

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2018**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **333-209143**

**SUSGLOBAL ENERGY CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**38-4039116**

(I. R. S. Employer Identification No.)

**200 Davenport Road**

**Toronto, ON**

(Address of principal executive offices)

**M5R 1J2**

(Zip Code)

**416-223-8500**

(Registrant's telephone number, including area code)

**Not applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer   
(Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act).  
Yes  No

The number of shares of the registrant's common stock outstanding as of May 15, 2018 was 38,723,031 shares.

Explanatory Note: The Company is not required to file reports under Section 13 or 15(d) of the Securities Exchange Act of 1934.

**SusGlobal Energy Corp.**  
**INDEX TO FORM 10-Q**  
**For the Three-Month Periods Ended March 31, 2018 and 2017**

<b>Part I</b>	<b>FINANCIAL INFORMATION</b>	
<a href="#">Item 1</a>	<a href="#">Financial Statements</a>	<a href="#">4</a>
<a href="#">Item 2</a>	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">20</a>
<a href="#">Item 3</a>	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">32</a>
<a href="#">Item 4</a>	<a href="#">Controls and Procedures</a>	<a href="#">33</a>
<b>Part II</b>	<b>OTHER INFORMATION</b>	<a href="#">33</a>
<a href="#">Item 1A</a>	<a href="#">Legal Proceedings</a>	<a href="#">33</a>
<a href="#">Item 1B</a>	<a href="#">Risk Factors</a>	<a href="#">33</a>
<a href="#">Item 2</a>	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">33</a>
<a href="#">Item 3</a>	<a href="#">Defaults Upon Senior Securities</a>	<a href="#">34</a>
<a href="#">Item 4</a>	<a href="#">Mine Safety Disclosures</a>	<a href="#">34</a>
<a href="#">Item 5</a>	<a href="#">Other Information</a>	<a href="#">34</a>
<a href="#">Item 6</a>	<a href="#">Exhibits</a>	<a href="#">34</a>

**SUSGLOBAL ENERGY CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2018 and 2017**

(Expressed in United States Dollars)

**CONTENTS**

<a href="#">Interim Condensed Consolidated Balance Sheets</a>	<a href="#">5</a>
<a href="#">Interim Condensed Consolidated Statements of Operations and Comprehensive Loss</a>	<a href="#">6</a>
<a href="#">Interim Condensed Consolidated Statements of Stockholders' Deficit</a>	<a href="#">7</a>
<a href="#">Interim Condensed Consolidated Statements of Cash Flows</a>	<a href="#">8</a>
<a href="#">Notes to the Interim Condensed Consolidated Financial Statements</a>	<a href="#">9</a>

**SusGlobal Energy Corp.**  
**Interim Condensed Consolidated Balance Sheets**  
**As at March 31, 2018 and December 31, 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ -	\$ 126,117
Trade receivables	65,134	192,194
Inventory	67,210	53,964
Prepaid expenses and deposits	7,993	53,719
<b>Total Current Assets</b>	<b>140,337</b>	<b>425,994</b>
<b>Intangible Assets (note 6)</b>	<b>143,122</b>	<b>147,100</b>
<b>Long-lived Assets, net (note 7)</b>	<b>3,859,754</b>	<b>3,864,588</b>
<b>Total Assets</b>	<b>\$ 4,143,213</b>	<b>\$ 4,437,682</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
<b>Current Liabilities</b>		
Bank overdraft	\$ 119	\$ -
Accounts payable (note 8)	424,811	413,442
Accrued liabilities (note 8)	382,659	347,417
Current portion of long-term debt (note 9)	1,739,778	1,828,900
Current portion of obligations under capital lease (note 10)	89,716	59,204
Loans payable to related party (note 11)	-	15,942
<b>Total Current Liabilities</b>	<b>2,637,083</b>	<b>2,664,905</b>
<b>Long-Term Liabilities</b>		
Long-term debt (note 9)	2,269,756	2,332,535
Obligations under capital lease (note 10)	284,515	160,580
<b>Total Long-term Liabilities</b>	<b>2,554,271</b>	<b>2,493,115</b>
<b>Total Liabilities</b>	<b>5,191,354</b>	<b>5,158,020</b>
<b>Stockholders' Deficiency</b>		
Preferred stock, \$.0001 par value, 10,000,000 authorized, none issued and outstanding		
Common stock, \$.0001 par value, 150,000,000 authorized, 38,633,031 (2017-37,393,031) shares issued and outstanding (note 12)	3,864	3,740
<b>Additional paid-in capital</b>	<b>4,129,187</b>	<b>3,576,111</b>
<b>Subscriptions payable</b>	<b>-</b>	<b>178,200</b>
<b>Stock compensation reserve</b>	<b>82,500</b>	<b>330,000</b>
<b>Accumulated deficit</b>	<b>(5,143,913)</b>	<b>(4,660,296)</b>
<b>Accumulated other comprehensive loss</b>	<b>(119,779)</b>	<b>(148,093)</b>
<b>Stockholders' deficiency</b>	<b>(1,048,141)</b>	<b>(720,338)</b>
<b>Total Liabilities and Stockholders' Deficiency</b>	<b>\$ 4,143,213</b>	<b>\$ 4,437,682</b>
<b>Going concern (note 2)</b>		
<b>Commitments (note 13)</b>		

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

**SusGlobal Energy Corp.**  
**Interim Condensed Consolidated Statements of Operations and Comprehensive Loss**  
**For the three-month periods ended March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

	For the three-months ended March 31, 2018	For the three-months ended March 31, 2017
<b>Revenue</b>	<b>\$ 132,721</b>	<b>\$ -</b>
<b>Cost of Sales</b>		
Opening inventory	53,964	-
Depreciation	94,043	-
Wages and benefits	40,059	-
Equipment rental, delivery and repairs and maintenance	35,040	-
Utilities	22,200	-
Outside contractors	3,844	-
	<b>249,150</b>	<b>-</b>
Less: closing inventory	(67,210)	-
<b>Total cost of sales</b>	<b>181,940</b>	<b>-</b>
<b>Gross loss</b>	<b>(49,219)</b>	<b>-</b>
<b>Operating expenses</b>		
Financing costs	-	882,153
Management fees (note 8)	172,674	123,297
Interest expense (note 8)	85,240	20,590
Professional fees	60,822	51,985
Office and administration	51,084	19,698
Rent and occupancy (note 8)	34,201	11,426
Insurance	15,119	14,966
Repairs and maintenance	8,009	-
Filing fees	6,458	3,889
Directors compensation	791	11,600
Contribution to Advanced Water Technology Program (note 13 (c))	-	71,017
<b>Total operating expenses</b>	<b>434,398</b>	<b>1,210,621</b>
<b>Net loss</b>	<b>(483,617)</b>	<b>(1,210,621)</b>
<b>Other comprehensive income (loss)</b>		
Foreign exchange income (loss)	28,314	(7,843)
<b>Comprehensive loss</b>	<b>\$ (455,303)</b>	<b>\$ (1,218,464)</b>
<b>Net loss per share-basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding- basic and diluted</b>	<b>38,556,254</b>	<b>35,698,036</b>

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

**SusGlobal Energy Corp.**  
**Interim Condensed Consolidated Statements of Changes in Stockholders' Deficiency**  
**For the three-month period ended March 31, 2018 and year ended December 31, 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

	Number of Shares	Common Shares	Additional Paid- in Capital	Share Subscriptions Payable	Stock Compensation Reserve	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stockholders' Deficiency
<b>Balance – December 31, 2016</b>	<b>34,128,910</b>	<b>\$ 2,004,407</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,447,815)</b>	<b>\$ (41,745)</b>	<b>\$ (485,153)</b>
Shares issued to directors	40,000	11,600	-	-	-	-	-	11,600
Shares issued to employee	5,000	1,450	-	-	-	-	-	1,450
Shares issued for consulting services	15,000	4,950	-	-	-	-	-	4,950
Shares issued on exercise of offer to acquire shares	115,000	11,500	-	-	-	-	-	11,500
Shares issued to agents on financing	1,620,000	469,800	-	-	-	-	-	469,800
Shares issued on private placement, net of share issue costs	329,176	98,048	-	-	-	-	-	98,048
Reallocation between common shares and additional paid-in capital	-	(2,598,130)	2,598,130	-	-	-	-	-
Shares issued to directors	40,000	4	13,196	-	-	-	-	13,200
Shares issued as compensation for director nomination	20,000	2	6,598	-	-	-	-	6,600
Shares issued to employee	4,000	1	3,999	-	-	-	-	4,000
Shares issued for consulting services	20,000	2	19,998	-	-	-	-	20,000
Shares issued for private placement compensation	5,000	1	4,999	-	-	-	-	5,000
Shares issued on acquisition of assets	529,970	53	529,917	-	-	-	-	529,970
Shares issued on private placement, net of share issue costs	520,975	52	399,274	-	-	-	-	399,326
Stock compensation expensed on vesting of stock award	-	-	-	-	330,000	-	-	330,000
Proceeds received on shares yet to be issued	-	-	-	178,200	-	-	-	178,200
Other comprehensive loss	-	-	-	-	-	-	(106,348)	(106,348)
Net loss	-	-	-	-	-	(2,212,481)	-	(2,212,481)
<b>Balance – December 31, 2017</b>	<b>37,393,031</b>	<b>3,740</b>	<b>3,576,111</b>	<b>178,200</b>	<b>330,000</b>	<b>(4,660,296)</b>	<b>(148,093)</b>	<b>(720,338)</b>
Shares issued for proceeds previously received	190,000	19	178,181	(178,200)	-	-	-	-
Shares issued on vesting of 2017 stock award	1,000,000	100	329,900	-	(330,000)	-	-	-
Shares issued for private	50,000	5	44,995	-	-	-	-	45,000

placement, net of share issue costs									
Stock compensation expensed on vesting of stock award	-	-	-	-	82,500	-	-	-	82,500
Other comprehensive income	-	-	-	-	-	-	28,314	-	28,314
Net loss- March 31, 2018	-	-	-	-	-	(483,617)	-	-	(483,617)
Balance- March 31, 2018	38,633,031	\$ 3,864	\$ 4,129,187	\$ -	\$ 82,500	\$ (5,143,913)	\$ (119,779)	\$ (1,048,141)	

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



**SusGlobal Energy Corp.**  
**Interim Condensed Consolidated Statements of Cash Flows**  
**For the three-month periods ended March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

	March 31, 2018	March 31, 2017 as adjusted
<b>Cash flows from operating activities</b>		
Net loss	\$ (483,617)	\$ (1,210,621)
Adjustments for:		
Depreciation	94,354	147
Amortization of intangible asset	50	50
Non-cash financing fees	-	469,800
Stock-based compensation	82,500	95,550
Changes in non-cash working capital:		
Trade receivables	124,296	10,325
Inventory	(14,994)	-
Prepaid expenses and deposits	45,156	15,334
Accounts payable	22,968	(81,904)
Accrued liabilities	45,499	(19,772)
<b>Net cash used in operating activities</b>	<b>(83,788)</b>	<b>(721,091)</b>
<b>Cash flows from investing activities</b>		
Disposal of term deposit	-	151,100
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>151,100</b>
<b>Cash flows from financing activities</b>		
Bank overdraft	119	-
Advances of long-term debt	-	1,203,040
Repayment of long-term debt	(40,441)	-
Repayments of obligations under capital lease	(32,173)	-
Repayments of loans payable to related parties	(15,820)	(61,951)
Private placement proceeds (net of share issue costs)	45,000	15,763
Subscriptions payable proceeds (net of share issue costs)	-	13,811
<b>Net cash (used in) provided by financing activities</b>	<b>(43,315)</b>	<b>1,170,663</b>
<b>Effect of exchange rate on cash</b>	<b>986</b>	<b>(453)</b>
<b>(Decrease) increase in cash</b>	<b>(126,117)</b>	<b>600,219</b>
<b>Cash and cash equivalents-beginning of period</b>	<b>126,117</b>	<b>1,774</b>
<b>Cash and cash equivalents-end of period</b>	<b>\$ -</b>	<b>\$ 601,993</b>
<b>Supplemental Cash Flow Disclosures:</b>		
<b>Interest paid</b>	<b>\$ 62,932</b>	<b>\$ 16,482</b>
<b>Income taxes paid</b>	<b>-</b>	<b>-</b>

(i) Refer to note 10, obligations under capital lease, for details on the non-cash purchase of certain long-lived assets

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

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**1. Nature of Business and Basis of Presentation**

SusGlobal Energy Corp. (“SusGlobal”) was formed by articles of amalgamation on December 3, 2014, in the Province of Ontario, Canada and its executive office is in Toronto, Ontario, Canada. SusGlobal, a company in the start-up stages and Commandcredit Corp. (“Commandcredit”), an inactive Canadian public company, amalgamated to continue business under the name of SusGlobal Energy Corp.

On May 23, 2017, SusGlobal filed an Application for Authorization to continue in another Jurisdiction with the Ministry of Government Services in Ontario and a certificate of corporate domestication and certificate of incorporation with the Secretary of State of the State of Delaware under which it changed its jurisdiction of incorporation from Ontario to the State of Delaware (the “Domestication”). In connection with the Domestication each of the currently issued and outstanding common shares were automatically converted on a one-for-one basis into common shares compliant with the laws of the state of Delaware (the “Shares”). As a result of the Domestication, pursuant to Section 388 of the General Corporation Law of the State of Delaware (the “DGCL”), SusGlobal continued its existence under the DGCL as a corporation incorporated in the State of Delaware. The business, assets and liabilities of SusGlobal and its subsidiaries on a consolidated basis, as well as its principal location and fiscal year, were the same immediately after the Domestication as they were immediately prior to the Domestication. SusGlobal filed a Registration Statement on Form S-4 to register the Shares and this registration statement was declared effective by the Securities and Exchange Commission on May, 23, 2017.

SusGlobal is a renewable energy company focused on acquiring, developing and monetizing a global portfolio of proprietary technologies in the waste to energy application.

These interim condensed consolidated financial statements of SusGlobal and its wholly-owned subsidiaries, SusGlobal Energy Canada Corp., SusGlobal Energy Canada I Ltd. and SusGlobal Energy Belleville Ltd. (“SGECI”) (together, the “Company”), have been prepared following generally accepted accounting principles in the United States (“US GAAP”), and are expressed in United States Dollars. The Company’s functional currency is the Canadian Dollar (“CAD”). In the opinion of management, all adjustments necessary for a fair presentation have been included.

**2. Going Concern**

The interim condensed consolidated financial statements have been prepared in accordance with US GAAP, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months.

As at March 31, 2018, the Company had a working capital deficit of \$2,496,746 (December 31, 2017-\$2,238,911), incurred a net loss of \$483,617 (2017-\$1,210,621) for the three months ended March 31, 2018 and had an accumulated deficit of \$5,143,913 (December 31, 2017-\$4,660,296) and expects to incur further losses in the development of its business. These factors cast substantial doubt as to the Company’s ability to continue as a going concern, which is dependent upon its ability to obtain the necessary financing to further the development of its business, satisfy its obligations to PACE and upon achieving profitable operations. Management believes that the Company will be able to obtain the necessary funding by equity or debt; however, there is no assurance of funding being available or available on acceptable terms. Realization values may be substantially different from carrying values as shown.

On April 4, 2018, the Company paid its overdue monthly principal and interest instalments on its corporate term loan with PACE, which were due February 13 and March 13, 2018. On April 6, 2018, PACE agreed to permit the Company to defer the April, May and June principal and interest instalments on the corporate term loan, with interest continuing to accrue during this period.

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**2. Going Concern,** (continued)

These interim condensed consolidated financial statements do not include any adjustments to reflect the future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result if the Company was unable to continue as a going concern.

**3. Significant Accounting Policies**

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company for the years ended December 31, 2017 and 2016.

**Recently Adopted Accounting Pronouncements:**

On January 1, 2018, the Company adopted accounting standards (“ASU”) update No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash”. The Company now includes restricted cash as part of cash and cash equivalents. The Company has adopted this policy on a retrospective basis. The reference to restricted cash included in the interim condensed consolidated statements of cash flow for the three-month period ended March 31, 2017, has been reclassified to cash and cash equivalents at the end of this prior period.

On January 1 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. The updated guidance, and subsequent clarifications, collectively referred to as accounting standards codification (“ASC”) 606, require an entity to recognize revenue when it transfers control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In addition, the guidance requires the disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted this standard, utilizing the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in deficit. Accordingly, comparative prior period information has not been restated and continues to be reported under that accounting standard. The adoption of ASC 606 had no impact on the Company’s interim condensed consolidated balance sheets as of January 1, 2018.

On January 1, 2018, the Company adopted ASU No. 2017, Compensation-Stock Compensation: Topic 718: Scope of Modification Accounting (ASU 2017-09) to provide clarity and reduce both the (1) diversity in practice and (2) cost and complexity when changing the terms or conditions of share-based payment awards. Under ASU 2017-09, modification accounting is required to be applied unless all of the following are the same immediately before and after the change:

1. The award’s fair value (or calculated value or intrinsic value if those measurement methods are used).
2. The award’s vesting conditions.
3. The award’s classification as an equity or liability instrument.

The adoption of ASC 606 had no impact on the Company’s interim condensed consolidated balance sheets as of January 1, 2018.

**4. Recent Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by the Company as of the specified effective date or possibly early adopted, where permitted. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on the Company’s financial position, results of operations or cash flows.

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**4. Recent Accounting Pronouncements, (continued)**

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. ASU 2016-02 requires the recognition on the balance sheet of a lease liability to make lease payments by lessees and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance will also require significant additional disclosure about the amount, timing and uncertainty of cash flows from leases. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018 (January 1, 2019 for the Company). The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting ASU No. 2016-02. In November 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash”. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents are to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is to be effective for the Company as of March 1, 2018 and requires a retrospective transition method. The Company has evaluated the impact of its pending adoption of ASU 2016-18 and does not expect that this guidance will have a significant impact on its financial statements.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles-Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment”. The new standard simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill quantitative impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is to be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The standard is to be effective for interim and annual periods beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the impact of adopting ASU No. 2017-04.

**5. Financial Instruments**

The carrying value of cash, term deposit, trade receivables, certain deposits under prepaid expenses and deposits, accounts payable and accrued liabilities approximated their fair values as of March 31, 2018 and December 31, 2017 due to their short-term nature. The carrying value of the long-term debt, obligations under capital lease and loans payable to related party approximated their fair value due to their market interest rates.

**Interest, Credit and Concentration Risk**

In the opinion of management, the Company is exposed to significant interest rate risk on its variable rate credit facilities of \$4,009,534 (\$5,169,591 CAD) (December 31, 2017-\$4,161,435; \$5,220,719 CAD). As at March 31, 2018, the Company is exposed to concentration risk as it had three customers (December 31, 2017-four customers) representing greater than 5% of total trade receivables and three customers (December 31, 2017-four customers) represented 84% (December 31 2017-91%) of trade receivables. The Company had certain customers whose revenue individually represented 10% or more of the Company’s total revenue. These customers accounted for 93% (13%, 20% and 60%) (March 31, 2017-nil) of total revenue.

**Liquidity Risk**

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company takes steps to ensure it has sufficient working capital and available sources of financing to meet future cash requirements for capital programs and operations.

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**5. Financial Instruments, (continued)**

The Company intends to continue to raise funds through the issuance of common shares under a private placement, to ensure it has sufficient access to cash to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support its financial obligations and the Company's capital programs.

**Currency Risk**

Although the Company's functional currency is the CAD, the Company realizes a portion of its expenses in USD. Consequently, certain assets and liabilities are exposed to foreign currency fluctuations. As at March 31, 2018, \$19,120 (2017-\$6,057) of the Company's net monetary liabilities were denominated in USD. The Company has not entered into any hedging transactions to reduce the exposure to currency risk.

**6. Intangible Assets**

	<b>March 31, 2018</b>	December 31, 2017
Technology License (net of accumulated amortization of \$581 (2017- \$531))	\$ 1,420	\$ 1,470
Environmental compliance approvals-indefinite life	141,702	145,630
	<b>\$ 143,122</b>	<b>\$ 147,100</b>

On May 6, 2015, the Company acquired an exclusive license from Syngas SDN BHD ("Syngas"), a Malaysian company to use Syngas intellectual property within North America for a period of five years for \$1 consideration, renewable every five years upon written request. Syngas manufactures equipment that produces liquid transportation fuel from plastic waste material. The Company issued 20,000 common shares of the Company to an introducing party, determined to be valued at \$2,000.

**7. Long-lived Assets, net**

	<b>March 31, 2018</b>		December 31, 2017	
	Cost	Accumulated depreciation	Net book value	Net book value
Composting buildings	\$ 2,280,848	\$ 74,858	\$ 2,205,990	\$ 2,302,651
Gore cover system	909,003	49,238	859,765	906,953
Driveway and paving	359,491	15,578	343,913	360,835
Machinery and equipment	47,312	7,397	39,915	44,667
Equipment under capital lease	427,573	34,754	392,819	229,561
Office trailer	6,592	1,071	5,521	6,182
Computer equipment	5,304	2,425	2,879	3,368
Computer software	7,136	1,933	5,203	6,264
Automotive equipment	1,551	194	1,357	1,514
Signage	2,633	241	2,392	2,593
	<b>\$ 4,047,443</b>	<b>\$ 187,689</b>	<b>\$ 3,859,754</b>	<b>\$ 3,864,588</b>

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**7. Long-lived Assets, net, (continued)**

Included above are certain assets of Astoria acquired from BDO under the APA, which closed on September 15, 2017. The purchase price for the purchased assets, including composting buildings, gore cover system, driveway and paving, certain machinery and equipment, an office trailer, certain computer equipment and computer software consisted of cash of \$3,038,258 (\$3,917,300 CAD) and 529,970 restricted common shares of the Company, determined to be valued at \$529,970 (\$700,000 CAD), based on recent private placement pricing. In addition, legal costs in connection with acquiring the assets of \$22,689 (\$29,253 CAD), are included in the cost of the composting buildings. The purchase price was allocated to the assets acquired based on their estimated relative fair value as at the date the assets were acquired.

**8. Related Party Transactions**

During the three-month period ended March 31, 2018, the Company incurred \$35,595 (\$45,000 CAD) (2017-\$11,133; \$15,000 CAD) in management fees expense with Travellers International Inc. (“Travellers”), an Ontario company controlled by a director and president of the Company (the “President”); \$35,595 (\$45,000 CAD) (2017-\$11,133; \$15,000 CAD) in management fees expense with Landfill Gas Canada Ltd. (“LFGC”), an Ontario company controlled by a director and chief executive officer of the Company (the “CEO”); \$ 9,492 (\$12,000 CAD) (2017-\$9,066; \$12,000 CAD) in management fees expense with the Company’s chief financial officer (the “CFO”); and \$9,492 (\$12,000 CAD) (2017-\$9,065; \$12,000 CAD) in management fees expense with the Company’s vice-president of corporate development (the “VPCD”). As at March 31, 2018, unpaid remuneration and unpaid expenses in the amount of \$120,858 (\$155,825 CAD) (December 31, 2017-\$111,426; \$139,789 CAD) is included in accounts payable and \$164,640 (\$212,275 CAD) (December 31, 2017-\$102,935; \$129,137 CAD) is included in accrued liabilities.

In addition, during the three-month period ended March 31, 2018, the Company incurred interest expense of \$293 (\$371 CAD) (2017-\$5,488; \$7,265 CAD) on the outstanding loans from Travellers. As at March 31, 2018, interest of \$9,307 (\$12,000 CAD) (December 31, 2017-\$22,120; \$27,750 CAD) is included in accrued liabilities.

During the three-month period ended March 31, 2018, the Company incurred \$15,500 (\$19,595 CAD) (2017-\$11,426; \$15,124 CAD) in rent paid under a rental agreement to Haute Inc. (“Haute”), an Ontario company controlled by the President.

Furthermore, the Company granted the CEO 3,000,000 restricted stock units (“RSU”), under a consulting agreement effective January 1, 2017. On January 1, 2018, 1,000,000 RSUs were exchanged into 1,000,000 common stock. The RSUs for the remaining two installments are to vest annually on January 1, 2019 and 2020.

For the three-month period ended March 31, 2018, the Company recognized this executive compensation as management fees of \$82,500 (2017-\$82,500) on this award, representing one twelfth of the total value of the award of \$990,000, based on a recent private placement pricing.

**9. Long-Term Debt**

	Credit Facility	Credit Facility	Credit Facility	Corporate Term Loan	2018 Total	2017 Total
	(a)	(b)	(c)	(d)		
<b>Long-Term Debt</b>	\$ 795,870	\$ 445,090	\$ 38,780	\$ 2,729,794	\$ 4,009,534	\$ 4,161,435
<b>Current portion</b>	(795,870)	(445,090)	(38,780)	(460,038)	(1,739,778)	(1,828,900)
<b>Long-term Debt</b>	\$ -	\$ -	\$ -	\$ 2,269,756	\$ 2,269,756	\$ 2,332,535

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**9. Long-Term Debt, (continued)**

- (a) Effective January 1, 2017, the Company obtained a Line of Credit to a maximum of \$4,265,800 (\$5,500,000 CAD) with PACE. The Line of Credit was to be advanced in tranches to allow for the funding of engineering, permitting, construction costs and equipment purchases for the BioGrid Project located near Owen Sound, Ontario, Canada. On February 2, 2017, the company received the first advance in the amount of \$1,240,960 (\$1,600,000 CAD). The Line of Credit is due on February 2, 2019 and is one of multiple credit facilities. The facility continues to be presented as a current liability due to the violation of the terms of the financing agreement with PACE, as discussed below in section (d).

The credit facility bears interest at the PACE base rate plus 1.25% per annum, currently 8% per annum, payable on a monthly basis, interest only. The credit facility is secured by a business loan general security agreement, a \$1,240,960 (\$1,600,000 CAD) personal guarantee from the President and a charge against the Company's premises lease. Also pledged as security are the shares of the wholly-owned subsidiaries, a pledge of 3,300,000 of the Company's shares held by LFGC, 500,000 of the Company's shares held by the CFO, 2,000,000 of the Company's shares held by a director's company and a limited recourse guarantee by each of these parties. The credit facility is fully open for prepayment at any time without notice or bonus.

- (b) On June 15, 2017, PACE loaned the Company \$465,360 (\$600,000 CAD) under a variable rate business loan agreement, for its bid for the purchase of the assets of Astoria on the same terms, conditions and security as the Line of Credit above, except that the loan is due May 31, 2018.
- (c) On August 4, 2017, PACE loaned the Company \$38,780 (\$50,000 CAD) under a variable rate business loan agreement to satisfy an outstanding liability on the same terms, conditions and security of the Line of Credit above, except that the loan is due February 4, 2019. The facility continues to be presented as a current liability due to the violation of the terms of the financing agreement with PACE, as discussed below in section (d).
- (d) On September 13, 2017, PACE loaned the Company \$2,888,448 (\$3,724,147 CAD) under a corporate term loan. The funds were used for the purpose of acquiring certain assets of Astoria from the court appointed receiver on September 15, 2017. The corporate term loan bears interest at the PACE base rate plus 1.25% per annum, currently 8% per annum, payable in monthly blended instalments of principal and interest of \$58,607 (\$75,564 CAD), due September 13, 2022. The corporate term loan is secured by a business loan general security agreement representing a floating charge over the assets and undertakings of the Company, a first priority charge under a registered debenture and a lien registered under the Personal Property Security Act in the amount of \$3,103,159 (\$4,000,978 CAD) against the assets including inventory, accounts receivable and equipment. The corporate term loan also included an assignment of existing contracts included in the APA.

As noted under subsequent events note 15(a), on April 4, 2018, the Company paid its overdue monthly principal and interest instalments on this corporate term loan, which were due February 13 and March 13, 2018. On April 6, 2018, PACE agreed to permit the Company to defer its April, May and June principal and interest instalments on the corporate term loan, with the interest continuing to accrue during this period.

Repayments are as follows:

<b>For the nine months ending December 31, 2018</b>	<b>\$ 1,610,941</b>
<b>For the year ending December 31, 2019</b>	<b>530,660</b>
<b>For the year ending December 31, 2020</b>	<b>574,331</b>
<b>For the year ending December 31, 2021</b>	<b>622,373</b>
<b>For the year ending December 31, 2022</b>	<b>671,229</b>
<b>Total</b>	<b>\$ 4,009,534</b>

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**9. Long-Term Debt, (continued)**

For the three-month period ended March 31, 2018, \$80,775 (\$102,118 CAD) (2017-\$15,102; \$19,989 CAD) in interest was charged.

**10. Obligations under Capital Lease**

				March 31, 2018	December 31, 2017
	(a)	(b)	(c)	Total	Total
<b>Obligations under Capital Lease</b>	\$ 7,698	\$ 189,179	\$ 177,354	\$ 374,231	\$ 219,784
<b>Less: current portion</b>	(7,698)	(44,238)	(37,780)	(89,716)	(59,204)
<b>Obligations under Capital Lease</b>	\$ -	\$ 144,941	\$ 139,574	\$ 284,515	\$ 160,580

- (a) On September 21, 2017, the Company finalized a lease agreement for certain equipment for its organic composting facility in the amount of \$13,325 (\$17,180 CAD). The lease agreement requires monthly blended instalments of principal and interest of \$983 (\$1,268 CAD) at a monthly interest rate of 5.95%, due November 10, 2018.
- (b) On October 30, 2017, the Company finalized a lease agreement for certain equipment, which commenced on October 30, 2017, in the amount of \$222,326 (\$286,650 CAD). The lease agreement matures on September 30, 2021, with monthly blended instalments of principal and interest of \$4,530 (\$5,840 CAD), plus applicable harmonized sales taxes and an option to purchase the equipment for a final payment of \$22,182 (\$28,600 CAD), plus applicable harmonized sales taxes on October 31, 2021. The leasing agreement bears interest at the rate of 5.982% annually, compounded monthly.
- (c) On February 16, 2018, the Company finalized a lease agreement on one of its mobile equipment, which was on monthly rental. The lease is for a period of forty-eight months, with the first two monthly instalments of \$7,756 (\$10,000 CAD), plus applicable harmonized sales taxes, followed by forty-six monthly blended instalments of principal and interest of \$3,970 (\$5,118 CAD), plus applicable harmonized sales taxes. The Company has the option to purchase the equipment on the forty-ninth month for an amount of \$19,142 (\$24,680 CAD), plus applicable harmonize sales taxes. The leasing agreement bears interest at the rate of 6.15% annually, compounded monthly, due January 27, 2022.

The lease liabilities are secured by the equipment under capital lease as described in note 7.

Minimum lease payments are as follows:

<b>For the nine-month period ended December 31, 2018</b>	<b>\$ 84,363</b>
<b>For the year ended December 31, 2019</b>	<b>101,990</b>
<b>For the year ended December 31, 2020</b>	<b>101,990</b>
<b>For the year ended December 31, 2021</b>	<b>110,583</b>
<b>For the year ended December 31, 2022</b>	<b>23,111</b>
	<b>422,037</b>
<b>Less: imputed interest</b>	<b>(47,806)</b>
<b>Total</b>	<b>\$ 374,231</b>

For the three-month period ended March 31, 2018, \$4,172 (5,274 CAD) (December 31, 2017-\$2,200; \$2,857 CAD)) in interest was charged.



**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**11. Loans Payable to Related Party**

	<b>March 31, 2018</b>	December 31, 2017
Travellers International Inc.	\$ -	\$ 15,942

Loans payable in the amount of \$nil (\$nil CAD) (December 31, 2017-\$15,942; \$20,000 CAD), owing to Travellers and bearing interest at the rate of 12% per annum, are due on demand and unsecured. As at March 31, 2018, \$9,307 (\$12,000 CAD) (December 31, 2017-\$22,120; \$27,750 CAD) in interest is included in accrued liabilities. The accrued interest on the loans was repaid subsequent to March 31, 2018. See under subsequent events note 15(a) for an additional loan from Travellers.

During the three-month period ended March 31, 2018, \$293 (\$371 CAD) (2017-\$15,056; \$19,550 CAD) in interest was charged.

**12. Capital Stock**

At March 31, 2018, the Company had 150,000,000 of common shares authorized with a par value of \$.0001 per share and 38,633,031 (2017-37,393,031) common shares issued and outstanding.

During the three-month period ended March 31, 2018, the Company raised \$45,000 (December 31, 2017-\$497,374) cash on a private placement, net of share issue costs of \$5,000 (2017-\$48,100), on the issuance of 50,000 (December 31, 2017-850,151) common shares of the Company. In addition, during the three-month period ended March 31, 2018, the Company issued 190,000 common shares of the Company, on \$178,200 cash received on a private placement received prior to December 31, 2017, net of share issue costs of \$11,800.

During the prior year, on January 5, 2017 and January 30, 2017, the Company issued, in total, 1,620,000 common shares of the Company, determined to be valued at \$469,800, to agents for their services in assisting in establishing the Line of Credit (see note 9(a)). On each of January 30, 2017 and June 8, 2017, the Company issued a total of 40,000 common shares to two new directors, determined to be valued at \$11,600 and \$13,200 respectively.

On February 6, 2017, the Company issued 5,000 common shares and on August 23, 2017, the Company issued 4,000 common shares to a current employee for services and a new employee as an incentive to join the Company, respectively, determined to be valued at \$1,450 and \$4,000, respectively and included under office and administration in the consolidated statements of operations and comprehensive loss. On May 9, 2017, the Company issued 15,000 common shares, on June 8, 2017, another 20,000 common shares and then on August 23, 2017, a further 20,000 common shares to consultants for their services, determined to be valued at \$4,950, \$6,600 and \$20,000 respectively. These services were included in professional fees in the consolidated statements of operations and comprehensive loss. On May 9, 2017, the Company issued 115,000 common shares on the exercise of the offer to acquire common shares at a price of \$0.10 per common share by the VPCD. On September 5, 2017, the Company issued 5,000 common shares as compensation for a private placement, determined to be valued at \$5,000. The services provided by the four new directors are included as directors' compensation in the consolidated statements of operations and comprehensive loss. In addition, on September 11, 2017, the Company issued 529,970 common shares on the acquisition of assets, determined to be valued at \$529,970 (\$700,000 CAD), based on recent private placement pricing (see note 7).

All non-cash transactions were valued based on the proceeds of a recent private placement.

The Company also granted the CEO 3,000,000 restricted stock units ("RSU"), under a new consulting agreement effective January 1, 2017. The RSUs are to vest in three equal installments annually on January 1, 2018, 2019 and 2020. For the three-month period ended March 31, 2018, the Company recognized this executive compensation as 1,000,000 common shares and management fees of \$82,500 on this award.

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**13. Commitments**

- a) Effective January 1, 2017, new consulting agreements were finalized for the services of the President and for the CEO. The consulting agreements are for a period of three years, commencing January 1, 2017. For each of these two executive officers, the monthly fees are as follows: \$3,878 (\$5,000 CAD) for 2017 and \$11,634 (\$15,000 CAD) for 2018 and 2019. In addition, the CEO was granted 3,000,000 RSUs on January 1, 2017. On January 1, 2018, 1,000,000 RSUs were exchanged into 1,000,000 common stock. The RSUs of the remaining two installments are to vest annually on January 1, 2019 and 2020. The Company has also agreed to reimburse certain out-of-pocket expenses incurred by each executive officer. The future minimum commitment under these consulting agreements, is as follows:

<b>For the nine-month period ending December 31, 2018</b>	<b>\$ 209,412</b>
<b>For the year ending December 31, 2019</b>	<b>279,216</b>
	<b><u>\$ 488,628</u></b>

- b) Effective January 1, 2017, the Company entered into a new three-year premises lease agreement with Haute at a monthly amount of \$3,102 (\$4,000 CAD) for 2017, \$ 3,878 (\$5,000 CAD) for 2018 and \$4,654 (\$6,000 CAD) for 2019. The Company is also responsible for all expenses and outlays in connection with its occupancy of the leased premises, including, but not limited to utilities, realty taxes and maintenance. The future minimum commitment under this premises lease agreement is as follows:

<b>For the nine-month period ending December 31, 2018</b>	<b>\$ 34,902</b>
<b>For the year ending December 31, 2019</b>	<b>55,848</b>
	<b><u>\$ 90,750</u></b>

- c) The Company is a partner in a business led collaboration in the water sector, a program known as the Advanced Water Technologies (“AWT”) Program. This program is administered by the Southern Ontario Water Consortium to assist small and medium sized business in the Province of Ontario, Canada, leverage world-class research facility and academic expertise to develop and demonstrate water technologies for successful introduction to market. The Company’s commitment under this program is as follows:

<b>For the nine-month period ending December 31, 2018</b>	<b>\$ 18,503</b>
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The Company has already completed and provided its commitment for the first year of the program which ended March 31, 2017, which consisted of professional fees of \$7,217 (\$9,432 CAD) and a contribution to the capital requirements of the program, totaling \$71,017 (\$94,000 CAD), for equipment to be used in the AWT Program and to be retained by Fleming College, an academic institution. The Company’s commitment in the amount of \$19,558 (\$25,217 CAD) for the second year of the program which ended March 31, 2018, is included under accounts payable in the interim condensed consolidated balance sheets.

- d) The Company was assigned the land lease on the purchase of certain assets of Astoria. The land lease, which comprises 13.88 acres in Roslin, Ontario, Canada, has a term expiring March 31, 2034. The basic monthly rent on the net lease is \$2,327 (\$3,000 CAD) and is subject to adjustment based on the consumer price index as published by Statistics Canada (“CPI”). To date, no adjustment for CPI has been charged by the landlord. The Company is also responsible for any property taxes, maintenance, insurance and utilities. In addition, the Company has the right to extend the lease for five further terms of five years each and one further term of five years less one day. The future minimum commitment under this land lease (excluding any CPI adjustment) is as follows:

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**13. Commitments, (continued)**

<b>For the nine-month period ending December 31, 2018</b>	<b>\$ 20,943</b>
<b>For the year ending December 31, 2019</b>	<b>27,924</b>
<b>For the year ending December 31, 2020</b>	<b>27,924</b>
<b>For the year ending December 31, 2021</b>	<b>27,924</b>
<b>For the year ending December 31, 2022</b>	<b>27,924</b>
<b>Thereafter</b>	<b>342,069</b>
	<b>\$ 474,708</b>

- e) On April 9, 2018, a new one-year consulting agreement was finalized for the services of the Company's CFO, effective April 1, 2018, at a monthly rate of \$4,654 (\$6,000 CAD). The Company has also agreed to reimburse certain out-of-pocket expenses incurred by the CFO. The future minimum commitment under this agreement is as follows:

<b>For the nine-month period ending December 31, 2018</b>	<b>41,886</b>
<b>For the year ending December 31, 2019</b>	<b>13,962</b>
	<b>\$55,848</b>

- f) PACE has provided the Company a letter of credit in favor of the Ministry of the Environment and Climate Change ("MOECC") in the amount of \$214,710 (\$276,831 CAD) and, as a security, has registered a charge of lease over the premises, located at 704 Phillipston Road, Roslin, Ontario, Canada. The Company is required to provide for environmental remediation and clean-up costs for its organic composting facility. The letter of credit is a requirement of the MOECC and is in connection with the financial assurance provided by the Company for it to be in compliance with the MOECCs environmental objectives. The MOECC regularly evaluates the Company's organic composting facility to ensure compliance is adhered to and the letter of credit is subject to change by the MOECC. Since the fair value of the environmental remediation costs cannot be determined at this time, no estimate of such costs has been recorded in the accounts. As of March 31, 2018, the MOECC has not drawn on the letter of credit

**14. Economic Dependence**

The Company generates 93% of its revenue from three customers. The Company's ability to continue operations is dependent on continuing to generate a similar amount of revenue from these customers.

**SusGlobal Energy Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**March 31, 2018 and 2017**  
**(Expressed in United States Dollars)**  
**(unaudited)**

**15. Subsequent Events**

The Company's management has evaluated subsequent events up to May 15, 2018, the date the interim condensed consolidated financial statements were issued, pursuant to the requirements of ASC 855 and has determined the following to be material subsequent events:

- (a) On April 3, 2018, Travellers provided a further loan to the Company in the amount of \$155,120 (\$200,000 CAD), due on demand, unsecured and bearing interest at the rate of 12% per annum. On April 4, 2018, a portion of the loan was used to pay its overdue monthly principal and interest instalments on the corporate term loan with PACE, totaling \$117,215 (\$151,128 CAD), which were due February 13 and March 13, 2018. On April 6, 2018, PACE agreed to permit the Company to defer its April, May and June principal and interest instalments on the corporate term loan, with the interest continuing to accrue during this period.
- (b) On April 9, 2018, a new one-year consulting agreement was finalized for the services of the Company's CFO, effective April 1, 2018, at a monthly rate of \$4,654 (\$6,000 CAD).
- (c) On April 11, 2018, three directors of the Company, each loaned the Company \$19,390 (\$25,000 CAD). The loans bear interest at the rate of 12% per annum, are due on demand, unsecured and are to be used for operations.
- (d) Subsequent to March 31, 2018, the Company raised \$85,000 on a private placement, net of share issue costs of \$5,000, on the issuance of 90,000 common shares.

**16. Comparative Figures**

Certain of the prior period's comparative figures have been reclassified to conform to the current period's presentation.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*Certain statements in this Management's Discussion and Analysis ("MD&A"), other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "would," "expect," "intend," "could," "estimate," "should," "anticipate," or "believe," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers should carefully review the risk factors and related notes included on our Registration Statement on Form S-4 filed with the Securities and Exchange Commission on April 5, 2017.*

*The following MD&A is intended to help readers understand the results of our operation and financial condition, and is provided as a supplement to, and should be read in conjunction with, our Interim Unaudited Financial Statements and the accompanying Notes to Interim Unaudited Financial Statements under Part 1, Item 1 of this Quarterly Report on Form 10-Q.*

*Growth and percentage comparisons made herein generally refer to the three-month period ended March 31, 2018 compared with the three-month period ended March 31, 2017 unless otherwise noted. Unless otherwise indicated or unless the context otherwise requires, all references in this document to "we," "us," "our," the "Company," and similar expressions refer to SusGlobal Energy Corp., and depending on the context, its subsidiaries.*

### **SPECIAL NOTICE ABOUT GOING CONCERN AUDIT OPINION**

***OUR AUDITOR ISSUED AN OPINION EXPRESSING SUBSTANTIAL DOUBT AS TO OUR ABILITY TO CONTINUE IN BUSINESS AS A GOING CONCERN FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016. YOU SHOULD READ THIS QUARTERLY REPORT ON FORM 10-Q WITH THE "GOING CONCERN" ISSUES IN MIND.***

This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q (the "Financial Statements"). The financial statements have been prepared in accordance with generally accepted accounting policies in the United States ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are quoted in United States dollars.

## OVERVIEW

The following organization chart sets forth our wholly-owned subsidiaries:

SusGlobal Energy Corp. (“SusGlobal”) was formed by articles of amalgamation on December 3, 2014, in the Province of Ontario, Canada and its executive office is in Toronto, Ontario, Canada. SusGlobal, a company in the start-up stages and Commandcredit Corp. (“Commandcredit”), an inactive Canadian public company, amalgamated to continue business under the name of SusGlobal Energy Corp.

On May 23, 2017, SusGlobal filed an Application for Authorization to continue in another Jurisdiction with the Ministry of Government Services in Ontario and a certificate of corporate domestication and certificate of incorporation with the Secretary of State of the State of Delaware under which it changed its jurisdiction of incorporation from Ontario to the State of Delaware (the “Domestication”). In connection with the Domestication each of the currently issued and outstanding common shares were automatically converted on a one-for-one basis into common shares compliant with the laws of the state of Delaware (the “Shares”). As a result of the Domestication, pursuant to Section 388 of the General Corporation Law of the State of Delaware (the “DGCL”), SusGlobal continued its existence under the DGCL as a corporation incorporated in the State of Delaware. The business, assets and liabilities of SusGlobal and its subsidiaries on a consolidated basis, as well as its principal location and fiscal year, were the same immediately after the Domestication as they were immediately prior to the Domestication. SusGlobal filed a Registration Statement on Form S-4 to register the Shares and this registration statement was declared effective by the Securities and Exchange Commission on May, 23, 2017.

When the terms “the Company,” “we,” “us” or “our” are used in this document, those terms refer to SusGlobal Energy Corp., and its wholly-owned subsidiaries, SusGlobal Energy Canada Corp., SusGlobal Energy Canada I Ltd. and SusGlobal Energy Belleville Ltd.

SusGlobal is a renewable energy company focused on acquiring, developing and monetizing a global portfolio of proprietary technologies in the waste to energy application.

With the growing amount of organic wastes being produced by society as a whole, a solution for sustainable global management of these wastes must be achieved. SusGlobal through its proprietary technology and processes is equipped and confident to deliver this objective.

Management believes renewable energy is the energy of the future. Sources of this type of energy are more evenly distributed over the earth’s surface than finite energy sources, making it an attractive alternative to petroleum-based energy. Biomass, one of the renewable resources, is derived from organic material such as forestry, food, plant and animal residuals. SusGlobal can therefore help you turn what many consider waste into precious energy. The portfolio will be comprised of four distinct types of technologies: (a) Process Source Separated Organics (“SSO”) in anaerobic digesters to divert from landfills and recover biogas. This biogas can be converted to gaseous fuel for industrial processes, electricity to the grid or cleaned for compressed renewable gas. (b) Increasing the capacity of existing infrastructure (anaerobic digesters) to allow processing of SSO to increase biogas yield. (c) Utilize recycled plastics to produce liquid fuels and (d) process digestate to produce a pathogen free organic fertilizer.

The convertibility of organic material into valuable end products such as biogas, liquid biofuels, organic fertilizers and compost shows the utility of renewable energy. These products can be converted into electricity, fuels and marketed to agricultural operations that are looking for an increase in crop yields, soil amendment and environmentally-sound practices. This practice also diverts these materials from landfills and reduces greenhouse gas emissions that result from landfilling organic wastes. The Company can provide peace of mind that the full lifecycle of organic material is achieved, global benefits are realized and stewardship for total sustainability is upheld.

The project and services offered can benefit the public and private markets. The following includes some of our work managing organic waste streams: Anaerobic Digestion, Dry Digestion, Biogas Production, Wastewater Treatment, In- Vessel Composting, SSO Treatment, Biosolids Heat Treatment and Composting.

The Company can provide a full range of services for handling organic residuals in a period where innovation and sustainability are paramount. From start to finish we offer in-depth knowledge, a wealth of experience and cutting-edge technology for handling organic waste.

The primary focus of the services SusGlobal provides includes identifying idle or underutilized anaerobic digesters and integrating our technologies with capital investment to optimizing the operation of the existing digesters to reach their full capacity for processing SSO. Our processes not only divert significant organic waste from landfills, but also result in methane avoidance, with significant Greenhouse Gas (“GHG”) reductions from waste disposal. The processes also produce renewable energy through the conversion of wastewater biosolids and organic wastes in the same equipment (co-digestion) and valuable end products such as biogas, electricity and organic fertilizer, considered Class AA organic fertilizer.

Currently, the primary customers are municipalities in both rural and urban centers throughout southern and central Ontario, Canada. Much of the research and development that has been carried out has been completed by our CEO through multiple projects carried out on projects prior to the formation of SusGlobal. Where necessary, to be in compliance with provincial and local environmental laws and regulations, SusGlobal submits applications to the respective authorities for approval prior to any necessary engineering being carried out.

## **RECENT BUSINESS DEVELOPMENTS**

### ***Asset Purchase***

On September 15, 2017, the Company closed the purchase of certain assets from Astoria Organic Matters Ltd., and Astoria Organic Matters Canada LP (“Astoria”), under the asset purchase agreement (the “APA”) from the court appointed receiver of Astoria, BDO Canada Limited. The purchase price for the composting buildings, Gore cover system, driveway and paving, office trailer, certain machinery and equipment, computer equipment, computer software and intangible assets consisted of cash of \$3,179,960 (\$4,100,000 CAD), funded by PACE Savings and Credit Union Limited (“PACE”) and 529,970 restricted common shares of the Company, determined to be valued at \$529,970 (\$700,000 CAD) based on recent private placement pricing. In addition, legal costs in connection with acquiring the assets of \$22,689 (\$29,253 CAD) are included in the cost of the organic composting facility. In addition, the Company purchased certain accounts receivable which it was required to collect, totaling \$135,068 (\$174,147 CAD) and a deposit with a local municipality in the amount of \$38,780 (\$50,000 CAD).

### ***Financing Agreement with PACE***

Effective January 1, 2017, the Company obtained a Line of Credit of up to \$4,265,800 (\$5,500,000 CAD) with PACE. The Line of Credit was to be advanced in tranches to allow for the funding of engineering, permitting, construction costs and equipment purchases for a project located near Owen Sound, Ontario, Canada, (the “BioGrid Project”). On February 2, 2017, the company received the first advance in the amount of \$1,240,960 (\$1,600,000 CAD). The Line of Credit was due on February 2, 2018. The Line of Credit is now one of multiple credit facilities. During the three months ended March 31, 2018, PACE extended the due date on this credit facility to February 2, 2019, with all other terms, conditions and security unchanged.

The Line of Credit and all other credit facilities with PACE, bear interest at the PACE base rate plus 1.25% per annum, currently 8% per annum, payable on a monthly basis, interest only. The Line of Credit is secured by a business loan general security agreement, a \$1,240,960 (\$1,600,000 CAD) personal guarantee from the President and a charge against the Company’s premises lease. Also pledged as security are the shares of the wholly-owned subsidiaries and a pledge of 3,300,000 shares of the Company held by Landfill Gas Canada Ltd. (“LFGC”), an Ontario company controlled by a director and chief executive officer of the Company (the “CEO”), 500,000 shares of the Company held by the chief financial officer (the “CFO”) and 2,000,000 shares of the Company held by a director’s company, and a limited recourse guarantee by each. The Line of Credit is fully open for prepayment at any time without notice or bonus. A total commitment fee of \$85,316 (\$110,000 CAD) was paid to PACE. In addition, the agents who assisted in establishing the Line of Credit received 1,620,000 common shares of the Company determined to be valued at \$469,800, based on the pricing of a recent private placement offering and cash of \$300,000, on closing, for their services. Other closing costs in connection with the Line of Credit included legal fees of \$30,026 (\$38,713 CAD). During the three months ended March 31, 2018, the Company incurred interest charges of \$16,011 (\$20,242 CAD) on this credit facility.

On June 15, 2017, PACE loaned the Company \$465,360 (\$600,000 CAD) under a variable rate business loan agreement, for its bid for the purchase of certain assets of Astoria on the same terms and conditions to the Line of Credit above, except that the loan is due May 31, 2018. During the three months ended March 31, 2018, the Company incurred interest charges of \$8,780 (\$11,320 CAD) on this credit facility.

On August 4, 2017, PACE loaned the Company \$38,780 (\$50,000 CAD) under a variable business loan agreement, to satisfy an outstanding liability on the same terms and conditions to the Line of Credit above, except that the loan was due February 4, 2018. During the three months ended March 31, 2018, the Company incurred interest charges of \$780 (\$986 CAD) on this credit facility. During the three months ended March 31, 2018, PACE extended the due date on this credit facility to February 4, 2019, with all other terms, conditions and security unchanged.

On September 13, 2017, PACE loaned the Company \$2,888,448 (\$3,724,147) under a corporate term loan. The funds were used for the purpose of acquiring certain assets of Astoria from the court appointed receiver on September 15, 2017. The corporate term loan bears interest at the PACE base rate plus 1.25% per annum, currently 8% per annum, payable in monthly blended instalments of principal and interest of \$58,607 (\$75,564 CAD), due September 13, 2022. The corporate term loan is secured by a business loan general security agreement representing a floating charge over the assets and undertakings of the Company, a first priority charge under a registered debenture and a lien registered under the Personal Property Securities Act in the amount of \$3,103,159 (\$4,000,978 CAD) against the assets, including accounts receivable, inventory and equipment. PACE has also provided the Company with a letter of credit in the favor of the Ministry of the Environment and Climate Change (“MOECC”) in the amount of \$214,710 (\$276,831 CAD) and, as security, has registered a charge of lease over the premises, located at 704 Phillipston Road, Roslin, Ontario, Canada. The corporate term loan also includes an assignment of existing contracts included in the APA. During the three months ended March 31, 2018, the Company incurred interest charges of \$55,030 (\$69,570 CAD) on this corporate term loan. As of March 31, 2018, and the date of this filing, the MOECC has not drawn on the letter of credit.



On April 4, 2018, the Company paid its two overdue monthly principal and interest instalments on this corporate term loan which were due February 13 and March 13, 2018, in the amount of \$117,215 (\$151,128), from a new loan provided by Travellers International Inc. (“Travellers”), an Ontario company controlled by the Executive Chairman and President (the “President”), who is also a director of the Company, on April 3, 2018 in the amount of \$155,120 (\$200,000 CAD). The loan is due on demand, unsecured and bears interest at the rate of 12% per annum. On April 6, 2018, PACE agreed to permit the Company to defer its principal and interest instalments for the months of April, May and June on the corporate term loan, with the interest continuing to accrue during this period.

#### ***Other***

On February 16, 2018, the Company finalized a lease agreement for certain equipment, which was previously on monthly rental. The lease is for a period of forty-eight months, with two initial monthly instalments of \$7,756 (\$10,000 CAD) each, plus the applicable harmonized sales taxes, followed by forty-six monthly blended instalments of principal and interest of \$3,970 (\$5,118 CAD), plus the applicable harmonized sales taxes. The Company has the option to purchase the equipment on the forty ninth month for an amount of \$19,142 (\$24,680 CAD), plus the applicable harmonized sales taxes. The leasing agreement bears interest at the rate of 6.15% annually, compounded monthly, due January 27, 2022.

On October 30, 2017, the Company finalized a lease agreement for certain equipment, which commenced on October 30, 2017, in the amount of \$222,326 (\$286,650 CAD). The lease agreement matures on September 30, 2021, with monthly blended instalments of principal and interest of \$4,530 (\$5,840 CAD), plus applicable harmonized sales taxes and a final balloon payment of \$22,182 (\$28,600 CAD), plus applicable harmonized sales taxes on October 31, 2021. The lease agreement bears interest at the rate of 5.982% annually, compounded monthly.

On September 21, 2017, the company finalized a lease agreement for the lease of certain equipment for its organic composting facility, in the amount of \$13,325 (\$17,180 CAD). The lease agreement requires monthly blended instalments of principal and interest of \$983 (\$1,268 CAD) at a monthly interest rate of 5.95%, due November 10, 2018.

On May 11, 2017, the Company signed a posting agreement with CrowdVest, a Tennessee limited liability company to act as the Company’s online intermediary technology platform in connection with the Company’s offering of common stock under Rule 506 of Regulation D under the Securities Act of 1933. As compensation, CrowdVest received 20,000 restricted common shares of the Company, based on an issue price of \$5 per share, once the 506(c)-general solicitation offering commenced. The offering terminated on October 27, 2017 and was not extended.

On May 9, 2017, the company signed a memorandum of agreement (the “Agreement”) with Kentech, a corporation existing under the laws of the province of Ontario, Canada. The Agreement provides the Company the right to acquire and the right to use the equipment and innovative processes of Kentech in relation to the production of liquid fertilizer from organic waste material. The Agreement is for a period of five years, commencing on the date of the Agreement. The Agreement may be terminated by either party on providing six months’ notice.

Effective January 1, 2017, new consulting agreements were finalized for the services of the “President” and for the chief executive officer (the “CEO”). The consulting agreements are for a period of three years, commencing January 1, 2017. For each of these two executive officers, the monthly fees are to be as follows: \$3,878 (\$5,000 CAD) plus applicable taxes for 2017 and \$11,634 (\$15,000 CAD) plus applicable taxes for 2018 and 2019. In addition, the CEO was granted 3,000,000 Restricted Stock Units (“RSU”). The RSUs are to vest in three equal installments annually on January 1, 2018, 2019 and 2020.

On December 7, 2016, the Company was awarded funding for the AWT, a program for business led collaborations in the water sector. AWT is administered by the Southern Ontario Water Consortium to assist small and medium sized businesses in the Province of Ontario, Canada to leverage world-class research facilities and academic expertise to develop and demonstrate water technologies for successful introduction to market. In addition, the program is designed to enhance the Ontario water cluster and continue to build Ontario’s reputation for water excellence around the world. The Company’s academic partner is the CAWT at Fleming College in Lindsay, Ontario, Canada. The program budget is for \$620,480 (\$800,000 CAD), of which the Company contributes 50% in cash and in-kind contributions and CAWT contributes 50%.

The Company has already completed and provided its commitment for the first year of the program which ended March 31, 2017, which consisted of professional fees of \$7,217 (\$9,432 CAD) and a contribution to the capital requirements of the program, totaling \$71,017 (\$94,000 CAD), for equipment to be used in the AWT Program and to be retained by Fleming College, the academic institution.

On October 21, 2016, the Company hired the services of a contractor to assume the role of vice-president of corporate development (“VPCD”), effective November 1, 2016, for a period of fourteen months, at the rate of \$3,102 (\$4,000 CAD) per month, plus applicable taxes. In addition, the contractor was offered up to 115,000 common shares of the Company, at a price of \$0.10 per common share, exercisable within 180 days of the effective date of the contract. On April 30, 2017, the contractor exercised the offer to purchase 115,000 common shares of the Company. Effective January 1, 2018, the VPCD performed her services on a month to month basis, at the same monthly rate.

On November 4, 2016, the Company’s BioGrid Project, a project described in the expansion and operation agreement (the “BioGrid Agreement”) with the Township of Georgian Bluffs and the Township of Chatsworth (the “Municipalities”), was terminated.

On August 19, 2016, Travellers, provided a further loan in the amount of 162,876 (\$210,000 CAD) which was required to initiate a letter of credit in the amount of \$155,120 (\$200,000 CAD), in favor of the Municipalities. As at March 31, 2018, Travellers is owed \$nil. During the three months ended March 31, 2018, the Company incurred interest charges of \$293 (\$371 CAD) on these related party loans. On April 3, 2018, the Company fully repaid the accrued interest outstanding.

The letter of credit was a requirement of the BioGrid Agreement noted above. Fees for the letter of credit included \$7,756 (\$10,000 CAD) incurred and charged by Travellers and \$2,327 (\$3,000 CAD) charged by the Company’s chartered bank. There is no written agreement evidencing this loan or the previous loan with Travellers. The interest-bearing loans with Travellers are due on demand and were approved by the Board of Directors of the Company.

On August 3, 2016, the Company signed an agreement with Grimsby Energy Inc. from Grimsby, Ontario, Canada, to allow hydrolyzed and pasteurized organic wastes to be processed at their Anaerobic Biodigester. The agreement commenced November 1, 2016 and can be terminated by either party within three hundred and sixty-five days minimum written notice. Up to the date of this filing, there has been no activity under this agreement.

On May 14, 2015, the Ontario Ministry of Environment and Climate Change announced formal targets to be met to satisfy a commitment necessary to join the WCI along with Quebec and California, who are in the WCI with Cap and Trade commitments since 2014. The Ontario targets are very ambitious, with greenhouse gas (“GHG”) emission reductions of 15% by 2020, 37% by 2030 and 80% by 2050, all from a 1990 baseline. Ontario achieved a 6% reduction in GHG emissions from 1990 levels in 2014, mainly by closing all coal-fired power plants. The targets announced will require a focused program to reduce GHG emissions. The Company’s activities all contribute to GHG reductions, so will be a key part of Ontario’s initiative. The Company has also contacted counterparties in Quebec and California to explore opportunities for relevant projects. SusGlobal is committed to making all its commercial activities carbon neutral. The new Cap and Trade regulations are effective January 2017.

On May 6, 2015, the Company finalized an agreement with Syngas, a company incorporated under the laws of Malaysia, providing an exclusive license for the Company to use Syngas Intellectual Property within North America for a period of five years from the date of this agreement, for \$1 consideration, renewable every five years upon written request. Syngas produces equipment that uses an innovative process to produce liquid transportation fuel from plastic waste material. The Company issued 20,000 common shares of the Company to an introducing party, determined to be valued at \$2,000. The technology license is being amortized on a straight-line basis, over a period of 10 years. There are no other obligations under this agreement.

The Company and Syngas intend to collaborate and cooperate with a view to achieving economic and financial success for their respective businesses. The Company will continue to pursue other similar intellectual property around the world as we combine this and other technologies in innovative configurations to monetize the portfolio of proprietary technologies and processes to deliver value to our customers and shareholders.

## **Operations**

*Waste Transfer Station:* As of March 31, 2018, we own the Environmental Compliance Approvals (the “ECAs”) issued by the Ministry of the Environment and Climate Change (the “MOECC”), from the Province of Ontario, in place to operate a waste transfer station with the capacity to process up to 50,000 metric tonnes of waste annually. The Company is reviewing plans to construct and equip the waste transfer station. The location of the waste transfer station, once built, will be alongside our organic composting facility, noted below, near Belleville, Ontario, Canada.

Access to the waste transfer stations is critical to haulers who collect waste in areas not in close proximity to disposal facilities where such disposal continues to be permitted. Tipping fees charged to third parties at waste transfer stations are usually based on the type and volume or weight of the waste deposited at the transfer station, the distance to the disposal site, market rates for disposal costs and other general market factors.

*Organic Composting Facility:* Our organic composting facility, located near Belleville, Ontario Canada, has ECAs in place to accept up to 70,000 metric tonnes of waste annually and is currently in operation. Certain assets of the organic composting facility, including the ECAs for the waste transfer station, were acquired by the Company on September 15, 2017, from the court appointed receiver, BDO Canada Limited, for Astoria, under the APA. The Company charges tipping fees for the waste accepted at the organic composting facility based on arrangements in place with the customers and the type of waste accepted. Typical waste accepted includes, leaf and yard, biosolids, food, liquid and paper sludge. During 2018, tipping fees ranged from \$23 (\$30 CAD) to \$62 (\$80 CAD) per metric tonne.

*Compost Sales.* The Company also sells organic compost to local customers. During 2018, the average selling price of the compost per metric tonne was approximately \$16 (\$20 CAD).

## ***LIQUIDITY AND CAPITAL RESOURCES***

As of March 31, 2018, the Company had a cash balance of \$nil (December 31, 2017-\$126,117) and current debt obligations in the amount of \$1,829,494 (December 31, 2017-\$1,888,104). As at March 31, 2018, the Company had a working capital deficit of \$2,496,746 (December 31, 2017-\$2,238,911). The Company does not currently have sufficient funds to satisfy the current debt obligations. Should the Company’s creditors seek or demand payment, the Company does not have the resources to pay or satisfy any such claims currently.

The Company’s total assets at March 31, 2018 were \$4,143,213 and total current liabilities were \$2,637,083. Significant losses from operations have been incurred since inception and there is an accumulated deficit of \$5,143,913 as of March 31, 2018. Continuation as a going concern is dependent upon generating significant new revenue and generating external capital and securing debt to achieve profitable operations while maintaining current fixed expense levels.

To pay current debt obligations and to fund any future operations, the Company requires significant new funds, which the Company may not be able to obtain. In addition to the funds required to liquidate the \$2,637,083 in current liabilities, the Company estimates that approximately \$5,000,000 must be raised to fund capital requirements and general corporate expenses for the next 12 months.

Effective January 1, 2017, the Company obtained a Line of Credit of up to \$4,265,800 (\$5,500,000 CAD) with PACE. The Line of Credit was to be advanced in tranches to allow for the funding of engineering, permitting, construction costs and equipment purchases for a project located near Owen Sound, Ontario, Canada, (the “BioGrid Project”). On February 2, 2017, the company received the first advance in the amount of \$1,240,960 (\$1,600,000 CAD). The Line of Credit was due on February 2, 2018. The Line of Credit is now one of multiple credit facilities. During the three months ended March 31, 2018, PACE extended the due date on this credit facility to February 2, 2019, with all other terms, conditions and security unchanged.

The Line of Credit and all other credit facilities with PACE, bear interest at the PACE base rate plus 1.25% per annum, currently 8% per annum, payable on a monthly basis, interest only. The Line of Credit is secured by a business loan general security agreement, a \$1,240,960 (\$1,600,000 CAD) personal guarantee from the President and a charge against the Company’s premises lease. Also pledged as security are the shares of the wholly-owned subsidiaries and a pledge of 3,300,000 shares of the Company held by Landfill Gas Canada Ltd. (“LFGC”), an Ontario company controlled by a director and chief executive officer of the Company (the “CEO”), 500,000 shares of the Company held by the chief financial officer (the “CFO”) and 2,000,000 shares of the Company held by a director’s company, and a limited recourse guarantee by each. The Line of Credit is fully open for prepayment at any time without notice or bonus. A total commitment fee of \$85,316 (\$110,000 CAD) was paid to PACE. In addition, the agents who assisted in establishing the Line of Credit received 1,620,000 common shares of the Company determined to be valued at \$469,800, based on the pricing of a recent private placement offering and cash of \$300,000, on closing, for their services. Other closing costs in connection with the Line of Credit included legal fees of \$30,026 (\$38,713 CAD). During the three months ended March 31, 2018, the Company incurred interest charges of \$16,011 (\$20,242 CAD) on this credit facility.

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On April 4, 2018, the Company paid its two overdue monthly principal and interest instalments on this corporate term loan which were due February 13 and March 13, 2018, in the amount of \$117,215 (\$151,128), from a new loan provided by Travellers International Inc. (“Travellers”), an Ontario company controlled by the Executive Chairman and President (the “President”), who is also a director of the Company, on April 3, 2018 in the amount of \$155,120 (\$200,000 CAD). The loan is due on demand, unsecured and bears interest at the rate of 12% per annum. On April 6, 2018, PACE agreed to permit the Company to defer its principal and interest instalments for the months of April, May and June on the corporate term loan, with the interest continuing to accrue during this period.

Refer to notes 9, 10 and 13 to the interim condensed consolidated financial statements for details on the long-term debt, obligations under capital lease and commitments respectively, as at March 31, 2018.

**CONSOLIDATED RESULTS OF OPERATIONS – FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018 COMPARED TO THE THREE-MONTH PERIOD ENDED MARCH 31, 2017**

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	<b>\$ 132,721</b>	<b>\$ -</b>
<b>Cost of sales</b>	<b>181,940</b>	<b>-</b>
<b>Operating expenses</b>		
Financing costs	-	882,153
Management fees	172,674	123,297
Interest expenses	85,240	20,590
Professional fees	60,822	51,985
Office and administration	51,084	19,698
Rent and occupancy	34,201	11,426
Insurance	15,119	14,966
Repairs and maintenance	8,009	-
Filing fees	6,458	3,889
Directors compensation	791	11,600
Contribution to Advanced Water Technology Program	-	71,017
<b>Total operating expenses</b>	<b>434,398</b>	<b>1,210,621</b>
<b>Net loss</b>	<b>\$ (483,617)</b>	<b>\$ (1,210,621)</b>

During the three-month period ended March 31, 2018, the Company generated \$132,721 of revenue from its organic composting facility included in the asset purchase which closed on September 15, 2017. No revenue was generated in the prior three-month period ended March 31, 2017. The Company incurred costs in connection with this revenue in the amount of \$181,940, primarily depreciation, wages and benefits, equipment rental, delivery, repairs and maintenance and utilities.

The net loss for the three-month period ended March 31, 2018 was \$483,617, significantly lower than the net loss of \$1,210,621 in the prior three-month period ended March 31, 2017, primarily due to the financing costs and the contribution to the Advanced Water Technology Program incurred in the prior period, offset primarily by higher management fees, interest expenses, office and administration and rent and occupancy.

Our operating expenses decreased by \$776,223, from \$1,210,621 for the three-month period ended March 31, 2017 to \$434,398 for the three-month period ended March 31, 2018. This was primarily due to the absence of both financing costs of \$882,153 and the contribution of \$71,017 to the Advanced Water Technology Program, offset primarily by increases to management fees, interest expense, office and administration and rent and occupancy.

Management fees increased by \$49,377, from \$123,297 in the prior three-month period ended March 31, 2017 to \$172,674 in the current three-month period ended March 31, 2018, as a result of the increase in the management fees charged by the President and the CEO, beginning January 1, 2018.

Interest expense increased by \$64,650 from \$20,590 in the prior three-month period ended March 31, 2017 to \$85,240 for the current three-month period ended March 31, 2018, as a result of the new corporate term loan obtained by the Company on September 15, 2017, for its organic composting facility.

Professional fees increased by \$8,837, from \$51,985 in the prior three-month period ended March 31, 2017 to \$60,822 in the current three-month period ended March 31, 2018, primarily from increases in audit and accounting services of \$5,232, an increase for legal fees of \$28,023 incurred in connection with the Company's claim it launched against a third party, related to the purchase of certain assets of the organic composting facility on September 15, 2017, an increase in legal fees of \$815 in connection with the Advances Water Technology Program offset by the absence of legal fees in connection with the Company's Form S-4 filings in the prior three-month period ended March 31, 2017.

Office and administration increased by \$31,386, from \$19,698 in the prior three-month period ended March 31, 2017 to \$51,084 in the current three-month period ended March 31, 2018. The increase is the result of the following: an increase in administrative wages for the staff at the organic composting facility and the Toronto office of \$8,824, an increase in expenses of \$12,005 in connection with the Advanced Water Technology Program, an increase in the attendance at conferences and in membership fees of \$3,250, a payment for the franchise tax for the State of Delaware of \$2,064 and various other office and general, automobile and travel in the amount of \$5,243.

Rent and occupancy increase by \$22,775, from \$11,426 for the prior three-month period ended March 31, 2017 to \$34,201 for the current three-month period ended March 31, 2018, primarily due to the rent and occupancy costs associated with the Company's new organic composting facility of \$18,702 and additional rent and occupancy costs of \$4,073 for the Company's Toronto location.

Repairs and maintenance of \$8,009, is related solely to costs associated with the Company's organic composting facility.

Directors compensation decreased by \$10,809, from \$11,600 for the prior three-month period ended March 31, 2017 to \$791 for the three-month period ended March 31, 2018. The current expense relates to fees charged by the Company's audit committee chairman and the prior period's charge relates to the Company's issuance of 20,000 common shares each to two new directors, determined to be valued at \$11,600, based on a recent private placement.

The Company's interim condensed consolidated financial statements have been prepared in accordance with US GAAP, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months.

As at March 31, 2018, the Company had a working capital deficit of \$2,496,746 (December 31, 2017-\$2,238,911), incurred a net loss of \$483,617 (2017-\$1,210,621) for the three months ended March 31, 2018 and had an accumulated deficit of \$5,143,913 (December 31, 2017-\$4,660,296) and expects to incur further losses in the development of its business. These factors cast substantial doubt as to the Company's ability to continue as a going concern, which is dependent upon its ability to obtain the necessary financing to further the development of its business, satisfy its obligations to PACE and upon achieving profitable operations. Management believes that the Company will be able to obtain the necessary funding by equity or debt; however, there is no assurance of funding being available or available on acceptable terms. Realization values may be substantially different from carrying values as shown.

On April 4, 2018, the Company paid its overdue monthly principal and interest instalments on its corporate term loan with PACE, which were due February 13 and March 13, 2018. On April 6, 2018, PACE agreed to permit the Company to defer the April, May and June principal and interest instalments on the corporate term loan, with interest continuing to accrue during this period.

The interim condensed consolidated financial statements do not include any adjustments to reflect the future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result if the Company was unable to continue as a going concern.

## CRITICAL ACCOUNTING ESTIMATES

### *Use of estimates*

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. Areas involving significant estimates and assumptions include: the allowance for doubtful accounts, inventory valuation, useful lives of long-lived and intangible assets, valuation of asset acquisition, impairments of long-lived and intangible assets, deferred income tax assets and related valuation allowance, environmental remediation costs and stock-based compensation. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become available.

### *Stock-based compensation*

From time to time the Company may grant options and/or warrants to management, directors, employees and consultants. The Company recognizes compensation expense at fair value. Under this method, the fair value of each warrant is estimated on the date of the grant and amortized over the vesting period, with the resulting amortization credited to paid in capital. The fair value of each grant is determined using the Black-Scholes option-pricing model. Consideration paid upon exercise of stock options and/or warrants is recorded in equity as share capital.

### *Long-Lived Asset Impairments*

We assess our long-lived assets for impairment as required under the applicable accounting standards. If necessary, impairments are recorded in (income) expense from divestitures, asset impairments and unusual items, net in our Consolidated Statements of Operations and Comprehensive Loss.

*Indefinite-Lived Intangible Assets* — At least annually, and more frequently if warranted, we assess the indefinite-lived intangible assets, including the goodwill of our reporting units for impairment using Level 3 inputs.

## RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

On January 1, 2018, the Company adopted accounting standards ("ASU") update No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash". The Company now includes restricted cash as part of cash and cash equivalents. The Company has adopted this policy on a retrospective basis. The reference to restricted cash included in the interim condensed consolidated statements of cash flow for the three-month period ended March 31, 2017, has been reclassified to cash and cash equivalents at the end of this prior period.

On January 1 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. The updated guidance, and subsequent clarifications, collectively referred to as accounting standards codification ("ASC") 606, require an entity to recognize revenue when it transfers control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In addition, the guidance requires the disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted this standard, utilizing the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in deficit. Accordingly, comparative prior period information has not been restated and continues to be reported under that accounting standards.

The adoption of ASC 606 had no impact on the Company's interim condensed consolidated balance sheets as of January 1, 2018.

On January 1, 2018, the Company adopted ASU No. 2017, Compensation-Stock Compensation: Topic 718: Scope of Modification Accounting (ASU 2017-09) to provide clarity and reduce both the (1) diversity in practice and (2) cost and complexity when changing the terms or conditions of share-based payment awards. Under ASU 2017-09, modification accounting is required to be applied unless all of the following are the same immediately before and after the change:

1. The award's fair value (or calculated value or intrinsic value if those measurement methods are used).
2. The award's vesting conditions.
3. The award's classification as an equity or liability instrument.

The adoption of ASC 606 had no impact on the Company's interim condensed consolidated balance sheets as of January 1, 2018.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

From time to time, new accounting pronouncements are issued by FASB or other standard setting bodies and adopted by the Company as of the specified effective date or possibly early adopted, where permitted. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, "Leases" (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. ASU 2016-02 requires the recognition on the balance sheet of a lease liability to make lease payments by lessees and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance will also require significant additional disclosure about the amount, timing and uncertainty of cash flows from leases. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018 (January 1, 2019 for the Company). The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting ASU No. 2016-02.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment". The new standard simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill quantitative impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The standard is effective for interim and annual periods beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the impact of adopting ASU No. 2017-04.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment". The new standard simplifies the accounting for goodwill impairments by eliminating step 2 from the goodwill quantitative impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is to be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The standard is to be effective for interim and annual periods beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the impact of adopting ASU No. 2017-04.

## **EQUITY**

As at March 31, 2018, the Company had 38,633,031 common shares issued and outstanding. At the date of this filing, the Company had 38,723,031 common shares issued and outstanding.



## **STOCK OPTIONS AND WARRANTS**

Effective January 1, 2017, the Company's CEO was granted 3,000,000 RSUs. On January 1, 2018, 1,000,000 RSUs were exchanged into 1,000,000 common stock. The RSUs for the remaining two installments are to vest annually on January 1, 2019 and 2020. The Company has recorded a stock compensation reserve of \$82,500 as at March 31, 2018, representing one twelfth of the total value of the RSUs of \$990,000, based on a private placement pricing at the time of the grant.

The Company has no other stock options or warrants outstanding as at March 31, 2018 and as of the date of this filing.

## **RELATED PARTY TRANSACTIONS**

The Company transacts with related parties in the normal course of business.

During the three-month period ended March 31, 2018, the Company incurred \$35,595 (\$45,000 CAD) (2017-\$11,133; \$15,000 CAD) in management fees expense with Travellers International Inc. ("Travellers"), an Ontario company controlled by a director and president of the Company (the "President"); \$35,595 (\$45,000 CAD) (2017-\$11,133; \$15,000 CAD) in management fees expense with Landfill Gas Canada Ltd. ("LFGC"), an Ontario company controlled by a director and chief executive officer of the Company (the "CEO"); \$ 9,492 (\$12,000 CAD) (2017-\$9,066; \$12,000 CAD) in management fees expense with the Company's chief financial officer (the "CFO"); and \$9,492 (\$12,000 CAD) (2017-\$9,065; \$12,000 CAD) in management fees expense with the Company's vice-president of corporate development (the "VPCD"). As at March 31, 2018, unpaid remuneration and unpaid expenses in the amount of \$120,858 (\$155,825 CAD) (December 31, 2017-\$111,426; \$139,789 CAD) is included in accounts payable and \$164,640 (\$212,275 CAD) (December 31, 2017-\$102,935; \$129,137 CAD) is included in accrued liabilities.

In addition, during the three-month period ended March 31, 2018, the Company incurred interest expense of \$293 (\$371 CAD) (2017-\$5,488; \$7,265 CAD) on the outstanding loans from Travellers. As at March 31, 2018, interest of \$9,307 (\$12,000 CAD) (December 31, 2017-\$22,120; \$27,750 CAD) is included in accrued liabilities.

Furthermore, the Company granted the CEO 3,000,000 restricted stock units ("RSU"), under a consulting agreement effective January 1, 2017. On January 1, 2018, 1,000,000 RSUs were exchanged into 1,000,000 common stock. The RSUs for the remaining two installments are to vest annually on January 1, 2019 and 2020. For the three-month period ended March 31, 2018, the Company recognized this executive compensation as management fees of \$82,500 (2017-\$82,500) on this award, representing one twelfth of the total value of the award of \$990,000, based on a recent private placement pricing.

During the three-month period ended March 31, 2018, the Company incurred \$15,500 (\$19,595 CAD) (2017-\$11,426; \$15,124 CAD) in rent paid under a rental agreement to Haute Inc. ("Haute"), an Ontario company controlled by the President.

## **OFF-BALANCE SHEET ARRANGEMENTS**

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

As a smaller reporting company, as that term is defined in Item 10(f)(1) of Regulation S-K, we are not required to provide information required by this Item.

#### **Item 4. Controls and Procedures.**

##### ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this Quarterly Report on Form 10-Q.

Our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Based on our evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective due primarily to the small size of the Company and the lack of a segregation of duties.

Notwithstanding this material weakness, management has concluded that the unaudited interim condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q present fairly, in all material respects, the financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

##### ***Changes in Internal Control over Financial Reporting***

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

## **PART II: OTHER INFORMATION**

#### **Item 1A. Legal Proceedings.**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Except as set forth in this Form 10-Q, we are not currently aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition, or operating results.

On December 15, 2017, the Company filed a motion record in the Ontario Superior Court of Justice against the Business Development Bank of Canada, the applicant and Astoria Organic Matters Ltd. and Astoria Organic Matters Canada LP, together, the respondents, in the amount of \$585,888 (\$755,400 CAD) in connection with the Company’s purchase of certain assets from the court appointed receiver for Astoria, BDO Canada Limited on September 15, 2017. The basis for the claim is for the Company’s costs to process biosolids stored onsite that amounted to more than 10 times the amount permitted to be stored by conditions in the Environmental Compliance Approval for the site. The processing costs are paid when the biosolids are received onsite. Costs to process are incurred over the 12 weeks it takes to incorporate the biosolids into a compost product.

#### **Item 1B. Risk Factors.**

As a smaller reporting company, we are not required to provide the information required by this item.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

During the three months ended March 31, 2018, the Company issued 50,000 common shares for net proceeds of \$45,000 for working capital purposes.

The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act since, among other things, the transactions did not involve a public offering.

**Item 3. Defaults upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not Applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

The following exhibits are filed as part of this quarterly report on Form 10-Q:

**Exhibit No. Description**

<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</u></a>
<a href="#"><u>101.INS</u></a>	<a href="#"><u>XBRL Instance Document*</u></a>
<a href="#"><u>101.SCH</u></a>	<a href="#"><u>XBRL Taxonomy Extension Schema Document*</u></a>
<a href="#"><u>101.CAL</u></a>	<a href="#"><u>XBRL Taxonomy Calculation Linkbase Document*</u></a>
<a href="#"><u>101.DEF</u></a>	<a href="#"><u>XBRL Taxonomy Extension Definition Linkbase Document*</u></a>
<a href="#"><u>101.LAB</u></a>	<a href="#"><u>XBRL Taxonomy Label Linkbase Document*</u></a>
<a href="#"><u>101.PRE</u></a>	<a href="#"><u>XBRL Taxonomy Presentation Linkbase Document*</u></a>

\*Filed herewith.

\*\*Furnished herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUSGLOBAL ENERGY CORP.

May 15, 2018

By: /s/ Gerald Hamaliuk  
Gerald Hamaliuk  
Chief Executive Officer

May 15, 2018

By: /s/ Ike Makrimichalos  
Ike Makrimichalos  
Chief Financial Officer (Principal Financial and Accounting Officer)