Sustainable Energy Technologies

Annual Information Form

For the year ended September 30, 2012

Dated January 28, 2013

Suite 500, Campana Place

609-14th Street NW Calgary Alberta

Canada T2N 2A1

Tel: 403.508.7177

Fax: 403.205.2509

www.sustainableenergy.com

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GLOSSARY

When used in this Annual Information Form (the "AIF"), the following terms have the following meanings ascribed thereto:

"Alternating current" or "AC" means a type of electrical current, the direction of which is reversed at regular intervals or cycles. In North America, the standard is 120 reversals or 60 cycles per second; whereas in Europe the standard is 100 reversals or 50 cycles per second.

"Common Shares" means common shares in the capital of the Corporation.

"Concentrated PV" or "CPV" or "CSP" means a PV module, which includes optical components such as Fresnel lenses to direct and concentrate sunlight like a magnifying glass onto a solar cell of smaller area. Most concentrated PV arrays must use trackers to directly face or track the sun. They can increase the power flux of sunlight hundreds of times.

"Conducted loss" means the loss in energy occurring on the passage of current through an electrical component.

"Current" means the flow of electrical energy in a conductor measured in amperes. Current can be direct current ("DC") or alternating current ("AC").

"Direct current" or **"DC"** means a type of electricity transmission and distribution by which electricity flows in one direction through the conductor, usually relatively low voltage and high current.

"Distributed generation" contrasts with "central generation" in that the power generator is located closer to the power consumer than is the case with central generating facilities such as conventional coal fired plants, nuclear power and large wind generators. Distributed generation reduces the investment needed for transmission and distribution infrastructure and is more effective in meeting peak power demands.

"Energy Storage" means any device which stores electrical energy also referred to as battery storage

"Extra low voltage" is a safety threshold established by the International Electro-technical Commission and its member organization as means of protecting against electrical shock. It refers to an electrical system in which the voltage cannot exceed 120 volts DC or 70 volts AC under normal conditions, and under single-fault conditions, including ground faults in other circuits.

"Feed in tariffs" refer to government mandated programs requiring electrical utilities to take and pay for solar electricity at premium prices to the prevailing market price for electricity for specified periods of time.

"Grid-interactive" when used in the context of inverters means an inverter which is interconnected to the power grid and determines the AC wave shape produced by the inverter by reference to the AC wave shape of the power grid.

"Grid parity" means that point where the levelized cost of solar generated electricity equals the levelized cost of electricity delivered by the power grid.

"Inverter" means a device that converts DC to AC either for stand-alone solar power systems or to supply power to an electricity grid.

"Kilowatt" or **"kW"** means one thousand watts of electrical power.

"Kilowatt hour" or **"kWh"** means an hour during which one kW of electrical power has been continuously produced.

"Massively parallel" in the context of solar PV modules means a string of modules arranged entirely in parallel so that each module operates at its optimum power point relative to the external conditions and does not affect the performance of other modules in the string.

"Maximum power point" or **"MPP"** in the context of a solar PV module means that point where the current output of the module ("I") multiplied by the voltage ("V") of the module produces the maximum power output. A given solar module in a given set of lighting conditions will have an "I-V" curve representing a range of possible operating points at those specific conditions.

A solar inverter is expected to track the maximum power point under constantly changing operating conditions to maintain maximum power output throughout the day. A given solar PV module in a given set of lighting conditions will have a current ("I") to voltage ("V") ratio often referred to as an "I-V" curve representing a range of possible operating points at those specific conditions. A key function of a solar inverter is to decide which operating point on the IV curve will provide the most power output and it controls the output from the array accordingly. This operating point is called the "maximum power point" ("MPP"), and the feature of the inverter that continually searches for the maximum power point under constantly changing conditions throughout the day is maximum power point tracking ("MPPT").

"Maximum power point tracking" or **"MPPT"** is the role played by a solar inverter in identifying the point on the I-V curve of any combination of photovoltaic modules connected to the inverter where the current multiplied by the voltage produces the maximum power output.

"Megawatt" or **"MW"** means one thousand kW of electrical power.

"Megawatt hour" or **"MWh"** means an hour during which 1 MW of electrical power has been continuously produced.

"**Mismatch loss**" is the disproportionate loss of energy resulting from module mismatch.

"Module mismatch" in the context of a string of solar PV modules refers to a difference in the power output of one module relative to the other modules in the string. The most common reason for module mismatch is variability in the solar energy resulting from partial shading of the modules (from building congestion or dirt), or variances in the orientation of the modules within the string. The other cause will be variances in manufacturing and in the case of certain TFPV modules variations in performance due to changes in ambient temperatures or degradation of the module.

"OEM" means original equipment manufacturer and refers to containment-based re-branding, where a company uses a component of another company in its product, or sells the product of another company under its own brand.

"Parallel connection" means a way of joining PV modules by connecting positive leads together and negative leads together. A parallel configuration increases the total current output of the system, but not the voltage.

"Person" means a natural person, partnership, limited liability limited partnership, corporation, joint stock Corporation, trust, unincorporated association, joint venture or other entity or governmental authority, and pronouns have a similarly extended meaning.

"Photovoltaic (PV)" effect" means the phenomenon that occurs when photons, the "particles" in a beam of light, knock electrons loose from the atoms they strike. When this property of light is combined with the properties of semiconductors, electrons flow in one direction across a junction, setting up a voltage. With the addition of circuitry, current will flow and electric power will be available.

"Polycrystalline cell" means a photovoltaic cell consisting of many silicon crystals.

"PV modules" refers to the smallest environmentally protected, essentially planar, assembly of solar cells and ancillary parts, such as interconnections, terminals, and protective devices such as diodes intended to generate direct current power under un-concentrated sunlight.

"Series connection" means a way of joining PV modules by connecting positive leads to negative leads. A series configuration increases the total voltage of the system, but not the current.

"Thin film" or "TFPV" in the context of solar cells refers to a layer of semiconductor material, a few microns or less in thickness, used in sequential layers to create photovoltaic cells. The leading TFPV materials are amorphous silicon ("a-Si"), or gallium arsenide, copper indium diselenide ("CIS") and cadmium telluride ("CdTe").

"TSX-V" means the TSX Venture Exchange

"Voltage" is the difference of electrical potential between two points of an electrical or electronic circuit. It measures the potential energy of an electric field to cause an electric current in an electrical conductor. Depending on the difference of electrical potential and the risk of electrical shock, it is called extra low voltage (less than 120volts dc) low voltage (120 volts dc to 1500 volts dc) and high voltage (more than 1,500 volts dc). Using extra-low voltage (ELV) is one of several means to protect against electrical shock.

"Watt" means the rate of energy transfer equivalent to one ampere under an electrical pressure of one volt. One watt equals 1/746 horsepower, or one joule per second. It is the product of voltage and current (amperage).

Financial Information

All financial information in this AIF is prepared in accordance with International Financial Reporting Standards "(IFRS)". The Corporation's fiscal year end is September 30, 2012.

FORWARD LOOKING INFORMATION

Certain information included in this AIF is forward-looking. Forward-looking information includes statements that are not statements of historical fact and address activities, events or developments that the Corporation expects or anticipates will or may occur in the future, including such things as investment objectives and strategy, the development plans, the Corporation's intentions, results of operations, levels of activity, future capital and other expenditures (including the amount, nature and sources of funding thereof), business prospects and opportunities, construction timetable, extent of solar resources and future growth and performance. When used in this AIF, statements to the effect that the Corporation or its management "believes", "expected", "plans", "may", "will", "estimates", "would", "could", "should", "predicts" or similar statements, including "potential", "opportunity", "target" or other variations thereof that are not statements of historical fact should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Corporation. The Corporation believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon.

With respect to forward-looking information contained in this AIF, we have made statements regarding, among other things: the growth in the global solar power industry; the growth of the thin film PV module industry; the nature and scope of government incentives for solar electricity; the value of our technology in enabling higher yields and lower costs for rooftop and building integrated solar PV systems; the manufactured cost of our products; the competition for those segments of the market which we are targeting; the barriers to entry or lack thereof that we face in entering those markets; our ability to sell products on favorable terms and our ability to obtain financing on reasonable terms.

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Corporation's actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking information, including without limitation, the factors which are discussed in greater detail in the "Risk Factors" section of this AIF.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this AIF. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this AIF.

All subsequent forward-looking information attributable to the Corporation herein is expressly qualified in their entirety by the cautionary statements contained in or referred to herein. The Corporation does not undertake any obligation to release publicly any revisions to forward-looking information contained in this AIF to reflect events or circumstances that occur after the date of this AIF or to reflect the occurrence of unanticipated events, unless the forward-looking information should have a potentially material impact on the business affairs of the Corporation.

GENERAL MATTERS

CERTAIN REFERENCES

References in this Annual Information Form to "Sustainable Energy", the "Corporation," "us" "we" or "our" mean Sustainable Energy Technologies Ltd and its subsidiaries unless otherwise specified or the context otherwise requires. See "Corporate Structure".

This AIF contains various corporate names, product names, trade names, trademarks and service marks, all of which are the properties of their respective owners. Our trademark "SUNERGY™" has been registered in Canada, the United States and the European Union.

In this Annual Information Form, all dollar figures are in Canadian dollars, unless otherwise indicated.

MARKET AND INDUSTRY DATA

This AIF includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by management on the basis of its knowledge of and experience in the industry in which the Corporation operates (including management's estimates and assumptions relating to such industry based on that knowledge). Management's knowledge of such industry has been developed through its experience and participation in such industry. Although management believes such information to be reliable, neither the Corporation, nor management, has independently verified any of the data from third party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources. Furthermore, references in this AIF to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The information in any such publication, report, survey or article is not incorporated by reference in this AIF.

OVERVIEW

COMPANY PROFILE

Sustainable Energy designs and manufactures intelligent power electronics solutions for decentralized ("distributed") electrical generation and storage systems. Our products are based on proprietary and patented technology which enables the conversion of high current/low voltage direct current outputs of cellular generation and storage technologies into grid quality alternating current with very high conversion efficiencies.

We have designed and manufactured bi-directional inverters for solar PV systems, small wind generators, fuel cell and battery storage systems. Our inverter platform for grid connected solar PV systems is marketed under the PARALEX$_{TM}$ brand name. The PARALEX solar inverter is now in its 3rd generation, and has powered more than 20 megawatts of solar PV systems in 11 countries proving the reliability and cost.

OUR VALUE PROPOSITION

Our core value proposition lies in the ability of our products to convert high current/low voltage DC outputs of all cellular generation and storage technologies with higher efficiencies and a lower cost than any other technology in sight. Most distributed generation and storage technologies produce low voltage direct current ("DC") outputs which must be converted into higher voltage alternating current ("AC") required by power grids and most industrial and consumer electronics products. Our products are based on proprietary patented power electronics technologies which enable us to achieve the high conversion efficiencies with a fundamentally simpler, more reliable, and lower cost electronics platform than competitive low voltage power electronics solutions in the market.

We have designed our core power electronics platform from the bottom up so that it is software configurable for all generation and storage technologies and for country to country variances in regulatory environments. Unlike our competitors, we have adopted an open communications protocol with industry standard language – "modbus" or "canbus" – used to communicate with different devices. Taken together, these features allow greater flexibility and speed in designing products built around our electronics platform which can be taken simultaneously to all the major markets of the world. This is uncommon in our industry where typically product designs serve specified markets so that products sold in Europe are often not capable of being sold in North America or Japan and vice versa.

The same core electronics platform seamlessly transitions from DC to AC and AC to DC conversion and operates in a grid-interactive mode or in off-grid load with full smart grid functionality and to provide grid forming capability needed for off-grid and micro-grid markets

We have designed and proven a manufacturing model which levers the flexibility of our product design to enable products to be manufactured in multiple venues and in comparatively low volumes without sacrificing cost reductions achieved through high volume manufacturing of interchangeable sub-assemblies. To achieve this, we have designed a discrete electronics module – an "engine" around which finished products can be built by us or by OEM partners. Combined with the open communications protocol, the engine enables a highly profitable OEM strategy which delivers a lower cost finished product for our OEM partners. This strategy is not easily replicated by competitive power supply companies which typically have more complex designs, and closed proprietary communications protocols.

Our Business Model and Vision

Our vision is to enable the lowest cost, highest efficiency power electronics solution to integrate distributed generation and storage technologies as part of emerging smart grid and micro-grid applications. Our preferred business model is to earn revenues through OEM partnerships where our product forms part of a package or product distributed by our OEM partner.

Our strategy is to focus on high growth market segments where our technology will make a material difference to the outcome by levering our partner's technology advantage or marketing strategy, which cannot be easily replicated with other products in the market.

Markets/Competitive Advantages

We believe that our core value propositions will provide the greatest leverage in the distributed solar power market for systems below 250 kilowatts in power ratings, and in the emerging market for distributed battery storage, in similar power ratings.

Distributed Solar Power Systems

Our value for distributed solar power systems lies in the ability of our inverter platform to enable system architecture where the solar cells or solar panels are wired in parallel. We have the only inverter with a high power rating which enables a "parallel" alignment of cells or panels without compromising critical conversion efficiencies.

The main advantage of a "parallel" design is that each cell or panel operates independently of the other cells or panels in the system. This eliminates complex site specific electrical design constraints associated with conventional solar inverters that are needed to avoid the disproportionate impact of shading on total system performance. Eliminating the site specific electrical engineering allows

A parallel system design enables modular structurally integrated solar PV solutions that can be standardized for design and installation by mainstream builders and building trades reducing soft balance of system cost and collapsing a multi-layered value chain.

Distributed Battery Storage for Smart Grids and Micro-Grids

Our value for distributed battery storage lies in our ability to reduce total system costs through (i) materially higher round trip (charging and discharging) efficiencies which reduce the amount of storage needed to supply a given load; (ii) a simpler design topology with fewer component parts for an inherently more reliable and lower cost electronics package (iii) the ability and willingness to integrate our power electronics platform directly into OEM partner developed solutions to further reduce total manufactured cost; and (iv) an open industry standard communications protocol which enable OEM partners to quickly develop multiple product iterations with no changes to the core electronics platform.

CORPORATE STRUCTURE

Sustainable Energy Technologies Ltd ("Sustainable" or the "Corporation") is an Alberta corporation having its head and registered office at 500, Campana Place, 609 - 14th Street NW, Calgary, Alberta, T2N 2A1. Its website address is www.sustainableenergy.com. The information on that website is expressly not incorporated by reference in this AIF. Formerly RTM Holdings Inc. ("RTM"), Sustainable was incorporated on November 4, 1996 as a Junior Capital Pool company on the Alberta Stock Exchange, now known as the TSX Venture Exchange.

INTER-CORPORATE RELATIONSHIPS

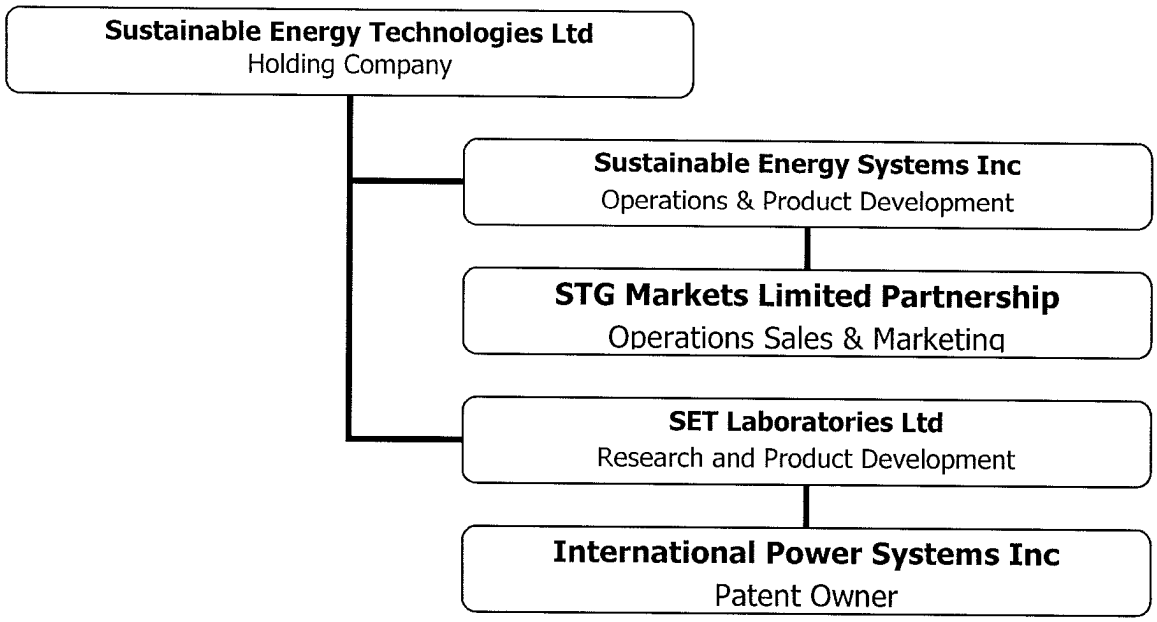
Sustainable is primarily a holding company and the operations are carried out by the following wholly owned subsidiaries:

Sustainable Energy Systems Inc. ("Systems") is an Alberta corporation which designs and manufactures our products directly and indirectly as general partner of **STG Markets Limited Partnership** ("STGLP"), an Alberta Limited Partnership formed to facilitate the financing of our operations. The products are manufactured under license from Sustainable Energy Laboratories Ltd and International Power Systems Inc.

Sustainable Energy Laboratories Ltd ("SET Labs") is a Washington State corporation which originally developed the core concepts underlying our technologies. It is now inactive. Its wholly owned subsidiary **International Power Systems Inc** ("IPSI") is for the sole purpose of holding patents issued by the US Patent Office in respect of our technology. The other patent is held by Systems.

Sustainable Energy Europa SL ("SE Europa") markets and distributes our inverters and other products related to the solar PV industry in Europe.

SIMPLIFIED CORPORATE CHART



GENERAL DEVELOPMENT OF THE BUSINESS

HISTORY

The core power electronics concepts supporting our inverter platform were originally developed by SET Laboratories Ltd (formerly CWT Technologies Inc.), a privately owned Washington corporation acquired by Sustainable Energy in 2000. Product development was shifted to Calgary Alberta during 2002 and the core engineering team continues to be based in Calgary Alberta.

The power electronics circuits for the inverter platform were developed and proven as part of 3 year collaboration with RWE AG, a large Germany utility, to develop a grid-interactive stationary fuel cell power system. In exchange for funding product development and prepayment of royalties, a subsidiary of RWE AG ultimately acquired a non–exclusive license for fuel cell power module that might be developed by it.

With the collapse in demand for grid interactive stationary fuel cells; and the termination of the RWE AG relationship we determined to adapt the fuel cell inverter platform for use with grid interactive solar PV applications and introduced our first generation product for the grid-connected solar PV market in Spain in the autumn of 2007. More than 1,800 1st generation units were manufactured and are operating to specification in a series of projects in Canada, Spain, Germany, the Czech Republic and Greece The Spanish market collapsed in the early part of 2008 due to a radical change in government policies and has not since recovered.

We began development of the 2nd generation product platform in 2008 to reduce cost, optimize performance, and change the product footprint to one that that could be easily private labeled. Due to a shortage of resources, product development took longer than expected was delayed and product certification was only completed during Q3 of fiscal 2010. The first production units were shipped to Europe during Q4 of fiscal 2010. As of the date hereof we have shipped 1,200 2nd generation units shipped and they are reporting 98.8% reliability

During fiscal 2010, the Province of Ontario enacted a European style feed in tariff ("FIT") which entitles owners of solar PV systems to sell solar electricity under 20 year power purchase agreements at premium prices ranging from

$0.43/kWh for ground based systems to $0.80/kWh for rooftop systems below 10kW. A key element of the Ontario FIT Program is the requirement that systems have a minimum domestic content to access FIT pricing.

In response to the Ontario legislation, we committed to build our business in Ontario. We also committed our resources to building volumes in the so-called micro-FIT (systems below 10kW) market which had a significant backlog of conditionally approved contracts from the Ontario Power Authority and which in our judgment would be the fastest growing segment of the market. We introduced the current PARALEX platform to the market during Q1 2011 and by the end of Q2 2011 we believe we had achieved an estimated 15% share of market which was the only active solar PV market in Ontario. Product sales were however negatively impacted in the 2nd half of fiscal 2011 by delays in the implementation of the Ontario Green Energy Program, political uncertainty in Ontario leading up to a Provincial election, and by connectivity issues in rural areas where there was significant demand for systems.

Although the governing Liberal Party was returned to power in October 2011, the new government immediately imposed a moratorium on new projects, while it developed comprehensive new policies designed to slow growth in solar installations especially in the rural micro-FIT market where we were well positioned. The moratorium was only partly lifted in July 2012 and the Ontario market continues to be plagued by uncertainty and an apparent determination to limit solar PV installations to a fraction of that promised by the previous government.

We used 2012 to reposition our business model to the OEM model described earlier and to put in place partnerships which we believe will drive shareholder value in 2013 and beyond.

During 2011 and 2012, we had partnered with US based tenKsolar Inc to create the solar industry's first fully modular structurally integrated solar PV package enabled by our parallel inverter. In Q1, 2013, we licensed tenKsolar to build and integrate our electronics platform into its solar PV package and entered into an transitional interim supply contract for inverters which together will contribute a minimum of $5.4 million in the 2013 calendar year.

During 2012, we combined with Solar Frontier Americas to develop and demonstrate a structurally integrated bundle combining our inverter with Solar Frontier's high efficiency CIS thin film module for residential and small commercial rooftops and building facades. We believe that the thin film "AC module" enabled by our inverter platform is the single best opportunity to bring high efficiency thin film to the rooftop and building façade markets. Based in Japan, Solar Frontier is one of the top three thin film module manufacturers in the world with more than 1 GW of production capacity.

During 2012, we developed and began marketing a smart grid energy storage inverter for emerging German and Japanese residential and small commercial solar energy storage markets. High efficiency power electronics are critical to optimize the value high efficiency lithium ion battery based energy management systems which will be distributed by utilities, major consumer products companies, and solar installers.

TECHNOLOGY DIFFERENCES

Grid Interactive Inverters

Grid interactive inverters use modern solid-state power electronics technology to convert direct current ("DC") from an electrical generator or storage device into the high quality alternating current ("AC") power required by the power grid and by most electronic and electrical equipment. Grid-interactive inverters require a much higher level of real time control over the power conversion process since they must precisely match the AC wave shape (the sinusoidal wave shape that characterizes AC power) to the AC wave shape of the power grid in real time, meet a variety of power quality standards (harmonic distortion, power factor etc) and detect grid outages and disconnect the energy source from the power grid for safety and grid control reasons.

A key challenge for grid interactive inverters is to limit energy losses as the DC energy is converted into AC energy while maintaining power quality required by the power grid. This is impacted by the resistance of the power electronics to the current level. As the current passing through the electronics circuits increases the conversion efficiency of the inverter declines with the square of the increase in the current. Referred to sometimes as the "I^2R" phenomenon it means that power ratings of conventional inverters can only be increased without impacting efficiencies by increasing the DC voltage inputs while maintaining low current inputs.

This is a serious issue wherever the generation or storage technology produces high currents (with correspondingly lower voltages) since it is impossible to increase the power ratings of the systems with conventional high voltage inverters without compromising electrical conversion efficiencies of the system. In fact, all cellular generation and storage technologies including solar PV cells are inherently more efficient where the cells are larger and the voltage is maintained at a low level while the power ratings is increased by increasing current output relative to the voltage.

OUR DIFFERENCES

Our inverter design reduces the impact of the "I2R" phenomenon without negatively impacting efficiencies through a variety of connected mechanisms. Most inverters topologies combine a DC to DC converter which stabilizes the input voltage (and in the case of solar inverters is responsible for maximum power point tracking the PV system) with a DC to AC converter where the DC power is converted into AC power by passing it through power semiconductor switches. The switches control large amounts of power which are operated at comparatively high switching frequencies and using a single "H" bridge to step up the voltage to the voltage output required by the power grid. The high current passing through the "H" bridge is the source of the "I^2R" problem for high-voltage inverters.

Our inverter platform eliminates the DC-DC converter and directly splits the DC input into four streams by using four "H" bridges which are then linked in series on the secondary side. Advanced and patented software controls then sum the output of each transformer to create the high quality AC wave share. By sharing the current between the bridges the current through each component is reduced resulting in lower overall conducted losses.

Because the output is created by summing the transformer output, the switching frequency of each H-bridge is only one quarter of what is usually required so there are no additional switching losses. The ability to control the switching of each transformer independently also enables the inverter to accept a wide input voltage range with minimal impact on efficiency, eliminating the need for a DC/DC pre-converter as used in most other grid tied solar inverters. This, in turn, allows for much faster and more stable control loops than competitive products leading to faster more effective maximum power point tracking.

Our approach enables much higher DC input current to be converted to higher voltage AC outputs without compromising power quality and conversion efficiencies. This allows the inverter to convert the low voltage DC output of energy and storage devices at very high efficiencies. Instead of stepping up the voltages through a series to achieve higher power outputs the DC current outputs are summed while the voltage is maintained at a lower level. This is achieved by wiring the DC generators or storage devices in "parallel."

In the context of solar PV systems, wiring the solar PV modules in "parallel" enables each module to operate at its optimum power output independently of the performance of other modules in the string since changes in solar intensity do not affect the voltage output. In addition to eliminating the systemic losses associated with the series wiring, a parallel system also eliminate the need for long strings of modules. Instead, solar PV modules can be wired in short flexible strings of one to three modules simplifying and adding flexibility to system design.

In the context of grid interactive energy storage systems our high efficiency bi-directional conversion of DC to AC or conversely AC to DC enables a very simple power electronics topology with the highest round trip power conversion efficiencies in the industry.

CHANGE FACTORS INFLUENCING OUR BUSINESS

Energy Storage

The single most important change influencing our business has been the emergence of battery storage in energy short markets such as Germany and Japan, especially the emergence of demand for smaller distributed energy storage for residential and small commercial or institutional systems. Typically these systems are being marketed as part of energy management systems design to capture the value of the spread between the price of electricity on the power grid and the lower cost solar electricity over a long period of time.

Decoupling electrical generation and consumption is seen as the key to making the modern power grid more economical by eliminating the need for surplus generating capacity and transmission used to meet peak demand during periods of the day which remain idle at other times. There is a conviction that new high efficiency batteries will be cheaper than investing in surplus capacity. Already utilities and governments are creating incentives to acquire such capacity.

Renewable energy especially solar power is becoming an increasingly larger percentage of total generation. In Germany renewable energy represents 19% of total generation and is expected to rise to 35% by 2020. At the same time solar electricity has become one of the lowest costs of new electrical generating capacity around. The result is that solar is expected to represent 1/3 of all new capacity additions by 2016. In most countries in Europe the levelized cost of solar electricity is at or well below the cost of electricity from the power grid.

Energy storage is also needed to convert intermittent renewable energy into firm dispatchable power that can be used when needed. In Germany the government is moving to encourage owners of solar PV systems to increase on-site consumption of solar electricity and reduce the demand on the power grid.

Advanced power electronics are the critical interface between the generation and storage devices and the power grid. In all markets it appears that smaller (3kW – 25kW) distributed systems will be low voltage systems for performance, cost and safety reasons and require a high efficiency grid interactive low voltage inverter. There are very few of these in the market or in development and from published data and customer feedback all appear to have lower conversion efficiencies and a higher manufactured cost structure than our inverter platform.

Structurally Integrated Solar

Solar PV systems are typically custom designed to balance the electrical engineering design constraints imposed by high voltage inverters and the mechanical engineering design constraints imposed by the building. This phenomenon inhibits standardization and modularity that is key component to producing a lower cost solution. To reduce soft balance costs and collapse a multi-layered supply chain we believe that the industry is moving towards more modular solutions in the form of AC modules with integrated electronics which can be installed like building tiles and prefabricated packages or bundles which can be pre-assembled and installed by mainstream trade.

At the same time intense pricing competition in the module side of the industry which has become commoditized is driving module manufacturers to packages in order to differentiate the products and capture a larger market share

Power electronics are the key change agents and all aim to deliver a parallel system design. We believe that our power electronics platform is the only platform which can deliver this result for larger systems

NARRATIVE DESCRIPTION OF OUR BUSINESS

Business Model and Vision

Our vision is to enable the lowest cost highest efficiency power electronics solution to integrate distributed generation and storage technologies as part of emerging smart grid and micro-grid applications. Our preferred business model is to earn revenues through OEM partnerships where our product forms part of a package or product distributed by our OEM partner. In some cases this may be an inverter or the electronics engine around which the inverter is built.

Although our technology is scalable to higher power ratings, we believe that it will add the greatest value in connecting distributed generation and storage systems ranging from 3 kilowatts to approximately 250 kilowatts in capacity.

Growth Strategy

Our strategy is to focus on high growth market segments where our technology will make a material difference to the outcome by levering our partner's technology advantage or marketing strategy, which cannot be easily replicated with other products in the market.

Solar PV Strategy:

Within the solar power industry, we believe that we will be able to build OEM partnerships by (i) enabling emerging cell technologies which need a parallel design to achieve their goals; and (ii) enabling standardized structurally integrated packages or bundles which eliminate the need for site specific electrical engineering and can be factory assembled and distributed directly to mainstream builders and or mainstream electrician.

Our partnership with tenKsolar is an example of our strategy. During 2011 and 2012, we combined with tenKsolar to create industry's first completely modular, structurally integrated solar PV system based on the tenKsolar parallel cell technology. At the core of the tenKsolar product is an advanced power electronics design enabled by the our proprietary technology. At the outset, we supplied PARLAEX inverters which were integrated into the tenKsolar product offering. In December 2012, we agreed to license the right to integrate our platform into the tenKsolar product enabling tenKsolar to materially reduce its manufactured cost.

During Q1, 2013, we announced the development and demonstration of a structurally integrated parallel design for high efficiency thin film in combination with Solar Frontier, a leading manufacturer high efficiency thin film modules. The AC module eliminates the site specific engineering and which enables a very simple flexible modular approach to installation which levers the aesthetic and performance advantages of the thin film module in this application.

We believe that the "AC module" is the single best opportunity to bring high efficiency thin film to the rooftop and building façade market. Our goal is to position our inverter platform as the "go to" solution to use with all high efficiency thin film modules on residential rooftops and in commercial building facades in all the major markets.

Also in Q1, 2013, we announced an agreement with EECOL a leading Canadian building products distributor to jointly market a structurally integrated modular system for rooftops to EECOL's established base of builders and electricians. We believe that the use of pre-assembled systems or kits will be the next major trend in the solar industry to reduce total system costs by eliminating site-specific electrical engineering design and enabling systems to be installed by mainstream builders and electricians with limited specialized experience with solar PV. We believe that success with EECOL in demonstrating the value of prepackaged systems to mainstream builders and electricians will drive interest from other large distributors of systems in the US market including the leading solar PV leasing companies and will help to position the PARALEX inverter in this market application.

Energy Storage Strategy:

Our strategy for the distributed energy storage market is to stake out an early position with first movers in the market at the point when they are making decisions on critical components. Our goal is to embed our platform in their product design creating a barrier to latecomers to the market. The first markets will be in Germany and Japan and driven by solar energy load shifting. Our strategy is to secure partnerships which have the potential to take an aggregate 30% market share over the next three years in each of these markets.

During 2013, we will also demonstrate the value of our platform to support multiple applications with a view to positioning the product in these segments, increasing awareness of the Company and identifying demand potential to justify actively marketing solutions. These applications include (i) a retrofit back up power module for installed solar PV systems in the US; (ii) an AC storage module for peak shaving to avoid utility demand charges principally in the US; and (iii) load management for diesel based and solar diesel based micro-grids for military and industrial applications.

The reader is cautioned that the preceding paragraphs include forward looking statements concerning the size of the potential market for distributed solar and energy storage markets and the ability to obtain a share of the markets. While management believes these statements to be reasonable there is no assurance that they will occur, in which event the prospects for the Company will be negatively impacted.

Operations

Products

Currently, we manufacture inverters with power ratings up to approximately 6 kilowatts (kW) for small ground mount systems, for small ground mount, residential and commercial rooftops systems with nameplate capacities up to about to 100kW and for architecturally integrated solar PV in building facades.

Branded "PARALEX," the inverter is designed to be distributed throughout the solar PV array for maximum operating efficiency easy accessibility and maintenance. The PARALEX inverter is outdoor-rated from minus 40 degrees Celsius to plus 50 degrees Celsius the widest outdoor rating range in its class. The PARALEX inverter has also been designed for very easy maintenance. The electronics module is field replaceable by anyone with basic electrical skills, and has a weight and shape that permits express shipment through most commercial couriers. This enables a call-center approach to product support eliminating to the greatest degree possible any field service even for three phase higher power ratings.

Manufacturing Model

We manufacture products in Guelph, Ontario for domestic and export markets. Our manufacturing model entails a series of closely integrated partnerships with suppliers of core subassemblies planning to enable rapid and flexible response to change in demand. Final assembly of the components is managed locally to ensure final quality control and reduce logistics.

Because sub-assemblies, including the electronics platform, are interchangeable among different products, they can be produced in higher volumes and shipped in bulk to the point of final assembly and testing enabling greater flexibility in responding to market changes; better quality control; and an overall lower cost of manufacturing.

The manufacturing model is designed to increase capacity with a minimal capital investment and with minimal new investment in component inventory. It also enables a replicable low cost assembly and testing facility in different venues to meet domestic content requirements or allow OEM customers to easily manufacture the product with minimal additional tooling.

We have designed the inverter platform to optimize the advantages of its lower operating voltage in reducing manufactured cost. A single very simple electronics platform will support multiple products enabling higher production using components readily available in high volumes in the automotive market. We believe that we will be in a position to match the manufactured cost of industry leaders with significantly lower production volumes and challenge their cost structure in higher volumes.

COMPETITION

Most grid-interactive inverters on the market are relatively undifferentiated as to technology and compete on the basis of electrical conversion efficiencies, customer service brand name and cost. The market leader is SMA and they set market pricing. By conventional standards, our electrical conversion efficiencies are roughly in the upper quartile of the band of acceptable efficiencies for grid connected solar inverters. In terms of transformer based inverters capable of serving the thin film market, we believe we are closer to the market leaders and we expect that our new transformer topology will put us on a par with market leaders by mid-2012.

Our principal competitive differentiator from conventional inverters lies in our ability to convert high current inputs at higher power ratings in a grid interactive mode without compromising conversion efficiencies. The main competitive suppliers of low voltage grid interactive inverters are SMA (Germany) Xantrex (US) Studer (Switzerland), and Outback (US).Based on published data from the California Energy Commission and information from prospective OEM partners we believe we have materially higher round trip (charging and discharging) efficiencies, and a design that enables a fundamentally lower manufactured cost structure.

Unlike our competitors we have designed a software configurable platform from the bottom up to allow integration of the core electronics directly into OEM partner developed products. We have also adopted an open communications protocol with industry standard language – modbus or canbus – used to communicate with different devices. Taken together, these features allow great flexibility and speed in designing products built around our electronics platform which can be taken simultaneously to all the major markets of the world. This is uncommon in our industry where typically product designs serve specified markets so that products sold in Europe are often not capable of being sold in North America or Japan and vice versa.

We have also designed and proven a manufacturing model which levers the flexibility of our product design to enable products to be manufactured in multiple venues and in comparatively low volumes without sacrificing cost reductions achieved through high volume manufacturing of interchangeable sub-assemblies.

With certification in Japan expected this Quarter our power electronics platform will be the only low voltage inverter certified in Europe, the US and Japan. This enables OEM partners to develop products which can be marketed globally. This feature should not be underestimated since the crossover of products between Europe North America and Japan has been very limited.

BARRIERS TO ENTRY

Like all electronics, our products are subject to various product safety and electromagnetic compatibility (EMC) regulations in the different geographical regions in which our products are sold. EMC compliance ensures that electronic products operate without causing or suffering from radio-frequency interference. In general, with Europe being a notable exception, regulations for product safety require third party agency certification and are mandated by national or regional electrical codes. Certification is usually available only from nationally or regionally accredited agencies and must be done to standards in force in the applicable region. Testing and evaluation of samples leads to certification, which is followed up with regular inspections at manufacturing locations to ensure ongoing compliance.

Each country or region has its requirements, which we design and test to and maintain the results on file. Ongoing compliance is left to the manufacturer to control, according to engineering, manufacturing and quality assurance processes, with re-testing required if changes are made to the design that could affect compliance.

In the European Union, product safety is covered under a self-declaration process, with compliance of the design and of ongoing production left to the manufacturer to control according to engineering, manufacturing and quality assurance processes, with re-testing required if changes are made to the design that could affect compliance.

Within the Europe Union, there is also a Restriction on Hazardous Substances (RoHS) which restricts the use of hazardous substances in electrical and electronic equipment and the environmentally sound recovery and disposal of waste electrical and electronic equipment.

Non-technical barriers to entry vary from market to market. The most significant non-technical barrier is that the market is generally accustomed to high voltage inverters and the solar PV module industry has developed wiring solutions to accommodate the high voltage inverters which result in additional wiring being required to arrange the modules in parallel. There is also a perception among new entrants to the industry that the additional wiring is problematic in terms of installation time and cost; and little knowledge or appreciation of the value of the parallel alignment. Another significant non-technical barrier is our newcomer status and comparatively weak balance sheet which can present issued with customers concerned about the staying power of the Company.

INTELLECTUAL PROPERTY

Following are the patents issued by the US Patent Office and owned by Sustainable:

- U.S. Patent Nos.6,198,178 6,08,404 6,978,916 describe the step wave power conversion process used by the company to allows\ low voltage DC power to be more efficiently converted into AC power using the controlling step wave voltages output from multiple different bridge circuits so that in combination the voltages create an AC output voltage.
- U.S. Patent Nos. are 6,628,011 6,882,063 describe how power transfer is managed between a plurality of different DC power sources and a DC bus using a rechargeable DC power source.
- U.S. Patent No. 6,765,315 describes a fuzzy logic power conversion concept whereby a control circuit monitors voltage levels and power demands on opposite sides of the inverter and then controls the operations of the converter or inverter according to the monitored voltage levels and power demands.
- U.S. Patent No. 6,738,692 describes a process where a plurality of modules configured to perform power conversion and power management operations are connected together through a common backplane.
- U.S. Patent No. 7,087,332 describes a power slope targeting process for optimizing the performance of fuel cells by identifying in real time a maximum allowable power output and adjusting the electrical parameters of the fuel cell to output power at approximately the identified maximum allowable power level.
- US Patent No 8,026,639 describes a control scheme for backup power and off grid applications
- US patent No. 8,031,495 describes a robust controller and the single transformer topology

We also have other patents pending with the US Patent Office.

In addition to our patents, we rely on copyrights, trademarks, trade secrets and contracts to protect our technologies, products and brands. We have registered the PARALEX$_{TM}$ trademarks in the United States and Europe, and we assert copyright ownership for our published materials and for the software embedded in our products. We use technical means to prevent unauthorized copying of the software embedded in our products.

While products for solar PV applications currently represent the highest value for our technologies, we believe there are significant growth opportunities in other applications including fuel cells, small wind turbines and back-up power systems.

CORPORATION, OFFICES AND PEOPLE

We have offices in Toronto, Ontario and Calgary, Alberta in Canada, and in Europe. We have 13 full time personnel, of which 4 are engaged in engineering and product development, 2 are engaged full time in sales and marketing, 5 are in operations and 2 in administration.

The Corporation is not currently subject to any collective bargaining agreements. The Corporation has no plans to increase the number of employees.

CAPITAL STRUCTURE

The following is a summary of the material attributes and characteristics of the securities of Sustainable. The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of First Preferred Shares, issuable in series.

COMMON SHARES

Holders of Common Shares are entitled to receive notice of and to attend all meetings of shareholders of the Corporation, except meetings at which holders of another specified class of shares are exclusively entitled to vote, and are entitled to one vote for each Common Share held on all votes taken at such meetings. Holders of Common Shares are entitled to dividends as and when declared by the board of directors of the Corporation.

In the event of the liquidation, dissolution or winding up of the Corporation, the holders of Common Shares are entitled to receive, subject to the prior rights of the holders of other classes of shares, any remaining assets of the Corporation.

As of the date hereof, there are 20,915,597 Common Shares issued and outstanding as fully paid Common Shares.

FIRST PREFERRED SHARES

As of the date hereof there are 1,026,587 First Preferred Shares issued in Series 7, 8, 9, 10, 11, 12 and 13 that are convertible at the option of the holder into a total of 8,178,078 common shares as of this date. Each Series of First Preferred Shares is redeemable for an amount equal to $10 plus the amount of accrued but unpaid dividends to the date of calculation (the "Applicable Redemption Price").

Holders of First Preferred Shares are entitled to receive as and when declared by the Board of Directors out of moneys of the Company applicable to the payment of annual dividends an amount equal to 8% of the then Applicable Redemption Price payable semi-annually. In the event the annual 8% dividend is not declared and paid, such dividend shall be accretive to the Applicable Redemption Price.

Holders of the First Preferred Shares may convert, at any time, the First Preferred Shares into that number of fully paid and non-assessable common shares equal to the then Applicable Redemption Price of that Series of First Preferred Shares divided by the conversion price which varies from Series to Series. First Preferred Shares are automatically converted into common shares if (i) approved by a majority of the holders of First Preferred Shares or (ii) the Company undertakes an underwritten public offering pursuant to a receipted prospectus or similar document for aggregate proceeds of $20 million at a price per share of at least $0.45.

The First Preferred Shares may not be redeemed by the Company prior to the second anniversary of the issue thereof which in the case of Series 7 First Preferred Shares is October 15, 2011. After that date, if the weighted average trading price has exceeded $0.60 per share for at least 30 consecutive trading days and the average trading volume for such 30 consecutive trading days is at least $200,000, the Company may redeem all but not less than all the First Preferred Shares at the then Applicable Redemption Price subject to the prior right of holders to exercise their right to convert the First Preferred Shares into common shares of the Company.

Doughty Hanson holds one (1) First Preferred Shares Series 8 which entitles it to designate a representative to the board of directors of the Company for so long Doughty Hanson owns in the aggregate more than 10% of the issued and outstanding common shares of the Company calculated on a fully diluted basis. The share is redeemable at a price of $1.00, at the option of the holder.

On August 23, 2010, the Company issued 68,736 First Preferred Shares Series 9 for gross proceeds of $687,360. The Series 9 preferred shares are similar and rank *pari passu* to the Series 7 preferred shares, with the exception of the detachable warrants which were not issued as part of the Series 9 preferred shares. The Series 9 shares are convertible at a price of $1.55. The Series 9 preferred shares (50,000) issued to Doughty Hanson have a 4 month hold expiring December 23, 2010. Doughty Hanson was also given 5,161,290 warrants exercisable for 1 year at $0.155 and with a 4 month hold as partial compensation for underwriting the equity commitment of $3,000,000.

On October 5, 2010, the Company issued 80,000 First Preferred Shares Series 10 to Doughty Hanson, pursuant to a commitment agreement dated August 23, 2010, which are similar to and rank *pari passu* with the Series 7 and Series 9 preferred shares, with the exception of the detachable warrants which were not issued as part of the Series 10 preferred shares. The Series 10 preferred shares resulted in a cash inflow of $800,000 and they are convertible at a price of $1.40 and mature 5 years and 1 day from the date of issuance.

On October 25, 2011, the Company issued 50,000 First Preferred Shares Series 11 to Doughty Hanson, pursuant to a commitment agreement dated October 19, 2011, which are similar to and rank *pari passu* with the Series 7, Series 9 and Series 10 preferred shares. The Series 11 preferred shares resulted in a cash inflow of $500,000 and they are convertible at a price of $1.15 and mature 5 years and 1 day from the date of issuance.

On December 19, 2011, the Company issued 50,000 First Preferred Shares Series 12 to Doughty Hanson, pursuant to a commitment agreement dated October 19, 2011, which are similar to and rank *pari passu* with the Series 7, Series 9, Series 10 and Series 11 preferred shares. The Series 12 preferred shares resulted in a cash inflow of $500,000 and they are convertible at a price of $1.00 and mature 5 years and 1 day from the date of issuance.

On December 27, 2012, Doughty Hanson acquired 50,000 units at a price of $10 per unit, each unit being comprised of one, 8%, five-year First Preferred Shares, Series 13, convertible into Common Shares at a conversion price of $0.40 per share and 20 five-year Common Share Purchase Warrants exercisable at a price of $0.50 per share.

MARKET FOR SECURITIES

The Common Shares of the Corporation are listed for trading on the TSX-V under the symbol "STG". The following table sets the high, low and closing trading prices and the volume of Common Shares traded on the TSX-V for each of the last 12 calendar months: Please note that there was a 10:1 share consolidation in December 2012.

Month	High	Low	Closing	Volume
2012				
January	.07	.06	.07	199,400
February	.08	.06	.07	177,600
March	.08	.06	.06	179,800
April	.07	.05	.06	168,300
May	.06	.04	.04	225,800
June	.06	.04	.06	209,600
July	.08	.06	.07	56,900
August	.07	.04	.05	165,400
September	.06	.04	.06	100,300
October	.06	.04	.04	209,900
November	.04	.03	.04	290,900
December	.35	.03	.32	352,200

The First Preferred Shares are not listed or quoted on any marketplace.

DIVIDENDS

The Board has not established a policy of declaring cash dividends on the Common Shares or the First Preferred Shares, Series 7,9,10,11,12 and 13. The declaration and payment of dividends are subject to the discretion of the Board and depend on, among other things, the Corporation's financial condition, general business conditions and other factors that the Board may in the future consider to be relevant.

DIRECTORS AND OFFICERS

The name, municipality of residence, office and principal occupation of each of the directors and executive officers of the Corporation are set out below:

BOARD OF DIRECTORS

Name	Principal Occupation and Residence
Michael Carten[1] Director since Sept 1999	Chief Executive Officer of Sustainable Energy Technologies Ltd. Alberta, Canada
Robert Penner CA[1] Director since July 26, 2004	Corporate Director Alberta, Canada
K. Andrew Gustajtis Director since August 21, 2012	Vice President and Managing Director of D&D Securities Company Ontario, Canada
Gregory H Nelson[2] Director since: April 4, 2008	Executive Vice President of Sustainable Energy Technologies Ltd. Arizona, USA
George Powlick[1] Director since May 2009	Managing Director, Doughty Hanson Technology Ventures London, England

Notes:

(1) Member of Audit Committee
(2) Member of Compensation Committee

EXECUTIVE OFFICERS OF SUSTAINABLE AND ITS SUBSIDIARIES

Name	Principal Occupation and Residence
Michael Carten	Chief Executive Officer, Alberta and Ontario, Canada
Justin Holland	Vice President of Operations Ontario, Canada
Brent Harris	Vice President & Chief Technology Officer Alberta, Canada
Roger Fredette	Chief Financial Officer Alberta, Canada

As of the date hereof, the directors and executive officers of the Corporation own as a group, directly or indirectly, or exercise control or direction over a total of 2,218,191 Common Shares representing 11% of the outstanding Common Shares. Mr. Powlick is also the designated appointee of Doughty Hanson Technology Ventures which holds an aggregate of 450,000 First Preferred Shares, Series 7 one First Preferred Share, Series 8, and 280,000 First Preferred Shares Series 9,10,11,12 and 13 representing in total the equivalent of 6,203,792 Common Shares. Mr. Carten holds 1500 First Preferred Shares, Series 7, representing the equivalent of an additional 100,000 Common Shares.

Biographies of each director and senior executive officer, including his principal occupations for the last five years, are set forth below:

Michael A Carten, LLB Chairman of the Board and Chief Executive Officer: Michael Carten founded Sustainable in 1999 with the mission to create, build and export innovative renewable energy technologies and products. He has shepherded the Corporation since 2000 from the first conceptual stages of the inverter technology, through product development and the commercialization process, as well as arranging financing for the Corporation through its development.

Prior to founding Sustainable, Mr. Carten had a successful career in law and corporate and government finance as a senior partner of Bennett Jones LLP, one of Canada's largest energy law firms, and as a Director and Senior Vice President and Director of Corporate and Government Finance for BMO Nesbitt Burns, based in Calgary Alberta. Through his career he has represented some of Canada's largest companies and often served as an advisor to the Federal and several Provincial governments on energy and fiscal policy matters.

Mr. Carten is a graduate of Loyola College (Concordia University) in Montreal, Quebec and Dalhousie Law School in Halifax, Nova Scotia.

Gregory H. Nelson, Chief Operating Officer and Director: Greg Nelson was formerly Executive Vice President and Chief Operating Officer of First Solar, the world's largest manufacturer of thin film PV modules and Executive Vice President and Chief Operating Officer of ZBB Inc a battery manufacturer. Mr. Nelson has more than 20 years of experience in high volume manufacturing and in managing the transition of technology companies from product development to production and commercial success.

K. Andrew Gustajtis, Director: Andrew Gustajtis is the Vice President and Managing Director of D&D Securities Company, an investment dealer, since December 2005. Mr. Gustajtis has worked in the investment industry since 1978, currently serves as financial advisor to the Corporation.

Robert D. Penner, CA, Director: Mr. Penner has 40 years of accounting experience, and was formerly a partner with KPMG Canada in Calgary. At KPMG Mr. Penner held senior positions within the tax practice, served on the Canada Partnership Board and was also Chairman of the Compensation Committee. His community service work is well recognized and he has often lectured and been published on taxation related issues. Mr. Penner is also a director of Corridor Resources Ltd., Terra Energy Ltd. and Gastar Exploration Ltd.

George Powlick MBA, Director: Mr. Powlick is currently a managing director of Doughty Hanson Technology Ventures. Mr. Powlick has been an active venture capitalist since 1995 initially in Silicon Valley and for the past decade in Europe. Before co-founding Doughty Hanson Technology Ventures in 2000, Mr. Powlick was head of the Strategic Investments and Acquisitions Group for Intel Corporation in Europe and the Middle East.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or officer of the Corporation other than Robert Penner, nor a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, nor within the ten years prior to the date of this AIF, has been, a director or officer of any issuer that, while such person was acting in that capacity, that (a) was the subject of a cease trade or similar order or an order that denied that issuer access to any exemptions for a period of more than 30 consecutive days; or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. Mr. Penner was a director of Storm Cat Energy Corporation ("Storm Cat"), all of the wholly owned subsidiaries of which filed a voluntary petition on November 10, 2008 for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Colorado. Storm Cat was not included in the U.S. bankruptcy filing, nor did it file an application for creditor protection under the Companies' Creditors Arrangement Act in Canada. Subsequently Storm Cat received a delisting notice from the NYSE Alternext US LLC and a notice from the Toronto Stock Exchange to suspend trading of its shares. In both cases the reasons given include, among others, the voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code on November 10, 2008, Storm Cat's financial performance, and the low per share trading price of Storm Cat's common stock for a substantial period of time. None of the directors or officers of the Corporation, nor any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, or a personal holding corporation of any such persons, has, within the ten years preceding the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the person.

As of the date hereof, no director or officer of the Corporation has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

CONFLICTS OF INTEREST

The directors and officers of the Corporation are engaged in, and will continue to engage in, other activities in the industries in which the Corporation operates and, as a result of these and other activities, the directors and officers of the Corporation may become subject to conflicts of interest. The *Business Corporations Act* (Alberta) ("ABCA") provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA. As at the date hereof and other than as described herein, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and a current or proposed director or officer of the Corporation.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors and senior officers of the Corporation and no associate or affiliate of any of them has a material interest in any transaction within the three most recently completed financial years involving the Corporation or in any proposed transaction which has materially affected or will materially affect the Corporation. Each of the directors has participated in one or more of the financings undertaken by the Corporation. In no case has any one director acquired more than 10% of the securities issued.

RISK FACTORS

Prospective investors in a particular offering of securities by us should consider, in addition to information contained in the prospectus relating to that offering or in other documents incorporated by reference herein, the risks described below. The following information is a summary only of such risk factors and is qualified in its entirety by reference to, and must be read in conjunction with the detailed information appearing elsewhere in this AIF. Such risk factors may have a material adverse effect on the financial position or results of operations of the Corporation or the value of its securities.

GOING CONCERN

Our audited consolidated financial statements for the fiscal year ended September 30, 2012, have been prepared on a "going concern basis", which is described more fully in note 1 of the consolidated financial statements. In accordance with IFRS, and based upon key factors listed herein, we believe such a note in our consolidated financial statements is appropriate and our independent auditors agree. The application of "going concern" depends upon our ability to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future. To date, we have not recorded a profit from operations and have derived virtually all of our working capital from the sale of our securities. We have experienced erratic revenue trends over the course of our history and, at times, deficiencies in working capital. Our business also faces many known and unknown risks, including those described in this Annual Information Form that could hinder our ability to continue as a going concern.

Our independent auditors have added this statement to their opinion of the Company's 2012 year-end audited financial statements. "Without qualifying our opinion, we draw attention to Note 3 of the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Sustainable Energy Technologies Ltd.s' ability to continue as a going concern."

Operating Losses

We have a limited operating history. We are in the growth phase of our business and are subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability, and the need to secure additional funding. As is common with companies at this stage of development it is likely that marketing and operating costs will exceed net sales revenues during the product launch period. Our business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development, particularly companies in relatively new and evolving markets.

Need for Additional Capital

In order to accelerate our growth objectives, and realize the full potential of our market opportunities we will likely need to raise additional funds from lenders and/or equity markets in the future. The capital needed to execute on this strategy would be tied to increased investment in human resources, and for the working capital needed to ramp production in 2013. If we are unable to raise the capital on reasonable terms, our growth could be limited. If we issue Common Shares, or securities convertible into Common Shares, in order to obtain additional financing, shareholders may suffer additional dilution.

Market Acceptance

Market acceptance of our SUNERGY inverter and the parallel system architecture is the most significant factor in achieving our strategic goals. With the predominance of high voltage inverters over the past 8 years there has been general acceptance of the high voltage series system design by installers and system integrators and using the parallel system approach represents a change in paradigm.

Our small size is also a deterrent to customers but one which will be overcome in the long run with success and through strategic partnering. The exclusivity of our solution may also be a deterrent since customers are unable to find alternatives to our approach. In both cases we believe that this can be overcome through OEM, private labelling and/or licensing relationships which will assure the availability of product.

Dependency on Government Policies

Our business model is highly dependent on growth in the solar power industry which is in turn highly dependent on continuing government support for the industry for the foreseeable future. In particular, our business model assumes that much of the growth in this industry will be for rooftop and building integrated solar power systems. In the near term, this is dependent on the structure of the incentives continuing to support these systems. If these incentives were removed or materially changed before the cost of solar electricity becomes competitive with other energy sources, the demand for our products would be materially affected.

In the case of Ontario a challenge under the World Trade Agreement has been commenced challenging the domestic content component of the Ontario FIT program. Were this to succeed it is likely that Ontario would undertake substantial amendments to the program which could materially impact Sustainable

Even with continued support for solar PV and continued high growth in the solar industry markets, demand for our products can be volatile and it is more difficult to predict the nature and scope of demand for our class of products than would be the case in a more mature environment. This makes it difficult to plan production to meet demand on a timely basis adding to the financial risk of the business. While our business model attempts to address these risks there is no assurance that changes in market conditions will not adversely affect liquidity.

Competition and Technological Change

Because we are in a highly competitive market, we may not be able to compete effectively in these markets, and we may lose or fail to gain market share. We face a large number of competitors, many of whom are larger and have greater resources than us, and we expect to face increasing competition in the future. Our competitors may develop products based on new or proprietary technology that have competitive advantages over our products.

Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, sales, marketing, technical and other resources than we do. Our competitors may enter into strategic or commercial relationships on terms that increase their competitiveness. These competitors may be able to respond more quickly to changing customer demand, and devote greater resource to developing, marketing, and selling their products than we can.

Our business model is also highly dependent on market acceptance of the value of configuring solar PV arrays in a parallel fashion instead of the more conventional high voltage series array. Even if we are successful in gaining market acceptance for the parallel array, there is the possibility that one of more of our competitors will develop new technology which enables the low voltage parallel array at the same or better cost than we are able to achieve and our business would be adversely affected. It is also possible that one or more of our competitors will attempt to copy our approach and challenge the validity of our patents. While we believe that our patents and other intellectual property are defensible, there is no assurance that a court will not find to the contrary, negatively impacting the value of Sustainable.

MANUFACTURING COST TARGETS

Our business model assumes that we will be able to achieve manufactured cost targets that will enable industry standard margins. Delays in reaching adequate rates and efficiencies in production could impair the profitability of our products. Our ability to produce products that are cost effective depends on reaching efficient production levels. In addition, our production process results in the wasting of materials and supplies which must be minimized to produce cost effective products. The failure to reach adequate production levels and efficiencies would impair our ability to profitably market our products and would have a material adverse effect on our business, results of operation and financial condition.

We cannot control the cost of our raw materials. Our principal raw materials are copper and steel. The prices for these raw materials are subject to market forces largely beyond our control and have varied significantly and may vary significantly in the future. We may not be able to adjust our product prices, especially in the short-term, to recover the costs of increases in these raw materials. Our future profitability may be adversely affected to the extent we are unable to pass on higher raw material or reduce our costs to compensate for such changes.

OPERATION AND SUPPLIER RISK

At our stage of development, there is a greater than normal exposure to the risk that critical components will not be available on a timely basis, negatively impacting our ability to meet delivery commitment on sales contracts. Also with new products there is also a greater risk of failures in quality control a risk that is increased by the limited resources of the Corporation.

We intend to outsource production of core sub-assemblies to a series of contract manufacturers and there is a risk that one or more of these subcontractors will not perform its contractual obligations. There is also a risk that long lead times for critical components may affect production lead times.

Where possible, we address these risks through contract frustration insurance and we are currently negotiating to diversify to at least two contract manufactures thereby diversifying suppliers. We also actively monitor critical component suppliers to the contract manufacturer and in some cases invest to secure longer lead time items.

At this stage of our development we have greater exposure to financial loss due to a concentration of customers. This risk is exacerbated by our business strategy which is to develop multi-year multi-megawatt contracts with a few leading market players. We have in the past obtained contract frustration insurance and for Export Development Canada to protect against premature cancellation of the contract or failure to pay for product when due and we intend to continue to do so wherever possible. We also structure our supplier purchase contracts to ensure that we are not over committed to purchase products.

We intend where possible to finance a portion of our product inventory commitments with operating lines of credit. It is our intention wherever possible to obtain contract frustration insurance and to balance the production and sales so as to mitigate the financial risk to the Corporation to the greatest degree possible. It is possible that we will not be able to obtain such insurance in all cases or that the insurance may not fully cover the exposure to loss. Should this happen there is the potential for financial loss to the Corporation.

FOREIGN EXCHANGE

Most of our product sales are and will for the foreseeable future be made in Euros or in US dollars; whereas most of our production costs are incurred in US dollars. To date we have not hedged these transactions except in the form of cash deposits on sales and for the cost of production, and we have no immediate plans to do so. As a result there is a risk that margins will be reduced due to adverse changes in these currencies relative to the Canadian dollar.

INTERNATIONAL OPERATIONS

Because we are a Canadian company, and because much of our business is done in Europe, there is a risk that the European Union or individual governments will implement protective measures which make it more difficult to export to these markets. While the risks of these actions are mitigated by our contract manufacturing strategy which enables us to easily change where we manufacture products there can be no assurance that the various government licenses and approvals or amendments thereto that from time to time may be sought will be granted at all or with conditions satisfactory to the Corporation or, if granted, will not be cancelled or will be renewed upon expiry or that income tax laws and government incentive programs relating to the Corporation's business, and the solar energy industry generally, will not be changed in a manner which may adversely affect the Corporation.

ATTRACTING AND RETAINING KEY MANAGEMENT PERSONNEL

Our future prospects depend to a significant extent on the continued service of our key executives. Furthermore, the Corporation's continued growth and future success depends on its ability to identify, recruit and retain key management personnel. The competition for such employees is intense and there can be no assurance that the Corporation will be successful in identifying, recruiting or retaining such personnel.

If any of these events occur, it may have a material adverse effect on the business, financial condition and results of operations of the Corporation or the value of the Common Shares.

SHARE PRICE FLUCTUATIONS

There has been significant volatility in the market price and trading volume of equity securities, which is unrelated to the financial performance of the companies issuing the securities. The Corporation's market capitalization is small and the market price of the Common Shares is likely to be volatile, and investors may not be able to resell shares at or above the purchase price paid for such Common Shares due to fluctuations in the market price of the Common Shares, including changes in price caused by factors unrelated to its operating performance or prospects.

AUDITORS

The auditors of the Corporation are Deloitte & Touche LLP of Calgary, Alberta.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares and for the First Preferred Shares, Series 7,8,9,10,11,12 and 13 is Equity Transfer and Trust Company, Calgary, Alberta.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Sustainable securities, options to purchase securities and audit committee information, where applicable, is contained in the Information Circular of Sustainable dated July 17, 2012. Also, additional financial information is included in the Consolidated Financial Statements and MD&A of Sustainable for the year ended September 30, 2012, as filed with the applicable Canadian regulatory authorities. These documents are available on SEDAR at www.sedar.com and may also be obtained without charge by written request to the Corporation at 500, 609 - 14 Street N.W., Calgary, Alberta, T2N 2A1.