Management’s Discussion and Analysis of Financial Condition and Results of Operations of

ONEnergy Inc.

As at and for the three and nine months ended September 30, 2016

November 23, 2016

ONEnergy Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
of the Financial Condition and Results of Operations
(In thousands, except per share amounts)

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1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This management's discussion and analysis of financial condition and results of operations ("MD&A") includes forward-looking statements and information concerning expected future events, the future performance of ONEnergy Inc. ("ONEnergy" or the "Company"), its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to our objectives and strategies to achieve those objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements and information are based on current expectations.

The Company cautions that all forward-looking statements and information are inherently uncertain and actual future results, conditions, actions, or events may differ materially from the targets, assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future results, conditions, actions, events, or performance will be affected by a number of factors including economic conditions and competitive factors, many of which are beyond the Company's control. New risks and uncertainties arise from time to time, and it is impossible for the Company to predict these events or the effect that they may have on the Company.

Certain statements in this MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. This may include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties include, but are not restricted to: (i) tax-related matters, (ii) financial risk related to short-term investments (including credit risks and reductions in interest rates), (iii) human resources developments including competition for, and the availability of, qualified employees and contractors, (iv) business integrations and internal reorganizations, (v) business process risks including the use of, and reliance on, external vendors and contractors, (vi) regulatory developments and changes including regulatory requirements for sales channels used by the Company and financial surety requirements from utilities and regulators, (vii) the outcome of litigation and legal matters, (viii) any prospective acquisitions or divestitures, (ix) commodity pricing volatility and availability, (x) disruption to transmission systems for energy commodities that could impair the Company's ability to serve its customers, (xi) other risk factors related to the Company's historic business, (xii) risk factors related to the Company's future operations, and (xiii) changes to and compliance with applicable laws and regulations. For a more detailed discussion of factors that may affect actual results or cause actual results to differ materially from any conclusion, forecast or projection in these forward-looking statements and information, see *Section 4 Overview and Business Strategy* and *Section 16 Operating Risks and Uncertainties*.

Therefore, future events and results may vary significantly from what the Company currently foresees. Readers are cautioned that the forward-looking statements and information made by the Company in this MD&A are stated as of the date of this MD&A, are subject to change after that date, are provided for the purposes of this MD&A and may not be appropriate for other purposes. We are under no obligation to update or alter the forward-looking statements whether as a result of new information, future events, or otherwise, except as required by National Instrument 51-102, and we expressly disclaim any other such obligation.

All financial information in this MD&A is expressed in thousands of Canadian dollars, unless otherwise noted. All references to the "Company" or "ONEnergy" refer to ONEnergy Inc., including its predecessor and successor companies, and its consolidated subsidiaries, unless the context requires otherwise. All information is as at November 23, 2016, unless otherwise indicated. Certain totals, subtotals and percentages may not reconcile due to rounding.

2. INTRODUCTION

The information provided in this MD&A is intended to help the reader understand ONEnergy's operations, financial performance and present and future business environment. This MD&A is supplementary to, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2016. The following MD&A, dated November 23, 2016, has been prepared with all information available up to and including November 23, 2016. ONEnergy's unaudited interim condensed consolidated financial statements and other disclosure documents are available on www.sedar.com and on ONEnergy's website at www.onenergyinc.com.

The unaudited interim condensed consolidated financial statements of ONEnergy are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The unaudited interim condensed consolidated financial statements and audited annual consolidated financial statements of ONEnergy are presented in thousands of Canadian dollars.

3. THE CORPORATION

ONEnergy is a corporation incorporated under the *Business Corporations Act* (Ontario). The names "ONEnergy" and the "Company" all refer to the same legal entity and the use of each are dependent upon the context of the topic covered in this MD&A.

The Company is comprised of ONEnergy, and its wholly-owned subsidiaries including:

(a) Sunwave Gas & Power Inc. ("Sunwave"), 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");

(b) Sunwave Home Comfort Inc. (formerly The Home Comfort Group Inc., referred to as "Home Comfort");

(c) 0867893 B.C. Ltd. operating as PVL Projects ("PVL"); and

(d) ONEnergy USA Holdings Inc. (formerly Sunwave Home Comfort USA Inc.).

The Home Comfort business was classified as held for sale and as discontinued operations as of December 31, 2015. The disposal of Home Comfort is due to be completed during the current fiscal year. As a result, the financial results from operations for prior periods have been restated to reflect results from continuing and discontinued operations for comparative purposes.

In this MD&A, the terms "we", "us", "our", and "Company" refer to ONEnergy, Gas & Power, Home Comfort and PVL.

4. OVERVIEW AND BUSINESS STRATEGY

(a) Business

ONEnergy continues to pursue a strategy of building a comprehensive energy services company for both commercial and residential customers. The Company operates its business under two primary brand names: Sunwave Gas & Power, for natural gas and electricity for both residential and commercial customers; and, since April 2016, ONEnergy, for energy efficiency products and services.

ONEnergy focuses on continually improving and expanding the value proposition offered to customers by offering complementary services and products as part of their relationship with ONEnergy. ONEnergy via its Sunwave and ONEnergy branded businesses specializes in helping customers use energy more wisely by minimizing their energy consumption and then cost-effectively managing the balance. ONEnergy intends to provide its customers with a steadily expanding range of value-added services designed to enhance the customer experience, thereby increasing the margin derived from each customer while improving overall customer satisfaction and retention.

(b) Gas & Power

ONEnergy's energy retailing business currently involves the sale of electricity to residential and commercial customers in Connecticut, Pennsylvania, Massachusetts and Ohio and the sale of electricity and natural gas to residential and commercial customers in Ontario under long-term fixed-price or variable-priced contracts under the brand name Sunwave Gas & Power™. Gas & Power's strategy is to focus on markets that provide a strong value proposition for its customers while providing the Company with attractive margins and return on capital.

By fixing the price of natural gas or electricity under its fixed-price program for a period of up to five years, ONEnergy's customers reduce or eliminate their exposure to volatility in the price of electricity and natural gas. In certain markets Gas & Power's variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Gas & Power also provides its customers with the option of purchasing environmentally-friendly "green" energy in addition to conventionally-produced energy. ONEnergy's general risk management policy is to match the forecast consumption requirements of its customers by purchasing offsetting volumes of natural gas or electricity through either physical or financial transactions in the wholesale markets.

Gas & Power purchases its energy requirements from various wholesale energy markets, including both physical and financial markets, and Gas & Power purchases its wholesale energy requirements at various city gates for natural gas and various utility load zones for electricity. Gas supply and electricity is generally purchased concurrently with the execution of an end-user contract.

Gas & Power's gross margin is derived from the difference between the price charged to its customers and the price paid to its wholesale energy suppliers. Gas & Power also incurs selling expenses to compensate third-party energy brokers as well as telemarketing firms for customer acquisition activities. Customer acquisition costs paid to these third party sales channels are comprised of a combination of hourly charges plus per customer acquired payments for telemarketing, and through a mixture of upfront payments and residual-based payments. All such costs are recognized as expenses in the period incurred. In addition, Gas & Power incurs general, administrative and finance expenses to operate its business.

In Ontario, the natural gas volumes delivered from Gas & Power's wholesale suppliers remain constant throughout the year as required by the local natural gas distribution companies ("LDCs"). During the winter, gas is consumed at a rate that is greater than delivery and, in the summer, deliveries to LDCs on Gas & Power's behalf exceed customer consumption. These volume variances result in either excess or short supply positions that are accrued in a physical balance account with the applicable gas distribution company. Typically, the LDCs require the balance account to be reconciled within defined tolerance bands on an annual basis. In the case of deliveries exceeding consumption, the excess supply may be sold in the spot market resulting in either a gain or loss compared to the weighted average cost of supply. In the case of customer consumption exceeding deliveries, Gas & Power must purchase additional supply in the spot market, resulting in either a gain or loss compared to the weighted average cost of supply. To the extent that the supply balancing is not fully covered through active supply and risk management, Gas & Power's gross margin may be reduced or increased depending on market conditions at the time of balancing.

Gas & Power purchases electricity supply concurrently with the execution of contracts for residential and commercial customers. In some cases Gas & Power is required to aggregate sufficient volume in order to transact in the wholesale supply markets. This introduces a short term execution risk that is managed by Gas & Power pricing policies. The fixed price products are load-shaped, for a single load profile for residential customers and each utility. For a commercial customer, their historical usage data defines their load profile. Gas & Power purchases wholesale energy in the form of on peak and off peak blocks, hedging between 96% and 102% of the actual customer consumption profiles. The LDC provides Gas & Power with historical customer usage which enables Gas & Power to purchase the expected normal customer load. To the extent that balancing requirements are outside of the forecasted purchase, Gas & Power bears the financial responsibility for excess or short supply caused by fluctuations in customer usage within its residential and small commercial portfolio. For its large commercial portfolio, Gas & Power has provisions to pass through large consumption variances relative to historical consumption. To the extent that the supply balancing is not fully covered through active supply and risk management or customer pass-through, Gas & Power's gross margin may be affected by the cost of balancing.

The Company markets its energy commodity products through various sales channels. Gas & Power markets energy commodity to commercial customers in both the U.S. and Canada through a network of direct sales agents who provide customers with a highly interactive and customized sales process. In U.S. residential markets, Gas & Power markets and sells to both residential and commercial customers via the Company's www.gosunwave.com website as well as via state-operated energy shopping websites such as www.energizeCT.com in Connecticut and www.PApowerswitch.com in Pennsylvania. Additionally Gas & Power utilizes both independent telemarketing services and targeted, customized direct mailings to reach potential customers in its chosen U.S. markets.

(c) Energy Efficiency

The Company sells commercial energy efficiency products and services business under the ONEnergy brand. ONEnergy offers commercial, industrial, manufacturing, retail and institutional clients a range of energy efficiency products and services including high efficiency lighting, commercial HVAC products and services, energy storage (battery) products and services, energy auditing services, energy management software products and services and commercial solar photovoltaic design and construction.

The Company expanded into energy efficiency services during 2014 as it identified demand for such services as customers looked to reduce their energy consumption and costs. More specifically, the LED lighting retrofit market was identified as both a high-growth market based on various factors including the phase-out of older lighting technologies, attractive government incentive programs in various provinces and states that encourage the adoption of more advanced lighting products and the need to assist our customers in first reducing their electrical load and then actively managing the remaining load via our Gas & Power business. ONEnergy believes that taking a more holistic approach to the energy needs of its customers, both commercial and residential, will increase the stability and longevity of customer relationships and increase the long-term profitability of the customer to ONEnergy through the delivery of greater overall value to the customer.

ONEnergy has developed a strong group of suppliers to address virtually every customer need. In its LED retrofit business, the Company works directly with multiple lighting manufacturers to cover not only the general white lighting market but also application-specific lighting such as lighting for horticulture, food processing and hazardous locations to name a few. Similarly, ONEnergy works with multiple vendors for commercial HVAC equipment.

ONEnergy markets its products and services via employee salespersons who focus on larger enterprise accounts, as well as via a network of independent commission-based salespeople.

(d) Geographic expansion

The Company's primary geographic focus across all of its businesses is on markets in Canada, the northeast U.S. and for Energy Efficiency, also the U.S. Pacific Northwest.

Gas & Power has customers in the northeast U.S. markets specifically the Connecticut, Pennsylvania and Massachusetts electricity retailing markets. It operates in two electric distribution service territories in Connecticut, three electric distribution service territories in Pennsylvania and two in Massachusetts. Gas & Power launched service in Ohio in July 2016 and currently operates in 2 electric distribution service territories. Gas & Power reaches its customers through an online presence directly through its own website as well as via a link to the respective state-operated energy choice websites (www.energyCT.com and www.PApowerswitch.com) as well as through the telemarketing sales channel. The state of Massachusetts also launched a new "beta" electricity shopping website in October 2015, and Gas & Power is participating on this site. Gas & Power has a pending electric supplier licensing application in New York. In Ontario, Gas & Power serves customers at approximately 68 electric LDCs as well as both major gas utilities.

ONEnergy is continually evaluating new markets which have the appropriate growth and profitability profiles, and additional markets may be pursued by one or more of the ONEnergy or Sunwave branded businesses in the future.

(e) Discontinued operations

Home Comfort owns and operates a portfolio of furnaces, air conditioners, boilers and ancillary equipment ("HVAC") and water heaters, which are rented to residential customers in Ontario and Alberta, under long-term water heater and HVAC rental programs. In addition, Home Comfort sells and installs HVAC and water heaters directly to residential customers. Since mid-2015, Home Comfort has focused principally on the Ontario new home construction market.

Home Comfort has a long-term financing agreement with Home Trust Company ("Home Trust") for the funding of HVAC and water heater rentals. The Home Trust loan is serviced from the payments received from the end customer over the seven to ten year life of the loan.

In December 2015 the Company formally commenced the process to sell Home Comfort. As at December 31, 2015, Home Comfort was classified as held for sale and as discontinued operations. The disposal of Home Comfort is due to be completed within the current fiscal year. See *Section 6 Discontinued Operations* for the financial results of Home Comfort.

5. RESULTS OF CONTINUING OPERATIONS

The results from operations have been reclassified for the three and nine months ended September 30, 2015 to present Home Comfort as discontinued operations as it was classified as held for sale as of December 31, 2015. Home Comfort is therefore excluded from the operating results presented below.

Selected financial information

	Three months		Nine months	
Periods ended September 30	**2016**	2015	**2016**	2015
Income (loss)				
Revenue	**$ 11,018**	$ 6,564	**$ 26,355**	$ 17,205
Cost of sales	**9,635**	5,358	**22,903**	14,600
Gross margin	**1,383**	1,206	**3,452**	2,605
Selling	**950**	709	**2,929**	1,977
General and administrative	**1,308**	1,378	**3,902**	3,823
Change in fair value of energy derivatives	**574**	700	**422**	867
Finance income	**11**	6	**31**	40
Finance cost	**(55)**	(41)	**(148)**	(135)
Legal settlement	**-**	-	**7,175**	-
Income (loss) from continuing operations	**(347)**	(218)	**4,095**	(2,425)
Earnings (loss) per share from continuing operations – basic and diluted	**(0.01)**	(0.01)	**0.17**	(0.10)

As at	**September 30, 2016**	December 31, 2015
Financial position (including Home Comfort)		
Current assets	**$ 32,805**	$ 26,193
Non-current assets	**1,399**	1,817
Current liabilities	**23,930**	23,002
Non-current liabilities	**177**	243
Shareholders' equity	**10,097**	4,765

Revenue

Revenue for the three and nine months ended September 30, 2016 was $11,018 and $26,355, respectively, compared to $6,564 and $17,205 for the same period in 2015. The increase reflects the Company's continued organic growth in the Gas & Power U.S. business.

Gas & Power's revenue for the three and nine months ended September 30, 2016 was $10,303 and $24,943, respectively, compared to $6,190 and $16,469 for the same period in 2015. The increase is a result of higher average number of electricity customers from net new customer additions, particularly in the Pennsylvania market. Revenue is derived from sales of natural gas and electricity to customers in Ontario, and sales of electricity in Connecticut, Pennsylvania, Massachusetts and Ohio. U.S. operations contributed $9,623 and $22,727 of Gas & Power's revenues for the three and nine months ended September 30, 2016, respectively, compared to $5,531 and $13,694 for the same period in 2015.

Cost of sales

Cost of sales for the three and nine months ended September 30, 2016 was $9,635 and $22,903, respectively, compared to $5,358 and $14,600 for the same period in 2015. The increase is a result of higher customer numbers in Gas & Power's U.S. operations.

Gas & Power's cost of sales is comprised of the cost of natural gas or electricity, along with costs to deliver to the LDCs. Cost of sales for the three and nine months ended September 30, 2016 was $9,084 and $21,773, respectively, compared to $5,091 and $14,112 for the same period in 2015 consistent with the increase in revenue as discussed above. The Company enters into financial swap contracts and forward contracts for electricity in order to manage exposures to changes in electricity prices. The Company experienced $55 of losses and $302 of losses for the three and nine months ended September 30, 2016, respectively, compared to $46 of losses and $124 of losses for the same period in 2015 under these contracts.

Selling

Selling expenses include commissions and other compensation paid to independent contractors such as sales representatives, brokers and consultants. Marketing expenses include the development of sales programs and materials, costs of sales collateral and costs to maintain an online presence for web sales. Sales and marketing expenses for the three and nine months ended September 30, 2016 were $950 and $2,929, respectively, compared to $709 and $1,977 for the same period in 2015.

Selling costs arise from customer aggregation activity including (i) commissions; (ii) other customer acquisition costs; and (iii) management and back-office support costs. Selling expenses are expensed in the period that the commissions are earned by the independent contractors for Gas & Power sales and Home Comfort equipment sales. A summary of selling expenses is set out below:

	Three months		Nine months	
Periods ended September 30	**2016**	2015	**2016**	2015
Commissions	**$ 195**	$ 168	**$ 598**	$ 311
Customer acquisition and marketing	**54**	58	**176**	147
Management and back-office support	**701**	483	**2,155**	1,519
Total selling expenses	**$ 950**	$ 709	**$ 2,929**	$ 1,977
Personnel costs included in management and back-office support	**$ 427**	$ 259	**$ 1,455**	$ 819

General and administrative

General and administrative expenses include personnel costs, professional fees, occupancy, information technology, and other administrative overheads for the Company. A summary of the key components of general and administrative expenses is set out below:

	Three months		Nine months	
Periods ended September 30	**2016**	2015	**2016**	2015
Personnel	**$ 626**	$ 790	**$ 2,413**	$ 2,348
Professional fees	**149**	140	**327**	449
Litigation costs	**49**	117	**75**	237
Occupancy	**48**	39	**150**	87
Operations	**117**	100	**345**	290
Other expenses	**293**	156	**506**	308
Depreciation and amortization	**26**	36	**86**	104
Total general and administrative expenses	**$ 1,308**	$ 1,378	**$ 3,902**	$ 3,823

Personnel

Personnel costs include wages, salaries, benefits, separation payments and share-based payments. Personnel costs decreased by $164 and increased by $65 for the three and nine months ended September 30, 2016, respectively, compared to the same period in 2015 primarily due to the recognition of the costs of the separation agreement with the Company's former CEO during the first quarter of 2016.

Professional fees

Professional fees are comprised of legal, accounting, audit and consulting fees. Professional fees increased by $9 and decreased by $122 for the three and nine months ended September 30, 2016, respectively, compared to the same period in 2015 due to a reduction in outsourced business development activities.

Former Officer and Director litigation costs

Litigation costs are the legal fees and other related costs to the Statement of Claim as discussed under *Section 15 Former Officer and Director Litigation*. Litigation costs decreased by $68 and $162 for the three and nine months ended September 30, 2016, respectively, compared to the same period in 2015 as the Company reached a settlement with certain of the defendants to its Statement of Claim in March 2016.

Occupancy

Occupancy costs increased by $9 and $63 for the three and nine months ended September 30, 2016, respectively, compared to the same period in 2015 as a Vancouver regional office was added during the fourth quarter of 2015.

Operations

Operations expenses include billing and collection fees charged by LDCs, third party verification fees and certain call centre costs. Operations expenses increased by $17 and $55 for the three and nine months ended September 30, 2016, respectively, compared to the same period in 2015. The increase arose from increased activity from a growing Gas & Power customer base.

Other expenses

Other expenses include costs for investor relations, costs for the shareholders' annual and special meeting, insurance and other general & administrative costs. Other expenses increased by $137 and $198 for the three and nine months ended September 30, 2016, respectively, compared to the same period in 2015.

Change in fair value of energy derivatives

The fair value of energy derivatives consists of changes in unrealized gains or losses on derivatives, which represent the estimated amount that the Company would need to pay or receive to dispose of the remaining notional commodity positions in the market if the derivative contracts were to be terminated at the respective period end (see *Section 16 Operating Risks and Uncertainties*).

The following table summarizes the unrealized gains and losses associated with derivative contracts:

	Three months		Nine months	
Periods ended September 30	**2016**	2015	**2016**	2015
Fixed-for-floating electricity swaps	**$ 213**	$ 60	**$ 150**	$ (132)
Physical electricity forward contracts	**349**	620	**160**	973
Natural gas forward contracts	**12**	20	**112**	26
	$ 574	$ 700	**$ 422**	$ 867

These gains and losses represent non-cash gains associated with mark-to-market movements on forward hedge positions that are outstanding at period end.

Finance income

Interest income recognized on cash and cash equivalents balances for the three and nine months ended September 30, 2016 was $11 and $31, respectively, compared to $6 and $40 for the same period in 2015.

Finance costs

Finance costs were $55 and $148 for the three and nine months ended September 30, 2016, respectively, compared to $41 and $135 for the same period in 2015.

Legal settlement

A legal settlement of $7,175 was reached with certain of the defendants to the Statement of Claim against former officers and directors. The settlement was received on April 1, 2106 and recognized during the first quarter of 2016. See *Section 15 Former Officer and Director Litigation* for additional information.

Income (loss) from continuing operations

Loss from continuing operations amounted to $347 or $0.01 per basic and diluted share for the three months ended September 30, 2016. Income from continuing operations amounted to $4,095 or $0.17 per basic and diluted share for the nine months ended September 30, 2016. Loss from continuing operations amounted to $218 and $2,425 for the three and nine months ended September 30, 2015, respectively, or $0.01 and $0.10 per basic and diluted share, respectively.

6. DISCONTINUED OPERATIONS

Home Comfort

In December 2015 the Company formally commenced the process to sell Home Comfort. Home Comfort has been operating in a highly competitive environment which has seen its major competitors consolidate, making it difficult for management to derive real growth and profitability from the segment. As a result, management has decided this is a non-core business. The disposal of Home Comfort is due to be completed within the current fiscal year. At September 30, 2016 and December 31, 2015 Home Comfort was classified as held for sale and as a discontinued operation.

A company controlled by a shareholder of ONEnergy has expressed interest in acquiring Home Comfort and has advanced $728 and $2,936 in cash and working capital support during the three months and nine months ended September 30, 2016, respectively, as an indication of that interest. No definitive agreement has been reached as of September 30, 2016. The advances carry no interest and are repayable on demand.

Results of operations

Home Comfort's revenue is comprised of rental revenue from its portfolio of HVAC and water heater rental equipment. This is supplemented with equipment sales. Revenue for the three and nine months ended September 30, 2016 was $706 and $2,105, respectively, compared to $649 and $2,323 for the same period in 2015.

Home Comfort's cost of sales is comprised of amortization of the rental equipment cost and, for equipment sales, the cost of the equipment, installation and commissions. Home Comfort's cost of sales for the three and nine months ended September 30, 2016 was $5 and $22, respectively, compared to $236 and $718 for the same period in 2015 as no amortization was recognized subsequent to Home Comfort's classification as held for sale in December 2015.

Income from discontinued operations amounted to $356 or $0.01 per basic and diluted share for the three months ended September 30, 2016. Income from discontinued operations amounted to $1,032 or $0.04 per basic and diluted share for the nine months ended September 30, 2016. Loss from discontinued operations amounted to $250 or $0.01 per basic and diluted share for the three months ended September 30, 2015. Loss from discontinued operations amounted to $528 or $0.02 per basic and diluted share for the nine months ended September 30, 2015.

7. ADJUSTED EARNINGS FROM CONTINUING OPERATIONS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("ADJUSTED EBITDA")

The following table reconciles Adjusted EBITDA to net income (loss) from continuing operations for the respective periods as determined under IFRS:

	Three months		Nine months	
Periods ended September 30	**2016**	2015	**2016**	2015
Income (loss) from continuing operations	**$ (347)**	$ (218)	**$ 4,095**	$ (2,425)
Add/(subtract)				
Depreciation and amortization	**104**	166	**330**	492
Change in fair value of energy derivatives	**(574)**	(700)	**(422)**	(867)
Finance income	**(11)**	(6)	**(31)**	(40)
Finance costs	**55**	41	**148**	135
Foreign exchange loss (gain)	**2**	2	**6**	2
Legal settlement	**-**	-	**(7,175)**	-
Adjusted EBITDA(1)	**$ (771)**	$ (715)	**$ (3,049)**	$ (2,703)

(1) Management views Adjusted EBITDA as an important measure of operating performance of the Company; however, since Adjusted EBITDA does not have any standardized meaning prescribed by IFRS, it may not be considered in isolation of IFRS measures such as (1) net income or loss, as an indicator of operating performance, or (2) cash flows from operating, investing and financing activities, as a measure of liquidity. We believe, however, that it is an important measure as it allows us to assess our ongoing business without the impact of depreciation or amortization expenses as well as non-operating factors. It is intended to indicate our ability to incur or service debt and invest in capital assets while allowing us to compare our business to our peers and competitors. This measure is not a defined term under IFRS and might not be comparable to similar measures presented by other issuers.

8. QUARTERLY FINANCIAL RESULTS FROM CONTINUING OPERATIONS

The table below sets out financial information from continuing operations for the past eight quarters:

	2016			2015				2014
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	**$11,018**	$ 7,201	$ 8,136	$ 5,860	$ 6,564	$ 5,073	$ 5,568	$ 3,118
Cost of sales	**9,635**	6,308	6,960	4,757	5,358	4,116	5,126	2,735
Gross margin	**1,383**	893	1,176	1,103	1,206	957	442	383
Operating expenses before the undernoted	**2,154**	1,677	2,670	1,772	1,921	1,745	1,642	1,789
Adjusted EBITDA	**(771)**	(784)	(1,494)	(669)	(715)	(788)	(1,200)	(1,406)
Depreciation and amortization	**(104)**	(113)	(113)	(169)	(166)	(163)	(163)	(26)
Change in fair value of derivative instruments	**574**	1,138	(1,290)	(362)	700	41	126	(1,619)
Finance income	**11**	14	6	2	6	12	22	29
Finance costs	**(55)**	(44)	(49)	(45)	(41)	(46)	(48)	(30)
Loss on disposal of equipment	**-**	-	-	-	-	-	-	(5)
Unrealized foreign exchange gain (loss)	**(2)**	1	(5)	4	(2)	9	(9)	(87)
Impairment loss on assets	**-**	-	-	(1,476)	-	-	-	-
Legal settlement	**-**	-	7,175	-	-	-	-	-
Income (loss) from continuing operations	**$ (347)**	$ 212	$ 4,230	$ (2,715)	$ (218)	$ (935)	$ (1,272)	$ (3,144)
Earnings (loss) per share from continuing operations								
Basic and diluted	**$ (0.01)**	$ 0.01	$ 0.18	$ (0.11)	$ (0.01)	$ (0.04)	$ (0.05)	$ (0.14)

Customer acquisition in the U.S. by Gas & Power began in the quarter ended March 31, 2014 and the subsequent quarters reflect the growth in the customer base since that time. The periods that include winter months reflect seasonality where Gas & Power customers will generally consume more gas impacting gross margin. The period after April 29, 2015 includes the activity of PVL following its acquisition by ONEnergy.

9. LIQUIDITY AND CAPITAL RESOURCES

ONEnergy expects to have sufficient liquidity to fund its planned operations for the foreseeable future. The following sources of funding for future expenditures are expected by management to be available: (i) existing cash and working capital; (ii) internally generated cash flow from operations; (iii) borrowing capacity under our Shell Energy credit facility; (iv) external debt financing; and (v) new equity capital through the issuance of additional shares.

The Company's total cash liquidity is $6,427 comprised of cash and restricted cash. Unrestricted cash was $3,106 at September 30, 2016 compared with $1,176 at December 31, 2015. Restricted cash increased from $2,603 at December 31, 2015 to $3,321 at September 30, 2016. Cash increased as a result of the legal settlement received during the year (see *Section 15 Former Officer and Director Litigation* for additional information). Cash was also used to grow the Energy Efficiency business and to support operating activities in Home Comfort and Gas & Power.

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 provides 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 provides 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, 2016, LIBOR was 0.85% (December 31, 2015 – 0.61%). An additional interest rate penalty of 0.50% applies to all facilities in the event that Gas & Power were to be in default of 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.

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

As at September 30, 2016, Gas & Power had $1,555 (US$1,186) (December 31, 2015 - $1,088) outstanding under the U.S. collateral credit facility and $NIL (December 31, 2015 - $NIL) outstanding under the U.S. revolving credit facility. In 2015 and 2016, no advances were drawn on the Canadian credit facilities. Under the U.S. credit facilities, amounts are available in US$5,000 tranches depending on monthly delivered volumes. As at September 30, 2016, a total of US$5,000 (December 31, 2015 – US$5,000) was available to be drawn on these facilities. Under the Canadian credit facilities, a total of $1,000 (December 31, 2015 - $1,000) was available to be drawn. Interest is provided at 8.0% per annum on the collateral credit facility and at 7.0% per annum on the revolving credit facility.

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 Company. 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 Gas & Power's equity value at the time of the triggering event, and not upon the equity value of the Company. 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, 2016 and December 31, 2015 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, 2016 and December 31, 2015.

Home Comfort has a long-term financing agreement with Home Trust for the funding of HVAC and water heater rentals. Under the Home Trust agreement, Home Comfort receives funds equal to the amount of the seven or ten year cash flow (depending on product) of the HVAC and water heater contracts discounted to present value at the contracted rate, which is currently 8.9%. The Home Trust loan is serviced from the payments received from the rental customer over the 7 to 10 year life of the loan. The loan is secured by each rental agreement, the related equipment and a cash reserve held by Home Trust.

The change in cash is summarized as follows:

	Three months		Nine months	
Periods ended September 30	**2016**	2015	**2016**	2015
Cash provided by (used in) operating activities of continuing operations	**$ 744**	$ (135)	**$ 6,547**	$ (2,108)
Cash provided by (used in) investing activities of continuing operations	**(738)**	(216)	**(729)**	(1,798)
Cash provided by (used in) financing activities of continuing operations	**(5)**	(731)	**301**	70
Effect of foreign currency translation	**50**	184	**(81)**	354
Increase (decrease) in cash from continuing operations	**51**	(898)	**6,038**	(3,482)
Decrease in cash from discontinued operations	**(1,056)**	(1,918)	**(4,108)**	(2,427)
Increase (decrease) in cash	**$ (1,005)**	$ (2,816)	**$ 1,930**	$ (5,909)

Cash provided by operating activities of continuing operations for the three months ended September 30, 2016 was $744 compared to cash used in operating activities of continuing operations of $135 for the same period in 2015, an increase of $879. The increase was primarily a result of non-cash operating assets and liabilities contributing $966.

Cash provided by operating activities of continuing operations for the nine months ended September 30, 2016 was $6,547 compared to cash used in operating activities of continuing operations of $2,108 for the same period in 2015, an increase of $8,655. The increase was primarily a result of the $7,175 legal settlement received combined with non-cash operating assets and liabilities contributing $1,825.

Cash used in investing activities of continuing operations for the three months ended September 30, 2016 was $738 comprised entirely of an increase in restricted cash. This compares to cash used in investing activities of continuing operations for the three months ended September 30, 2015 of $216 comprised of an increase in restricted cash of $199 and purchases of equipment and intangibles of $17. Restricted cash is cash collateral held as security for letters of credit issued by the Company or as financial assurance for its operations.

Cash used in investing activities of continuing operations for the nine months ended September 30, 2016 was $729 comprised of an increase in restricted cash of $718 and purchases of equipment of $11. This compares to cash used in investing activities of continuing operations for the nine months ended September 30, 2015 of $1,798 comprised of an increase in restricted cash of $1,503, purchases of equipment and intangibles of $74 and the acquisition of PVL of $221.

Cash used in financing activities of continuing operations for the three months ended September 30, 2016 was $5 comprised of principal repayments and interest of $7,534 and repurchase of Common Shares for cancellation of $60 offset by proceeds from credit facility of $7,589. This compares to cash used in financing activities of continuing operations of $731 for the three months ended September 30, 2015 comprised of principal repayments and interest of $5,002 offset by proceeds from credit facility of $4,267.

Cash provided by financing activities of continuing operations for the nine months ended September 30, 2016 was $301 comprised of proceeds from credit facility of $17,900 offset by principal repayments and interest of $17,539 and repurchase of Common Shares for cancellation of $60. This compares to cash provided by financing activities of continuing operations of $70 for the nine months ended September 30, 2015 comprised of proceeds from credit facility of $12,443 offset by principal repayments and interest of $12,338 and share issuance costs of $35.

10. OFF-BALANCE SHEET ARRANGEMENTS

Gas & Power is required to post financial assurance in order to operate in certain states or utility service territories. Energy Efficiency is required, on certain contracts, to post financial assurance to assure satisfactory completion of its installation contracts. The Company has issued letters of credit to satisfy these financial assurance requirements. If these letters of credit were withdrawn by the Company, it would be required to post another form of financial assurance satisfactory to the regulatory agency or utility in order to continue to operate in that electricity retailing market, or to the customer in order to secure the contract. The Company has deposited $1,089 with a financial institution as security for outstanding letters of credit. As at September 30, 2016, the Company has $1,082 (December 31, 2015 - $1,039) in outstanding letters of credit.

11. SHARE CAPITAL

As at September 30, 2016 there were 23,975 Common Shares issued and outstanding.

The Company announced its intention to make a Normal Course Issuer Bid ("NCIB") to repurchase up to 1,209 of its Common Shares from October 12, 2015 to October 7, 2016 through the facilities of the TSX Venture Exchange ("Exchange"). During the nine months ended September 30, 2016, the Company purchased 147 Common Shares for cancellation through the facilities of the Exchange pursuant to the NCIB. The NCIB was not extended on October 7, 2016.

In determining diluted earnings (loss) per share for the three and nine months ended September 30, 2016 and 2015, the weighted average number of shares outstanding was not increased for stock options outstanding as it is considered anti-dilutive.

12. STOCK BASED COMPENSATION

Stock option plans

For the three and nine months ended September 30, 2016, stock option costs totaling $31 and $249, respectively, were incurred related to employees and contractors, compared to $73 and $223 for the same period in 2015. The options were recognized as selling expenses and general and administrative expenses and have been recorded in contributed surplus.

The Company did not grant any options to purchase Common Shares of the Company during the nine months ended September 30, 2016.

Deferred share units

For the three and nine months ended September 30, 2016, deferred share units ("DSUs") totaling $NIL and $49, respectively, were granted to non-executive directors compared to $14 and $48 for the same period in 2015. The DSUs were recognized as general and administrative expenses and recorded as current liabilities.

13. TAX LOSSES

The Company's tax attributes may be utilized by the Company in its future operations, or may be utilized by a potential acquirer to offset income, provided certain tests are satisfied including those related to a change in control of the Company.

Deferred taxes, in respect of the Company's loss carry-forwards, are recognized to the extent that it is probable that they can be utilized. The Company has the following Federal non-capital income tax losses from continuing operations, 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
2028	4,843
2029	115,583
2030	5,748
2031	19,992
2032	4,133
2033	5,428
2034	7,960
2035	3,295
	$ 166,982

14. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

	Three months		Nine months	
Periods ended September 30	**2016**	2015	**2016**	2015
Salaries, bonuses, fees, separation payments and short-term employee benefits	**$ 181**	$ 338	**$ 1,015**	$ 998
Stock-based compensation	**38**	78	**295**	248
	$ 219	$ 416	**$ 1,310**	$ 1,246

15. FORMER OFFICER AND DIRECTOR LITIGATION

On July 6, 2011, the Company issued a Statement of Claim (the "Claim") in the Ontario Superior Court of Justice (the "Court") against certain former directors and certain former officers of Look Communications Inc. (now ONEnergy Inc.) in connection with the payment of approximately $20,000 of "restructuring awards" accrued in fiscal 2009 and paid during the first quarter of fiscal 2010 (the "Sale Awards"), of which approximately $15,700 was paid to the directors and senior officers named in the Claim (or their personal holding companies, as applicable) from the net proceeds of approximately $64,000 realized by the Company on the sale of its spectrum license in 2009. The former officers and directors named in the Claim collectively resigned effective July 21, 2010.

The Company also issued a Statement of Claim against McMillan LLP ("McMillan") 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 and other law firms before the former directors and officers resigned on July 21, 2010.

On October 14, 2015 the Company reached a conditional settlement (the "Proposed Settlement"), subject to Court approval, with certain defendants to the Claim. On November 18, 2015, the Company reached a conditional settlement with McMillan ("McMillan Settlement") that is contingent on the Court approval of the Proposed Settlement. The Court convened to review the proposal on November 19, 2015, however did not issue a decision on the Proposed Settlement and did not schedule a new trial date. On March 1, 2016, the Ontario

Superior Court of Justice released a decision approving the Proposed Settlement by which the Company will recover, along with the McMillan Settlement, a total of $7,175. The Company received the funds on April 1, 2016, following a 30 day appeal period.

The Proposed Settlement does not include the Company's former CEO Gerald McGoey and his personal service company Jolian Investments Limited (collectively the "McGoey Defendants"). The Claim against the McGoey Defendants will be limited to their proportionate and several liability for up to a maximum of $5,600 (being the amounts they received from the Company) plus the McGoey Defendants' proportionate and several share of amounts paid by the Company as advances to law firms for the payment of legal fees and expenses. The Company continues to vigorously pursue the Claim against the McGoey Defendants.

16. <u>OPERATING RISKS AND UNCERTAINTIES</u>

Management of capital

The Company's overall strategy with respect to management of capital is to maintain financial flexibility to support profitable growth and expansion into new markets. ONEnergy considers capital to be primarily cash, credit facility, long-term debt and shareholders' equity.

The Company invests its capital in high-return bank accounts to obtain adequate returns; cash-accretive asset and business acquisitions and into new infrastructure to support expansion into new markets. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee and the Risk Management Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

<u>Electricity and natural gas derivatives</u>

The Company has entered into contracts with customers to provide electricity or natural gas at either variable or fixed prices, with the majority of the electricity and natural gas provided by the Company to customers pursuant to fixed price contracts. Fixed price contracts expose the Company to changes in market prices of electricity and natural gas as the Company is obligated to purchase the electricity or natural gas at floating wholesale market prices for the electricity or natural gas consumed by its customers. To reduce its exposure to short-term and long-term movements in commodity prices arising from the procurement of electricity or natural gas at floating prices, the Company uses derivative financial and physical contracts to secure fixed price commodity supply to cover its estimated fixed price delivery. The derivative financial contracts are fixed-for-floating swaps whereby the Company agrees with a counterparty, principally Shell Energy, to cash settle the difference between the floating price and the fixed price on a notional quantity of electricity for a specified time frame. The cash flow from these instruments is expected to be effective in offsetting the Company's price exposure and serves to fix the Company's wholesale cost of electricity or natural gas to be delivered to the customer. The Company remains subject to commodity risk for any volumetric differences between the actual quantities used by customers and the forecasted quantities upon which the commodity hedging is based.

Realized swap settlements under derivative instruments are included in cost of sales in the consolidated statement of income (loss) and comprehensive income (loss). Unrealized gains or losses resulting from changes in the fair value of the swaps, generally referred to as mark-to-market gains or losses, have been recognized as the change in fair value on derivative instruments in the consolidated statement of income (loss) and comprehensive income (loss).

The fair value of derivative financial instruments is the estimated amount that the Company would pay or receive to dispose of these derivative instruments in the market, in the unlikely event that the Company was required to dispose of its derivative instruments. The Company has estimated the value of derivative instruments using market-based forward wholesale price curves.

Credit risk

Credit risk is the risk of financial loss to the Company 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 Company, consist primarily of cash and accounts and other receivables.

Credit risk associated with cash is minimized by ensuring this financial asset is placed with financial institutions with high credit ratings.

The LDCs provide billing & collection services and assume the risk of any bad debts from customers for a fee. Therefore, the Company 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 Company is minimal. For Home Comfort, in markets where LDCs do not provide billing & collection services for a fee, the customer is billed directly by Home Comfort. The Company's customers are individually insignificant and geographically dispersed. The Company 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.

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

As at	**September 30, 2016**	December 31, 2015
Accounts and other receivables		
Current	**$ 4,864**	$ 3,495
31- 90 days	**12**	168
Over 90 days	**34**	86
	$ 4,910	$ 3,749

All of the Company's cash is held with major financial institutions in Canada and in the U.S., and management believes the exposure to credit risk with these institutions is not significant. The Company's maximum assessed exposure to credit risk, as at September 30, 2016 and December 31, 2015, is the carrying value of its accounts and other receivables.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash or other financial assets. The Company's approach is to ensure it will have sufficient liquidity to meet operations, tax, capital, regulatory requirements and obligations, and debt repayments, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed by management to ensure a sufficient continuity of funding exists.

Contractual Obligations

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

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, payments received in advance of consumption, credit facility, derivative instruments, non-cancellable leases and finance leases. As at September 30, 2016, the payments due by period, excluding liabilities relating to assets classified as held for sale, are set out in the following table:

	Payment due by period			
	Less than one year	Between one and five years	More than five years	Total
Accounts payable and accrued liabilities	$ 9,949	$ -	$ -	**$ 9,949**
Payments received in advance of consumption	139	-	-	**139**
Credit facility	1,555	-	-	**1,555**
Energy derivatives	5,889	3,525	-	**9,414**
Program fees	346			**346**
Commitments	59	360	-	**419**
Finance lease obligation	-	-	-	**-**
	$ 17,937	**$ 3,885**	**$ -**	**$ 21,822**

Interest rate risk

The Company is exposed to interest rate fluctuations associated with its floating rate credit facility. As at September 30, 2016 the Company has $1,555 (December 31, 2015 - $1,088) outstanding under this facility, therefore the Company's current exposure to interest rate risk does not economically warrant the use of derivative instruments and the Company 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 the Company's U.S. operations.

Although the Company is headquartered in Ontario, the majority of the Company's customers and revenues are in the U.S. A material portion of ONEnergy's income is generated in U.S. dollars and will be subject to currency fluctuations. As a result of the Company's continued expansion of its U.S. operations, ONEnergy expects to have a greater exposure to U.S. currency fluctuations than in prior years.

ONEnergy may, from time to time, experience losses resulting from fluctuations in the values of its foreign currency transactions, which could adversely affect its operating results. Translation risk is not hedged. With respect to translation exposure, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar for the nine months ended September 30, 2016, assuming that all the other variables had remained constant, income for the period would have been $57 lower/higher (loss for the nine months ended September 30, 2015 - $72 higher/lower) and other comprehensive income would have been $57 higher/lower (loss for the nine months ended September 30, 2015 - $72 lower/higher).

Fair Values

IFRS 7 Financial Instruments: Disclosure requires disclosure of a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements. 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 fair values of short-term financial assets and liabilities, including cash, restricted cash, accounts and other receivables, accounts payable and accrued liabilities, payments in advance of consumption and credit facility as presented in the consolidated statements of financial position, approximate their carrying amounts due to the short period to maturity of these financial instruments.

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 Company 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.

Both Home Comfort and Energy Efficiency work with multiple vendors for the sourcing of their products, and neither are reliant on a single supplier for any material amount of products or services.

17. OTHER RISK FACTORS

In addition to operating risks described in *Section 16 Operating Risks and Uncertainties* are other risk and uncertainties that ONEnergy can foresee. This list is not intended to be an exhaustive list, as some future risks may be yet unknown and other risks, currently regarded as immaterial, could turn out to be material.

Electricity supply – balancing risk

It is the Company's policy to procure the estimated electricity requirements of its customers with offsetting electricity derivatives. Depending on several factors, including weather, the Company's customers may use more or less electricity than the volume purchased by the Company for delivery to them. The Company is able to invoice some of its existing electricity customers for balancing charges or credits when the amount of energy used is greater than or less than the amount of energy that the Company has estimated. For other customers, the Company bears the risk of fluctuation in customer consumption. In addition, under certain circumstances, there can be balancing issues for which the Company is responsible when customer aggregation forecasts are not realized. The inability or failure of the Company to manage and monitor these balancing risks could have a material adverse effect on its operations and cash flow.

Natural gas supply – balancing risk

It is the Company's policy to procure the estimated gas requirements of its customers with offsetting gas purchases (see *Section 16 Operating Risks and Uncertainties – Financial Instruments and Risk Management – Electricity and Natural Gas Derivatives*) in advance of obtaining customers. Depending on several factors including weather, the Company's customers may use more or less gas than the volume purchased by the Company for delivery to them. The Company does not invoice its natural gas customers for balancing and, accordingly, bears the risk of fluctuation in customer consumption. The Company monitors gas consumption and actively manages forecast differences in customer consumption due to weather variations as well as forecast LDC balancing requirements. To the extent that forecast balancing requirements are beyond initial estimates, the Company will bear financing responsibility, be exposed to market risk and, furthermore, may also be exposed to penalties by the LDCs. The inability or failure of the Company to manage and monitor these balancing risks could have a material adverse effect on its operations and cash flow.

Restrictive covenants and the terms of the Shell Energy agreements may make it more difficult for us to operate.

The terms of the Shell Energy agreements may constrain the ability of the Company to operate because it must comply with certain financial, organizational, operational and other covenants. Among other things, the Shell Energy agreements may restrict the Company's ability to undertake the following activities or subject to the approval of Shell Energy:(i) deal with other energy suppliers; (ii) enter into hedging transactions (iii) amend or terminate material contracts; (iv) amend or modify its Risk Management Policy; (v) make capital expenditures; (vi) invest in or acquire certain other businesses or entities; (vii) enter new markets and expand its business; (viii) enter into certain commercial transactions; (ix) incur indebtedness, suffer liens or grant security on its assets; (x) sell, liquidate or dissolve its assets; (xi) merge, amalgamate or consolidate with another entity; and (xii) release any utility, LDC or Independent system operator ("ISO") from its contractual obligations.

A default under the Shell Energy agreements could impact our business.

The Shell Energy agreements contain numerous covenants by the Company, including covenants relating to the operation and conduct of its business, ownership and maintenance of assets, regulatory approvals and licenses, compliance with laws, delivery of financial information, the incurrence of indebtedness, its Risk Management Policy, the maintenance of certain financial ratios, and restrictions on undertaking certain transactions without Shell Energy's consent. A breach of any of the covenants in the Shell Energy agreements constitutes an event of default, subject to cure periods in limited circumstances. Additional events of default include the revocation of certain licenses, exceeding certain exposure limits, the loss of key employees, the existence of unsatisfied judgments in excess of a threshold, the termination of material contracts and change of control. Upon an event of default, Shell Energy is entitled to suspend its performance under or terminate the Shell Energy agreements, including the supply of energy to the Company under the Shell Energy agreements. In addition, Shell Energy may elect not to enter into any further transactions under the Shell Agreements unless the representations and warranties contained in the Shell Energy agreements are true and correct and there has not been a material adverse change (as defined in the Shell Energy agreements). Any such termination or election not to enter into further transactions by Shell Energy would likely have an adverse economic impact on the business of the Company.

Our business is dependent on our contracts with our commodity suppliers and their inability to perform their obligations under the contracts could adversely affect our margins on electricity and natural gas sales.

Our business model is based on contracting for supply of natural gas and electricity, through physical and financial transactions, to fix margins. If our commodity suppliers experience financial difficulties or are otherwise unable to perform their obligations to us, we may suffer losses, including as a result of being unable to secure energy supply on a timely basis. As a result, our ability to earn margins on electricity and natural gas sales could be affected. If the Company cannot identify an alternative supply of natural gas and electricity in a timely manner, our business will be adversely affected as the Company may not be able to meet its obligations to its customers.

We may suffer economic losses where risk management policies and programs do not work as planned.

The Company's risk management programs may not work as planned. For example, actual electricity and natural gas prices may be significantly different or more volatile than the historical trends and assumptions upon which the Company based its risk management calculations. In addition, unforeseen market disruptions could decrease market depth and liquidity, negatively impacting the Company's ability to enter into new transactions. Similarly, interest rates or foreign currency exchange rates could change in significant ways that the Company's risk management procedures were not designed to address. As a result, the Company cannot always predict the impact that its risk management decisions may have on its business if actual events result in greater losses or costs than predicted by the Company's risk models, or if there is greater than expected volatility in the Company's results of operations.

In addition, the Company's trading, marketing and hedging activities are exposed to counterparty credit risk and market liquidity risk. If counterparties fail to perform, the Company may be forced to enter into alternative arrangements at then-current market prices. In that event, the Company's results of operations may be adversely affected.

Our business is reliant on the services provided by LDCs, and any disruptions to these services could adversely impact our results of operations and cash flow.

LDCs provide many essential services to the Company, including energy delivery, billing and collections and meter reading. The Company is reliant on LDCs to deliver the electricity and natural gas that it sells to customers. LDCs are reliant upon the continuing availability of existing distribution infrastructure. Any disruptions in this infrastructure could result in the Company invoking force majeure clauses in its contracts. Under such severe circumstances there would be no revenue or gross margin to report for the affected areas as the Company would have no alternative way to deliver energy to its customers.

The Company is reliant on LDCs to perform billing and collection services in utility consolidated billing markets, which includes paying the Company for its energy service delivered to customers. If LDCs cease to perform these services, the Company would have to seek a third party billing provider or develop internal systems and processes to perform these functions, which may require a significant capital expenditure and increased operating expenses to support the internal billing and collections functions.

The Company is reliant on LDCs to measure and record customer electricity and natural gas meter usage rates, which is used to calculate commodity charges billed to the customer. If the LDCs do not accurately measure or record customer usage rates and the customer is under-billed relative to their actual usage rates, the Company may not receive full payment for energy that has been supplied to its customers.

There can be no assurance that the practices or policies of LDCs in the future will not limit the growth or profitability of the Company.

Financing agreement

Home Comfort has entered into a long-term financing agreement with respect to the installation of water heaters, air conditioners, and furnaces. In the event this financing became unavailable, the Company would have to otherwise fund the Home Comfort business, and there is no assurance that such replacement financing would be available to the Company on acceptable terms or at all.

We operate in a highly competitive market and our customers may switch to another retail energy provider or to the LDC.

A number of retail energy providers compete with the Company in the residential and commercial markets. It is possible that the existing competition and additional new entrants may compete directly for the customer base that the Company targets, slowing growth or reducing its market share. It is also possible that new entrants may be better capitalized, or that their existing customer base will provide them with a competitive advantage over the Company. Changes in customer behaviour, government regulation or increased competition may affect (potentially adversely) attrition and retention rates in the future, and these changes could adversely impact the future cash flow or margin of the Company.

Our revenues and results from operations may fluctuate on a seasonal and quarterly basis as a result of our high concentration of residential customers.

The Company's revenues and results of operations may fluctuate significantly on a seasonal basis depending on the demand for electricity and natural gas. Generally, demand for electricity peaks in winter and summer months while demand for natural gas peaks in the winter months for residential customers. The impact may be exaggerated as a result of extreme weather conditions, resulting in variances in forecasted electricity and natural gas consumption. Depending on prevailing market prices for electricity and natural gas, these and other unexpected circumstances may reduce our revenues and results of operations.

Customers may not widely accept retail energy providers as their energy supplier.

The Company believes that its profitability and growth will depend upon the broad acceptance of retail energy providers in North America. There can be no assurance that customers will widely accept retail energy providers as their energy supplier. The acceptance of our products may be adversely affected by our ability to offer a competitive value proposition, concerns relating to product reliability, general resistance to change, and price of alternative methods of supply (e.g. residential and commercial solar programs). Unfavourable publicity involving customer experiences with other retail energy providers could also adversely affect its acceptance. Market acceptance could also be affected by regulatory developments. The failure of retail energy providers to achieve deep market penetration may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is required to be licenced by the regulatory body in each market in which we operate, and the denial of a new licence or revocation of an existing licence may impact the Company's financial results.

In each state and province in which we operate, the Company is required to be licenced by the relevant regulators. The Company's expansion strategy is dependent on continuing to be licenced in existing markets and receiving approval for additional licences in new and existing markets. For example, at the current time, the Company is in the process of applying for electricity licences in New York. If the Company is denied new licences, has a licence revoked or is not granted renewal of a licence, the Company's financial results may be negatively impacted.

Changes by regulators to the utility service rate may affect the Company's ability to remain competitive.

The Company considers the utility service rate in each market to be the competitive benchmark for our products. The utility service rate in each state or province is regulated by the regulators. From time to time, utilities and government agencies propose changes to the utility service rate structure which may impact the Company's ability to offer a competitive value proposition to customers, which may increase customer attrition and negatively impact the Company's financial performance.

The utility service rate may not reflect actual wholesale energy market conditions, which may make the Company's value proposition for customers less competitive.

The Company considers the utility service rate in each market to be the competitive benchmark for our products. The utility service rate in each state or province is regulated by the regulators. In many of the states in which the Company operates, the utility service rate charged to customers is set yearly, quarterly, or monthly by the utility and is based on the price paid by the utility to procure electricity or natural gas for that period of time, which may have occurred over a period of up to three years. As a result, the service rate does not necessarily reflect actual market conditions, which may create circumstances where the Company is unable to offer a competitive value proposition to the customer and, as a result, may increase customer attrition and negatively impact the Company's financial performance.

The Company and its predecessors have limited historical data that can be utilized to assess the performance of the Company.

The Company acquired several operating businesses starting in 2013, including Sunwave (2013), Home Comfort (2014) and PVL (2015), as well as the assets of AVACOS (2014). Each of these acquisitions have a limited operating history from which investors can evaluate its business and prospects.

The Company's prospects must be considered in light of the risks and uncertainties encountered by an early stage business, and in rapidly evolving markets such as the retail electricity and natural gas markets. Some of these risks relate to the Company's potential inability to: effectively manage its business and operations; recruit and retain key personnel; successfully maintain a low-cost structure as it expands the scale of its business; manage rapid growth in personnel and operations; develop new products that complement its existing business; and successfully address the other risks it faces.

If the Company cannot successfully address these risks, its business, future results of operations and financial condition may be materially adversely affected.

Our business is dependent on information systems to support business operations, and any failures or disruptions in our information systems could have a material adverse effect on our results of operations.

The Company is dependent on third party information systems to track, monitor and correct or otherwise verify a high volume of data to ensure the accuracy of our sales, financial, accounting and other data. The Company has arrangements with various third parties to provide support for its energy load forecasting, electronic data interchange services, billing services and various marketing channels. Management also relies on information systems to provide the Company's independent contractors with updated marketing and compensation information and record each customer interaction. Our business and results of operations could be materially adversely affected if any of our information systems fail or have other significant shortcomings. We may also be subject to disruptions of our informational systems arising from events that are wholly or partially beyond our control (such as natural disasters, acts of terrorism, epidemics, computer viruses and telecommunications outages). Third party systems on which we rely could also suffer disruptions. Any failure of the information systems on which we rely or our failure to maintain and upgrade our information systems could have a material adverse effect on our business and results of operations.

Our expansion strategy involves numerous risks that could impact our viability and harm our business.

The Company plans to grow its business by expansion in new and existing deregulated markets through organic growth and acquisitions. The Company's expansion strategy involves numerous risks, which could harm the Company's business and results of operations, including: difficulties in integrating, supporting and transitioning customers' accounts; difficulties in realizing value from the expansion of new and existing products and marketing channels; assets of the target company may exceed the value the Company realizes, or the value it could have realized if it had allocated the purchase price or other resources to another opportunity; risks of entering new markets or customer segments in which the Company has limited or no experience or are outside its core competencies; and inability to generate sufficient revenue to offset acquisition or expansion costs.

The Company may require additional financing should an appropriate acquisition be identified and it may not have access to the funding required for the expansion of its business or such funding may not be available to the Company on acceptable terms. Future acquisitions or expansion could result in the incurrence of additional debt and related interest expense, as well as unforeseen liabilities, all of which could have a material adverse effect on business, results of operations and financial condition. The failure to successfully evaluate and execute acquisitions or otherwise adequately address the risks associated with acquisitions could have a material adverse effect on the Company's business, results of operations and financial condition. There can be no assurance that the Company will determine to pursue any acquisition or that such an opportunity, if pursued, will be successful.

The Company will incur increased costs as a result of complying with the reporting requirements, rules and regulations affecting public issuers.

As a public issuer, the Company is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Company's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources, which could adversely affect our business and financial condition.

Our marketing channels may be contingent upon the viability of our independent sales contractors and telemarketing outsourcing arrangements.

Our independent contractors are essential to our commercial sales efforts and to our telemarketing programs in the Gas & Power business. Our ability to increase revenues in the future will depend significantly on the services of our independent contractors. If the Company is unable to attract new independent contractors and retain existing independent contractors, the Company's growth may be materially reduced. There can be no assurance that competitive conditions will allow these independent contractors, who are not employees of the Company, to continue to successfully sign up new customers or independent contractors. Further, if our products are not attractive to, or do not generate sufficient revenue for, our independent contractors, we may lose our existing relationships, which would have a material adverse effect on our business, revenues, results of operations and financial condition. In addition, the decline in landlines reduces the number of potential customers that may be reached by our independent telemarketers and as a result our telemarketing sales channel may become less viable, which may materially impact our business and results of operations.

Our independent contractors may expose us to risks.

We are subject to reputational risks that may arise from the actions of our independent sales contractors that are wholly or partially beyond our control, such as violations of our marketing policies and procedures as well as any failure to comply with applicable laws and regulations. In the case of our Gas & Power business, if our independent contractors engage in marketing practices that are not in compliance with local laws and regulations, we may be in breach of applicable laws and regulations which may result in regulatory proceeding or the revocation of our energy retailer licence, which would materially impact our results of operations.

Our independent contractors are essential to our marketing channels and sales. Independent contractors are not considered employees under the applicable tax rules. The Company monitors and complies with regulations in the applicable tax rules regarding the tax status of independent contractors. If the applicable tax rules was amended in a way that altered the employment status of independent contractors, or if the Company was successfully challenged by the tax authority or its independent contractors regarding the employment status of our independent contractors, our independent contractors could be considered employees of the Company. This could result in adverse financial consequences to the Company.

Risks Relating to the Legal and Regulatory Environment

The Company operates in markets in which government and utility incentives or rebates are an important factor in purchasing decisions by our customers.

In many of the markets served by both Energy Efficiency and Home Comfort, attractive government and utility incentives are available to our customers. These incentives, which are intended to speed the adoption of more energy efficient equipment, are provided by government agencies or utilities and generally take the form of cash rebates on the purchase price of a product. The availability of such rebates is often a significant factor in the purchasing decision process for our customers, and as such the reduction or elimination of such incentives could negatively impact the ability of Energy Efficiency or Home Comfort to sell their products and services.

If energy deregulation is reversed or discontinued, the Company's prospects and financial condition could be materially adversely affected.

In some retail energy markets, legislators, government agencies and other interested parties have made proposals to change the use of market-based pricing, re-regulate areas of these markets that have previously been competitive, or permit electricity delivery companies to construct or acquire generating facilities. Although the Company generally expects retail electricity and natural gas markets to continue to be competitive, other proposals to re-regulate this industry may be made, and legislative or other actions affecting the electricity and natural gas restructuring process may cause the process to be delayed, discontinued or reversed in markets in which the Company currently operates or may in the future operate.

The Company operates in regulated industries and is exposed to legislative and regulatory risks that could harm the Company's interests.

The Company currently operates in the regulated retail electricity and natural gas sectors in each of its relevant jurisdictions. The Company must comply with the legislation and regulations in these jurisdictions in order to maintain its licenced status to continue its operations and to expand to new markets and/or products. Further, the Home Comfort business is required to comply with various laws and regulations relating to sales to residential customers as well as compliance with telemarketing laws and regulations. Regulatory compliance affects how quickly we can expand organically or through acquisitions. Compliance is costly and we may be prohibited from expanding or operating if we fail to comply with regulations. There is potential for changes to the legislation and regulatory requirements that may unfavourably impact the Company's business model. As part of doing business through the Company's various marketing channels, the Company receives complaints from customers. The failure of the Company to successfully resolve complaints could result in sanctions by the regulators, such as a loss of a licence, which would have a material adverse effect on the Company. Increased fragmentation of the retail energy industry, resulting in a greater number of energy retail providers operating in the same jurisdictions as the Company, may result in more customer complaints and heightened customer protection legislation. There can be no assurance that future decisions of federal and provincial or state regulatory bodies having jurisdiction over the Company's business activities, or rules enacted by them, or new legislation or regulations or changes to existing legislation or regulations, will not adversely affect the operations or cash flow of the Company. There can be no assurance that future decisions of the regulatory bodies having jurisdiction over the Company's business activities, or rules enacted by them, or new legislation or regulations or changes to existing legislation or regulations, including any change in regulatory policy, rules, legislation or regulations which would impact the Company's ability to renew customer contracts on the expiration of their term, will not adversely affect the results of operations or cash flow of the Company.

18. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The minimum payments required under the terms of non-cancellable operating leases are as follows:

September 30, 2016

	Less than one year	Between one and five years	More than five years	Total
Non-cancellable lease	$ 194	$ 652	$ -	**$ 846**
Non-cancellable sublease	(135)	(292)	-	**(427)**
	$ 59	**$ 360**	**$ -**	**$ 419**

December 31, 2015

	Less than one year	Between one and five years	More than five years	Total
Non-cancellable lease	$ 198	$ 776	$ 29	**$ 1,003**
Non-cancellable sublease	(135)	(393)	-	**(528)**
	$ 63	**$ 383**	**$ 29**	**$ 475**

(b) Contingencies

In the normal course of its operations, the Company may be subject to other litigation and claims.

The Company indemnifies its directors, officers, consultants, and employees against claims and costs reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers.

19. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management’s discussion and analysis of operating results and financial condition are made with reference to the Company’s unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2016 which have been prepared in accordance with IFRS. The Company’s significant accounting policies are summarized in detail in Note 2 of the Company’s unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2016 and in Note 2 of the Company’s audited consolidated financial statements for year ended December 31, 2015.

20. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Company intends to adopt these standards when they become effective.

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 standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from contracts with customers: In May 2014, the IASB issued IFRS 15 which supersedes existing standards and interpretations including IAS 18, Revenue and IFRIC 13, Customer Loyalty Programs. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs such as IAS 17, Leases. This Standard requires revenue to be recognized in a method that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

i. Identify the contract with a customer;

ii. Identify the performance obligations in the contract;

iii. Determine the transaction price;

iv. Allocate the transaction price to the performance obligations in the contract; and

v. Recognize revenue when each performance obligation is satisfied.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfilment costs. This Standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases: In January 2016, the IASB issued IFRS 16 which supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will affect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019.

21. ADDITIONAL INFORMATION

Additional information regarding the Company's financial statements and corporate documents is available on SEDAR at www.sedar.com and on the Company's website at www.ONEnergyinc.com.

ONEnergy Inc.

SHAREHOLDER INFORMATION

Board of Directors

Chairman of the Board
Stephen J.J. Letwin
President & CEO, IAMGOLD Corporation

Directors
Stanley H. Hartt
Counsel, Norton Rose Fulbright Canada LLP

David Rattee
Corporate Director

Lawrence Silber
Partner, Kelly Santini LLP

Officers
Stephen J.J. Letwin
Interim Chief Executive Officer

Ray de Ocampo
Chief Financial Officer

Robert K. Weir
Chief Operating Officer

Auditors
BDO Canada LLP
60 Columbia Way, Suite 300
Markham ON L3R 0C9
(905) 946-1066

Transfer Agent and Registrar
Computershare Investor Services Inc.
100 University Street, 8th Floor
Toronto, Ontario M5J 2Y1
(416) 885 9858

Shareholder enquiries
ONEnergy Inc. Investor Relations
155 Gordon Baker Road, Suite 301
Toronto, ON M2H 3N5
(416) 444-4848
irinfo@onenergyinc.com

Stock exchange listing
ONEnergy's shares are listed on Tier 1 of the TSX Venture Exchange under the symbol OEG