SustainCo Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended May 31, 2020 and 2019

July 23, 2020

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 three and nine months ended May 31, 2020 and 2019. It is supplemental to, and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended May 31, 2020 and 2019 and the audited annual consolidated financial statements and the accompanying notes for the year ended August 31, 2019 and 2018.

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 subsidiary VCI CONTROLS Inc. ("VCI" or "VCI CONTROLS").

VCI CONTROLS Inc.

VCI is a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity. VCI's business focuses on digital controls and mechanical services, performance monitoring, and energy efficiency 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 people in Halifax, Montreal, Pembroke, Ottawa, and Toronto.

Selected Financial Information

Selected Quarterly Financial Information

	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018
Revenue	1,763,679	2,139,824	4,388,675	3,820,598	3,568,506	3,730,914	4,811,248	3,532,666
Net income (loss) from continuing operations	200,006	(394,583)	(201,796)	70,715	(278,003)	(569,352)	38,730	(275,491)
Net income (loss)	238,297	(393,848)	(201,592)	37,809	251,902	(490,830)	206,033	(267,289)
Basic & diluted earnings (loss) per share from continuing operations	0.01	0.00	0.00	0.00	(0.02)	(0.04)	0.00	(0.02)
Basic & diluted earnings (loss) per share	0.01	(0.02)	(0.01)	0.00	0.02	(0.03)	0.01	(0.02)

On April 27, 2020, the Company completed the sale of Clean Energy Developments Corp. ("CleanEnergy") for proceeds of $50,000. The results of CleanEnergy have been re-presented as discontinued operations on the Company's condensed interim consolidated statements of income (loss) and comprehensive income (loss) for the three and nine months ended May 31, 2020 and 2019.

Results of Operations

Sales and Direct Costs

The Company had the following sales and direct costs:

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Revenue	**1,763,679**	2,349,867	**8,292,178**	8,969,788
Cost of sales	**(1,176,002)**	(1,901,624)	**(6,623,625)**	(7,379,966)
Gross margin	**$ 587,677**	$ 448,243	**$ 1,668,553**	$ 1,589,822

The Company recognized revenue of $1,763,679 and $8,292,178 for the three and nine months ended May 31, 2020, which is a decrease of 24.9% and 7.6% from the same period in 2019. 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 relates to direct materials and expenditures for products and services sold. Margins for this division were 33.3% and 20.1% for the three and nine months ended May 31, 2020, compared to last year at 19.1% and 17.7%.

Canada Emergency Wage Subsidy

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS") that is available to any employer, subject to eligibility criteria, whose business has been adversely affected by the COVID-19 pandemic.

The Company received wage subsidy funding of $226,514 for the three and nine-month periods ended May 31, 2020, which has been recorded as a reduction in related salary and wages in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

As at May 31, 2020, $226,514 (August 31, 2019 - $Nil) is included in accounts receivable on the Company's condensed interim consolidated statements of financial position.

General and Administrative Costs

For the three months ended May 31, 2020 and 2019

	Corporate		Controls and Mechanical contracting		Total	
	2020	2019	**2020**	2019	**2020**	2019
Salaries and wages	**$ 91,284**	$ 99,861	**$ 295,618**	$ 389,094	**$ 386,902**	$ 488,955
Professional and consulting fees	**65,988**	21,471	**1,950**	19,625	**67,938**	41,096
Office costs	**10,437**	16,190	**116,506**	186,305	**126,943**	202,495
Travel costs	**3,827**	4,636	**(1,802)**	22,344	**2,025**	26,980
	$ 171,536	$ 142,158	**$ 412,272**	$ 617,368	**$ 583,808**	$ 759,526

For the nine months ended May 31, 2020 and 2019

	Corporate		Controls and Mechanical contracting		Total	
	2020	2019	**2020**	2019	**2020**	2019
Salaries and wages	**$ 309,808**	$ 285,793	**$ 1,114,784**	$ 1,169,331	**$ 1,424,592**	$ 1,455,124
Professional and consulting fees	**242,664**	133,250	**5,458**	79,705	**248,122**	212,955
Office costs	**29,144**	34,277	**362,979**	525,988	**392,123**	560,265
Travel costs	**16,343**	13,706	**(1,196)**	74,961	**15,147**	88,667
	$ 597,959	$ 467,026	**$ 1,482,025**	$ 1,849,985	**$ 2,079,984**	$ 2,317,011

General and administrative costs decreased by $175,718 from $759,526 in Q3 2019 to $583,808 in Q3 2020, driven through savings from all main G&A line items as the Company continues to look at controlling costs and has closed certain unprofitable satellite locations. Similarly, general and administrative costs decreased to overall across the nine months ended May 31, 2020 as compared to the prior year. In addition, some of the cost reductions come as a result of adjustments related to the adoption of IFRS 16, Leases ("IFRS 16"). Amounts previously included in rent and lease expenses are now capitalized and amortized as right-of-use ("ROU") assets and finance lease obligation liabilities.

Amortization and Depreciation

Amortization and depreciation was $66,026 and $200,289 for the three and nine months ended May 31, 2020 versus $6,787 and $42,223 in 2019. The increase in amortization for the current period relates to the change in accounting policy for leases, with the capitalization of most leases as ROU assets which are amortized over their useful lives.

Finance Expense

Finance expenses of $17,511 and $56,231 (2019 - $18,635 and $56,642) were incurred for the three and nine months ended May 31, 2020 and relate to interest on the Company's bank indebtedness and finance lease obligations. There was no accretion expense related to notes payable in the current period.

Discontinued Operations

In April 2020, the Company sold CleanEnergy for proceeds of $50,000. The results of CleanEnergy have been re-presented as discontinued operations.

Discontinued operations	Three months ended May 31, 2020	Three months ended May 31, 2019	Nine months ended May 31, 2020	Nine months ended May 31, 2019
Proceeds from sale	$ 50,000	$ -	$ 50,000	$ -
Net assets sold	7,361	-	7,361	-
Gain on sale	$ 42,639	$ -	$ 42,639	$ -
Revenue	-	1,218,639	-	3,140,880
Cost of sales	-	(608,785)	-	(2,182,654)
Expenses	(4,348)	(79,949)	(3,409)	(182,496)
Income from discontinued operations	**$ 38,291**	$ 529,905	**$ 39,230**	$ 775,730

Net Income (Net Loss)

The Company reported net income of $238,297 and a net loss of $357,143 for the three and nine months ended May 31, 2020 (2019 – net income of $251,902 and net loss of $32,895). The controls and mechanical contracting division recorded net losses of $127,705 and $169,791 (2019 – net loss of $348,489 and $173,139) for the three and nine months ended May 31, 2020. The corporate division reported losses of $171,602 and $598,190 for the three and nine months ended May 31, 2020 (2019 – net loss of $108,454 and $465,938). The discontinued geoexchange division reported net income from discontinued operations of $38,291 and $39,230 for the three and nine months ended May 31, 2020 (2019 – $529,905 and $775,730).

Liquidity and Capital Resources

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at May 31, 2020, the Company had working capital of $894,719. As at the date of this report, the Company's working capital has not materially changed from that reported. Working capital provides funds for the Company to meet its operational and capital requirements. The contractual maturities of financial liabilities are as follows:

	Carrying Amount	Contractual cash flows	Within 1 year	1 to 2 years
Accounts payable and accrued liabilities	$ 1,350,111	$ 1,350,111	$ 1,350,111	$ -
Promissory notes payable	545,000	545,000	545,000	-
Finance lease obligations (net of discount)	612,327	672,891	274,261	398,630
	$ 2,507,438	$ 2,568,002	$ 2,169,372	$ 398,630

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. See the going concern risk for further details.

Changes in accounting policies

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of September 1, 2019. Under this method, the standard is retrospectively applied with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the following practical expedients: (i) the transition application practical expedient allowing the standard to only be applied to contracts that were previously identified as leases applying IAS 17, Leases (ii) the transition application practical expedient to elect to not apply IFRS 16 to leases that expired within 12 months following the adoption date of September 1, 2019; (iii) the recognition exemption to not apply IFRS 16 to lease contracts for which the underlying asset is of low value, and (iv) the recognition exemption to not apply IFRS 16 to lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option.

Before the adoption of IFRS 16, the Company classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. ROU assets are subject to impairment.

Lease obligations: At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The adoption of IFRS 16 had the following impacts as at September 1, 2019:

	As at August 31, 2019 (as presented)		**As at September 1, 2019**	
Assets				
Property and equipment, net	$	89,386	$	777,265
Liabilities				
Current portion of lease obligations	$	-	$	200,230
Long-term portion of lease obligations	$	-	$	487,648
	$	-	$	687,879

Recent accounting pronouncements

At the date of authorization of the Company's condensed interim consolidated financial statements, the International Accounting Standards Board and the IFRS Interpretations Committee have issued the following new and revised Standards and Interpretations which are effective for annual periods beginning on or after September 1, 2020:

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after September 1, 2020.

Financial Instruments Risk Exposure and Management

The Company's financial instruments consist of cash, accounts receivable (excluding sales tax), trade payables and accrued liabilities, promissory notes payable, finance lease obligations, and current income tax 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 period.

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	**ECL Rate**	**May 31, 2020**	August 31, 2019
Within 30	0.50%	**$ 664,625**	$ 1,499,380
31 to 60	0.50%	**565,716**	1,240,054
61 to 90	1.10%	**360,460**	298,498
Over 90	2.70%	**451,088**	421,544
Holdbacks	0.50%	**123,454**	444,407
Expected credit loss		**(22,913)**	(27,684)
Total accounts receivable		**$ 2,142,430**	$ 3,876,199

The maximum exposure is limited to the carrying amount of financial assets on the statement of financial position that includes cash and accounts receivable. As at May 31, 2020, there was an allowance for expected credit losses of $22,913 (August 31, 2019 - $27,684).

Concentration risk

During the period ended May 31, 2020, there was one customer accounting for approximately 28.4% of gross revenue, of which it comprises 17.8% of accounts receivable, all of which is within 90 days aging.

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.

Foreign exchange risk

The Company purchases a portion of its inventories in United States dollars ("USD") and does not currently engage in hedging activities. However, the foreign exchange exposure to the Company at this time is not significant.

Corporate Updates

Sale of Clean Energy Developments

In April 2020, the Company entered into a definitive agreement (the "Agreement") with Groundheat Solar Wind Corp. (the "Purchase"") that provides for the sale (the "Transaction") of all of the issued and outstanding shares of its wholly-owned subsidiary, CleanEnergy in consideration for which the Purchaser will pay the Company an aggregate purchase price of $50,000 in cash. The Transaction closed on April 27, 2020.

Contingent Liabilities

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. 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.

Appointment of CEO and CFO

On June 10, 2020, Chris Hazelton has been appointed Chief Executive Officer ("CEO") and to the Board of Directors of the Company. In addition, Keith Li of Branson Corporate Services Ltd. is joining the Company to take over as Chief Financial Officer as Mr. Hazelton transitions to his new role of CEO.

Emlyn David tendered his resignation as director and Chief Executive of the Company.

Subsequent Events

Debentures Financing

On July 14, 2020, the Company closed a non-brokered private placement of 2020 Series A secured convertible debentures (each, a "Debenture"), for proceeds in the principal amount of $1,059,942 of the Debentures.

The principal amount of the Debentures will be repaid, in cash, by the Company on the third anniversary of issuance ("Maturity") and will carry an interest rate of 12% per year compounded monthly and payable at Maturity. The Debentures are convertible into common shares of the Company at $0.05 per share for the first year the Debentures are outstanding, and at $0.10 per share thereafter.

In addition, each $1,000 principal amount of Debentures was issued 10,000 common share purchase warrants (each, a "Warrant"), for an aggregate of 10,599,422 Warrants issued. Each Warrant is exercisable into one common share at an exercise price of $0.10 per common share for a period of three years from the date of issuance.

The Debentures are secured by way of a general security agreement made in favour of a collateral agent acting as agent for all of the holders of the Debentures, granting a security interest in substantially all of the Company's assets. The Company will have the right to prepay any or part of the Debentures at any time prior to the Maturity Date by paying the principal amount of the Debentures.

In connection with the private placement, the Company paid finders' fee of $84,795, and issued finders' warrants equal to 8% of the number of shares into which the Debentures are convertible, based on the aggregate amount of principal such finder introduces to the Company, being an aggregate of 1,695,907 finders warrants issued on closing.

Outlook

The Company continues to monitor to implications of the worldwide pandemic caused by the novel strain of coronavirus known as COVID-19. The manner and extent that the pandemic, and measures taken as a result of the pandemic, will affect the Company and cannot be predicted with certainty.

Impact of COVID-19

In December 2019, a novel strain of coronavirus known as COVID-19 surfaced in Wuhan, China and has spread around the world, with resulting business and social disruption. COVID-19 was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The speed and extent of the spread of COVID-19, and the duration and intensity of resulting business disruption and related financial and social impact, are uncertain. Further, the extent and manner to which COVID-19, and measures taken by governments, the Company or others to attempt to reduce the spread of COVID-19, may affect the Company and cannot be predicted with certainty.

COVID-19 and these measures have had and may continue to have an adverse impact on many aspects of the Company's business including, employee health, workforce productivity and availability, travel restrictions, contractor availability, supply availability, ability to perform or deliver projects, the Company's ability to maintain its controls and procedures regarding financial and disclosure matters and the availability of insurance and the costs thereof, some of which, individually or when aggregated with other impacts, may be material to the Company. Measures taken by governments, the Company or others, or a positive test for COVID-19 associated with one of the Company's project sites, could result in the Company reducing or suspending operations at one or more of its projects.

The Company cannot provide any assurances that governments in the regions it operates will not implement measures that result in the suspension or reduction of the Company's operations at one or more of its project sites. COVID-19 and associated responses could also have an adverse effect on the Company's ability to procure inputs required for the Company's operations and capital projects.

The Company may in the future, based on its assessment of relevant risks at the time, elect to reduce, further reduce or suspend operations at these or other sites as a precautionary measure or as a result of or in response to government or community actions. Further, COVID-19, and measures taken to attempt to reduce the spread of COVID-19, may affect the Company's ability to complete current projects. Any of these events or circumstances could have a material adverse effect on the Company's business and results of operations. In addition, the actual or threatened spread of COVID-19 globally, and responses of governments and others to such actual or threatened spread, could also have a material adverse effect on the global economy, could continue to negatively affect financial markets, including the trading price of the Company's shares, could adversely affect the Company's ability to raise capital, and could cause continued interest rate volatility and movements that could make obtaining financing or refinancing debt obligations more challenging or more expensive.

Disclosure of Outstanding Share Data

As at the date of this report, there were 15,776,223 issued and outstanding common shares in the capital of the Company. The Company has outstanding options to purchase an aggregate of 700,000 common shares, and outstanding warrants to purchase an aggregate of 11,851,172 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.

The Company reported net loss of $357,143 for the nine months ended May 31, 2020, compared to a net loss of $32,895 in the prior year. The Company has working capital of $894,719 as at May 31, 2020 (August 31, 2019 – $1,440,837) and an accumulated deficit of $21,368,181 (August 31, 2019 – $21,011,038). 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. The Company's condensed interim 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.

Public Health Crises, including COVID-19

A local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the demand for the Company's services and products. COVID-19 could affect the Company's ability to conduct operation and may result in temporary shortages of staff, to the extent its workforce is impacted.

Such an outbreak, if uncontrolled, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including a likely slowdown in new projects and temporary disruptions to existing projects and, as a result, potential lost revenue.

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 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.