

Unaudited Interim Condensed Consolidated Financial Statements of

# ONEnergy Inc.

As at and for the three and nine months ended September 30, 2014 and  
2013

## **Notice of No Audit or Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management and have been approved by the Corporation's Board of Directors. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# ONEnergy Inc.

## Interim Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of Canadian dollars)

As at

	Note	September 30, 2014	December 31, 2013
<b>Assets</b>			
Current assets			
Cash and cash equivalents	6	\$ 9,443	\$ 20,555
Restricted cash	7	1,875	266
Accounts and other receivables	8	2,308	437
Inventory	9	116	-
Natural gas delivered in excess of consumption		223	136
Prepaid expenses and deposits		405	284
Current portion of other financial assets	25	457	104
		<b>14,827</b>	<b>21,782</b>
Other financial assets	25	151	29
Property and equipment	10	13,255	147
Intangible asset	11	6,835	832
Goodwill		548	548
<b>Total assets</b>		<b>\$ 35,616</b>	<b>\$ 23,338</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 3,293	\$ 1,280
Payments received in advance of consumption		176	191
Current portion of obligation under finance lease	14	28	28
Current portion of due to related party	21	33	-
Current portion of other financial liabilities	25	-	41
Current portion of long-term debt	16	1,435	-
		<b>4,965</b>	<b>1,540</b>
Credit facility	15	439	-
Obligation under finance lease	14	20	42
Due to related party	21	53	-
Other financial liabilities	25	-	62
Long-term debt	16	14,512	-
		<b>19,989</b>	<b>1,644</b>
Shareholders' equity			
Share capital	17	37,499	37,499
Contributed surplus		377	131
Accumulated other comprehensive (loss) income		(47)	15
Deficit		(22,202)	(15,951)
		<b>15,627</b>	<b>21,694</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 35,616</b>	<b>\$ 23,338</b>

### Commitments and contingencies (note 23)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

Approved by the Board of Directors:

(Signed) – “Stephen J.J. Letwin”  
Director

(Signed) – “Stanley H. Hartt”  
Director

# ONEnergy Inc.

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Unaudited, in thousands of Canadian dollars, except per share amounts)

For the three and nine months ended September 30

	Note	Three months ended Sept 30 2014	Three months ended Sept 30 2013	Nine months ended Sept 30, 2014	Nine months ended Sept 30, 2013
Revenue	18	\$ 2,572	\$ 158	\$ 5,342	\$ 158
Cost of sales	18,19	1,490	98	3,620	98
Gross margin		1,082	60	1,722	60
Expenses					
Selling	19	1,843	652	3,674	652
General and administrative	19	1,513	1,139	4,395	3,029
		3,356	1,791	8,069	3,681
Operating loss before the undernoted		(2,274)	(1,731)	(6,347)	(3,621)
Change in fair value of derivative instruments	25	225	-	578	-
Finance income		32	53	129	163
Finance cost		(379)	(6)	(685)	(8)
Gain on disposition of rental equipment		18	-	12	-
Foreign exchange gain (loss)		93	(2)	62	(2)
<b>Loss for the period</b>		<b>\$ (2,285)</b>	<b>\$ (1,686)</b>	<b>\$ (6,251)</b>	<b>\$ (3,468)</b>
Other comprehensive loss					
Unrealized loss on translation of foreign operations		(66)	-	(62)	-
Other comprehensive loss		(66)	-	(62)	-
<b>Total comprehensive loss for the period</b>		<b>\$ (2,351)</b>	<b>\$ (1,686)</b>	<b>\$ (6,313)</b>	<b>\$ (3,469)</b>
Total comprehensive loss per share					
Basic and diluted	17	\$ (0.011)	\$ (0.008)	\$ (0.030)	\$ (0.021)
Weighted average number of shares outstanding					
Basic and diluted (in thousands)	17	211,131	204,919	211,131	161,680

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

# ONEnergy Inc.

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited, in thousands of Canadian dollars)

	Share Capital (note 17)		Deficit	Contributed surplus	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount				
Balance as at December 31, 2012	139,702	\$ 27,499	\$ (10,064)	\$ -	\$ -	\$ 17,435
Shares issued from treasury	64,286	9,000	-	-	-	9,000
Shares issued to acquire Sunwave	7,143	1,000	-	-	-	1,000
Net loss and comprehensive loss for the period	-	-	(3,468)	-	-	(3,468)
Other comprehensive income	-	-	-	-	15	15
Stock compensation	-	-	-	131	-	131
<b>Balance as at September 30, 2013</b>	<b>211,131</b>	<b>\$ 37,499</b>	<b>\$ (13,532)</b>	<b>\$ 131</b>	<b>\$ 15</b>	<b>\$ 24,113</b>
Balance as at December 31, 2013	211,131	\$ 37,499	\$ (15,951)	\$ 131	\$ 15	\$ 21,694
Net loss for the period	-	-	(6,251)	-	-	(6,251)
Other comprehensive loss	-	-	-	-	(62)	(62)
Stock compensation (note 17)	-	-	-	246	-	246
<b>Balance as at September 30, 2014</b>	<b>211,131</b>	<b>\$ 37,499</b>	<b>\$ (22,202)</b>	<b>\$ 377</b>	<b>\$ (47)</b>	<b>\$ 15,627</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

# ONEnergy Inc.

## Interim Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

For the three months and nine months ended September 30

	Note	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Cash flows from the following:					
<b>Operating activities</b>					
Loss for the period		\$ (2,285)	\$ (1,686)	\$ (6,251)	\$ (3,468)
Items not affecting cash					
Depreciation of property and equipment		261	17	477	17
Amortization of intangible assets		62	52	178	52
Change in fair value of derivative instruments	25	(225)	-	(578)	-
Interest earned on short-term investments		(32)	(37)	(129)	(147)
Unrealized foreign exchange loss (gain)		(93)	1	(61)	1
Gain on disposition of rental equipment		(18)	-	(12)	-
Finance costs		379	6	685	8
Stock based compensation	17	93	53	245	53
Change in non-cash operating assets and liabilities	20	385	(345)	(262)	(555)
Cash used in operating activities		(1,473)	(1,939)	(5,708)	(4,039)
<b>Investing activities</b>					
Redemption/maturity of short-term investments		-	15,162	-	17,162
Increase in restricted cash		(457)	-	(910)	-
Interest received on short-term investments		29	202	129	220
Purchase of property and equipment		(1,772)	(2)	(2,813)	(2)
Disposition of property and equipment		442	-	526	-
Purchase of intangible assets		(10)	(11)	(91)	(11)
Acquisition of The Home Comfort Group Inc.		-	-	(3,088)	-
Cash provided by (used in) investing activities		(1,768)	15,351	(6,247)	17,369
<b>Financing activities</b>					
Share issuance from treasury		-	9,000	-	9,000
Proceeds on equipment financing		1,340	-	2660	-
Repayment of long-term debt		(700)	-	(1,558)	-
Finance costs paid		(376)	(6)	(682)	(8)
Repayment of related party loan		(7)	-	(14)	-
Proceed of credit facility		384	-	439	-
Repayment of obligation under finance lease		(7)	(4)	(22)	(4)
Cash provided by financing activities		634	8,990	823	8,988
Effect of foreign currency translation on cash balances		6	-	20	-
Increase(decrease) in cash and cash equivalents		(2,601)	22,402	(11,112)	22,318
Cash and cash equivalents, beginning of period		12,044	137	20,555	221
<b>Cash and cash equivalents, end of period</b>		<b>\$ 9,443</b>	<b>\$ 22,539</b>	<b>\$ 9,443</b>	<b>\$ 22,539</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

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### 1. Nature of operations

Look Communications Inc. (“Look”) was formed on October 31, 1999 under the Canada Business Corporations Act. On July 8, 2013, pursuant to articles of amendment, Look changed its name to ONEnergy Inc. (“ONEnergy”). On July 9, 2013, Look completed a change-of-business transaction (the “Transaction”) and a concurrent private placement.

The consolidated financial statements are comprised of ONEnergy; and its wholly owned subsidiaries which include Sunwave Gas & Power Inc., Sunwave USA Holdings Inc., Sunwave Gas & Power New York Inc., Sunwave Gas & Power Illinois Inc., Sunwave Gas & Power Massachusetts Inc., Sunwave Gas & Power Connecticut Inc., Sunwave Gas & Power Pennsylvania Inc. and Sunwave Gas & Power Ohio Inc. (collectively referred to as “Gas & Power”); and Sunwave Home Comfort Inc. (formerly The Home Comfort Group Inc.) and Sunwave Home Comfort USA Inc. (collectively “Home Comfort”). References to the Corporation include ONEnergy, Gas & Power and Home Comfort.

The Corporation is domiciled in Canada and the address of its registered office is 155 Gordon Baker Road, Suite 301, Toronto, Ontario, Canada M2H 3N5.

ONEnergy operates in the Gas & Power and Home Comfort businesses. The Corporation’s Gas & Power business involves the sale of natural gas and electricity in Ontario, and electricity in Connecticut and Pennsylvania, to residential and commercial customers under short or long-term fixed-price, price-protected or variable-priced contracts, under the brand name Sunwave Gas & Power™. Under its Home Comfort business, the Corporation owns a portfolio of furnaces, boilers and air conditioners (“HVAC”) and water heaters, which are rented to residential customers in Ontario, Alberta and British Columbia, under long-term water heater and HVAC rental programs. In addition, Home Comfort also sells, installs and maintains HVAC and water heaters directly to residential customers.

Effective July 11, 2013, the Corporation’s multiple voting shares and subordinate voting shares were listed and posted for trading on the TSX Venture exchange under the symbols OEG and OEG.A respectively.

These unaudited interim condensed consolidated financial statements were approved for issue by the Board of Directors on November 18, 2014.

### 2. Summary of significant accounting policies

#### Statement of Compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), and using accounting policies consistent with International Financial Reporting Standards (“IFRS”). Accounting policies and methods of their application followed in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the sixteen months ended December 31, 2013, except for the adoption of new standards and interpretations effective January 1, 2014 as disclosed below.

The following new accounting standards that have been adopted had no material impact on the interim condensed consolidated financial statements.

IAS 36 – Impairment of Assets

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 32 — Financial Instruments: Presentation

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

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The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, the functional currency of the Corporation, and all values are rounded to the nearest thousands, except per share amounts.

### 3. Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires the use of estimates and assumptions to be made in applying accounting policies that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities, at the date of the consolidated financial statements, and the reported income and expenses during the reporting period.

Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated. As the basis for its judgments, management uses estimates and related assumptions which are based on previous experience and various commercial, economic and other factors that are considered reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Actual outcomes may differ from these estimates under different assumptions and conditions.

Estimates made by management in the application of IFRS that have a significant impact on the consolidated financial statements relate to the following:

#### Revenue recognition

Revenue is recognized when significant risks and rewards of ownership are transferred to the customer. In the case of gas and electricity, transfer of risks and rewards generally coincides with consumption. Revenue from sales of water heaters, air conditioners and furnaces is recognized upon installation. Revenue from water heater, air conditioners and furnace rentals is recognized based on rental rates over the term commencing from the installation date.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

#### Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### Equity-settled share-based compensation

Stock options and Director Deferred Share Units ("DSUs") issued by the Corporation are settled in subordinate voting shares and are accounted for as equity-settled awards.

Management determines the fair value of stock options granted using Black Scholes valuation which can be affected by the assumptions used including risk free rates, expected life, dividend yields, volatility and estimated forfeiture rates.

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

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Members of the Board, who are not management, may elect to receive a portion of their annual retainers and fees in the form of DSUs.

### Fair value of financial instruments

Determining the value of derivative instruments requires judgment and is based on market prices or management's best estimates if there is no market and/or if the market is illiquid. Where the fair value of financial instruments recorded cannot be derived from active markets, they are determined using valuation techniques including making internally generated adjustments to quoted prices in observable markets and discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The estimate includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### Impairment of non-financial assets

In assessing the value of intangible assets or non-financial assets for potential impairment, assumptions are made regarding future cash flows. These calculations require the use of estimates. If these estimates change in the future, the Corporation may be required to record impairment charges related to intangible assets and goodwill.

### Useful life of property and equipment and intangible assets

The amortization method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Corporation.

### Acquisition accounting

Management uses judgment to determine whether an acquisition qualifies as an asset acquisition or a business combination by reviewing inputs, processes, and outputs within a transaction. All identifiable assets, liabilities and contingent liabilities acquired in an asset purchase are recognized at fair value on the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as at the date of acquisition.

## **4. Accounting standards issued but not yet applied**

The IASB has issued the following applicable standards, which have not yet been adopted by the Corporation. Each of the new standards is effective for annual periods beginning on or after January 1, 2014. The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements.

The following is a description of the new standards:

IFRS 9 - Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date has not been finally established by the IASB.

The following new standards, amendments and interpretations have not been early adopted in these consolidated financial statements and are not expected to have an effect on the Corporation's future results and financial position:

IAS 19 – Employee Benefits

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

### 5. Seasonality

Gas & Powers customers typically consume more natural gas during the winter months than the summer months and while they typically consume more electricity during the summer months; electricity consumption is subject to less seasonality than natural gas. The combined impact of natural gas and electricity consumption seasonality on the results of the Corporation is that revenue and cost of sales will be typically higher in the quarters ended December 31 and March 31.

### 6. Cash and cash equivalents

As at September 30, 2014, the Corporation had \$9,443 (December 31, 2013 - \$20,555) of cash and cash equivalents, comprised of \$9,040 (December 31, 2013 - \$17,555) of cash on hand and \$403 (December 31, 2013 - \$3,000) of short-term investment with an original maturity of 91 days or less. As at September 30, 2014, the effective annual interest rate on the short-term investments was 1.3% and they are fully redeemable at any time by the Corporation, at its discretion.

### 7. Restricted cash

Restricted cash includes cash where availability of funds is restricted by debt arrangements:

- i. The Corporation has term deposits of \$749 (US\$669) at September 30, 2014 (December 31, 2013 - \$266) held as collateral to support letters of credit issued by the Corporation. The security will remain as long as the letters of credit are outstanding.
- ii. The Corporation has short-term investments of \$375 (US\$335) at September 30, 2014 (December 31, 2013 - \$NIL) in a financial institution held as financial assurance against its operations in the New England market.
- iii. The Corporation has cash of \$56 (US\$50) at September 30, 2014 (December 31, 2013 - \$NIL) held as collateral for its payments made through its electronic payment service.
- iv. At September 30, 2014, the Corporation has \$23 (December 31, 2013 - \$Nil) in cash that is pledged as collateral against energy purchases and other obligations under its commodity supply and credit facility agreement with Shell Energy North America (Canada) Inc. and Shell Energy North America (US), L.P. (collectively "Shell Energy").
- v. The Corporation finances the cost of rental equipment. A portion of the proceeds from each draw is held as security ("finance reserve") against the loan described in note 17. The finance reserve becomes available to the Corporation as the loan is repaid. As at September 30, 2014, the finance reserve balance was \$672 (December 31, 2013 - \$Nil).

### 8. Accounts and other receivables

Accounts and other receivables are set out in the following table:

	September 30, 2014	December 31, 2013
Trade receivables	\$ 2,185	\$ 246
Refundable taxes	94	175
Other receivables	29	16
Total	\$ 2,308	\$ 437

### 9. Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is determined by reference to selling price less costs to sell. As at September 30, 2014, the Corporation had \$116 (December 31, 2013 - \$Nil) of inventory.

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

### 10. Property and equipment

	Rental Equipment	Computer Hardware	Office Furniture and Equipment	Leasehold Improvement	Total Property and Equipment
<b>Cost</b>					
Balance at December 31, 2013	\$ -	\$ 79	\$ 104	\$ -	\$ 183
Acquisition	11,248	6	30	-	11,284
Additions	2,376	19	82	336	2,813
Disposal	(555)	-	-	-	(555)
<b>Balance at September 30, 2014</b>	<b>13,069</b>	<b>104</b>	<b>216</b>	<b>336</b>	<b>13,725</b>
<b>Accumulated depreciation</b>					
Balance at December 31, 2013	\$ -	\$ 22	\$ 14	\$ -	\$ 36
Depreciation	403	41	28	5	477
Disposal	(43)	-	-	-	(43)
<b>Balance at September 30, 2014</b>	<b>360</b>	<b>63</b>	<b>42</b>	<b>5</b>	<b>470</b>
<b>Net book value</b>					
As at December 31, 2013	\$ -	\$ 57	\$ 90	\$ -	\$ 147
<b>As at September 30, 2014</b>	<b>\$ 12,709</b>	<b>\$ 41</b>	<b>\$ 174</b>	<b>\$ 331</b>	<b>\$ 13,255</b>

### 11. Intangible assets

	Customer contracts	Computer software	Total intangible assets
<b>Cost</b>			
Balance at December 31, 2013	\$ 919	\$ 21	\$ 940
Acquisition (note 12)	6,081	-	6,081
Additions	9	91	100
<b>Balance at September 30, 2014</b>	<b>\$ 7,009</b>	<b>\$ 112</b>	<b>\$ 7,121</b>
<b>Accumulated amortization</b>			
Balance at December 31, 2013	\$ 105	\$ 3	\$ 108
Amortization	165	13	178
<b>Balance at September 30, 2014</b>	<b>\$ 270</b>	<b>\$ 16</b>	<b>\$ 286</b>
<b>Net book value</b>			
As at December 31, 2013	\$ 814	\$ 18	\$ 832
<b>As at September 30, 2014</b>	<b>\$ 6,739</b>	<b>\$ 96</b>	<b>\$ 6,835</b>

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

Intangible assets such as customer contracts arose on the acquisitions of The Home Comfort Group Inc. (Note 12) and Sunwave Gas & Power Inc., and comprises the value of their rental or commodity contracts, respectively, on acquisition.

### 12. Acquisition of The Home Comfort Group Inc.

On April 21, 2014, the Corporation acquired all the issued and outstanding shares of The Home Comfort Group Inc. ("HCG") for cash consideration of \$3,088. HCG is in the residential heating, ventilation, & air conditioning ("HVAC") rentals, sales and installation business and provides heating and air conditioning equipment, tankless and conventional hot water systems and other in-home and commercial appliances, products and services. Based in Toronto, Ontario, HCG has operations in Ontario, Alberta, and Manitoba.

The Corporation allocated the purchase price to the net identified assets and liabilities acquired based on their fair values at the time of the acquisition as follows:

<b>Purchase price</b>	
Cash consideration	<b>\$ 3,088</b>
<b>Fair value recognized on acquisition</b>	
Current assets	1,442
Property and equipment	11,285
Current liabilities	(801)
Due to related party	(100)
Long-term debt	(14,819)
Customer contracts	6,081
	<b>\$ 3,088</b>

Customer contracts comprises the value of HCG's rental contracts.

The purchase price allocation is considered preliminary, and as a result, it may be adjusted during the 12-month period following the acquisition, in accordance with IFRS 3, as management determines the fair value of the intangible asset. The carrying value of current assets, current liabilities, property and equipment, and long-term debt are considered to approximate their fair value.

### 13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are set out in the following table:

	<b>September 30,</b>	December 31,
	<b>2014</b>	2013
Accounts payable	<b>\$ 1,151</b>	\$ 593
Accrued liabilities	<b>1,953</b>	498
Accrued restructuring liabilities <sup>(1)</sup>	<b>189</b>	189
Total	<b>\$ 3,293</b>	\$ 1,280

<sup>(1)</sup> Accrued restructuring liabilities

During fiscal 2009, the Corporation sold its spectrum and broadcast license, initiated a Plan of Arrangement under the *Canada Business Corporations Act* (Section 192) and, up to November 30, 2010, expensed all

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

associated costs to restructuring charges. Of these charges, a provision of \$189 (December 31, 2013 - \$189) for costs in connection with the Sale Awards is still outstanding.

### 14. Obligation under finance lease

The Corporation leases office equipment under a financing arrangement, which bears interest at 7.54% per annum and matures in April 2016. The net carrying value of office equipment under finance lease is \$55 (December 31, 2013 - \$72).

The following table presents future minimum lease payments under finance lease together with the present value of the minimum lease payments:

Future minimum lease payments due:	
Less than one year	\$ 33
Between one and five years	18
More than five years	-
Total minimum lease payments	51
Less: amounts representing interest	(3)
Present value of total minimum lease payments	48
Less: current portion of minimum lease obligation	28
Non-current portion of minimum lease obligation	\$ 20

### 15. Credit facility

	September 30, 2014	December 31, 2013
Shell Energy	\$ 439	\$ -
Interest payable	-	-
Total	\$ 439	\$ -

On November 20, 2013, Gas & Power entered into agreements with Shell Energy under which Shell Energy will supply energy, credit support, and environmental commodities to Gas & Power in multiple North American natural gas and power retail markets.

Under the credit facility agreements Shell Energy has provided Gas & Power credit arrangements for its Canadian and U.S. operations. Under the Canadian revolving credit facility Shell Energy will be providing Gas & Power with advances of up to \$1,000 for commodity purchases and, financial derivatives and related services. Interest is payable on outstanding advances at 4% plus the greater of: (i) 3% or (ii) LIBOR. Under the U.S. revolving credit and collateral credit facilities Shell Energy will be providing Gas & Power with advances of up to US\$15,000 for commodity purchases, certain working capital uses, collateral security support and financial derivatives and related services. Interest is payable on outstanding advances under the revolving credit facility at 4% plus the greater of: (i) 3% or (ii) LIBOR, and under the collateral credit facility at 4% plus the greater of: (i) 4% or (ii) LIBOR. On September 30, 2014, LIBOR was 0.234%. An additional interest rate penalty of 0.5% applies to all facilities in the event that Gas & Power were to be in default of

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

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certain financial covenants. Interest is repayable in the month following the month that advances were made. Principal on the revolving credit facility is repayable in the month following the month that advances were made. Principal on the collateral credit facility is repayable by November 20, 2018. No further advances can be made after November 20, 2018. No advances were drawn during 2013 and no amount is outstanding at December 31, 2013.

The agreements are secured by a general security agreement and a pledge of Gas & Power's assets and subject to certain covenant restrictions.

During the nine months in 2014, Gas & Power drew \$432 (US\$385) on the collateral credit facility and \$7 (US\$6) on the revolving credit facility. As at September 30, 2014, Gas & Power was non-compliant with a single covenant in the Shell credit agreements. An additional interest rate penalty of 0.5% has been applied until Gas & Power becomes compliant with this covenant. Interest is provided at 8.0% per annum on the collateral credit facility plus an interest penalty of 0.5%; and at 7.0% per annum on the revolving credit facility plus an interest penalty of 0.5%.

As partial consideration for entering into the agreements above, Gas & Power has agreed to provide Shell Energy with a "participation" payment based upon the performance of Gas & Power during the term of the agreements. A participation payment is payable to Shell Energy upon Gas & Power reaching certain milestones such as customer count thresholds; a disposition of Gas & Power's assets or a material public share issuance by Gas & Power or the Corporation. The payment is based on a certain percentage of Gas & Power's equity value at the time of the triggering event. The payment, if and when triggered, is a one-time event. For clarity, the calculation of the payment is based on upon Gas & Power's equity value at the time of the triggering event, and not upon the equity value of the Corporation. Given that various events could result in the achievement of triggering milestones, and that the milestones that would trigger a payment may occur at any point over the life of the agreements, as at September 30, 2014 management does not believe it is reasonably possible to estimate either the timing or the amount of such participation payment. No amount for a participation payment to Shell Energy has been accrued as at September 30, 2014 (December 31, 2013 - \$Nil).

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

### 16. Long-term debt

The Corporation finances the cost of rental equipment over a period of seven to ten years. The loans bear interest at rates of 8.9% per annum. Principal and interest are repayable on a monthly basis. The lender retains a portion of the financing proceeds as security ("financing reserve"). This financing reserve is currently at \$672 (2013 - \$Nil) and is reported as restricted cash. The financing reserve becomes available to the Corporation as the debt is repaid. The loan is secured by the rental contract and the rental equipment that is financed.

	September 30, 2014	December 31, 2013
Principal	\$ 15,921	\$ -
Interest payable	26	-
	15,947	\$ -
Less: current portion	1,435	-
	\$ 14,512	\$ -

### 17. Share capital

#### (a) Authorized

Preference Shares – non-voting, issuable in series. The number of shares under each series, designation, privileges, restrictions and conditions attaching thereto to be determined by the Board of Directors prior to issue. No such shares are issued and outstanding.

Unlimited Multiple Voting Shares - voting, entitled to 150 votes per share (except at separate meetings of holders of shares of any other class), subject to the rights of holders of any preference shares, entitled to dividends, and to the receipt of any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation.

Unlimited Subordinate Voting Shares - voting, entitled to one vote per share (except at separate meetings of holders of shares of any other class), subject to the rights of holders of any preference shares, entitled to dividends and to the receipt of any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation.

Unlimited Class A Non-Voting Shares – non-voting, entitled to dividends, subject to the rights holders of any preference shares, and to the receipt of any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation. No such shares are issued and outstanding.

#### (b) Issued and outstanding

Shares (in thousands)	Multiple Voting Shares	Subordinate Voting Shares	Total
Balance, as at December 31, 2013 and September 30, 2014	99,995 \$ 17,928	111,136 \$ 19,571	\$ 37,499

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

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For the three months and nine months ended September 30, 2014 and 2013

### (c) Stock option plan

During 2014, the Corporation granted 1,650 options to purchase subordinate voting shares in the capital of the Corporation to employees and consultants. These options vest over a four year period, are exercisable at a price of \$0.08 and expire in April 2024, or exercisable at \$0.14 per share and expire in February 2024.

The following table reflects the options outstanding under the 2013 Plan:

	Weighted average remaining contractual life	Number of options	Weighted average exercise price
Outstanding as at December 31, 2013		17,997	\$ 0.14
Granted		1,650	0.09
Cancelled/ Forfeited		(1,225)	0.14
<b>Outstanding as at September 30, 2014</b>	<b>9.02</b>	<b>18,422</b>	<b>\$ 0.135</b>
<b>Exercisable as at September 30, 2014</b>	<b>9.02</b>	<b>4,147</b>	<b>\$ 0.14</b>

The Corporation uses the Black-Scholes option pricing model to estimate fair value of options granted. The fair value of options issued during the period was determined using the following weighted average assumptions: risk-free interest rate of 2.01% to 2.02%; expected volatility of 80%; expected life of ten years and an expected dividend yield of Nil. The weighted average grant date fair value of options was \$0.052 or \$0.096.

### (d) Loss per share

	<b>For the three months ended Sept 30, 2014</b>	For the three months ended Sept 30, 2013	<b>For the nine months ended Sept 30, 2014</b>	For the nine months ended Sept 30, 2013
Total comprehensive loss for the period	<b>\$ (2,351)</b>	\$ (1,686)	<b>\$ (6,313)</b>	\$ (3,469)
Weighted average number of shares outstanding	<b>211,131</b>	204,919	<b>211,131</b>	161,680
Basic and diluted total comprehensive loss per share	<b>\$ (0.011)</b>	\$ (0.008)	<b>\$ (0.030)</b>	\$ (0.022)

Basic loss per share is calculated by dividing the total comprehensive loss by the weighted average number of shares outstanding during the period. Outstanding stock options, as at September 30, 2014, of 18,422, have not been factored into the calculation as it is considered anti-dilutive.

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

### 18. Segment disclosure

For the three months ended September 30, 2014, the Corporation operated in two segments: Gas & Power and Home Comfort. All of its revenue for the three and nine months ended September 30, 2014 was derived from both business segments. The Corporation is not considered to have any key customers. As a result of the sale of its spectrum and broadcast license in 2009, the Corporation had limited operations during the three months and nine months ended September 30, 2013.

The gross margin of the two business segments are as follows:

	<b>For the three months ended September 30, 2014</b>	For the three months ended September 30, 2013	<b>For the nine months ended September 30, 2014</b>	For the nine months ended September 30, 2013
<b>Revenue</b>				
Gas & Power	\$ 1,717	\$ 158	\$ 3,839	\$ 158
Home Comfort	855	-	1,503	-
	<b>2,572</b>	-	<b>5,342</b>	-
<b>Cost of sales</b>				
Gas & Power	1,227	98	3,053	98
Home Comfort	263	-	567	-
	<b>1,490</b>	-	<b>3,620</b>	-
<b>Contribution margin</b>				
Gas & Power	490	-	786	-
Home Comfort	592	-	936	-
	<b>\$ 1,082</b>	\$ 60	<b>\$ 1,722</b>	\$ 60

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

### 19. Expenses

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Cost of gas and electricity	\$ 1,228	\$ 98	\$ 3,053	\$ 98
Cost of equipment sales	32	-	170	-
Selling cost	1,373	344	2,687	344
Personnel	1,103	853	3,044	991
Professional fees	172	328	578	1,176
Litigation costs <sup>(1)</sup>	232	81	543	815
Occupancy <sup>(2)</sup>	128	65	385	69
Office and other expenses	255	51	574	217
Depreciation and amortization	323	69	655	69
	<b>\$ 4,846</b>	<b>\$ 1,889</b>	<b>\$ 11,689</b>	<b>\$ 3,779</b>

<sup>(1)</sup> Note 23(b)

<sup>(2)</sup> Note 21(a)

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
<b>Reported as</b>				
Cost of sales	\$ 1,490	\$ 98	\$ 3,620	\$ 98
Selling	1,843	652	3,674	652
General and administrative	1,513	1,139	4,395	3,029
	<b>\$ 4,846</b>	<b>\$ 1,889</b>	<b>\$ 11,689</b>	<b>\$ 3,779</b>

### 20. Supplemental cash flow information

(a) Change in non-cash assets and liabilities consist of the following:

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Accounts receivable and other receivables	\$ (170)	\$ (123)	\$(1,342)	\$ (273)
Natural gas delivered in excess of consumption	(223)	(93)	(87)	(93)
Inventory	(43)	-	37	-
Prepaid expenses and deposits	263	(10)	(76)	18
Related party	-	(23)	-	(23)
Accounts payable and accrued liabilities	440	(225)	1,221	(313)
Payments received in advance of consumption	118	129	(15)	129
	<b>\$ 385</b>	<b>\$(345)</b>	<b>\$ (262)</b>	<b>\$ (555)</b>

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

(In thousands of Canadian dollars, except per share amounts)

For the three months and nine months ended September 30, 2014 and 2013

### 21. Related party transactions

#### (a) Premises sublease

The Corporation subleases its premises from OZZ Clean Energy Inc. ("OCE"), who is Gas & Power's former controlling shareholder and is a current shareholder of the Corporation. The sublease is for the period from July 2013 to November 2017. For the nine months ended September 30, 2014, \$167 was charged to the Corporation (2013 - \$67). No amounts are currently outstanding. On January 20, 2014, the sublease and underlying head lease was amended, at no penalty, to early terminate on July 31, 2014, resulting in a termination of the Corporation's obligations under the sublease as of that date.

#### (b) Electricity revenue

For the nine months ended September 30, 2014, the Corporation supplied electricity totaling \$23 (2013 - \$8) to a company that is controlled by the controlling shareholder of OCE, based on the Corporation's standard supply agreement for electricity at a negotiated price per kilowatt hour ("kWh"). The balance outstanding as at September 30, 2014 was \$Nil (December 31, 2013 - \$Nil).

#### (c) Compensation of key management personnel

The Corporation's key management personnel are comprised of the Board of Directors and members of the executive team of the Corporation.

	<b>For the three months ended September 30, 2014</b>	For the three months ended September 30, 2013	<b>For the nine months ended September 30, 2014</b>	For the nine months ended September 30, 2013
Salaries, fees, and short-term employee benefits	\$ 328	\$ 288	\$ 954	\$ 480
Stock-based compensation	80	58	214	58
	<b>\$ 408</b>	<b>\$ 346</b>	<b>\$ 1,168</b>	<b>\$ 538</b>

#### (d) Due to related party

	<b>September 30, 2014</b>	December 31, 2013
Due to employee	\$ 86	\$ -
Less: current portion	33	-
	<b>\$ 53</b>	<b>\$ -</b>

The employee loan consist of advances totalling \$100 made to HCG by HCG's former controlling shareholder. The loan matures in April 2017, is non-interest bearing and principal is repayable monthly.

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

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### 22. Income taxes

Deferred taxes, in respect of the Corporation's loss carry-forwards, are recognized to the extent that it is probable that they can be utilized. The Corporation has the following federal non-capital income tax losses, which may be carried forward to reduce future years' taxable income. These losses will expire in the taxation years ending December 31 as follows:

Year	Amount
2014	\$ 12,588
2015	55
2026	403
2027	1
2028	8,987
2029	115,583
2030	5,748
2031	21,933
2032	3,558
2033	5,109
2034	5,604
	\$ 179,569

### 23. Commitments and contingencies

#### (a) Commitments

The minimum payments required under the terms of non-cancellable leases for premises and equipment are as follows:

	September 30, 2014	December 31, 2013
Less than one year	\$ 168	\$ 132
Between one and five years	762	47
Over five years	184	-
	\$ 1,114	\$ 179

#### (b) Contingencies

- (i) Status of Statement of Claim against certain former directors and officers of Look:

The defendants delivered Statements of Defence in the spring of 2013. The defendants, other than Mr. Dolgonos and DOL Technologies Inc., also issued Third Party Claims against Stikeman Elliott LLP and one of its lawyers (collectively, "Stikeman Elliott"). Stikeman Elliott delivered Statements of Defence to the third party claims. The parties exchanged Affidavits of Documents in late 2013 and early 2014. Examinations for discovery began in February 2014 and are effectively completed. The Court has directed the parties to be prepared for a trial in 2014. The parties participated in a mediation on July 30 and 31, 2014 with the Honorable George Adams

# ONEnergy Inc.

## Notes to the unaudited interim condensed consolidated financial statements

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For the three months and nine months ended September 30, 2014 and 2013

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Q.C. The mediation did not result in a settlement though discussions continue. A pre-trial was to have taken place on September 4, 2014. As the judge was not available, the pre-trial was rescheduled for October 1, 2014. The court set a schedule for the parties to complete preparation for trial by the end of December, 2014. The objective is to return before the court in January to have a trial dates set.

The Corporation also issued a Statement of Claim against McMillan LLP on August 20, 2012 (the "McMillan Claim"). The McMillan Claim seeks recovery of the advances paid in June of 2010 in the amount of \$1,550, which were paid to McMillan LLP and other law firms before the former directors and officers resigned on July 21, 2010. The Corporation has received a defence from McMillan LLP. McMillan participated in the mediation with Mr. Adams and the other defendants in the Corporation's action against its former officers and directors. The mediation did not result in a settlement though discussions continue. As a result, the Corporation and McMillan will schedule examinations for discovery this fall. Examinations for discovery have not yet been scheduled. The Corporation intends to complete the examinations in early 2015

- (ii) In the normal course of its operations, the Corporation may be subject to other litigation and claims.
- (iii) The Corporation indemnifies its directors, officers, consultants, and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers.
- (iv) Gas & Power is subject to a participation interest payment to Shell Energy (note 14) upon certain triggering events occurring.

### 24. Management of capital

The Corporation determines capital to include shareholders' equity. The Corporation's overall strategy with respect to management of capital is to hold low-risk highly-liquid cash accounts and short-term investments.

The Corporation invests its capital in short-term investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Corporation's short-term obligations while maximizing liquidity and returns of unused capital.

### 25. Financial instruments and risk management

The Board of Directors has overall responsibility for the determination of the Corporation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies by the Corporation's management. Periodically throughout the year, the Board of Directors receive reports from the Corporation's management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

# ONEnergy Inc.

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For the three months and nine months ended September 30, 2014 and 2013

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The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Corporation's competitiveness and flexibility. With the acquisition of Gas & Power, the Corporation's activities expose it to a variety of market risks, principally from fluctuating commodity prices. The Corporation has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results and distributions. The Corporation's risk management activities include the use of derivative instruments such as swaps and forward contracts. The Corporation maintains commodity risk management strategies that use derivative instruments, within approved risk tolerances to minimize significant, unanticipated fluctuations in earnings caused by market price volatility. Further details regarding these policies are set out below.

### Risk management

The main risks arising from the Corporation's financial instruments are commodity pricing and mark-to-market risk, supplier risk, credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from exposure that occur in the normal course of business and are managed on a consolidated basis.

### Market risk

Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity. Components of market risk to which the Corporation is exposed are discussed below.

### Commodity pricing and mark-to-market risk

The Corporation purchases both physical energy commodities, such as natural gas, and financially settled energy instruments such as electricity swap contracts. These commodity products are subject to market fluctuations based upon market supply and demand for such products. The Corporation experiences fluctuations in the unrealized valuation of its contracts to purchase energy commodities. The Corporation is also subject to cancellations by customers that may leave the Corporation with an excess of commodity supply, which may have to be sold into the open market at an indeterminate price. Management actively monitors these positions on a daily basis in accordance with its Risk Management Policy. This policy sets out a variety of limits, most importantly thresholds for open positions in the electricity and natural gas portfolios. The Corporation's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. The Corporation enters into derivative instruments in order to manage exposures to changes in commodity prices. The inability or failure of the Corporation to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of the Corporation.

The fair values of the Corporation's financial instruments are significantly influenced by the variability of forward spot prices for electricity and natural gas. Period to period changes in forward spot prices could cause significant changes in the mark to market valuation ("MTM valuation") of these contracts.

# ONEnergy Inc.

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For the three months and nine months ended September 30, 2014 and 2013

### Supplier Risk

Gas & Power purchases all of the natural gas and electricity delivered to its customer through long-term contracts entered into with various suppliers. The Corporation has an exposure to supplier risk as the ability to continue to deliver natural gas and electricity to its customers is reliant upon ongoing operations of these suppliers and their ability to fulfill their contractual obligations. The Corporation has discounted the fair value of its financial assets to accommodate for its counterparties' risk of default.

### Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its obligations. Financial instruments, which are potentially subject to credit risk for the Corporation, consist primarily of cash and cash equivalents, accounts and other receivables.

Credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

The local distribution companies ("LDCs") provide collection services and assume the risk of any bad debts from customers for a fee. Therefore, the Corporation receives the collection of customer account balances directly from the LDCs. Management believes that the risk of the LDCs failing to deliver payment to the Corporation is minimal. The Corporation's customers are individually insignificant and geographically dispersed. The Corporation currently believes that its susceptibility to an individually significant write-off as a result of concentrations of customer accounts receivable with those LDCs is remote.

Other receivables are comprised primarily of refundable taxes receivable from the Canada Revenue Agency ("CRA"). Refundable taxes are subject to review by the CRA, which may delay receipt. Management believes the risk of the CRA failing to deliver payment to the Corporation is minimal.

The Corporation's maximum exposure to credit risk at the end of the reporting period under its financial instruments is summarized as follows:

	<b>September 30, 2014</b>	December 31, 2013
<u>Accounts and other receivables</u>		
Currently due	\$ 1,759	\$ 292
Past due by 90 days or less not impaired	80	83
Past due by greater than 90 days not impaired	469	62
	<b>\$ 2,308</b>	<b>\$ 437</b>

All of the Corporation's cash is held with major financial institutions in Canada and in the US, and management believes the exposure to credit risk with these institutions is not significant. The Corporation's maximum assessed exposure to credit risk, as at September 30, 2014 and December 31, 2013, is the carrying value of its accounts and other receivables.

### Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash or other financial assets. The Corporation's approach is to ensure it will have sufficient liquidity to meet operations, tax, capital and regulatory requirements and obligations, under both

# ONEnergy Inc.

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normal and stressed circumstances. Cash flow projections are prepared and reviewed by management to ensure a sufficient continuity of funding exists.

In the normal course of business, ONEnergy is obligated to make future payments under various non-cancellable contracts and other commitments.

The Corporation's financial liabilities are comprised of its accounts payable and accrued liabilities, payments received in advance of consumption, due to related party, financial leases, derivative instruments and long-term debt. As at September 30, 2014, the payments due by period are set out in the following table:

	Payment due by period			Total
	Less than one year	Between one and five years	More than five years	
Accounts payable and accrued liabilities	\$ 3,293	\$ -	\$ -	\$ 3,293
Payments received in advance of consumption	176	-	-	176
Due to related party	33	53	-	86
Finance lease obligation	28	20	-	48
Derivative instruments	2,294	2,522	68	4,884
Long-term debt	1,435	6,816	7,696	15,947
	\$ 7,259	\$ 9,411	\$ 7,764	\$ 24,434

### Derivative financial instruments

The Corporation has fixed-for-floating electricity swaps and gas forward contracts that are considered financial instruments. The fair value of financial instruments is the estimated amount that the Corporation would pay or receive to dispose of these supply contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Corporation has estimated the value of these contracts using a discounted cash flow method which employs market forward curves. The market forward curves are sourced directly from third parties.

At September 30, 2014, the Corporation had the following financial instruments classified as fair value through profit and loss.

#### Fixed-for-floating electricity swaps - Canada

Notional volumes (on-peak/off-peak)	30,344 MWh / 26,492 MWh
Total remaining notional volume	56,836 MWh
Maturity dates	October 31, 2014 to December 31, 2018
Fixed price per MWh (in dollars)	\$19.50 to \$48.34
Fair value favourable/ (unfavourable)	\$90
Notional value	\$2,034

#### Fixed-for-floating electricity swaps – U.S.

Notional volumes (on-peak/off-peak)	3,888 MWh/3,600 MWh
Total remaining notional volume	7,488 MWh
Maturity dates	October 31, 2014 to September 30, 2015
Fixed price per MWh (in U.S.dollars)	\$29.50 to \$110.25
Fair value favourable/ (unfavourable)	\$84
Notional value	\$597

# ONEnergy Inc.

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### Natural gas forward contracts - Canada

Total remaining notional volume	611,976 GJ
Maturity dates	March 31, 2015 to November 31, 2018
Fixed price per GJ (in dollars)	\$3.42 to \$4.90
Fair value favourable/ (unfavourable)	\$424
Notional value	\$2,788

### Change in fair value of derivative instruments

	<b>For the three months ended September 30, 2014</b>	For the three months ended September 30, 2013	<b>For the nine months ended September 30, 2014</b>	For the nine months ended September 30, 2013
Fixed-for-floating electricity swaps	\$ 43	\$ -	\$ 286	\$ -
Natural gas forward contracts	182	-	292	-
	\$ 225	\$ -	\$ 578	\$ -

### Fair Values

IFRS 7 Financial Instruments: Disclosures requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include those whose valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

The following tables illustrates the classification of financial assets/ (liabilities) in the FV hierarchy.

<b>As at September 30, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	\$ 9,443	\$ -	\$ -	\$ 9,443
Restricted cash	1,875		-	1,875
Accounts and other receivables		2,308	-	2,308
Inventory		116	-	116
Other financial assets			608	608
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities		(3,293)	-	(3,293)
Payments received in advance of consumption		(176)	-	(176)
Due to related party		(86)	-	(86)
Obligation under finance lease		(48)	-	(48)
Credit facility		(439)	-	(439)
Long-term debt		(15,947)	-	(15,947)
	\$ 11,318	\$ (17,565)	\$ 608	\$ (5,639)

# ONEnergy Inc.

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As at December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 20,555	\$ -	\$ -	\$ 20,555
Restricted cash	266	-	-	266
Accounts and other receivables	-	437	-	437
Other financial assets	-	-	133	133
Financial liabilities				
Accounts payable and accrued liabilities	-	(1,280)	-	(1,280)
Payments received in advance of consumption	-	(191)	-	(191)
Obligation under finance lease	-	(70)	-	(70)
Other financial liabilities	-	-	(103)	(103)
	\$ 20,821	\$ (1,104)	\$ 30	\$ 19,747

### Classification of financial assets and liabilities

The following table represents the carrying amounts and fair values of financial assets and financial liabilities measured at amortized cost.

As at September 30, 2014	Carrying amount	Fair value
Cash and cash equivalents	\$ 9,443	\$ 9,443
Restricted cash	1,875	1,875
Accounts and other receivables	2,308	2,308
Inventory	116	116
Other financial assets	608	608
Accounts payable and accrued liabilities	(3,293)	(3,293)
Payments received in advance of consumption	(176)	(176)
Due to related party	(86)	(86)
Obligation under finance lease	(48)	(48)
Credit facility	(439)	(439)
Long-term debt	(15,947)	(15,947)
	\$ (5,639)	\$ (5,639)

As at September 30, 2014 and December 31, 2013, the carrying value of cash and cash equivalents, accounts and other receivables, other financial assets, accounts payable and accrued liabilities, payments in advance of consumption and credit facility approximates their fair value due to their short-term nature. The carrying value of obligation under finance lease and the long-term debt approximates its fair value as its interest payable on outstanding amounts approximates the Corporation's current cost of capital.

### Interest rate risk

The Corporation is exposed to interest rate fluctuations associated with its floating rate credit facility. The Corporation's current exposure to interest rate risk does not economically warrant the use of derivative instruments and the Corporation does not currently believe that it is exposed to material interest rate risk.

### Currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investments in U.S. operations.

Although the Corporation's operations are predominately in Ontario, it has operations in the US. A portion of ONEnergy's income will be generated in U.S. dollars and will be subject to currency fluctuations. The

# ONEnergy Inc.

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performance of the Canadian dollar relative to the U.S. dollar could positively or negatively affect ONEnergy's income. Due to commencing operations in the U.S., ONEnergy expects to have a greater exposure to U.S. fluctuations in the future than in prior years.

### 26. Subsequent event

On November 18, 2014, the Corporation announced the acquisition of the assets of 2289274 Ontario Limited, operating as Avacos Clean Energy ("AVACOS"), for \$1,726. AVACOS is a Toronto, Ontario-based provider of energy generation and energy efficiency products and services including LED lighting retrofits, commercial solar photovoltaic power generation system design and installation, and building envelope upgrades. The purchase consideration was satisfied by the issuance of 10,966 multiple voting shares and 15,425 subordinate voting shares (collectively the "Consideration Shares"). The Consideration Shares represent a combined 9.9% voting interest in the Corporation.