307
Unbilled receivables	353,590	702,039
Inventories (note 4)	244,758	297,026
Prepaid expenses	132,503	81,295
	<b>4,703,366</b>	5,154,215
Property and equipment (note 5)	94,498	101,813
Intangible assets (note 7)	135,000	156,667
Goodwill (note 6)	599,802	599,802
	<b>\$ 5,532,666</b>	\$ 6,012,497
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 11)	\$ -	\$ 352,909
Trade payables and accrued liabilities	1,738,912	1,822,058
Deferred revenue	890,278	885,238
Notes payable (note 12)	-	50,000
Promissory notes payable (note 12)	667,083	618,330
Current income tax payable	19,173	19,173
	<b>3,315,446</b>	3,747,708
Deferred income taxes	25,779	40,453
	<b>3,341,225</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	(21,048,847)	(21,015,952)
	<b>2,191,441</b>	2,224,336
	<b>\$ 5,532,666</b>	\$ 6,012,497

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 nine months ended May 31, 2019 and 2018**

*(Unaudited, Expressed in Canadian Dollars)*

	For the three months ended May 31,		For the nine months ended May 31,	
	2019	2018	2019	2018
Sales (note 14)	\$ 3,568,506	\$ 3,694,830	\$ 12,110,668	\$ 10,154,725
Cost of sales (note 4)	2,510,409	2,784,872	9,562,620	7,577,581
Gross profit	1,058,097	909,958	2,548,048	2,577,144
General and administrative (note 10)	838,204	836,054	2,506,696	2,261,536
Amortization and depreciation (notes 5 & 7)	7,034	23,469	42,966	68,840
Finance expense (notes 11 & 12)	18,814	17,345	60,805	55,110
Share-based payments (note 8)	-	7,464	-	49,185
Inventory provision (note 4)	-	-	53,284	-
Bad debt expense (recovery)	11,777	-	(43,011)	-
Gain on disposal of equipment (note 5)	(3,925)	(959)	(3,925)	(959)
Gain on settlement of debt (note 12)	(50,000)	-	(50,000)	-
Income (loss) from operations before income taxes	236,193	26,585	(18,767)	143,432
Tax expense (recovery)	15,709	-	(14,128)	-
<b>Net income (loss) and comprehensive income (loss) after income taxes</b>	<b>251,902</b>	<b>26,585</b>	<b>(32,895)</b>	<b>143,432</b>
<b>Net income (loss) per share</b>				
Basic and diluted	\$ 0.02	\$ 0.00	\$ (0.00)	\$ 0.01
Weighted average shares outstanding	15,776,223	15,776,223	15,776,223	15,776,223

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**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**For the periods ended May 31, 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> )		-		49,185	-	49,185
Net income for the period		-		-	143,432	143,432
Balance, May 31, 2018	\$	21,011,132	\$	2,222,990	\$ (20,748,663)	\$ 2,485,459
Balance, August 31, 2018	\$	21,011,132	\$	2,229,156	\$ (21,015,952)	\$ 2,224,336
Net loss for the period		-		-	(32,895)	(32,895)
<b>Balance, May 31, 2019</b>	<b>\$</b>	<b>21,011,132</b>	<b>\$</b>	<b>2,229,156</b>	<b>\$ (21,048,847)</b>	<b>\$ 2,191,441</b>

**Condensed Interim Consolidated Statements of Cash Flows**  
**For the nine months ended May 31, 2019 and 2018**  
*(Unaudited, Expressed in Canadian Dollars)*

	<b>For the nine months ended May 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flow from (used in) operating activities</b>		
Net income (loss)	\$ (32,895)	\$ 143,432
Add (deduct) items not involving cash		
Accretion (note 12)	48,752	48,752
Amortization and depreciation (notes 5 & 7)	42,966	68,840
Share-based payments (note 8)	-	49,185
Gain on disposal of equipment (note 5)	(3,925)	(959)
Inventory provision (note 4)	53,284	-
Gain on settlement of debt (note 12)	(50,000)	-
Change in non-cash working capital		
Accounts receivable	281,043	111,611
Unbilled receivables	348,449	(47,650)
Inventories	(1,016)	16,684
Prepaid expenses	(51,208)	(27,614)
Deferred revenue	5,040	(181,100)
Accounts payable and accrued liabilities	(83,146)	(288,065)
Current income tax payable	-	(59,581)
Deferred income taxes	(14,673)	-
	<b>542,671</b>	<b>(166,465)</b>
<b>Cash flow used in financing activities</b>		
Repayment of notes payable (note 12)	-	(15,000)
Repayment of bank indebtedness (note 11)	(352,909)	-
Acquisition payable	-	(30,000)
	<b>(352,909)</b>	<b>(45,000)</b>
<b>Cash flow used in investing activities</b>		
Investment in property and equipment (note 5)	(15,769)	(30,894)
Proceeds from sale of property and equipment (note 5)	5,710	1,501
	<b>(10,059)</b>	<b>(29,393)</b>
<b>Increase (decrease) in cash</b>	<b>179,703</b>	<b>(240,858)</b>
<b>Cash, beginning of period</b>	<b>93,548</b>	<b>472,305</b>
<b>Cash, end of period</b>	<b>\$ 273,251</b>	<b>\$ 231,447</b>

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**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and nine months ended May 31, 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 \$32,895 for the nine months ended May 31, 2019 (2018 - net income of \$143,432) and has an accumulated deficit of \$21,048,847 (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 nine months ended May 31, 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 July 17, 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 nine months ended May 31, 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 May 31, 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 May 31, 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 nine months ended May 31, 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 nine months ended May 31, 2019 were \$537,193 and \$2,194,906, respectively (2018 - \$845,731 and \$2,150,715, 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. During the nine months ended May 31, 2019, 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	5,052	3,859	4,996	1,862	-	15,769
Disposals for the period	(20,547)	-	-	-	-	(20,547)
<b>At May 31, 2019</b>	<b>\$ 170,906</b>	<b>\$ 124,531</b>	<b>\$ 20,007</b>	<b>\$ 234,941</b>	<b>\$ 9,341</b>	<b>\$ 559,726</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	9,374	7,828	1,803	1,399	895	21,299
Disposals for the period	(18,762)	-	-	-	-	(18,762)
<b>At May 31, 2019</b>	<b>\$ 141,389</b>	<b>\$ 91,914</b>	<b>\$ 12,165</b>	<b>\$ 210,419</b>	<b>\$ 9,341</b>	<b>\$ 465,228</b>
<b>Net book value</b>						
At August 31, 2018	\$ 35,624	\$ 36,586	\$ 4,649	\$ 24,059	\$ 895	\$ 101,813
<b>At May 31, 2019</b>	<b>\$ 29,517</b>	<b>\$ 32,617</b>	<b>\$ 7,842</b>	<b>\$ 24,522</b>	<b>\$ -</b>	<b>\$ 94,498</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 nine months ended May 31, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

## 7. Intangible Assets

	Customer relationships		Brand or trade name		Total
Cost					
At August 31, 2018 and May 31, 2019	\$	395,000	\$	203,000	\$ 598,000
Accumulated depreciation					
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
At May 31, 2019	\$	395,000	\$	68,000	\$ 463,000
Net book value					
At August 31, 2018	\$	21,667	\$	135,000	\$ 156,667
At May 31, 2019	\$	-	\$	135,000	\$ 135,000

## 8. Share Capital

### (a) Authorized

An unlimited number of common shares.

### (b) Issued

As of May 31, 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:

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**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and nine months ended May 31, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

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## 8. Share Capital - continued

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### (c) Stock options - continued

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<b>Weighted average exercise price</b>	<b>Number of Options</b>	<b>Weighted average remaining life (years)</b>	<b>Vested</b>
\$2.00	72,500	0.84	72,500
\$0.15	700,000	3.21	700,000
<b>Balance at May 31, 2019</b>	<b>772,500</b>	<b>2.99</b>	<b>772,500</b>

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For the nine months ended May 31, 2019, the Company recognized share-based payment expense of \$Nil (2018 - \$49,185). The Company did not issue any stock options during the periods ended May 31, 2019 and 2018.

### (d) Warrants

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<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Weighted average remaining life (years)</b>
\$0.65	1,251,750	2.19
<b>Balance at May 31, 2019</b>	<b>1,251,750</b>	<b>2.19</b>

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**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and nine months ended May 31, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

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## **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, notes and promissory notes payable, reflected in the consolidated statement of financial position approximates fair value because of the short-term nature of these instruments.

**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and nine months ended May 31, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

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

<b>Accounts receivable aging</b>	<b>May 31, 2019</b>	<b>August 31, 2018</b>
Within 30	\$ 1,696,397	\$ 1,871,517
31 to 60	645,033	937,020
61 to 90	617,416	352,591
Over 90	413,084	553,022
Holdbacks	327,334	266,157
<b>Total accounts receivable</b>	<b>\$ 3,699,264</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 nine months ended May 31, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

## 10. General and Administrative Expense

	For the three months ended May 31, 2019		For the nine months ended May 31, 2018	
	2019	2018	2019	2018
Salaries and wages	\$ 510,135	\$ 544,970	\$ 1,483,264	\$ 1,494,714
Office expense	212,260	215,469	583,532	542,673
Professional and consulting fees	83,079	46,631	331,799	125,478
Travel	32,730	28,984	108,101	98,671
	\$ 838,204	\$ 836,054	\$ 2,506,696	\$ 2,261,536

## 11. Bank Indebtedness

As at May 31, 2019, bank indebtedness was \$Nil (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 nine months ended May 31, 2019, interest of approximately \$7,744 (2018 - \$2,615) related to the above indebtedness has been charged to interest expense.

VCI is subject to a financial covenant related to its bank indebtedness which consists of a maximum threshold for its liabilities to tangible net worth ratio. At May 31, 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 nine months ended May 31, 2019, the Company repaid \$Nil (2018 - \$15,000). The outstanding balance of \$50,000 (August 31, 2018 - \$50,000) was recognized as a gain on settlement of debt during the period ended May 31, 2019.

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 May 31, 2019, the principal balance remaining was \$676,600 (August 31, 2018 - \$676,600). The Company recognized accretion interest of \$16,251 and \$48,753, respectively, during the three and nine months ended May 31, 2019 (2018 - \$16,250 and \$48,752, respectively), resulting in a carrying value of \$667,083 as of May 31, 2019 (August 31, 2018 - \$618,330).

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**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and nine months ended May 31, 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	\$ 69,405
2020	263,611
2021	258,611
2022	188,914
2023	94,132
<b>Total</b>	<b>\$ 874,673</b>

### **14. Revenues**

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	<b>For the three months ended May 31,</b>		<b>For the nine months ended May 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Construction and other				
project revenue	\$ 2,555,030	\$ 2,798,915	\$ 9,108,628	\$ 7,328,439
Repairs revenue	317,992	291,881	884,471	1,018,874
Service revenue	689,021	601,057	2,106,615	1,794,723
Product revenue	6,463	2,977	10,954	12,689
	<b>\$ 3,568,506</b>	<b>\$ 3,694,830</b>	<b>\$ 12,110,668</b>	<b>\$ 10,154,725</b>

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



**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and nine months ended May 31, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

## 15. Segmented Information

<b>Three months ended May 31, 2019</b>	<b>Corporate</b>	<b>Geoexchange services</b>	<b>Controls and Mechanical contracting</b>	<b>Total</b>
Capital expenditures	\$ -	\$ 337	\$ 3,757	\$ 4,094
Total assets	37,475	895,617	4,599,574	5,532,666
<b>Statement of operations</b>				
Revenue	-	1,218,639	2,349,867	3,568,506
Cost of sales	-	(608,785)	(1,901,624)	(2,510,409)
General and administrative	(142,158)	(78,678)	(617,368)	(838,204)
Finance expense	(16,296)	(179)	(2,339)	(18,814)
Bad debt recovery (expense)	-	(845)	(10,932)	(11,777)
Gain on disposal of equipment	-	-	3,925	3,925
Gain on settlement of debt	50,000	-	-	50,000
Amortization and depreciation	-	(247)	(6,787)	(7,034)
Tax expense (recovery)	-	-	15,709	15,709
<b>Segmented income (loss)</b>	<b>\$ (108,454)</b>	<b>\$ 529,905</b>	<b>\$ (169,549)</b>	<b>\$ 251,902</b>

  

<b>Three months ended May 31, 2018</b>	<b>Corporate</b>	<b>Geoexchange services</b>	<b>Controls and Mechanical contracting</b>	<b>Total</b>
Capital expenditures	\$ -	\$ 1,025	\$ 4,175	\$ 5,200
Total assets	30,243	405,973	5,221,592	5,657,808
<b>Statement of operations</b>				
Revenue	-	44,497	3,650,333	3,694,830
Cost of sales	-	(30,793)	(2,754,079)	(2,784,872)
General and administrative	(135,268)	(41,267)	(659,519)	(836,054)
Finance expense	(16,295)	(189)	(861)	(17,345)
Share-based payments	(7,464)	-	-	(7,464)
Gain on disposal of equipment	-	-	959	959
Amortization and depreciation	-	(324)	(23,145)	(23,469)
<b>Segmented income (loss)</b>	<b>\$ (159,027)</b>	<b>\$ (28,076)</b>	<b>\$ 213,688</b>	<b>\$ 26,585</b>

**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and nine months ended May 31, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

## 15. Segmented Information – continued

<b>Nine months ended May 31, 2019</b>	<b>Corporate</b>	<b>Geoexchange services</b>	<b>Controls and Mechanical contracting</b>	<b>Total</b>
Capital expenditures	\$ -	\$ 3,859	\$ 11,910	\$ <b>15,769</b>
Total assets	37,475	895,617	4,599,574	<b>5,532,666</b>
<b>Statement of operations</b>				
Revenue	-	3,140,880	8,969,788	<b>12,110,668</b>
Cost of sales	-	(2,182,654)	(7,379,966)	<b>(9,562,620)</b>
General and administrative	(467,026)	(189,685)	(1,849,985)	<b>(2,506,696)</b>
Finance expense	(48,912)	(4,163)	(7,730)	<b>(60,805)</b>
Inventory provision	-	-	(53,284)	<b>(53,284)</b>
Bad debt recovery (expense)	-	12,095	30,916	<b>43,011</b>
Gain on disposal of equipment	-	-	3,925	<b>3,925</b>
Gain on settlement of debt	50,000	-	-	<b>50,000</b>
Amortization and depreciation	-	(743)	(42,223)	<b>(42,966)</b>
Tax expense (recovery)	-	-	(14,128)	<b>(14,128)</b>
<b>Segmented income (loss)</b>	<b>\$ (465,938)</b>	<b>\$ 775,730</b>	<b>\$ (342,687)</b>	<b>\$ (32,895)</b>

<b>Nine months ended May 31, 2018</b>	<b>Corporate</b>	<b>Geoexchange services</b>	<b>Controls and Mechanical contracting</b>	<b>Total</b>
Capital expenditures	\$ -	\$ 13,244	\$ 17,650	\$ <b>30,894</b>
Total assets	30,243	405,973	5,221,592	<b>5,657,808</b>
<b>Statement of operations</b>				
Revenue	-	648,017	9,506,708	<b>10,154,725</b>
Cost of sales	-	(519,268)	(7,058,313)	<b>(7,577,581)</b>
General and administrative	(369,863)	(91,510)	(1,800,163)	<b>(2,261,536)</b>
Finance expense	(48,896)	(2,865)	(3,349)	<b>(55,110)</b>
Share-based payments	(49,185)	-	-	<b>(49,185)</b>
Gain on disposal of equipment	-	-	959	<b>959</b>
Amortization and depreciation	-	(729)	(68,111)	<b>(68,840)</b>
<b>Segmented income (loss)</b>	<b>\$ (467,944)</b>	<b>\$ 33,645</b>	<b>\$ 577,731</b>	<b>\$ 143,432</b>

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**Notes to the Condensed Interim Consolidated Financial Statements**  
*For the three and nine months ended May 31, 2019 and 2018 (Unaudited)*  
*(Expressed in Canadian Dollars)*

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## **16. Subsequent Event**

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Subsequent to period end, a lawsuit was filed against the Company by a former employee. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made in the financial statements. The resolution could have a significant effect on the Company's earnings in the year that a determination is made; however, in management's opinion, the final resolution of all legal matters will not have a material adverse effect on the Company's financial position.