SustainCo Inc.

Management's Discussion and Analysis

For the Year ended August 31, 2020

The following Management's Discussion and Analysis ("MD&A") constitutes management's assessment of the factors that affected the financial condition and results of operations of SustainCo Inc. ("SustainCo", the "Company" or "We") for the year ended August 31, 2020 ("Fiscal 2020"). This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the Company's consolidated financial statements and related notes for the years ended August 31, 2020 and 2019.

Except as otherwise indicated, the Company's financial statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC"). In preparing this MD&A, management has taken into account information available up to November 26, 2020, and all figures are reported in Canadian dollars ("$") unless otherwise stated.

Company Overview

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 under the trading 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"). VCI is a leading supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity. It is an industry-leading developer 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.

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, SustainCo has offices across Canada, including Halifax, Montreal and Ottawa.

Outlook

The goal of SustainCo is to be at the forefront of advancing sustainability principles in leading organizations. The Company will continue to look for and promote and integrate new and innovative technologies and services to create a differentiated value proposition for its customers. The Company's objective is to add a range of sustainable infrastructure solutions and services. This will allow SustainCo to take advantage of the higher margin areas of the full-service business model envisioned by the Company.

In October 2020, SustainCo announced that it is seeking to expand its service and product offerings to include additional proptech solutions for healthy building solutions and services. Proptech, real estate technology focused on building operational efficiency, services and safety, is digitally transforming real estate in the commercial, industrial and residential sectors, and offers increased efficiency and safety through the elimination of existing costs in the sector, the improvement of design and operations in new and existing buildings, and in the operations and maintenance of real estate assets. In pursuit of additional proptech product offerings, such as air and surface disinfection, intelligent building controls, energy data insights, electric and thermal storage, etc. SustainCo may seek potential acquisitions, joint ventures, technology licensing opportunities, and partnerships.

The Company continues to monitor to implications of the worldwide pandemic caused by the novel strain of coronavirus ("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.

Corporate Updates

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

On June 10, 2020, Chris Hazelton has been appointed as Chief Executive Officer ("CEO") and to the board of directors (the "Board") of the Company. In addition, Keith Li joined SustainCo to take over as Chief Financial Officer ("CFO") as Mr. Hazelton transitions to his new role of CEO.

On July 14, 2020, the Company closed a non-brokered private placement of 2020 Series A secured convertible debentures (each, a "Convertible Debenture"), for proceeds in the principal amount of $1,059,942. The principal amount of the Convertible Debentures will be repaid, in cash, by the Company on the third anniversary of issuance (the "Maturity Date") and will carry an interest rate of 12% per year compounded monthly and payable at the Maturity Date. The Convertible Debentures are convertible into common shares of the Company at $0.05 per share for the first year the Convertible Debentures are outstanding, and at $0.10 per share thereafter. In addition, each $1,000 of principal amount of the Convertible 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.

On July 28, 2020, the Company appointed Al Quong to the Board, while announcing the resignation of Michael Galloro due to his growing business ventures outside of the Company. Mr. Quong has more than 25 years of operational and advisory experience in various capacities and industries. Mr. Quong is currently CFO for the Fovere Group of Companies, a boutique private equity firm which specializes in investments and financing within the real estate, natural and organic food and renewable energy sectors.

On August 26, 2020, the Company granted 600,000 options to certain of its directors, officers and consultants at an exercise price of $0.20, expiring on August 26, 2023. The options vest in the following schedule: 30% immediately, 35% on the 6-month anniversary of grant, and 35% on the 1-year anniversary of grant.

On October 27, 2020, the Company granted 270,000 options to certain of its directors and officers at an exercise price of $0.30, expiring on October 27, 2023. The options vest in the following schedule: 30% immediately, 35% on the 6-month anniversary of grant, and 35% on the 1-year anniversary of grant.

On November 10, 2020, the Company held its Annual General & Special Meeting of Shareholders. Mr. Hazelton, Mr. Quong and Daniel Cohen were elected directors. Shareholders also approved the Company's name change to "Universal PropTech Inc." which is currently pending regulatory approval.

On November 16, 2020, the Company announced that the Board has approved the formation of an Advisory Board on future acquisitions and development of proptech solutions. The Advisory Board will focus on identifying and assessing the development of proptech solutions as well as acquisition targets of the Company. Adam Szweras, a former director of SustainCo, has been appointed to the Advisory Board. Mr. Szweras has extensive experience structuring and executing on cross border acquisitions and has a focus on working with emerging companies.

On November 23, 2020, the Company announced that it has entered into a Collaboration and Commercialization Agreement with Delta-X Global Corp. ("Delta-X") to bring their Proprietary Face and Temperature Recognition software technology, Delta-X TM Trust, to market. The Company intends to integrate the Delta-X Trust products into the building control systems of existing customers' and new prospects to provide a more holistic healthy building environment.

On November 23, 2020, the Company also announced the launch of a 14-month online marketing campaign through AGORACOM, an online marketing, broadcasting, conferences and investor relations services to North American small and mid-cap public companies. The Company will receive exposure through content brand insertions on the AGORACOM network and extensive search engine marketing during the term of the agreement.

Results of Operations

The Company's selected annual financial information as at and for the three most recently completed financial years ended August 31 are summarized as follows:

	2020[1]	**2019[1]**	**2018**
	$	**$**	**$**
Total revenue	9,939,576	12,732,867	12,733,070
Net loss from continuing operations	(1,215,200)	(755,544)	(165,704)
Income from discontinued operations	39,230	760,458	41,847
Net (loss) income and comprehensive (loss) income	(1,175,970)	4,914	(123,857)
Net (loss) income per share from continuing operations	(0.08)	(0.05)	(0.01)
Total assets	3,921,691	5,785,261	6,012,497
Long-term liabilities	1,120,935	35,775	40,453

The Company's selected financial results for the eight most recently completed quarters are as follows[2]:

	Q4 2020	**Q3 2020**	**Q2 2020**	**Q1 2020**
	$	**$**	**$**	**$**
Revenue	1,647,395	1,763,679	2,139,824	4,388,678
Net (loss) income from continuing operations	(818,827)	200,006	(394,583)	(201,796)
Net (loss) income	(818,827)	238,297	(393,848)	(201,592)
Basic and diluted net (loss) income from continuing operations	(0.03)	0.01	0.00	0.00
Basic and diluted net loss	(0.03)	0.01	(0.02)	(0.01)

	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**
	$	**$**	**$**	**$**
Revenue	3,763,079	2,349,867	2,792,538	3,827,383
Net income (loss) from continuing operations	53,081	(278,003)	(569,352)	38,730
Net income (loss)	37,809	251,902	(490,830)	206,033
Basic and diluted net income (loss) from continuing operations	0.00	(0.02)	(0.04)	0.00
Basic and diluted net loss	0.00	0.02	(0.03)	0.01

Sales and direct costs

During the year ended August 31, 2020, the Company generated total revenue of $9,939,576 from its Controls and Mechanical Contracting services, as compared to total revenue of $12,732,867 in the prior year, which represents a year-to-year decrease of about 21.9%. 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. Cost of sales relate to direct materials and expenditures for products and services sold. Margins for the division were 20.9% for Fiscal 2020 (2019 – 18.7%), representing an increase of 13.4% compared to the prior year.

[1] As a result of the sale of CED, the financial results of CED had been reclassified as discontinued operations for the years ended August 31, 2020 and 2019.

[2] As a result of the sale of CED, the selected financial results for the eight most recently completed quarters had been adjusted to exclude the results of CED from revenue and net income (loss) from continuing operations.

In Fiscal 2020, the Company sold CleanEnergy and accordingly any revenue pertaining to Geoexchange services was excluded from its continuing operations. In Fiscal 2019, total revenue from Geoexchange services was $3,198,399, earned on services provided for the installation of geoexchange systems. Cost of sales of relate to direct materials and expenditures, equipment costs and materials for products and services sold and totaled $2,215,360. Margins for the Geoexchange services division were 30.7% in Fiscal. As a result of the sale of CleanEnergy, the results of operations for the division had been reclassified as discontinued operations on the Company's consolidated statements of (loss) income and comprehensive (loss) income for both years ended August 31, 2020 and 2019.

General and administrative costs

During the year ended August 31, 2020, the Company incurred total general and administrative ("G&A") costs of $2,893,940, as compared to total G&A costs of $3,011,783 in the prior year, for a decrease of $117,843. The year-to-year decrease in G&A costs is primarily related to the following items:

- Decrease in office expenses of $217,380, to $545,678 (2019 – $763,058).
- Decrease in travel expenses of $65,696, to $7,427 (2019 – $73,123); partially offset by
- Increase in salaries and wages of $84,123, to $1,976,370 (2019 – $1,892,247).
- Increase in professional and consulting fees of $24,336, to $309,494 (2019 – $285,158), and
- Increase in bad debt of $56,774, to $54,971 (2019 – recovery of $1,803).

G&A costs in the in the Corporate division increased from $344,910 in Fiscal 2019 to $521,854 in Fiscal 2020. The year-to-year increase of $176,944 in corporate G&A costs was mainly due to increases in professional and consulting fees, primarily for added legal and accounting expenses incurred, and increases in management compensation. From the Controls and Mechanical contracting division, total G&A costs were fairly consistent in Fiscal 2020 at $2,372,086 (2019 – $2,366,873).

Amortization and depreciation

During the year ended August 31, 2020, amortization and depreciation increased by $217,707, to $266,944 (2019 – $49,237). The increase in amortization and depreciation for the current year relates to the adoption of IFRS 16, *Leases* ("IFRS 16") where right-of-use ("ROU") assets had been capitalized and were being amortized over the term of the leases.

Finance expense

During the year ended August 31, 2020, finance expenses increased by $37,271, to $105,536 (2019 – $68,265), as interest and accretion had been recorded from the finance lease obligations and on the Convertible Debentures which were issued in July 2020. In the prior year, finance expenses were primarily related to interest and bank charges on the Company's bank indebtedness.

Share-based payments

During the year ended August 31, 2020, the Company recognized share-based payments of $23,018 (2019 – $nil) related to the vesting of 600,000 options granted to various directors, officers and consultants of the Company in August 2020. In Fiscal 2019, the Company did not grant any stock options. Share-based payments represent a non-cash cost.

Canada Emergency Wage Subsidy

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS"), which provides a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their payroll. To qualify for the CEWS, companies must satisfy certain eligibility criteria, including among others, a significant decline in revenue as compared to earlier periods. Eligible employers will have to sustain losses of "qualifying revenues" that meet pre-determined thresholds during the eligible periods.

During the year ended August 31, 2020, the Company received CEWS funding of $647,622, which has been recorded as a reduction in related salary and wages in the Company's consolidated statements of (loss) income and comprehensive (loss) income.

Net loss

Overall, the Company reported a total net loss of $1,175,970 for the year ended August 31, 2020 (2019 – net income of $4,914). The Controls and Mechanical contracting division recorded a net loss of $646,595 (2019 – net loss of $402,147), while the Corporate division reported a loss of $525,966 (2019 – net loss of $353,397). Income of $39,230 from CleanEnergy had been reported as income from discontinued operations for the year (2019 – income of $760,458).

Liquidity and Capital Resources

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at August 31, 2020, the Company had a working capital of $1,790,035 (August 31, 2019 – $1,440,837). Working capital provides funds for the Company to meet its operational and capital requirements.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, the 12-month period 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.

Related Party Balances and Transactions

Remuneration of key management personnel of the Company for the year ended August 31, 2020, included $365,410 of short-term compensation (2019 – $350,000). As at August 31, 2020, no balance was owed to any key management personnel (August 31, 2019 – $139,249, included in accounts payable and accrued liabilities).

Management service agreement

On June 8, 2020, the Company and Branson Corporate Services Ltd. ("Branson"), where Keith Li, the CFO of the Company is employed, entered into a management services agreement, providing for CFO services to the Company, as well as other accounting and administrative services, which are included in professional fees. In consideration for the services provided, the Company agreed to pay an annual fee of $55,000. During the year ended August 31, 2020, the Company was charged $17,180 (2019 – $2,000) for services provided by Branson. As at August 31, 2020, an amount of $6,388 (August 31, 2019 – $nil) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Share-based compensation

On August 26, 2020, the Company granted 600,000 options, of which 100,000 options were granted to each of Al Quong, a director, and the CFO of the Company. During the year ended August 31, 2020, share-based compensation of $7,673 attributable to these 200,000 options was recorded on the Company's consolidated statements of (loss) income and comprehensive (loss) income in connection with the vesting of options.

Financial Instruments and Risk Management

Capital management

The Company's capital consists of debt and equity. Its principal sources of cash are from operations, and 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.

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.

As at August 31, 2020, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1	1 to 3 years	3 to 5 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	1,142,154	-	-	**1,142,154**
Convertible debentures	-	1,516,569	-	**1,516,569**
Lease commitments	299,362	411,486	21,503	**732,351**
Total	**1,441,516**	**1,928,055**	**21,503**	**3,391,074**

Credit risk

The Company's cash is held with reputable chartered Canadian financial institutions, and in trust with the Company's legal counsel. 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.

The Company's aging of accounts receivable as at August 31, 2020 and 2019 is as follows:

Accounts Receivable Aging	**August 31, 2020**	August 31, 2019
	$	$
Within 30 days	**817,919**	1,499,380
31 to 60 days	**435,137**	1,240,054
61 to 90 days	**321,820**	298,498
Over 90 days	**283,367**	421,544
Holdbacks	**90,564**	444,407
Expected credit loss	**(16,515)**	(27,684)
Total Accounts Receivables	**1,932,292**	3,876,199

The maximum exposure is limited to the carrying amount of financial assets on the consolidated statements of financial position that includes cash and accounts receivable. For the year ended August 31, 2020, there was an allowance for ECL of $16,515 (2019 – $27,684).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates. As at August 31, 2020, the Company had no hedging agreements in place with respect to floating interest rates.

Concentration risk

The concentration of revenue generated from major customers is not significant, with the three largest customers combined accounting for more than 39% of gross revenue for the year ended August 31, 2020 (2019 – 25% of gross revenue).

As at August 31, 2020, one particular customer account comprises of approximately 16% of total outstanding accounts receivable, all of which is within 90 days aging.

Foreign exchange risk

The Company purchases a portion of its inventories 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.

Categories and fair value of financial instruments

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash, accounts receivables (excluding HST), accounts payables and accrued liabilities, and convertible debentures. The fair value of cash, accounts receivables (excluding HST) and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair value of the convertible debenture was determined on its initial recognition using discount rate of 14%. The Company does not believe this rate would have changed since initial recognition. The carrying value of the convertible debenture differs from its fair value because of the allocation of issuance costs.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at August 31, 2020, the Company did not have any financial instruments carried at fair value.

Subsequent Events

Options

On October 27, 2020, the Company granted 270,000 options to certain officers and directors of the Company. The options are exercisable at an exercise price of $0.30 per common share for a period of three years. The options vest in the following schedule: 30% immediately, 25% on the 6-month anniversary of grant, and 35% on the one-year anniversary of grant.

Significant Accounting Policies

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 and obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Company and are-deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its wholly-owned subsidiary after eliminating inter-entity balances and transactions.

Revenue Recognition

IFRS 15, *Revenue from 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 control 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. This is achieved by applying the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company derives revenue from construction contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on construction contracts using the percentage-of-completion method. Contract revenue is based on the initial amount agreed in the contract plus any variations in contract if they can be estimated reliably. The percentage-of-completion of a contract is determined by reference to actual costs of work performed and estimates of remaining work to be completed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

On an ongoing basis, the estimated total costs for construction contracts are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage-of-completion calculation of applicable projects in the same period as the change in estimate occurs. Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts.

Change orders and claims, referred to as contract modifications, are accounted for under IFRS 15, based, among other factors, on the fact that the contract modification is approved and it is highly probable that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved.

Service revenue is recognized when services have been performed and collection of the receivable is reasonably assured.

Product revenue and repairs revenue are recognized when control is transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits will be received, and the costs incurred or to be incurred can be measured

Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

<u>Classification</u>

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income ("FVTOCI")

The classification under IFRS 9, *Financial Instruments* ("IFRS 9") is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met: (i) held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's classification of financial assets and financial liabilities under IFRS 9 are summarized below:

Cash	Amortized cost
Accounts receivables, excluding HST	Amortized cost
Accounts payable	Amortized cost
Promissory notes payable	Amortized cost
Convertible debentures	Amortized cost

<u>Measurement</u>

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition. Transaction costs related to FVTPL assets and liabilities are expensed as incurred.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses ("ECL"). The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

FVTPL – Changes in fair value after initial recognition, whether realized or not, are recognized through profit or loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss (income) and comprehensive (loss) income when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

FVTOCI – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of (loss) income and comprehensive (loss) income when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

<u>Impairment</u>

In relation to the impairment of financial assets, IFRS 9 requires an ECL model. The ECL model requires the Company to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime ECL for its accounts receivable. In general, the Company anticipates that the application of the ECL model of IFRS 9 results in earlier recognition of credit losses for the respective items.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

<u>Derecognition</u>

Financial assets – The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. Gains and losses from the derecognition are recognized in the consolidated statements of (loss) income and comprehensive (loss) income.

Inventories

Inventories are valued at the lower of cost and net realizable value.

The costs incurred to bring each product to its present location and condition are accounted for as follows:

- Raw materials, equipment, and spare parts – purchased cost on a first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Income Taxes

Income tax comprises of current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.
income.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management considers the Corporate office and the Controls and Mechanical Contracting Division to be its operating segments, as both segments continue to engage in business activities. Their operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated and assess their performance, for which discrete financial information available to facilitate the review.

Discontinued Operations

A discontinued operation is a component of the Company that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statements of (loss) income and comprehensive (loss) income.

Provisions and Warranties

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of the economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense in the consolidated statements of (loss) income and comprehensive (loss) income.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of (loss) income and comprehensive (loss) income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a declining balance basis over the expected useful life of the asset at the following rates:

Office furniture and equipment	– 10 to 20%
Computer equipment	– 30 to 40%

Job equipment	– 20 to 30%
Vehicles	– 20 to 30%
Leasehold improvements	– straight-line over the expected lease term

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of (loss) income and comprehensive (loss) income in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis, and adjusted prospectively if appropriate.

Leased Assets

Effective September 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach where prior periods are not restated. The new standard supersedes the requirements in IAS 17 – *Leases* ("IAS 17"), IFRIC 4 – *Determining whether an Arrangement contains a Lease*, and SIC 15 – *Operating Leases – Incentives*. IFRS 16 provides a new framework for lessee accounting that requires most ROU assets obtained through operating leases to be capitalized and a related liability to be recorded.

The Company primarily leases office facilities and equipment and vehicles. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if the Company has the right to control the use of the identified asset.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company then recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The Company elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and lease of assets of low value, and not to recognize these short-term leases on the consolidated statements of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Intangible Assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on the intangible assets with finite lives is recognized in the consolidated statements of (loss) income and comprehensive (loss) income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of (loss) income and comprehensive (loss) income when the asset is derecognized.

Intangible assets consist of customer relationships, exclusivity contracts, and brand names. Customer relationships are amortized over five years, and exclusivity contracts over the expected life of the contract. The brand name is an indefinite life intangible that is not amortized, which is tested for impairment annually.

Goodwill

Goodwill arises from business combinations and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill is not amortized and is tested for impairment annually.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use ("VIU"). Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statements of (loss) income and comprehensive (loss) income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of (loss) income and comprehensive (loss) income.

Goodwill and indefinite life intangibles are tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and indefinite life intangibles by assessing the recoverable amount of each CGU to which goodwill relates. Where the recoverable amount of the CGU, including goodwill and indefinite life intangibles, is less than its carrying value, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

Compound Financial Instruments

Compound financial instruments issued by the Company comprise of convertible debentures that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized using the residual value method, at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and is included within equity.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method.

The equity component of a compound financial instrument is not remeasured. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using the Black–Scholes options pricing model ("Black–Scholes"). The fair value of equity-settled share-based transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Amounts recorded for forfeited or expired unexercised options are transferred to retained earnings (accumulated deficit) in the period of forfeiture or expiry. Expired warrants are also transferred to retained earnings (accumulated deficit).

Net Income (Loss) per Share

Basic (loss) income per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The Company applies the treasury stock method in the calculation of diluted (loss) income per share. Diluted (loss) income per share excludes all dilutive potential common shares if their effect is anti-dilutive.

For the years ended August 31, 2020 and 2019, no potential convertible securities are included in the computation as they are anti-dilutive.

Government Assistance

The benefits of tax incentives for government subsidy assistance are recognized in the year the qualifying claim is made providing there is reasonable assurance of recoverability. The grants and assistance are recorded based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized in other income over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Accounting Assumptions, Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations. The global pandemic outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgements and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Company is uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Assessment of impairments

The Company's impairment tests for non-financial assets are based on the greater of VIU calculations that use a discounted cash flow ("DCF") model and estimated fair value less cost to sell. The VIU calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the asset or CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on assessment of comparable company multiples and precedent transactions.

Allowances for expected credit losses

An ECL impairment model applies which requires a loss allowance to be recognized based on ECL. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statements of (loss) income and comprehensive (loss) income for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statements of (loss) income and comprehensive (loss) income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Stock-based compensation

The Company uses Black-Scholes to determine the amount of stock-based compensation. Such models require assumptions related to share price volatility, expected life of options and discount rate. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Deferred income taxes

Management uses estimates when determining deferred income assets and liabilities. Provisions for taxes are made by management using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Estimated useful lives of intangible assets

Management estimates the useful lives of intangible assets based on the period during which the assets are expected to be available for use and also estimates their recoverability to assess if there has been an impairment. The amounts and timing of recorded expenses for amortization and impairments of intangible assets for any period are affected by these estimates. The estimates are reviewed at least annually and are updated if expectations change as a result of commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's intangible assets in the future.

Percentage of completion

The Company measures the percentage-of-completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial, including the legal proceedings discussed in Note 20 of the Company's consolidated financial statements. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

Adoption of New Accounting Standards

The Company adopted the following new standards, effective September 1, 2019. These changes were made in accordance with the applicable transitional provisions:

IFRS 16, Leases

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;
(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 consolidated statements of (loss) income and comprehensive (loss) income 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 ROU 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 ROU 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:

	September 1, 2019	**August 31, 2019**
	$	**$**
Assets		
Property and equipment, net	**777,265**	89,386
Liabilities		
Current portion of finance lease obligations	**200,230**	-
Long-term portion of finance lease obligations	**487,649**	-
	687,879	-

Upon adoption of IFRS 16 on September 1, 2019, the Company recorded lease obligations and corresponding ROU assets for $687,879.

Recent Accounting Pronouncements

At the date of authorization of the Company's consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after September 1, 2020:

<u>IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")</u>

IAS 1 and IAS 8 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 Company had assessed that the adoption of these amendments will not have a material impact on the consolidated financial statements.

Reclassifications

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

Discontinued Operations

Sale of Clean Energy Developments

In April 2020, the Company entered into the Agreement with the Purchaser that provides for the Transaction to sell all of the issued and outstanding shares of CleanEnergy, in consideration for which the Purchaser paid the Company an aggregate purchase price of $50,000 in cash.

The Transaction closed on April 27, 2020. As a result, the financial results of CleanEnergy have been re-presented as discontinued operations in the Company's consolidated statements of (loss) income and comprehensive (loss) income and the consolidated statements of cash flows. The Company's existing business continues to be operated through VCI.

	2020	2019
	$	$
Proceeds from sale	**50,000**	-
Net assets sold	**(7,361)**	-
Gain on sale	**42,639**	-
Revenue	**-**	3,198,398
Cost of sales	**-**	(2,192,860)

Expenses	**(3,409)**	(245,080)
Income from discontinued operations	**39,230**	760,458

Contingencies

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 on the Company's consolidated financial statements.

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity or results of operations.

Segmented Information

The Company's segments have been organized based on its principal business operations (Geoexchange Services, Controls and Mechanical Contracting, and Corporate), all within Canada.

Year ended August 31, 2020	**Corporate**	**Geoexchange Services**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**	**$**
Capital expenditures	-	-	27,654	27,654
Total assets	486,876	-	3,434,815	3,921,691
Statement of operations				
Revenue	-	-	9,939,576	9,939,576
Cost of sales	-	-	(7,860,138)	(7,860,138)
General and administrative	(521,854)	-	(2,372,086)	(2,893,940)
Impairment loss	-	-	(734,802)	(734,802)
Depreciation	-	-	(266,944)	(266,944)
Finance expense	(23,733)	-	(81,803)	(105,536)
Inventory provision	-	-	(27,076)	(27,076)
Share-based payments	(23,018)	-	-	(23,018)
Gain on disposal of equipment	-	-	24,140	24,140
Government assistance	-	-	647,622	647,622
Discontinued operations (Note 19)	42,639	(3,409)	-	39,230
Current tax recovery	-	-	49,141	49,141
Deferred tax recovery	-	-	35,775	35,775
Segmented loss	**(525,966)**	**(3,409)**	**(646,595)**	**(1,175,970)**

Year ended August 31, 2019	Corporate	Geoexchange Services	Controls and Mechanical Contracting	Total
	$	$	$	$
Capital expenditures	-	-	20,231	20,231
Total assets	251,325	27,467	5,506,469	5,785,261
Statement of operations				
Revenue	-	3,198,399	12,732,867	15,931,266
Cost of sales	-	(2,192,860)	(10,351,914)	(12,544,774)
General and administrative	(344,910)	(255,180)	(2,667,345)	(3,267,435)
Depreciation	-	(3,303)	(49,237)	(52,540)
Finance expense	(58,487)	(4,232)	(9,778)	(72,497)
Inventory provision	-	-	(58,989)	(58,989)
Gain on disposal of equipment	-	17,634	6,425	24,059
Gain on settlement of debt	50,000	-	-	50,000
Current tax (expense)	-	-	(9,326)	(9,326)
Deferred tax (expense)	-	-	(4,678)	(4,678)
Segmented income (loss)	**(353,397)**	**760,458**	**(402,147)**	**4,914**

Outstanding Share Data

As at the date of this MD&A, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of SustainCo are as follows:

Common Shares	Number Outstanding
Issued and Outstanding	15,776,223
Issuable under Options	1,570,000
Issuable under Warrants	13,547,079

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.

During the year ended August 31, 2020, the Company reported a net loss from continuing operations of $1,215,200 (2019 – net loss from continuing operations of $755,544). As at August 31, 2020, the Company had a working capital of $1,790,035 (August 31, 2019 – $1,440,837) and an accumulated deficit of $22,187,008 (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 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.

Additional financing

The Company believes that its raised capital is sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

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 and 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.

Private or illiquid securities

The Company invests in securities of private issuers with a near term plan to complete a going public transaction. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for a private company investment or that the Company will otherwise be able to realize a return on such investments. The Company may also invest in illiquid securities of public issuers. A period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of common shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the common shares and Warrants may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares and warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares and warrants may be materially adversely affected.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and materially adversely affect the trading price of the Company's common shares.

Liability for activity of employees, contractors and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject certain risks, including that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Disruption of business

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to our ability to generate revenue and cash flows from operations, market fluctuations, the strength of the Canadian, and other economies, political and economic conditions in the regions where the Company's main businesses are operated, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Financial Instruments and Risk Management" and in the Company's other public disclosure documents filed with certain Canadian securities regulatory authorities and available under SustainCo's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The audited consolidated financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the audited consolidated financial statements in all material aspects.

The Audit Committee has reviewed the Company's consolidated financial statements and this MD&A with management of SustainCo. The Board of the Company has approved the consolidated financial statements and this MD&A on the recommendation of the Audit Committee.

Additional Information

Additional information relating to SustainCo, including its annual management information circular for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at www.sedar.com.

November 26, 2020

Christopher Hazelton
Chief Executive Officer