

Unaudited Interim Condensed Consolidated Financial Statements of

ONEnergy Inc.

As at and for the three and nine months ended September 30, 2018

Notice of No Audit or Review of Interim Financial Statements

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

The accompanying interim condensed consolidated financial statements of ONEnergy Inc. (the "Company") have been prepared by and are the responsibility of the Company's management and have been approved by the Company's Board of Directors. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ONEnergy Inc.

Interim Condensed Consolidated Statements of Financial Position (Unaudited, in thousands of Canadian dollars)

As at	Note	September 30, 2018	December 31, 2017
Assets			
Current assets			
Cash		\$ 50	\$ 268
Accounts and other receivables		595	681
Inventory		3	83
Prepaid expenses and deposits		31	23
		679	1,055
Assets classified as held for sale	5	23,936	28,800
		24,615	29,855
Non-current assets			
Property and equipment		151	204
Intangible assets		-	1
Total assets		\$ 24,766	\$ 30,060
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 10,807	\$ 6,210
Advances from Cricket Energy Holdings Inc.	5	2,339	3,478
Convertible note payable	7	1,075	1,183
Promissory note payable	8	172	203
Due to related party	10	300	-
		14,693	11,074
Liabilities relating to assets classified as held for sale	5	14,589	19,470
		29,282	30,544
Shareholders' equity			
Share capital	11	39,236	39,236
Contributed surplus		1,424	1,370
Accumulated other comprehensive income		245	318
Deficit		(45,421)	(41,408)
		(4,516)	(484)
Total liabilities and shareholders' equity		\$ 24,766	\$ 30,060

Commitments and contingencies (note 15)

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

Approved by the Board of Directors:

(Signed) – David Rattee
Director

(Signed) – Lawrence Silber
Director

ONEnergy Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (Unaudited, in thousands of Canadian dollars, except per share amounts)

Periods ended September 30	Note	Three months		Nine months	
		2018	2017	2018	2017
Continuing Operations					
Revenue	12	\$ (32)	\$ 159	\$ 193	\$ 1,710
Cost of sales	12,13	2	210	146	1,509
Gross margin		(34)	(51)	47	201
Expenses					
Selling	13	106	301	378	849
General and administrative	13	298	699	593	2,687
		404	1,000	971	3,536
Loss before the undernoted		(438)	(1,051)	(924)	(3,335)
Other gains (expenses)					
Finance income		35	-	35	2
Finance cost		(22)	(50)	(175)	(57)
Foreign exchange gain (loss)		-	6	(15)	7
Loss from continuing operations		(425)	(1,095)	(1,079)	(3,383)
Discontinued Operations					
Income (loss) from discontinued operations	5	275	(516)	(2,934)	(2,933)
Total loss		(150)	(1,611)	(4,013)	(6,316)
Other comprehensive income (loss)					
Unrealized gain (loss) on translation of foreign operations, classified as discontinued operations		26	(7)	(73)	1
Other comprehensive income (loss)		26	(7)	(73)	1
Total comprehensive loss		\$ (124)	\$ (1,618)	\$ (4,086)	\$ (6,315)
Loss per share from continuing operations					
Basic and diluted	11	\$ (0.02)	\$ (0.05)	\$ (0.05)	\$ (0.15)
Loss per share attributable to shareholders					
Basic and diluted	11	\$ (0.01)	\$ (0.06)	\$ (0.17)	\$ (0.26)
Weighted average number of shares outstanding					
Basic and diluted (in thousands)	11	23,975	23,975	23,975	23,975

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

ONEnergy Inc.

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

	Share capital (note 11)			Contributed surplus	Accumulated other comprehensive income	Shareholders' Equity
	Shares	Amount	Deficit			
Balance as at January 1, 2017	23,975	\$ 39,236	\$ (33,217)	\$ 1,273	\$ 272	\$ 7,564
Net loss for the period	-	-	(6,316)	-	-	(6,316)
Other comprehensive income	-	-	-	-	1	1
Stock compensation (note 11)	-	-	-	73	-	73
Balance as at September 30, 2017	23,975	\$ 39,236	\$ (39,533)	\$ 1,346	\$ 273	\$ 1,322
Balance as at January 1, 2018	23,975	\$ 39,236	\$ (41,408)	\$ 1,370	\$ 318	\$ (484)
Net loss for the period	-	-	(4,013)	-	-	(4,013)
Other comprehensive loss	-	-	-	-	(73)	(73)
Stock compensation (note 11)	-	-	-	54	-	54
Balance as at September 30, 2018	23,975	\$ 39,236	\$ (45,421)	\$ 1,424	\$ 245	\$ (4,516)

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

ONEnergy Inc.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited, in thousands of Canadian dollars)

Periods ended September 30	Note	Three months		Nine months	
		2018	2017	2018	2017
Cash flows from the following:					
Operating activities					
Loss from continuing operations		\$ (425)	\$ (1,095)	\$ (1,079)	\$ (3,383)
Items not affecting cash					
Depreciation of property and equipment		17	19	52	55
Amortization of intangible assets		-	3	1	8
Finance costs		22	50	175	57
Stock based compensation	11	7	24	54	73
Cash flows provided by (used in) operating activities of discontinued operations		(2,480)	(605)	(3,199)	92
Change in non-cash operating assets and liabilities	14	3,568	368	4,755	(18)
Cash provided by (used in) operating activities		709	(1,236)	759	(3,116)
Investing activities					
Increase in restricted cash		-	(1,052)	-	(2,021)
Cash flows provided by (used in) investing activities of discontinued operations		(270)	(15)	3,586	931
Cash provided by (used in) investing activities		(270)	(1,067)	3,586	(1,090)
Financing activities					
Finance costs recovered (paid)		27	(50)	(77)	(58)
Increase (decrease) in advances from Cricket Energy Holdings Inc.		354	321	(1,139)	1,172
Increase (decrease) in convertible note payable		(200)	1,114	(200)	1,114
Increase (decrease) in promissory note payable		172	-	(38)	-
Increase (decrease) in due to related party		(50)	-	300	-
Cash flows used in financing activities of discontinued operations		(1,073)	(132)	(3,510)	-
Cash provided by (used in) financing activities		(770)	1,253	(4,664)	2,228
Effect of foreign currency translation		(16)	(236)	101	(402)
Decrease in cash		(347)	(1,286)	(218)	(2,380)
Cash and cash equivalents, beginning of period		397	1,652	268	2,746
Cash and cash equivalents, end of period		\$ 50	\$ 366	\$ 50	\$ 366

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

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2018

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 unaudited interim condensed 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.;
- (e) 2594834 Ontario Inc.; and
- (f) 10927040 Canada 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 September 30, 2018 and December 31, 2017; see note 5(b). 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 September 30, 2018 and December 31, 2017; see note 5(a). 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 unaudited interim condensed consolidated financial statements were approved for issue by the Board of Directors on November 26, 2018.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2018

2. Summary of significant accounting policies

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. Unless otherwise disclosed, the accounting policies and methods of their application followed in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended December 31, 2017.

Basis of presentation

The notes presented in these unaudited interim condensed consolidated financial statements include only significant events and transactions and do not include all required disclosures as required under IFRS as issued by the IASB. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

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

The unaudited interim condensed 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 unaudited interim condensed 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 September 30, 2018, the Company has an accumulated deficit of \$45,421 (December 31, 2017 - \$41,408), including a net loss of \$150 and \$4,013 for the three and nine months ended September 30, 2018, respectively (net loss of \$1,611 and \$6,316 for the three and nine months ended September 30, 2017, respectively). 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.

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.

Principles of consolidation

The unaudited interim condensed 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.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements
(Unaudited, in thousands of Canadian dollars, except per share amounts)
For the three and nine months ended September 30, 2018

3. Significant accounting judgments, estimates and assumptions

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the audited consolidated financial statements for the year ended December 31, 2017.

4. Accounting policy developments

(a) Accounting standards applied in the reporting period

IFRS 2, Share-Based Payment was amended in June 2016 with “Amendment to IFRS 2 – Classification and Measurement of Share Based Payment Transactions.” These amendments address the classification and measurement of share-based payment transactions for a number of situations where existing guidance is not clear. The amendments were applied with an effective date of January 1, 2018 with no impact to the interim condensed consolidated financial statements.

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. Under the transitional provisions, management has opted to retain prior figures as reported under the previous standards, recognizing the cumulative effect, if any, of applying IFRS 9 as an adjustment to the opening balance of equity as at the date of initial application.

Upon adoption of the new standard, the classification of loans and receivables no longer exists and all financial assets classified as loans and receivables, including cash, restricted cash and accounts and other receivables, have been classified as financial assets at amortized cost. The Company’s energy derivatives continue to be classified as fair value through profit or loss. The Company’s financial liabilities except for energy derivatives also continue to be classified as financial liabilities at amortized cost.

The impact of applying IFRS 9, including the adoption of the ‘expected loss’ impairment model and the effects of own credit risk on the changes in fair value of liabilities at fair value through profit or loss, was determined to be insignificant. Accordingly, no adjustments were considered necessary to the unaudited interim condensed consolidated financial statements as a result of adopting IFRS 9 with an effective date of January 1, 2018.

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 standard is effective for annual periods beginning on or after January 1, 2018 and is required to be applied retrospectively to all contracts that are not complete on the date of initial application. Under the transitional provisions, management has opted to retain prior figures as reported under the previous standards, recognizing the cumulative effect, if any, of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application. Upon adoption of the new standard, the Company identified the following areas as being affected by the new standard:

- Costs incurred to acquire a customer contract are required to be recognized as an asset and amortized over the expected life of the contract. Prior to the adoption of IFRS 15, commissions incurred in obtaining Gas & Power contracts were expensed as incurred. Management has assessed the impact of contract acquisition costs related to contracts lasting for greater than one year and has determined the amount related to the change to be immaterial.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2018

- Under the Energy Efficiency segment, management has reviewed the contracts to identify distinct performance obligations and whether each identified obligation is satisfied over time or at a point in time. Prior to the adoption of IFRS 15, revenue from contracts in the Energy Efficiency segment was measured at a point of time, being at the time of completion of the project under contract. Management has assessed the impact of the timing of recognition of distinct performance obligations and concluded that certain contracts under the Energy Efficiency segment should be recognized over a period of time as certain of the contracts contain distinct performance obligations that enhance an asset ultimately controlled by the customer. However, based on the analysis conducted, the amount related to the change was determined to be immaterial.

Accordingly, no adjustments were made to the unaudited interim condensed consolidated financial statements as a result of adopting IFRS 15 with an effective date of January 1, 2018.

(b) Accounting standards issued but not yet applied

The IASB has issued the following standard and interpretation not yet adopted by the Company but will have an impact on future periods:

- IFRS 16, *Leases* – effective for annual periods beginning on or after January 1, 2019.

The changes are described in the audited consolidated financial statements for the year ended December 31, 2017. Management continues to assess the impact of this Standard on the consolidated financial statements. As at the date of these unaudited interim condensed consolidated financial statements, there have been no significant changes to the disclosure related to the implementation and potential effects of this Standard that was included in the audited consolidated financial statements for the year ended December 31, 2017.

5. 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 this is a non-core business. At September 30, 2018 and December 31, 2017 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 continued interest, Cricket advanced a further \$354 and \$1,851 in cash and working capital support during the three and nine months ended September 30, 2018, respectively. The advances carry no interest and are repayable on demand. Certain assets were sold to Cricket during the three and nine months ended September 30, 2018 with a portion of the proceeds used to repay the advances from Cricket. The balance outstanding as at September 30, 2018 was \$2,339 (December 31, 2017 - \$3,478). 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, that transaction was terminated in November 2017. The sale is subject to final Exchange approval and is expected to close during 2018.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2018

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

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Revenue	\$ 540	\$ 582	\$ 1,654	\$ 1,826
Cost of sales	-	(1)	-	11
Gross margin	540	583	1,654	1,815
Expenses				
Selling	1	19	(7)	62
General and administrative	66	72	180	299
	67	91	173	361
Income before the undernoted	473	492	1,481	1,454
Other gains (expenses)				
Finance income	-	4	-	4
Finance cost	(175)	(223)	(550)	(704)
Gain (loss) on disposal of equipment	(36)	50	(38)	86
Foreign exchange loss	-	-	(1)	-
Impairment loss recognized on the remeasurement to estimated fair value less costs to sell	(315)	(429)	(1,027)	(1,156)
Loss from discontinued operations	\$ (53)	\$ (106)	\$ (135)	\$ (316)
Loss per share from discontinued operations				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

Deferred tax assets have not been recognized for the following:

As at	September 30, 2018	December 31, 2017
Non-capital tax loss carry-forwards	\$ 404	\$ 170
Excess of tax over book basis – property and equipment	752	950
	\$ 1,156	\$ 1,120

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

Year	Amount
2032	\$ 1,047
2033	120
2034	359
	\$ 1,526

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements
(Unaudited, in thousands of Canadian dollars, except per share amounts)
For the three and nine months ended September 30, 2018

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

As at	September 30, 2018	December 31, 2017
Assets		
Current assets		
Restricted cash	\$ 315	\$ 466
	315	466
Non-current assets		
Property and equipment	9,363	14,346
Assets classified as held for sale	\$ 9,678	\$ 14,812
Liabilities		
Current liabilities		
Current portion of long-term debt (note 9)	1,690	1,736
	1,690	1,736
Non-current liabilities		
Long-term debt (note 9)	5,551	7,145
Liabilities relating to assets classified as held for sale	\$ 7,241	\$ 8,881

Following the classification as discontinued operations, an impairment loss of \$315 and \$1,027 was recognized during the three and nine months ended September 30, 2018, respectively (impairment loss of \$429 and \$1,156 during the three and nine months ended September 30, 2017, respectively) 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 unaudited interim condensed consolidated statement of loss.

The major categories of expenses are as follows:

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Cost of equipment sales	\$ -	\$ (1)	\$ -	\$ 11
Selling cost	-	10	(15)	31
Personnel	-	20	20	60
Professional fees	1	1	1	6
Office and other expenses	66	60	167	264
	\$ 67	\$ 90	\$ 173	\$ 372

Periods ended September 30	Three months		Nine months	
Reported as	2018	2017	2018	2017
Cost of sales	\$ -	\$ (1)	\$ -	\$ 11
Selling	1	19	(7)	62
General and administrative	66	72	180	299
	\$ 67	\$ 90	\$ 173	\$ 372

(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 regulated environment requiring significant working capital commitments along with challenging weather conditions and volatility in wholesale energy prices. As a result, Gas & Power has experienced operating losses since the third quarter of 2017. The disposition of Gas & Power is expected to be

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2018

completed during 2018. At September 30, 2018 and December 31, 2017 Gas & Power was classified as held for sale and as a discontinued operation.

On October 4, 2018, the Company announced that it entered into a definitive agreement with C Wave Power & Gas Inc. for the sale of ONEnergy's U.S. Gas & Power business. See note 18 for additional information.

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

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Revenue	\$ 11,194	\$ 11,844	\$ 32,931	\$ 32,900
Cost of sales	11,549	12,134	34,522	31,910
Gross margin	(355)	(290)	(1,591)	990
Expenses				
Selling	518	422	1,311	1,325
General and administrative	351	452	1,126	1,540
	869	874	2,437	2,865
Loss before the undernoted	(1,224)	(1,164)	(4,028)	(1,875)
Other gains (expenses)				
Change in fair value of derivative instruments (note 15)	1,645	857	1,542	(502)
Finance income	22	11	55	21
Finance cost	(116)	(120)	(356)	(252)
Foreign exchange gain (loss)	1	6	(12)	(9)
Income (loss) from discontinued operations	\$ 328	\$ (410)	\$ (2,799)	\$ (2,617)

Earnings (loss) per share from discontinued operations

Basic and diluted	\$ 0.01	\$ (0.01)	\$ (0.12)	\$ (0.10)
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The following table presents Gas & Power's revenue for the nine months ended September 30, 2018 disaggregated by revenue source:

	Canada	United States	Total
Product type:			
Natural gas	\$ 1,049	\$ -	\$ 1,049
Electricity	1,167	30,715	31,882
	\$ 2,216	\$ 30,715	\$ 32,931
Customer type:			
Residential	\$ 938	\$ 14,904	\$ 15,842
Commercial	1,278	15,811	17,089
	\$ 2,216	\$ 30,715	\$ 32,931

Deferred tax assets have not been recognized for the following:

As at	September 30, 2018	December 31, 2017
Non-capital tax loss carry-forwards	\$ 4,093	\$ 3,209
Excess of tax over book basis	100	189
	\$ 4,193	\$ 3,398

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2018

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

Year	Amount
2032	\$ 68
2033	1,726
2034	4,943
2036	719
2037	3,600
2038	3,136
	\$ 14,192

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

As at	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash	\$ (11)	\$ 14
Restricted cash	6,051	5,567
Accounts and other receivables	5,337	6,643
Natural gas delivered in excess of consumption	332	361
Prepaid expenses and deposits	24	37
Current portion of energy derivatives (note 16)	1,270	649
	13,003	13,271
Non-current assets		
Energy derivatives (note 16)	709	171
Goodwill	546	546
Assets classified as held for sale	\$ 14,258	\$ 13,988
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,037	\$ 5,004
Payments received in advance of consumption	254	354
Credit facility (note 6)	3,917	4,729
Current portion of energy derivative (note 16)	125	418
	7,333	10,505
Non-current liabilities		
Energy derivative (note 16)	15	84
Liabilities relating to assets classified as held for sale	\$ 7,348	\$ 10,589

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2018

The major categories of expenses are as follows:

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Cost of gas and electricity	\$ 11,549	\$ 12,134	\$ 34,522	\$ 31,910
Selling cost	277	192	772	513
Personnel	202	326	723	1,202
Professional fees	185	73	345	260
Occupancy	3	2	6	5
Office and other expenses	202	235	591	699
Depreciation and amortization	-	46	-	186
	\$ 12,418	\$ 13,008	\$ 36,959	\$ 34,775

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Reported as				
Cost of sales	\$ 11,549	\$ 12,134	\$ 34,522	\$ 31,910
Selling	518	422	1,311	1,325
General and administrative	351	452	1,126	1,540
	\$ 12,418	\$ 13,008	\$ 36,959	\$ 34,775

6. 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 September 30, 2018, LIBOR was 2.40% (December 31, 2017 – 1.69%). 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. While reserving its rights under the agreements, including repayment of all amounts due, Shell Energy has agreed to continue to perform under the terms of the agreements until the completion of the sale of ONEnergy's U.S. Gas & Power business to C Wave Power & Gas Inc. See note 18 for additional information.

The agreements are secured by a general security agreement and a pledge of Gas & Power's assets and subject to certain covenant restrictions. As at September 30, 2018, 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 September 30, 2018, Gas & Power had \$3,917 (US\$3,026) (December 31, 2017 - \$4,081) outstanding under the U.S. collateral credit facility and \$NIL (US\$NIL) (December 31, 2017 - \$648) outstanding under the U.S.

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revolving credit facility. In 2017 and 2018, no advances were drawn on the Canadian credit facilities. Under the U.S. credit facilities, amounts are available in US\$5,000 tranches depending on monthly delivered volumes. As at September 30, 2018, a total of US\$5,000 (December 31, 2017 – US\$5,000) was available to be drawn on these facilities. Under the Canadian credit facilities, a total of \$1,000 (December 31, 2017 - \$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 of triggering milestones, and that the milestones that would trigger a payment may occur at any point over the life of the agreements, as at September 30, 2018 and December 31, 2017 management does not believe it is reasonably possible to estimate either the timing or the amount of such participation payment. No amount for a participation payment to Shell Energy has been accrued as at September 30, 2018 and December 31, 2017.

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

7. Convertible note payable

As at	September 30, 2018	December 31, 2017
Principal	\$ 1,000	\$ 1,200
Accrued interest payable	75	60
Less: unamortized transaction costs	-	(77)
	\$ 1,075	\$ 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.

On July 27, 2018, the Company repaid \$200 of the \$1,200 principal then due. An additional interest rate penalty of 4.0% is applied until the Convertible Note has been repaid in full. The remaining principal and accrued interest is currently due and payable.

8. Promissory note payable

As at	September 30, 2018	December 31, 2017
Principal	\$ 172	\$ 210
Less: unamortized transaction costs	-	(7)
	\$ 172	\$ 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 matured on March 31, 2018. Included in the Promissory Notes was \$100 advanced by a director. The principal and corresponding interest on the Promissory Notes were repaid in April 2018.

ONEnergy Inc.

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During July 2018, the Company entered into agreements to issue an additional \$202 of Promissory Notes. The Promissory Notes bear interest at 8% per annum and mature on December 15, 2018. The principal and corresponding interest on \$30 of the Promissory Notes were repaid in August 2018.

9. Long-term debt

As at	September 30, 2018	December 31, 2017
Equipment financing		
Principal	\$ 7,228	\$ 8,862
Accrued Interest payable	13	19
	7,241	8,881
Less: transfer to liabilities relating to assets classified as held for sale (note 5)	(7,241)	(8,881)
	\$ -	\$ -

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 \$315 (December 31, 2017 - \$466) 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.

10. Due to related party

The due to related party is comprised of amounts advanced by a director to the Company. The advances are non-interest bearing and are repayable on or before December 15, 2018.

11. 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 September 30, 2018 and December 31, 2017	23,975 \$ 39,236

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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For the three and nine months ended September 30, 2018

(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, 2018	5.85	662	\$ 1.24
Granted		-	-
Forfeited		(11)	-
Outstanding as at September 30, 2018	5.07	651	\$ 1.25
Exercisable as at December 31, 2017	5.78	553	1.28
Exercisable as at September 30, 2018	5.03	627	\$ 1.28

The Company uses the Black-Scholes option pricing model to estimate fair value of options granted. No options were granted during the three and nine months ended September 30, 2018.

(d) Loss per share

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Loss from continuing operations	\$ (425)	\$ (1,095)	\$ (1,079)	\$ (3,383)
Loss attributable to shareholders	\$ (150)	\$ (1,611)	\$ (4,013)	\$ (6,316)
Weighted average number of shares outstanding (in thousands)	23,975	23,975	23,975	23,975
Basic and diluted loss per share from continuing operations	\$ (0.02)	\$ (0.05)	\$ (0.05)	\$ (0.15)
Basic and diluted loss per share attributable to shareholders	\$ (0.01)	\$ (0.06)	\$ (0.17)	\$ (0.26)

Basic loss per share is calculated by dividing the total loss by the weighted average number of shares outstanding during the period. Outstanding stock options, as at September 30, 2018, of 651 (September 30, 2017 – 725) and Deferred Share Units ("DSUs"), as at September 30, 2018, of 666 (September 30, 2017 – 410) have not been factored into the calculation as they are considered anti-dilutive.

(e) Deferred share unit plan

During 2018, the Company awarded 160 DSUs to non-executive directors.

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
Outstanding as at January 1, 2018	506	\$ 0.42
Granted	160	0.20
Outstanding as at September 30, 2018	666	\$ 0.36

During the three and nine months ended September 30, 2018 the Company recorded compensation expense of \$10 and \$32, respectively (three and nine months ended September 30, 2017 of \$NIL and \$25, respectively) related to the DSUs granted. As at September 30, 2018, a liability of \$133 (December 31, 2017 – \$101) related to the DSUs granted is included in accrued liabilities.

ONEnergy Inc.

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

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12. Segment disclosure

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 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 unaudited interim condensed consolidated financial statements. The Company is not considered to have any key customers.

For the three months ended September 30, 2018

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ (32)	\$ (32)
Cost of sales	-	-	2	2
Gross margin	-	-	(34)	(34)
Selling	-	-	106	106
General and administrative	-	-	298	298
Loss before the undernoted	-	-	(438)	(438)
Finance income	-	-	35	35
Finance cost	-	-	(22)	(22)
Loss from continuing operations	-	-	(425)	(425)
Discontinued operations (note 5)	328	(53)	-	275
Income (loss) for the period	\$ 328	\$ (53)	\$ (425)	\$ (150)

For the three months ended September 30, 2017

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ 159	\$ 159
Cost of sales	-	-	210	210
Gross margin	-	-	(51)	(51)
Selling	-	-	301	301
General and administrative	-	-	699	699
Loss before the undernoted	-	-	(1,051)	(1,051)
Finance cost	-	-	(50)	(50)
Foreign exchange gain	-	-	6	6
Loss from continuing operations	-	-	(1,095)	(1,095)
Discontinued operations (note 5)	(410)	(106)	-	(516)
Loss for the period	\$ (410)	\$ (106)	\$ (1,095)	\$ (1,611)

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For the three and nine months ended September 30, 2018

For the nine months ended September 30, 2018

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ 193	\$ 193
Cost of sales	-	-	146	146
Gross margin	-	-	47	47
Selling	-	-	378	378
General and administrative	-	-	593	593
Loss before the undernoted	-	-	(924)	(924)
Finance income	-	-	35	35
Finance cost	-	-	(175)	(175)
Foreign exchange loss	-	-	(15)	(15)
Loss from continuing operations	-	-	(1,079)	(1,079)
Discontinued operations (note 5)	(2,799)	(135)	-	(2,934)
Loss for the period	\$ (2,799)	\$ (135)	\$ (1,079)	\$ (4,013)

For the nine months ended September 30, 2017

	Gas & Power	Home Comfort	Corporate and Others	Consolidated
Revenue	\$ -	\$ -	\$ 1,710	\$ 1,710
Cost of sales	-	-	1,509	1,509
Gross margin	-	-	201	201
Selling	-	-	849	849
General and administrative	-	-	2,687	2,687
Loss before the undernoted	-	-	(3,335)	(3,335)
Finance income	-	-	2	2
Finance cost	-	-	(57)	(57)
Foreign exchange gain	-	-	7	7
Loss from continuing operations	-	-	(3,383)	(3,383)
Discontinued operations (note 5)	(2,617)	(316)	-	(2,933)
Loss for the period	\$ (2,617)	\$ (316)	\$ (3,383)	\$ (6,316)

Geographic information

Revenue from total operations from external customers:

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Canada	\$ 1,003	\$ 1,387	\$ 4,063	\$ 6,093
United states	10,699	11,198	30,715	30,343
	\$ 11,702	\$ 12,585	\$ 34,778	\$ 36,436

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.

ONEnergy Inc.

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13. Expenses

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Cost of equipment sales	\$ 2	\$ 210	\$ 146	\$ 1,509
Selling cost	2	20	18	99
Personnel	214	257	678	855
Professional fees	22	425	372	1,143
Litigation costs (note 13(b))	24	85	(537)	893
Occupancy	55	56	163	153
Office and other expenses	70	135	224	330
Depreciation and amortization	17	22	53	63
	\$ 406	\$ 1,210	\$ 1,117	\$ 5,045

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Reported as				
Cost of sales	\$ 2	\$ 210	\$ 146	\$ 1,509
Selling	106	301	378	849
General and administrative	298	699	593	2,687
	\$ 406	\$ 1,210	\$ 1,117	\$ 5,045

14. Supplemental cash flow information

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

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Accounts receivable and other receivables	\$ 584	\$ (1)	\$ 86	\$ (590)
Inventory	2	(11)	80	176
Natural gas delivered in excess of consumption	-	(230)	-	(104)
Prepaid expenses and deposits	(3)	32	(8)	121
Accounts payable and accrued liabilities	2,985	311	4,597	210
Payments received in advance of consumption	-	267	-	169
	\$ 3,568	\$ 368	\$ 4,755	\$ (18)

15. Commitments and contingencies

(a) Commitments

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

September 30, 2018

	Between one			Total
	Less than one year	and five years	More than five years	
Non-cancellable lease	\$ 241	\$ 184	\$ -	\$ 425
Non-cancellable sublease	(179)	(26)	-	(205)
	\$ 62	\$ 158	\$ -	\$ 220

(b) Contingencies

(i) Statement of Claim by Norton Rose Fulbright LLP:

On August 30, 2018, the Company was served with a Statement of Claim ("NRF Claim") filed in the Ontario Superior Court of Justice by Norton Rose Fulbright Canada LLP ("Norton Rose") claiming damages of \$775 in connection with the provision of legal services, advice and representation ("Legal Services") to ONEnergy.

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Norton Rose remitted invoices to the Company for Legal Services of which approximately \$775 remain unpaid. The Company has recorded the invoices as normal course trade payables when received and as such the entire amount of the NRF Claim is reflected in the Company's current liabilities under accounts payable and accrued liabilities.

On September 18, 2018, the Company filed a Notice of Intent to Defend. The Company has made a settlement offer to Norton Rose and continues to negotiate terms of a settlement.

Norton Rose represented ONEnergy in its claim against the McGoey Defendants (see (ii) Statement of Claim against Gerald McGoey below). The Company received a favourable judgement in its claim, which included an award for legal costs, however the Company is still pursuing collection from the McGoey Defendants.

(ii) Statement of Claim against Gerald McGoey:

On June 1, 2017, Justice Conway of the Ontario Superior Court of Justice granted judgment in favour of the Company against the Company's former CEO Gerald McGoey and his personal service company Jolian Investments Limited (collectively 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. On November 14, 2017, 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 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 (the "Court of Appeal"). On July 30, 2018, the McGoey Defendants filed a Notice of Abandonment of Appeal with the Court of Appeal.

- (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 6) upon certain triggering events occurring.

16. 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.

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.

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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 period would have been \$1,246 lower, whereas if forward spot prices decreased by 10%, loss for the period would have been \$1,246 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.

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.

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

As at	September 30, 2018	December 31, 2017
Accounts and other receivables		
Current	\$ 5,816	\$ 6,943
31- 90 days	46	283
Over 90 days	70	98
	\$ 5,932	\$ 7,324

The Company's maximum assessed exposure to credit risk, as at September 30, 2018 and December 31, 2017, 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, financial leases, long-term debt and commitments.

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.

At September 30, 2018, 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)	328 MWh / 404 MWh
Total remaining notional volume	732 MWh
Maturity dates	December 31, 2018
Fixed price per MWh (in dollars)	\$28.05 to \$47.34
Fair value favourable/(unfavourable)	\$(13)
Notional value	\$14

Physical electricity forward contracts – U.S.

Notional volumes (on-peak/off-peak)	114,795 MWh / 105,187 MWh
Total remaining notional volume	219,982 MWh
Maturity dates	November 30, 2018 to November 30, 2022
Fixed price per MWh (in U.S. dollars)	\$27.70 to \$52.65
Fair value favourable/(unfavourable) (in U.S. dollars)	\$1,528
Notional value (in U.S. dollars)	\$10,251

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Natural gas forward contracts - Canada

Total remaining notional volume	134,430 GJ
Maturity dates	November 30, 2018 to October 31, 2020
Fixed price per GJ (in dollars)	\$2.77 to \$4.55
Fair value favourable/(unfavourable)	\$(130)
Notional value	\$274

Change in fair value of derivative instruments:

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Fixed-for-floating electricity swaps	\$ 22	\$ 112	\$ 91	\$ (25)
Physical electricity forward contracts	1,521	750	1,200	(250)
Natural gas forward contracts	102	(5)	251	(227)
	\$ 1,645	\$ 857	\$ 1,542	\$ (502)

Fair Values

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

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

As at September 30, 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	\$ 39	\$ -	\$ -	\$ 39
Restricted cash	6,366	-	-	6,366
Accounts and other receivables	-	5,932	-	5,932
Energy derivatives	-	-	1,979	1,979
Financial liabilities				
Accounts payable and accrued liabilities	-	(13,844)	-	(13,844)
Payments received in advance of consumption	-	(254)	-	(254)
Credit facility	-	(3,917)	-	(3,917)
Advances from Cricket Energy Holdings Inc.	-	(2,339)	-	(2,339)
Convertible note payable	-	(1,075)	-	(1,075)
Promissory note payable	-	(172)	-	(172)
Due to related party	-	(300)	-	(300)
Energy derivatives	-	-	(140)	(140)
Long-term debt	-	(7,241)	-	(7,241)
	\$ 6,405	\$ (23,210)	\$ 1,839	\$ (14,966)

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2018

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)

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:

Periods ended September 30	Three months		Nine months	
	2018	2017	2018	2017
Balance, beginning of period	\$ 218	\$ (1,023)	\$ 318	\$ 309
Gains (losses)	984	(197)	1,116	(378)
Purchases	-	76	429	166
Settlements	637	996	(24)	(245)
Balance, end of period	\$ 1,839	\$ (148)	\$ 1,839	\$ (148)

Classification of financial assets and liabilities

As at September 30, 2018 and December 31, 2017 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.

ONEnergy Inc.

Notes to the interim condensed consolidated financial statements

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

For the three and nine months ended September 30, 2018

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 nine months ended September 30, 2018, assuming that all the other variables had remained constant, comprehensive loss would have been \$126 lower/higher (nine months ended September 30, 2017 – comprehensive loss \$72 lower/higher).

17. Acquisition of Suske Parties

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 (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.

A definitive agreement ("Definitive Agreement") is being negotiated between ONEnergy and Suske Capital, on behalf of the Suske Parties, which will set forth the detailed terms and conditions of the Transaction as are customary for transactions of this nature. As required under the policies of the Exchange, the Transaction would be subject to the approval of the Company's shareholders and the Exchange.

18. Sale of U.S. Gas & Power Business to C Wave

On October 4, 2018, the Company announced that it entered into a definitive agreement with C Wave Power & Gas Inc. ("C Wave"), under which C Wave will acquire ONEnergy's U.S. Gas & Power business (the "C Wave Transaction") for cash consideration of U.S. \$9,700 (including working capital), subject to customary post-closing adjustments. To satisfy any claims that may arise under the definitive agreement, U.S. \$300 of the cash consideration will be paid into escrow for an 18 month period following the close of the C Wave Transaction. The proceeds from the C Wave Transaction will be used to repay the Company's credit facility, transaction costs and other liabilities of approximately U.S.\$8,900.

C Wave will acquire all the outstanding common shares of Sunwave USA Holdings Inc., which together with its subsidiaries, forms ONEnergy's U.S. Gas & Power business. The U.S. Gas & Power business comprises the Company's U.S. energy retailer business with electricity customers in Connecticut, Pennsylvania, Massachusetts and Ohio.

As required under the policies of the Exchange, the C Wave Transaction will be subject to the approval of the Company's shareholders and the Exchange. The Company received shareholder approval at a special meeting of shareholders held on November 26, 2018.

The C Wave Transaction is also subject to the receipt of required regulatory approvals and consents, including approval by the United States Federal Energy Regulatory Commission, and the satisfaction of the other closing conditions described in the definitive agreement.