

Audited Consolidated Financial Statements of

ONEnergy Inc.

As at and for the year ended December 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of ONEnergy Inc. (the "Company") and its subsidiaries and all the information in the Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, the Company's financial position, financial performance and cash flows. Management has prepared the financial information presented elsewhere in Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements.

Management of the Company is responsible for the internal controls that provides reasonable assurance that transactions are properly authorized and recorded, financial records are reliable and form a proper basis for the preparation of consolidated financial statements and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit and Corporate Governance Committee (the "Audit Committee").

The Audit Committee meets periodically with management, as well as with external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review Management's Discussion and Analysis, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. BDO Canada LLP has full and free access to the Audit Committee.

(Signed) – Stephen J.J. Letwin

Stephen J.J. Letwin
Chairman

(Signed) – Ray de Ocampo

Ray de Ocampo
Chief Financial Officer

April 30, 2018



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BDO Canada LLP
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Independent Auditor's Report

To the Shareholders of ONEnergy Inc.

We have audited the accompanying consolidated financial statements of ONEnergy Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholder's equity and cash flows for the years ended December 31, 2017 and December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ONEnergy Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years ended December 31, 2017 and December 31, 2016 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates that the Company has an accumulated deficit of \$41,408 including a net loss of \$8,145 for the year ended December 31, 2017. These conditions, along with other matters disclosed in Note 2 of the consolidated financial statements indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
April 23, 2018

ONEnergy Inc.

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

As at December 31	Note	2017	2016
Assets			
Current assets			
Cash		\$ 268	\$ 2,746
Restricted cash	6	-	3,240
Accounts and other receivables	7	681	6,044
Inventory		83	610
Natural gas delivered in excess of consumption		-	187
Prepaid expenses and deposits		23	208
Current portion of energy derivatives	25	-	518
		1,055	13,553
Assets classified as held for sale	11	28,800	20,105
		29,855	33,658
Non-current assets			
Energy derivatives	25	-	3
Property and equipment	8	204	277
Intangible assets	9	1	195
Goodwill	10	-	546
Total assets		\$ 30,060	\$ 34,679
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 6,210	\$ 9,423
Payments received in advance of consumption		-	144
Credit facility	13	-	1,911
Advances from Cricket Energy Holdings Inc.	11	3,478	3,808
Convertible note payable	14	1,183	-
Promissory note payable	15	203	-
Current portion of energy derivatives	25	-	101
		11,074	15,387
Liabilities relating to assets classified as held for sale	11	19,470	11,617
		30,544	27,004
Non-current liabilities			
Energy derivatives	25	-	111
		30,544	27,115
Shareholders' equity			
Share capital	17	39,236	39,236
Contributed surplus		1,370	1,273
Accumulated other comprehensive income		318	272
Deficit		(41,408)	(33,217)
		(484)	7,564
Total liabilities and shareholders' equity		\$ 30,060	\$ 34,679

Commitments and contingencies (note 23)

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

Approved by the Board of Directors:

(Signed) – David Rattee
Director

(Signed) – Lawrence Silber
Director

ONEnergy Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

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

Years ended December 31	Note	2017	2016
Continuing Operations			
Revenue	18	\$ 2,004	\$ 1,702
Cost of sales	18,19	2,096	1,388
Gross margin		(92)	314
Expenses			
Selling	19	1,001	1,632
General and administrative	19	2,534	2,587
		3,535	4,219
Loss before the undernoted		(3,627)	(3,905)
Other gains (expenses)			
Finance income		2	31
Finance cost		(131)	(11)
Foreign exchange gain (loss)		(6)	(7)
Impairment loss on assets	8,9,10	-	(270)
Legal settlement	23	-	7,175
Income (loss) from continuing operations		(3,762)	3,013
Discontinued Operations			
Loss from discontinued operations	11	(4,429)	(494)
Total income (loss)		(8,191)	2,519
Other comprehensive income			
Unrealized gain on translation of foreign operations, classified as discontinued operations		46	58
Other comprehensive income		46	58
Total comprehensive income (loss)		\$ (8,145)	\$ 2,577
Income (loss) per share from continuing operations			
Basic and diluted	17	\$ (0.16)	\$ 0.13
Income (loss) per share attributable to shareholders			
Basic and diluted	17	\$ (0.34)	\$ 0.11
Weighted average number of shares outstanding			
Basic and diluted (in thousands)	17	23,975	24,059

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

ONEnergy Inc.

Consolidated Statements of Changes in Shareholders' Equity (In thousands of Canadian dollars)

	Share capital (note 17)			Contributed surplus	Accumulated other comprehensive income	Shareholders' equity
	Shares	Amount	Deficit			
Balance as at January 1, 2016	24,122	\$ 39,477	\$ (35,736)	\$ 810	\$ 214	\$ 4,765
Net income for the year	-	-	2,519	-	-	2,519
Other comprehensive income	-	-	-	-	58	58
Stock compensation (note 17)	-	-	-	282	-	282
Normal course issuer bid purchase of Common Shares (note 17(g))	(147)	(241)	-	181	-	(60)
Balance as at December 31, 2016	23,975	\$ 39,236	\$ (33,217)	\$ 1,273	\$ 272	\$ 7,564
Balance as at January 1, 2017	23,975	\$ 39,236	\$ (33,217)	\$ 1,273	\$ 272	\$ 7,564
Net loss for the year	-	-	(8,191)	-	-	(8,191)
Other comprehensive income	-	-	-	-	46	46
Stock compensation (note 17)	-	-	-	97	-	97
Balance as at December 31, 2017	23,975	\$ 39,236	\$ (41,408)	\$ 1,370	\$ 318	\$ (484)

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

ONEnergy Inc.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31	Note	2017	2016
Cash flows from the following:			
Operating activities			
Income (loss) from continuing operations		\$ (3,762)	\$ 3,013
Items not affecting cash			
Depreciation of property and equipment		71	95
Amortization of intangible assets		10	27
Finance costs		131	11
Stock based compensation	17	97	282
Impairment loss on assets		-	270
Other		-	2
Cash flows provided by operating activities of discontinued operations		(2,429)	1,707
Change in non-cash operating assets and liabilities	20	2,905	266
Cash provided by operating activities		(2,977)	5,673
Investing activities			
Decrease (increase) in restricted cash		3,240	(637)
Purchase of equipment		-	(11)
Cash flows used in investing activities of discontinued operations		(2,473)	(4,269)
Cash used in investing activities		767	(4,917)
Financing activities			
Finance costs paid		(16)	(12)
Proceeds from (Repayments of) advances from Cricket Energy Holdings Inc.		(330)	3,808
Repayment of obligation under finance lease		-	(8)
Proceeds from convertible note payable		1,068	-
Proceeds from promissory note payable		203	-
Purchase of Common Shares for cancellation		-	(60)
Cash flows provided by (used in) financing activities of discontinued operations		(809)	(2,912)
Cash provided by (used in) financing activities		116	816
Effect of foreign currency translation		(384)	(2)
Increase (decrease) in cash		(2,478)	1,570
Cash, beginning of year		2,746	1,176
Cash, end of year		\$ 268	\$ 2,746

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

ONEnergy Inc.

Notes to the consolidated financial statements

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

For the year ended December 31, 2017

1. Nature of operations

Look Communications Inc. (“Look”) was formed on October 31, 1999 under the *Canada Business Corporations Act* (“CBCA”). On July 8, 2013, pursuant to articles of amendment, Look changed its name to ONEnergy Inc. (“ONEnergy”). On July 9, 2013, ONEnergy completed a change-of-business transaction and a concurrent private placement. On May 19, 2015 the Shareholders approved a resolution continuing the Company under the *Business Corporations Act* (Ontario) (“OBCA”) and discontinuing the Company under the CBCA. On August 4, 2015, the Company continued under the OBCA.

The consolidated financial statements are comprised of ONEnergy and its wholly owned subsidiaries which include:

- (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. (referred to as “Home Comfort”);
- (c) 0867893 B.C. Ltd. dba PVL Projects (“PVL”);
- (d) ONEnergy USA Holdings Inc.; and
- (e) 2594834 Ontario Inc.

References to the Company and/or its various subsidiaries include ONEnergy, Gas & Power, Home Comfort and PVL. The Company is domiciled in Canada and the address of its registered office is 155 Gordon Baker Road, Suite 301, Toronto, Ontario, Canada M2H 3N5.

ONEnergy operates in the Gas & Power, Home Comfort and Energy Efficiency (as described below) businesses. The Company’s Gas & Power business involves the sale of natural gas and electricity in Ontario, and electricity in Connecticut, Pennsylvania, Massachusetts and Ohio, to residential and commercial customers under short or long-term fixed-price, price-protected or variable-priced contracts, under the brand name Sunwave Gas & Power™. Gas & Power was classified as held for sale as at December 31, 2017; see note 11. The Company’s Home Comfort business, under the brand name Sunwave Home Comfort™, owns a portfolio of furnaces, boilers and air conditioners (“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. Home Comfort was classified as held for sale as at December 31, 2017 and December 31, 2016; see note 11. Under its Energy Efficiency business, the Company provides a variety of 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 to help commercial, industrial, manufacturing, retail and institutional clients minimize their energy consumption under the ONEnergy brand.

The Common Shares of the Company are listed on the TSX Venture Exchange (the “Exchange”) under the symbol OEG.

These consolidated financial statements were approved for issue by the Board of Directors on April 30, 2018.

ONEnergy Inc.

Notes to the consolidated financial statements

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

For the year ended December 31, 2017

2. Summary of significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB").

Basis of presentation

The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except per share amounts. The consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the initial accounting for business acquisitions and for certain financial assets and liabilities which are stated at fair value.

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

As at December 31, 2017, the Company has an accumulated deficit of \$41,408 (December 31, 2016 - \$33,217), including a net loss of \$8,191 for the year ended December 31, 2017 (net income of \$2,519 for the year ended December 31, 2016). To address its financing needs, the Company will work towards concluding the previously announced sale of its Home Comfort business, entering into and concluding the sale of the Gas & Power business as well as securing additional debt and/or equity financing. Whether and when the Company can achieve the above is uncertain. As a result, there is material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will have sufficient capital to fund its ongoing operations or develop and deploy any further products without future financing. If adequate funds are not available or the Company is unable to obtain additional customers and contracts, the Company may have to substantially reduce or eliminate planned expenditures and seek additional financing from shareholders or lenders. If the Company is unable to obtain additional financing when and if required, the Company may be unable to continue operations.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries for which it has the power to govern the financial and operating policies. All material inter-company balances and transactions are eliminated. For any new acquisitions, the results of operations are reflected from the dates of acquisition.

Cash

Cash is held with financial institutions. At any time, cash in banks may exceed federally insured limits.

Restricted cash

Restricted cash is pledged as collateral for issued letters of credit and as security for long-term debt. Letters of credit are posted with State regulatory entities, independent system operators, local distribution companies ("LDCs"), or other counterparties as required collateral in order to operate in certain markets or for other financial assurance programs. A portion of the proceeds from long-term debt is held by the lender as a reserve against default.

Accounts receivable

The Company delivers gas and electricity to its customers through LDCs, many of which guarantee amounts due from customers for consumed gas or electricity. Accounts receivable include amounts due for gas or electricity consumed by customers.

ONEnergy Inc.

Notes to the consolidated financial statements

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

For the year ended December 31, 2017

The Company collects monthly rental revenue on the HVAC rental directly from customers or through LDCs. Accounts receivable include amounts due for monthly rental payments as defined in the rental contracts.

The Company primarily operates in LDC markets which have purchase of receivables ("POR") programs in place under which the LDCs assume the credit risk associated with the customer billings. Consequently, in these markets, the Company's exposure to credit risk concentration is limited primarily to those LDCs that collect and remit receivables to the Company. For Home Comfort, there are certain LDC markets where POR programs are not in place for its products or services, consequently Home Comfort bills the customer directly and assumes the credit risk associated with customer billings.

The Company delivers and installs high efficiency lighting and other energy efficiency services to customers. Accounts receivable include amounts due for high efficiency lighting and other services delivered to customers.

Inventory

Inventory consists of lighting equipment, HVAC equipment and water heaters. Inventory is stated at the lower of cost and net realizable value with cost being determined on a first-in-first-out basis.

Natural gas delivered in excess of consumption/ Payments received in advance of consumption

Natural gas delivered to LDCs in excess of consumption by customers is stated at the lower of cost and net realizable value. Any payments received from LDCs in advance of consumption by customers are recognized as a liability at amortized cost.

Property and equipment

Property and equipment are initially recognized at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and capitalized borrowing costs.

Depreciation commences when the assets are available for use and is recognized on a straight-line basis to depreciate the cost of these assets to their estimated residual value over their estimated useful lives. When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate components of the asset and depreciated over their estimated useful life on a straight-line basis.

Estimated useful lives are as follows:

<u>Asset category</u>	<u>Depreciation method</u>	<u>Estimated useful lives</u>
Rental equipment	Straight line	15 years
Computer hardware	Straight line	2-3 years
Office furniture and equipment	Straight line	5 years
Leasehold improvement	Straight line	Term of lease

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if appropriate.

Intangible assets

Intangible assets are initially measured at cost and are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization method and useful life of an intangible asset with a finite useful life is reviewed at least once annually. Changes in the expected life or pattern of consumption of future economic benefits are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimate and recorded on a prospective basis. The amortization expense related to intangible assets with finite lives is recognized in the consolidated statement of income (loss) in selling expense and general and administrative expense.

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Notes to the consolidated financial statements

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

For the year ended December 31, 2017

Intangible assets primarily consist of purchased customer contracts and computer software.

Estimated useful lives are as follows:

<u>Asset category</u>	<u>Amortization method</u>	<u>Estimated useful lives</u>
Customer contracts	Straight line	3 – 15 years
Computer software	Straight line	3 years
Non-compete agreement	Straight line	2 years

Goodwill

Goodwill is measured as the excess of the cost of the business combination over the net fair value of the identifiable assets acquired and liabilities assumed including non-controlling interest. Any negative difference is recognized as a gain directly in the consolidated statement of comprehensive income (loss). If the fair values of the assets, liabilities and non-controlling interest can only be calculated on a provisional basis the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

Goodwill is considered to have an indefinite useful life and is not amortized, but rather is tested annually for impairment. After initial recognition, goodwill is measured at cost, less any accumulated impairment losses.

Leases

As lessee

Leases entered into by the Company as lessee that transfer substantially all the benefits and risks of ownership to the Company are record as finance leases and are included in property and equipment and obligations under finance leases. Obligations under finance lease are reduced by lease payments net of imputed interest. All other leases are classified as operating leases under which lease payments are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease cost, over the term of the lease.

As lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership are classified as operating leases. Direct costs associated with initializing the operating lease are added to the carrying amount of the rental equipment and recognized over the term of the lease.

Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its finite life non-financial assets, including property and equipment and finite life intangible assets to determine whether there is any indication of impairment.

For the purposes of reviewing finite life non-financial assets for impairment, asset groups are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a cash generating unit ("CGU"). Corporate assets are tested for impairment at the minimum collection of CGUs to which the corporate asset can be allocated reasonably and consistently.

The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount. Impairment losses are recognized in profit and loss in the period in which they occur. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss will only be reversed if there will be a change in the assumptions used to determine the asset's recoverable amount since the time the impairment loss was recognized. Where impairment subsequently reverses, the carrying amount of the asset is increased to the extent that the carrying value of the underlying asset does not exceed the carrying amount that would have

ONEnergy Inc.

Notes to the consolidated financial statements

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

For the year ended December 31, 2017

been determined, net of depreciation, if no impairment had been recognized. Impairment reversals are recognized in profit and loss in the period in which they occur.

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

Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit or loss,” “loans and receivables,” “available-for-sale,” “held-to-maturity” or “other financial liabilities.”

All derivative instruments are classified as fair value through profit and loss and are subsequently measured at fair value. Subsequent measurement and recognition of changes in the fair value are recognized in profit or loss.

Financial assets classified as loans and receivables, held-to-maturity and other financial liabilities are subsequently measured at amortized cost using the effective interest method of amortization.

Financial assets classified as available-for-sale are subsequently measured at fair value, with changes in fair value recognized in other comprehensive income (“OCI”).

The Company’s financial assets and financial liabilities are classified and measured as follows:

<u>Asset/Liability</u>	<u>Classification</u>	<u>Subsequent Measurement</u>
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts and other receivables	Loans and receivables	Amortized cost
Derivative financial assets	Fair value through profit or loss	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Payments received in advance of consumption	Other financial liabilities	Amortized cost
Credit facility	Other financial liabilities	Amortized cost
Advances from Cricket Energy Holdings Inc.	Other financial liabilities	Amortized cost
Convertible note payable	Other financial liabilities	Amortized cost
Promissory note payable	Other financial liabilities	Amortized cost
Derivative financial liabilities	Fair value through profit or loss	Fair value
Long-term debt	Other financial liabilities	Amortized cost

Transaction costs of financial instruments are capitalized to the carrying amount of the instrument and amortized using the effective interest method, other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of accounts receivable is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of income (loss).

ONEnergy Inc.

Notes to the consolidated financial statements

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

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With the exception of available-for-sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of income (loss). On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Revenue recognition

Revenue is recognized when significant risks and rewards of ownership are transferred to the customer. Revenue is measured at the fair value of the consideration received.

Gas & Power

The transfer of risks and rewards generally coincide with consumption of the commodity by the customer. Revenue is recognized based on consumption used by customers at the agreed prices.

Natural gas delivery is based on estimated customer historical usage and is regularly reconciled to determine if customers consumed more gas than has been delivered or if consumption is less than has been delivered. Gas delivered in excess of consumption by customers is recognized as an asset at the lower of cost and net realizable value. Consumption by customers in excess of gas delivered is recognized as accrued gas payable at amortized cost. Any payments received from LDCs in advance of consumption by customers are recognized as a liability at amortized cost.

Revenue for electricity is recognized upon consumption of power by the customer. Consumption for a reporting period is estimated based on historical usage rates by that customer at their agreed upon selling price. Upon receipt of customer billing information from the LDC, estimated consumption is reconciled to actual usage, with any change from estimates recorded in a subsequent period.

Home Comfort

Revenue from sales of HVAC equipment is recognized upon installation, when the selling price has been determined, and the ability to collect is reasonably assured. Revenue from the rental of HVAC equipment is recognized straight line based on rental rates over the term commencing from the installation date.

Energy Efficiency

Revenue from sales of Energy Efficiency equipment is recognized upon delivery or installation, when the selling price has been determined, and the ability to collect is reasonably assured.

Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company's US based Gas & Power operations is the US dollar. The functional currency of the Company's Canadian based Gas & Power, Home Comfort and Energy Efficiency operations is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars, which is the parent Company's presentation and functional currency.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income (loss).

Translation of foreign operations

The results and consolidated financial position of all the subsidiary entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

ONEnergy Inc.

Notes to the consolidated financial statements

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

For the year ended December 31, 2017

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position; and
- income and expenses for each consolidated statement of income (loss) are translated at the exchange rates prevailing at the dates of the transactions.

On consolidation, exchange differences arising from the translation of the foreign operations are recorded to other comprehensive income (loss).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Per share amounts

The computation of earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share are computed in a similar way to basic earnings per share except that the weighted average number of shares outstanding is increased to include additional shares assuming the exercise of stock options and deferred share units, if dilutive.

Share-based compensation plans

Stock option plans

ONEnergy accounts for its share-based options compensation as equity-settled transactions. The cost of share-based options compensation is measured by reference to the fair value at the date on which it was granted. Options awards are valued at the grant date and are not adjusted for changes in the prices of the underlying shares and other measurement assumptions. The cost of equity-settled transactions is recognized, together with the corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant grantee becomes fully entitled to the award. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting period reflects the extent to which the vesting period has expired and ONEnergy's best estimate of the number of shares that will ultimately vest. The expense or credit recognized for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Deferred share unit plan

Non-executive directors are eligible to receive part or all of their quarterly directorship fees in deferred share units ("DSUs"). DSUs are expensed on the date of grant since they vest immediately, although they are not payable until a director's separation date. DSUs are settled at the option of the holder in (i) cash; (ii) Common Shares in the Company or (iii) a combination of cash and Common Shares in the Company. The DSUs are classified as a liability once vested, and are re-measured to fair value at each reporting date and included in accounts payable and accrued liabilities. Fair value is based on the number of units vested and the underlying price of the Company's shares. The DSUs are governed by the provisions of the Company's Deferred Share Unit Plan.

Equity transaction costs

Transaction costs incurred by the Company in issuing, acquiring or selling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Income taxes

Income tax expense consists of current and deferred tax expense.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred

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tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries, branches and associates, and interest in joint ventures where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Non-current assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income (loss). Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

3. Significant accounting judgments, estimates and assumptions

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

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

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

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Revenue recognition

Accounts receivable includes an unbilled receivables component, representing the amount of energy consumed by customers as at the end of the period but not yet billed. Unbilled receivables are estimated by the Company based on the number of units of energy consumed but not yet billed, based on usage data available, multiplied by the current customer average sales price per unit.

Provisions

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

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

Fair value of financial instruments

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

Impairment of non-financial assets

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

4. 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* ("IFRS 9") 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 where 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. Management's preliminary assessment is the adoption of this standard will not have a significant impact on the consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"): 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:

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- 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.

Management's preliminary assessment that the application of the new standard may have an impact on the reported results, including specifically the treatment of acquiring customer contracts. The treatment of costs incurred in acquiring customer contracts will be impacted as IFRS 15 requires certain contract acquisition costs (such as sales commissions) to be recognized as an asset and amortized into operating expenses over time. Currently, these costs are expensed as incurred.

This standard is effective for annual periods beginning on or after January 1, 2018 and is required to be applied retrospectively.

IFRS 16, *Leases* ("IFRS 16"): 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 present 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.

Management is assessing the impact of this standard on the consolidated financial statements. However, management believes that the result will be a significant increase to assets and liabilities, as the Company is required to record a right-of-use asset and a lease liability on the Consolidated Statement of Financial Position for its operating leases. Management also believes there will be a decrease in operating costs due to the reduction of operating lease expense, an increase in finance costs, due to the accretion of the lease liability, and an increase in depreciation and amortization, due to the amortization of the right-of-use asset.

5. Seasonality

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

6. Restricted cash

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

- The Company had deposits of \$2,993 at December 31, 2016 held as collateral to support letters of credit issued by the Company and as financial assurance against our operations in certain U.S. and Canadian markets. The deposits have been reclassified to assets held for sale.
- The Company had cash of \$247 at December 31, 2016 that is pledged as collateral against energy purchases and other obligations under its commodity supply and credit facility agreement with Shell Energy North America (Canada) Inc. and Shell Energy North America (US), L.P. (collectively "Shell Energy"). The cash has been reclassified to assets held for sale.

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For the year ended December 31, 2017

7. Accounts and other receivables

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

As at December 31	2017	2016
Trade receivables	\$ 363	\$ 3,188
Unbilled receivables	146	2,734
Other receivables	172	122
Total	\$ 681	\$ 6,044

8. Property and equipment

As at December 31, 2017

	Rental equipment	Computer hardware	Office furniture and equipment	Leasehold improvement	Total property and equipment
Cost					
Balance at January 1, 2017	\$ -	\$ 102	\$ 176	\$ 401	\$ 679
Additions	2,145	-	-	-	2,145
Transfer to assets classified as held for sale (note 11)	(2,145)	-	-	-	(2,145)
Balance at December 31, 2017	-	102	176	401	679
Accumulated depreciation					
Balance at January 1, 2017	-	97	131	174	402
Depreciation	-	2	19	52	73
Balance at December 31, 2017	-	99	150	226	475
Net book value					
As at December 31, 2017	\$ -	\$ 3	\$ 26	\$ 175	\$ 204

As at December 31, 2016

	Rental equipment	Computer hardware	Office furniture and equipment	Leasehold improvement	Total property and equipment
Cost					
Balance at January 1, 2016	\$ -	\$ 102	\$ 176	\$ 413	\$ 691
Additions	5,118	-	-	11	5,129
Disposal	-	-	-	(6)	(6)
Impairment loss on assets	-	-	-	(17)	(17)
Transfer to assets classified as held for sale (note 11)	(5,118)	-	-	-	(5,118)
Balance at December 31, 2016	-	102	176	401	679
Accumulated depreciation					
Balance at January 1, 2016	-	88	84	110	282
Depreciation	-	9	47	70	126
Disposal	-	-	-	(6)	(6)
Balance at December 31, 2016	-	97	131	174	402
Net book value					
As at December 31, 2016	\$ -	\$ 5	\$ 45	\$ 227	\$ 277

ONEnergy Inc.

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9. Intangible assets

As at December 31, 2017

	Customer contracts	Computer software	Non-compete agreement	Total intangible assets
Cost				
Balance at January 1, 2017	\$ 919	\$ 204	\$ -	\$ 1,123
Balance at December 31, 2017	919	204	-	1,123
Accumulated amortization				
Balance at January 1, 2017	767	161	-	928
Amortization	152	42	-	194
Balance at December 31, 2017	919	203	-	1,122
Net book value				
As at December 31, 2017	\$ -	\$ 1	\$ -	\$ 1

As at December 31, 2016

	Customer contracts	Computer software	Non-compete agreement	Total intangible assets
Cost				
Balance at January 1, 2016	\$ 919	\$ 204	\$ 25	\$ 1,148
Disposals, retirements and other	-	-	(20)	(20)
Impairment loss on assets	-	-	(5)	(5)
Balance at December 31, 2016	919	204	-	1,123
Accumulated amortization				
Balance at January 1, 2016	546	89	8	643
Amortization	221	72	12	305
Disposals, retirements and other	-	-	(20)	(20)
Balance at December 31, 2016	767	161	-	928
Net book value				
As at December 31, 2016	\$ 152	\$ 43	\$ -	\$ 195

10. Goodwill

Cost	
Balance at January 1, 2016	\$ 794
Impairment loss on assets	(248)
Balance at December 31, 2016	546
Transfer to assets classified as held for sale (note 11)	(546)
Balance at December 31, 2017	\$ -

11. Discontinued operations

(a) 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

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this is a non-core business. At December 31, 2017 and December 31, 2016 Home Comfort was classified as held for sale and as a discontinued operation.

During 2015, the Company reviewed a number of proposals to acquire Home Comfort. In December 2015, Cricket Energy Holdings Inc. ("Cricket") expressed an interest in acquiring Home Comfort. As an indication of their interest, Cricket advanced \$1,109 in cash and working capital support during the year ended December 31, 2017. The advances carry no interest and are repayable on demand. The balance outstanding as at December 31, 2017 was \$3,478 (December 31, 2016 - \$3,808). On March 9, 2017, the Company entered into a letter of intent ("LOI") with Cricket whereby Cricket will acquire Home Comfort for \$8,300. One of Cricket's significant shareholders is also a shareholder of ONEnergy. The purchase price will be satisfied with cash and a promissory note. In addition, the Company will deliver a promissory note to Cricket for the working capital advances outstanding on closing. The promissory notes will be non-interest bearing and will be payable on demand. The disposition of Home Comfort was approved by shareholders at a special meeting of shareholders held on September 28, 2017 (the "Special Meeting"). Cricket and the Company are currently negotiating a definitive agreement (the "Home Comfort Sale Agreement") which will set forth the detailed terms of Home Comfort's sale to Cricket. The Home Comfort Sale Agreement was expected to be executed in conjunction with the completion of the Transaction with OZZ Electric Inc. However, the Transaction was terminated due to circumstances beyond the Company's control (see note 26 for additional information). The sale is subject to final regulatory approval and is expected to close during 2018.

The results of Home Comfort for the year are presented below:

Years ended December 31	2017	2016
Revenue	\$ 2,414	\$ 2,745
Cost of sales	11	71
Gross margin	2,403	2,674
Expenses		
Selling	106	79
General and administrative	366	385
	472	464
Income before the undernoted	1,931	2,210
Other gains (expenses)		
Finance income	4	1
Finance cost	(913)	(1,156)
Gain on disposal of equipment	107	233
Impairment loss recognized on the remeasurement to estimated fair value less costs to sell	(1,942)	(1,600)
Loss from discontinued operations	\$ (813)	\$ (312)
Loss per share from discontinued operations		
Basic and diluted	\$ (0.03)	\$ (0.01)

Deferred tax assets have not been recognized for the following:

Years ended December 31	2017	2016
Non-capital tax loss carry-forwards	\$ 170	\$ 441
Excess of tax over book basis – property and equipment	950	464
	\$ 1,120	\$ 905

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For the year ended December 31, 2017

Unrecognized losses available for carryforward will expire in the taxation years ending December 31 as follows:

Year	Amount
2032	164
2033	119
2034	359
	\$ 642

The major classes of assets and liabilities of Home Comfort classified as held for sale are as follows:

As at December 31	2017	2016
Assets		
Current assets		
Restricted cash	\$ 466	\$ 867
Accounts and other receivables	-	352
Inventory	-	11
	466	1,230
Non-current assets		
Property and equipment	14,346	18,875
Assets classified as held for sale	\$ 14,812	\$ 20,105
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 52
Current portion of long-term debt (note 16)	1,736	1,934
	1,736	1,986
Non-current liabilities		
Long-term debt (note 16)	7,145	9,631
Liabilities directly associated with assets classified as held for sale	\$ 8,881	\$ 11,617

Following the classification as discontinued operations, an impairment loss of \$1,942 was recognized during the year ended December 31, 2017 (2016 - \$1,600) to reduce the carrying amount of the assets in the disposal group to the fair value less costs to sell. This was recognized in discontinued operations in the consolidated statement of income (loss).

The major categories of expenses are as follows:

Years ended December 31	2017	2016
Cost of equipment sales	\$ 11	\$ 71
Selling cost	54	31
Personnel	80	41
Professional fees	19	29
Office and other expenses	319	363
	\$ 483	\$ 535
Reported as		
Cost of sales	\$ 11	\$ 71
Selling	106	79
General and administrative	366	385
	\$ 483	\$ 535

ONEnergy Inc.

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(b) Gas & Power

In November 2017 the Company formally commenced a process to sell Gas & Power. Gas & Power 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 Gas & Power is due to be completed within the next 12 months. At December 31, 2017 Gas & Power was classified as held for sale and as a discontinued operation.

The results of Gas & Power for the year are presented below:

Years ended December 31	2017	2016
Revenue	\$ 44,016	\$ 34,609
Cost of sales	43,107	30,844
Gross margin	909	3,765
Expenses		
Selling	1,703	2,132
General and administrative	2,394	2,456
	4,097	4,588
Loss before the undernoted	(3,188)	(823)
Other gains (expenses)		
Change in fair value of derivative instruments (note 25)	(83)	829
Finance income	33	10
Finance cost	(369)	(198)
Foreign exchange loss	(9)	-
Loss from discontinued operations	\$ (3,616)	\$ (182)
Loss per share from discontinued operations		
Basic and diluted	\$ (0.15)	\$ (0.01)

Deferred tax assets have not been recognized for the following:

Years ended December 31	2017	2016
Non-capital tax loss carry-forwards	\$ 3,209	\$ 2,686
Excess of tax over book basis	189	58
	\$ 3,398	\$ 2,744

Unrecognized losses available for carryforward will expire in the taxation years ending December 31 as follows:

Year	Amount
2032	676
2033	1,726
2034	4,875
2035	5
2036	783
2037	3,118
	\$ 11,183

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The major classes of assets and liabilities of Gas & Power classified as held for sale are as follows:

As at December 31	2017	
Assets		
Current assets		
Cash	\$	14
Restricted cash		5,567
Accounts and other receivables		6,643
Natural gas delivered in excess of consumption		361
Prepaid expenses and deposits		37
Current portion of energy derivatives (note 25)		649
		13,271
Non-current assets		
Energy derivatives (note 25)		171
Goodwill (note 10)		546
Assets classified as held for sale	\$	13,988
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$	5,004
Payments received in advance of consumption		354
Credit facility (note 13)		4,729
Current portion of energy derivative (note 25)		418
		10,505
Non-current liabilities		
Energy derivative (note 25)		84
Liabilities directly associated with assets classified as held for sale	\$	10,589

The major categories of expenses are as follows:

Years ended December 31	2017		2016	
Cost of gas and electricity	\$	43,107	\$	30,844
Selling cost		734		845
Personnel		1,678		2,039
Professional fees		339		259
Litigation costs (note 23(b))		-		-
Occupancy		8		16
Office and other expenses		1,152		1,120
Depreciation and amortization		186		309
	\$	47,204	\$	35,432
<hr/>				
Years ended December 31	2017		2016	
Reported as				
Cost of sales	\$	43,107	\$	30,844
Selling		1,703		2,132
General and administrative		2,394		2,456
	\$	47,204	\$	35,432

ONEnergy Inc.

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12. Accounts payable and accrued liabilities

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

As at December 31	2017	2016
Accounts payable	\$ 2,846	\$ 1,572
Accrued liabilities	3,364	7,851
Total	\$ 6,210	\$ 9,423

13. Credit facility

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

The commodity supply agreements allow for Shell Energy to provide Gas & Power with wholesale electricity, natural gas, carbon offsets, and renewable energy credits in Canada and six US states, namely Connecticut, New York, Pennsylvania, Illinois, Massachusetts and Ohio. The agreements can be further expanded to cover additional states as Gas & Power moves into additional deregulated markets for natural gas and electricity.

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 December 31, 2017, LIBOR was 1.69% (December 31, 2016 – 1.00%). 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 December 31, 2017, Gas & Power was non-compliant with two covenants in the Shell credit agreements. An additional interest rate penalty of 0.5% is applied until Gas & Power becomes compliant with this covenant.

As at December 31, 2017, Gas & Power had \$4,081 (US\$3,253) (December 31, 2016 - \$1,911) outstanding under the U.S. collateral credit facility and \$648 (US\$517) (December 31, 2016 - \$NIL) outstanding under the U.S. revolving credit facility. In 2016 and 2017, 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 December 31, 2017, a total of US\$5,000 (December 31, 2016 – US\$5,000) was available to be drawn on these facilities. Under the Canadian credit facilities, a total of \$1,000 (December 31, 2016 - \$1,000) was available to be drawn. Interest is provided at 8.0% per annum on the collateral credit facility plus an interest penalty of 0.5%; and at 7.0% per annum on the revolving credit facility plus an interest penalty of 0.5%.

As partial consideration for entering into the agreements above, Gas & Power has agreed to provide Shell Energy with a "participation" payment based upon the performance of Gas & Power during the term of the agreements. A participation payment is payable to Shell Energy upon Gas & Power reaching certain milestones such as customer count thresholds, an acquisition of control of Gas & Power, 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

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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 December 31, 2017 and December 31, 2016 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 December 31, 2017 and December 31, 2016.

The credit facility has been reclassified to liabilities relating to assets held for sale.

14. Convertible note payable

As at December 31	2017	2016
Principal	\$ 1,200	\$ -
Accrued interest payable	60	-
Less: unamortized transaction costs	(77)	-
	\$ 1,183	\$ -

On August 3, 2017, the Company entered into an agreement to issue a \$1,200 convertible note (the "Convertible Note"). The Convertible Note has a 12 month duration, a 12% coupon and is convertible into common shares of the Company at a conversion rate of \$0.50 per share. The Convertible Note may be redeemable by the noteholder at par plus \$85 plus accrued and unpaid interest upon 30 days written notice. The securities issued under this private placement will be subject to a four-month hold period. The Company incurred transaction costs of \$132 and has shown the Convertible Note net of the unamortized transaction costs. The Convertible Note contained an equity component which was considered nominal.

15. Promissory note payable

As at December 31	2017	2016
Principal	\$ 210	\$ -
Less: unamortized transaction costs	(7)	-
	\$ 203	\$ -

During November and December 2017, the Company entered into agreements to issue \$210 of promissory notes (the "Promissory Notes"). The Promissory Notes bear interest at 8% per annum and mature on March 31, 2018. The Company incurred transaction costs of \$7 and has shown the Promissory Notes net of the unamortized transaction costs.

16. Long-term debt

As at December 31	2017	2016
Equipment financing		
Principal	\$ 8,862	\$ 11,541
Accrued Interest payable	19	24
	8,881	11,565
Less: transfer to liabilities relating to assets classified as held for sale (note 11)	(8,881)	(11,565)
	\$ -	\$ -

The Company finances the cost of rental equipment over a period of seven to ten years. The loans bear interest at rates of 8.9% per annum. Principal and interest are repayable on a monthly basis. The lender retains a portion of the financing proceeds as security ("financing reserve"). This financing reserve is currently at \$466 (December 31, 2016 - \$673) and is included in assets classified as held for sale. The financing reserve becomes available to the Company as the debt is repaid. The loans are secured by the rental contracts and the rental equipment that is financed. The loans have been reclassified to liabilities relating to assets held for sale.

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17. Share capital

(a) Authorized

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

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

(b) Issued and outstanding

Shares (in thousands)	Common Shares	
Balance, as at January 1, 2016	24,122	\$ 39,477
Normal course issuer bid purchase of Common Shares (note 17(g))	(147)	(241)
Balance, as at December 31, 2016	23,975	\$ 39,236
Balance, as at December 31, 2017	23,975	\$ 39,236

(c) Stock option plans

On July 9, 2013, the Board approved the 2013 Stock Option Plan (“2013 Plan”). Details of the stock options transactions are as follows:

	Weighted average remaining contractual life	Number of options (in thousands)	Weighted average exercise price
Outstanding as at January 1, 2016	7.84	1,910	\$ 1.29
Granted		-	-
Forfeited		(1,177)	1.34
Outstanding as at December 31, 2016	7.01	733	1.20
Granted		-	-
Forfeited		(71)	0.86
Outstanding as at December 31, 2017	5.85	662	\$ 1.24
Exercisable as at December 31, 2016	6.99	486	1.24
Exercisable as at December 31, 2017	5.78	553	\$ 1.28

The Company uses the Black-Scholes option pricing model to estimate fair value of options granted. No options were granted during the years ended December 31, 2017 and December 31, 2016.

(d) Earnings (loss) per share

Years ended December 31	2017	2016
Income (loss) from continuing operations	\$ (3,762)	\$ 3,013
Income (loss) attributable to shareholders	\$ (8,191)	\$ 2,519
Weighted average number of shares outstanding (in thousands)	23,975	24,059
Basic and diluted earnings (loss) per share from continuing operations	\$ (0.16)	\$ 0.13
Basic and diluted earnings (loss) per share attributable to shareholders	\$ (0.34)	\$ 0.11

Basic earnings (loss) per share is calculated by dividing the total income (loss) by the weighted average number of shares outstanding during the period. Outstanding stock options, as at December 31, 2017, of 662 (December 31, 2016 – 733) and Deferred Share Units (“DSUs”), as at December 31, 2017, of 506 have not been factored into the calculation as they are considered anti-dilutive. DSUs of 344, as at December 31, 2016, have been factored into the calculation.

ONEnergy Inc.

Notes to the consolidated financial statements

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(e) Deferred share unit plan

The Company awarded 162 DSUs to a director during the year ended December 31, 2017 (2016 – 211 to non-executive directors). These DSUs vest immediately and expire between January 2027 and December 2027.

DSUs are settled at the option of the holder in (i) cash; (ii) Common Shares in the Company or (iii) a combination of cash and Common Shares in the Company.

	Deferred share unit (in thousands)	Weighted average grant price ⁽¹⁾
Outstanding as at January 1, 2016	133	\$ 0.57
Granted	211	0.40
Outstanding as at December 31, 2016	344	0.47
Granted	162	0.30
Outstanding as at December 31, 2017	506	\$ 0.42

During the year ended December 31, 2017 the Company recorded a recovery of \$28 (2016 – compensation expense of \$89) related to the DSUs granted. As at December 31, 2017, a liability of \$101 (December 31, 2016 - \$129) related to the DSUs granted is included in accounts payable and accrued liabilities (note 12).

(f) Purchase of shares for cancellation pursuant to normal course issuer bid

On October 7, 2015 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 Exchange. During the year ended December 31, 2016 the Company purchased 147 Common Shares for cancellation through the facilities of the Exchange pursuant to the NCIB. The excess of the average stated value over the purchase price of shares purchased for cancellation is credited to contributed surplus. The Company ceases to consider shares outstanding on the date of purchase of the shares, although the actual cancellation of the shares by the transfer agent and registrar occurs on a timely basis on a date shortly thereafter. The NCIB expired on October 7, 2016 and was not renewed by the Company.

18. Segment disclosure

For the year ended December 31, 2017, the Company reports operations in two reportable segments: Gas & Power and Home Comfort. The Company has chosen to organize the entity around differences in products and service. Substantially all of its revenue for the year ended December 31, 2017 was derived from these two business segments. The balance of revenue was derived from the Energy Efficiency business which does not meet the quantitative thresholds to be disclosed as a separate reportable segment. The revenue for the Energy Efficiency business is disclosed under Corporate & Others.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The Company is not considered to have any key customers.

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For the year ended December 31, 2017

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ 2,004	\$ 2,004
Cost of sales	-	-	2,096	2,096
Gross margin	-	-	(92)	(92)
Selling	-	-	1,001	1,001
General and administrative	-	-	2,534	2,534
Loss before the undernoted	-	-	(3,627)	(3,627)
Finance income	-	-	2	2
Finance cost	-	-	(131)	(131)
Foreign exchange loss	-	-	(6)	(6)
Loss from continuing operations	-	-	(3,762)	(3,762)
Discontinued operations	(3,616)	(813)	-	(4,429)
Loss for the year	\$ (3,616)	\$ (813)	\$ (3,762)	\$ (8,191)

For the year ended December 31, 2016

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ 1,702	\$ 1,702
Cost of sales	-	-	1,388	1,388
Gross margin	-	-	314	314
Selling	-	-	1,632	1,632
General and administrative	-	-	2,587	2,587
Loss before the undernoted	-	-	(3,905)	(3,905)
Change in fair value of derivative instruments	-	-	-	-
Finance income	-	-	31	31
Finance cost	-	-	(11)	(11)
Foreign exchange loss	-	-	(7)	(7)
Impairment loss on assets	-	-	(270)	(270)
Legal settlement	-	-	7,175	7,175
Income from continuing operations	-	-	3,013	3,013
Discontinued operations	(182)	(312)	-	(494)
Income (loss) for the year	\$ (182)	\$ (312)	\$ 3,013	\$ 2,519

Geographic information

Revenue from total operations from external customers:

Years ended December 31	2017		2016	
Canada	\$	7,914	\$	7,575
United states		40,520		31,481
	\$	48,434	\$	39,056

Non-current assets

Non-current assets consist of energy derivatives, property and equipment, intangible assets and goodwill. The energy derivatives and a portion of goodwill are held in the U.S. All other non-current assets are held in Canada.

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For the year ended December 31, 2017

19. Expenses

Years ended December 31	2017	2016
Cost of equipment sales	\$ 2,096	\$ 1,388
Selling cost	141	159
Personnel	735	2,600
Professional fees	1,220	799
Litigation costs (note 23(b))	1,000	102
Occupancy	207	325
Office and other expenses	151	112
Depreciation and amortization	81	122
	\$ 5,631	\$ 5,607

Years ended December 31	2017	2016
Reported as		
Cost of sales	\$ 2,096	\$ 1,388
Selling	1,001	1,632
General and administrative	2,534	2,587
	\$ 5,631	\$ 5,607

20. Supplemental cash flow information

Change in non-cash operating assets and liabilities consist of the following:

Years ended December 31	2017	2016
Accounts and other receivables	\$ 5,363	\$ (2,295)
Inventory	527	312
Natural gas delivered in excess of consumption	187	142
Prepaid expenses and deposits	185	(31)
Accounts payable and accrued liabilities	(3,213)	2,242
Payments received in advance of consumption	(144)	(104)
	\$ 2,905	\$ 266

21. Related party transactions

(a) Compensation of key management personnel

The Company's key management personnel are comprised of the Board of Directors and officers of the Company.

Years ended December 31	2017	2016
Salaries, bonuses, fees, separation payments and short-term employee benefits	\$ 620	\$ 1,353
Stock-based compensation	128	335
	\$ 748	\$ 1,688

(b) Promissory note payable

Included in the Promissory Notes (see note 15) is \$100 advanced by a director.

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Notes to the consolidated financial statements

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22. Income taxes

The provision for income taxes differs from the results that would be obtained by applying consolidated Canadian Federal, Provincial (Ontario), U.S. Federal and State statutory income tax rates to profit or loss from continuing operations before income taxes.

This difference results from the following:

Years ended December 31	2017	2016
Income (loss) from continuing operations before income taxes	\$ (3,762)	\$ 3,013
Statutory income tax rate	26.5%	26.5%
Income tax expense (recovery) at combined Federal and Provincial rates	\$ (997)	\$ 798
Increase (decrease) in income tax resulting from:		
Non-deductible expenses	23	165
Change in unrecognized deferred tax assets	974	(963)
Income tax expense	\$ -	\$ -

Deferred tax assets have not been recognized for the following:

Years ended December 31	2017	2016
Non-capital tax loss carry-forwards	\$ 43,305	\$ 42,353
Excess of tax over book basis	371	349
	\$ 43,676	\$ 42,702

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	5,084
2029	115,583
2030	5,748
2031	19,992
2032	3,457
2033	3,702
2034	2,967
2035	3,290
2037	3,593
	\$ 163,416

23. Commitments and contingencies

(a) Commitments

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

December 31, 2017

	Between one			Total
	Less than one year	and five years	More than five years	
Non-cancellable lease	\$ 233	\$ 365	\$ -	\$ 598
Non-cancellable sublease	(179)	(161)	-	(340)
	\$ 54	\$ 204	\$ -	\$ 258

ONEnergy Inc.

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December 31, 2016

	Less than one year	Between one and five years	More than five years	Total
Non-cancellable lease	\$ 207	\$ 598	\$ -	\$ 805
Non-cancellable sublease	(171)	(340)	-	(511)
	\$ 36	\$ 258	\$ -	\$ 294

(b) Contingencies

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

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 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 was 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 trial against the McGoey Defendants began on April 10, 2017 and concluded on May 23, 2017. On June 1, 2017, Justice Conway of the Ontario Superior Court of Justice granted judgment in favour of the Company against the McGoey Defendants, in the amount of \$5,766 plus legal costs and interest, for breach of fiduciary duty in respect of the decision of the former board of directors of the Company to award certain equity cancellation payments and performance bonuses to Look's senior management and directors. The judgment also grants both a constructive trust and a tracing order over the damages owing.

On June 27, 2017, the McGoey Defendants filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act, and had until September 9, 2017 to make a proposal subject to order of the court. The deadline to file a proposal was extended to October 24, 2017 and further extended to November 14, 2017, by which date a proposal (the "Proposal") was filed with the court. In connection with the Proposal, the Company filed a Proof of Claim in respect of the amounts owing. At the General Meeting of Creditors ("Creditors' Meeting") held on December 12, 2017, creditors who were qualified to vote at the Creditors' Meeting did not approve the Proposal with the result that the McGoey Defendants were each deemed to have

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thereupon made an assignment in bankruptcy. The Company is now pursuing its collection effort through the bankruptcy process.

On June 30, 2017, the McGoey Defendants filed a Notice of Appeal with the Court of Appeal for Ontario. ONEnergy expects the appeal to be heard in 2018 and is confident the appeal will be dismissed.

(ii) Proceedings under the Ontario Consumer Protection Act:

In December 2016 the Ontario Ministry of Government and Consumer Services (the "Ministry") laid 16 charges against Home Comfort, 16 charges against two current directors of Home Comfort, and 2 charges against a current employee of Home Comfort, alleging breaches of the Consumer Protection Act, 2002 (Ontario). The Ministry alleges that Home Comfort engaged in unfair practices by making misrepresentations to consumers, that it failed to refund payments to consumers within 15 days of notice of cancellation of a consumer agreement, and failed to provide either consumer agreements or disclosure statements containing all required information to consumers. The directors are alleged to have failed to have taken reasonable care to prevent Home Comfort from committing the offences.

All of the offences are alleged to have occurred during the period between September 2014 and April 2015, inclusive, and relate to the sale of heating, ventilation and air conditioner products to consumers at their homes. Home Comfort no longer utilizes the door to door business model.

The charges against Home Comfort are punishable by a maximum fine of \$250 per count. The maximum fine to which the directors and employee are subject is \$50 per count.

Home Comfort attended the Ontario Court of Justice ("Ontario Court") on several dates in November 2017 and the matter was resolved with nominal fines to Home Comfort. All charges against Home Comfort's directors and employee were withdrawn by the Ministry.

- (iii) In the normal course of its operations, the Company may be subject to other litigation and claims.
- (iv) 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.
- (v) Gas & Power is subject to a participation payment to Shell Energy (note 13) upon certain triggering events occurring.

24. 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, targeted asset acquisitions and new infrastructure to support expansion into new markets. During 2017 and 2016, the Company used a combination of cash, credit facility financing and debt financing to meet its investment strategy. 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.

25. Financial instruments and risk management

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

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

Risk management

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

Commodity pricing and mark-to-market risk

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

The fair values of the Company's financial instruments are significantly influenced by the variability of forward spot prices for electricity and natural gas. Period to period changes in forward spot prices could cause significant changes in the mark to market valuation ("MTM valuation") of these contracts. If forward spot prices increased by 10%, loss for the year would have been \$1,921 lower, whereas if forward spot prices decreased by 10%, loss for the year would have been \$1,920 higher, primarily as a result of the change in fair value of the Company's derivative instruments.

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. For Energy Efficiency, the Company receives deposits in advance of performing installations thereby reducing its overall exposure on individual projects, such that the Company is not susceptible to an individually significant write-off.

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

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

Years ended December 31	2017	2016
Accounts and other receivables		
Current	\$ 6,943	\$ 6,149
31- 90 days	283	184
Over 90 days	98	63
	\$ 7,324	\$ 6,396

The Company's maximum assessed exposure to credit risk, as at December 31, 2017 and 2016, 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 and 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.

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, derivative instruments, credit facility, notes payable, long-term debt and commitments. The payments due by period, excluding liabilities relating to assets classified as held for sale, are set out in the following table:

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As at December 31, 2017

	Payment due by period			
	Between one			Total
	Less than one year	and five years	More than five years	
Accounts payable and accrued liabilities	\$ 6,210	\$ -	\$ -	\$ 6,210
Advances from Cricket Energy Holdings Inc.	3,478	-	-	3,478
Convertible note payable	1,183	-	-	1,183
Promissory note payable	203	-	-	203
Commitments	54	204	-	258
	\$ 11,128	\$ 204	\$ -	\$ 11,332

As at December 31, 2016

	Payment due by period			
	Between one			Total
	Less than one year	and five years	More than five years	
Accounts payable and accrued liabilities	\$ 9,423	\$ -	\$ -	\$ 9,423
Payments received in advance of consumption	144	-	-	144
Credit facility	1,911	-	-	1,911
Advances from Cricket Energy Holdings Inc.	3,808	-	-	3,808
Energy derivatives	12,618	2,156	-	14,774
Commitments	36	258	-	294
	\$ 27,940	\$ 2,414	\$ -	\$ 30,354

Derivative financial instruments

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

ONEnergy Inc.

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At December 31, 2017, the Company had the following financial instruments classified as fair value through profit and loss:

Fixed-for-floating electricity swaps - Canada

Notional volumes (on-peak/off-peak)	5,152 MWh / 4,754 MWh
Total remaining notional volume	9,906 MWh
Maturity dates	March 31, 2018 to December 31, 2018
Fixed price per MWh (in dollars)	\$20.65 to \$47.34
Fair value favourable/(unfavourable)	\$(104)
Notional value	\$196

Physical electricity forward contracts – U.S.

Notional volumes (on-peak/off-peak)	202,174 MWh / 185,999 MWh
Total remaining notional volume	388,173 MWh
Maturity dates	February 28, 2018 to November 30, 2022
Fixed price per MWh (in U.S. dollars)	\$26.20 to \$71.40
Fair value favourable/(unfavourable)	\$637
Notional value	\$16,144

Natural gas forward contracts - Canada

Total remaining notional volume	286,262 GJ
Maturity dates	March 31, 2018 to October 31, 2020
Fixed price per GJ (in dollars)	\$2.47 to \$4.55
Fair value favourable/(unfavourable)	\$(382)
Notional value	\$556

Change in fair value of derivative instruments:

Years ended December 31	2017	2016
Fixed-for-floating electricity swaps	\$ 2	\$ 188
Physical electricity forward contracts	233	400
Natural gas forward contracts	(318)	241
	\$ (83)	\$ 829

Fair Values

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

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

As at December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	\$ 282	\$ -	\$ -	\$ 282
Restricted cash	6,033	-	-	6,033
Accounts and other receivables	-	7,324	-	7,324
Energy derivatives	-	-	820	820
Financial liabilities				
Accounts payable and accrued liabilities	-	(11,214)	-	(11,214)
Payments received in advance of consumption	-	(354)	-	(354)
Credit facility	-	(4,729)	-	(4,729)
Advances from Cricket Energy Holdings Inc.	-	(3,478)	-	(3,478)
Convertible note payable	-	(1,183)	-	(1,183)
Promissory note payable	-	(203)	-	(203)
Energy derivatives	-	-	(502)	(502)
Long-term debt	-	(8,881)	-	(8,881)
	\$ 6,315	\$ (22,718)	\$ 318	\$ (16,085)

As at December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	\$ 2,746	\$ -	\$ -	\$ 2,746
Restricted cash	4,107	-	-	4,107
Accounts and other receivables	-	6,396	-	6,396
Energy derivatives	-	-	521	521
Financial liabilities				
Accounts payable and accrued liabilities	-	(9,475)	-	(9,475)
Payments received in advance of consumption	-	(144)	-	(144)
Credit facility	-	(1,911)	-	(1,911)
Advances from Cricket Energy Holdings Inc.	-	(3,808)	-	(3,808)
Energy derivatives	-	-	(212)	(212)
Long-term debt	-	(11,565)	-	(11,565)
	\$ 6,853	\$ (20,507)	\$ 309	\$ (13,345)

Key assumptions used when determining the significant unobservable inputs included in Level 3 of the FV hierarchy consist of:

- (i) discount for lack of marketability up to 1.5%. Discount for lack of marketability represents the amounts the Company has determined that market participants would take into account when pricing these derivative instruments;
- (ii) discount for counterparty non-performance risk in the range of 0.19% to 0.34%; and
- (iii) discount rate of 7%.

The following table illustrates the changes in net fair value of financial assets (liabilities) classified as Level 3 in the FV hierarchy for the periods ended:

Years ended December 31	2017	2016
Balance, beginning of period	\$ 309	\$ (571)
Gains (losses)	(333)	59
Purchases	767	538
Settlements	(425)	283
Balance, end of period	\$ 318	\$ 309

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Classification of financial assets and liabilities

As at December 31, 2017 and December 31, 2016 the carrying value of cash, restricted cash, accounts and other receivables, accounts payable and accrued liabilities, payments in advance of consumption, credit facility and advances from Cricket Energy Holdings Inc. approximates their fair value due to their short-term nature. The carrying value of the convertible note payable and promissory note payable approximates its fair value as its interest payable on outstanding amounts approximates the Company's current cost of debt.

Interest rate risk

The Company is exposed to interest rate fluctuations associated with its floating rate credit facility. 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.

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 year ended December 31, 2017, assuming that all the other variables had remained constant, comprehensive loss would have been \$182 lower/higher (2016 – comprehensive income \$42 higher/lower).

26. Termination of Arrangement Agreement with OZZ Electric Inc.

On December 21, 2016, ONEnergy announced it entered into an LOI with OZZ Electric Inc. ("OZZ"), which contemplates an acquisition of all of the common shares of OZZ in exchange for the issuance of common shares of a successor corporation to ONEnergy (the "Transaction"). The controlling shareholder of OZZ is also a shareholder of ONEnergy and one of Cricket's significant shareholders. Completion of the Transaction would potentially result in a reverse takeover and change of business of the Company under the policies of the Exchange.

On August 10, 2017, ONEnergy, OZZ and OZZ Clean Energy Inc. ("OCE") entered into an arrangement agreement (the "Arrangement Agreement"), whereby ONEnergy, OZZ and OCE propose to effect a plan of arrangement (the "Arrangement") in accordance with Section 182 of the Business Corporations Act (Ontario). Subsequent to entering into the previously announced letter of intent with respect to the proposed Arrangement, ONEnergy and OZZ agreed to include OCE as part of the proposed Arrangement. OCE is a private company that is an affiliate of OZZ.

At the Special Meeting held on September 28, 2017, the shareholders approved the Arrangement. On August 14, 2017, the Ontario Superior Court (the "Court") granted interim approval of the Arrangement. On October 4, 2017, after receiving shareholder approval, the Company received final approval of the Arrangement from the Court.

The Arrangement Agreement was contingent on completing several conditions precedent, including the completion of a proposed minimum financing of \$23,000 (the "Minimum Financing") to finance the combined entity. Several conditions precedent were not completed, including the Minimum Financing which could not be completed on favourable terms acceptable to the parties to the Arrangement, and as a result, on November 13, 2017, the parties to the Arrangement entered into an agreement mutually terminating the Arrangement.

27. Subsequent Events

On April 26, 2018, the Company announced it entered into an LOI with Suske Capital Inc. ("Suske Capital"), on behalf of certain Suske Capital subsidiaries and other entities (collectively, the "Suske Parties"), that outlines the basic terms and conditions of a proposed reorganization of ONEnergy and a subsequent business combination

ONEnergy Inc.

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

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(the "Transaction") with the Suske Parties. Completion of the Transaction would potentially result in a reverse takeover and change of business of the Company under the policies of the Exchange.

The LOI will be followed by negotiations between ONEnergy and Suske Capital, on behalf of the Suske Parties, that are expected to result in a definitive agreement ("Definitive Agreement"), which will set forth the detailed terms and conditions of the Transaction as are customary for transactions of this nature.